

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

**Ticker: 5288**

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REVIEW REPORT OF INDEPENDENT AUDITORS  
AS OF MARCH 31, 2022 AND 2021  
AND FOR THE THREE-MONTH PERIODS THEN ENDED  
(REVIEWED BUT UNAUDITED)**

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

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

English Translation of 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 AUDITORS**

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

**Introduction**

We have reviewed the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the "Company") and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended and the notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements"). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

**Scope of Review**

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

## **Basis for Qualified Conclusion**

As disclosed in Note 6(6), 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\$310,256 thousand and NT\$285,059 thousand as of March 31, 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$5,493 thousand and NT\$7,298 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$6,214 thousand and NT\$(940) thousand for the three-month periods then ended, respectively. The information related to above-mentioned associates and joint ventures accounted for under the equity method disclosed in Note 13 was not reviewed by independent accountants either.

## **Qualified Conclusion**

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain associates and joint ventures accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2022 and 2021, and their consolidated financial performance and cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Chang, Chi-Ming

Chen, Kuo-Shuai

Ernst & Young, Taiwan

April 28, 2022

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.*

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

As of March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are reviewed but unaudited)  
(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets		As of		
Accounts	Notes	March 31, 2022	December 31, 2021	March 31, 2021
<b>Current assets</b>				
Cash and cash equivalents	6(1)	\$1,076,363	\$1,146,745	\$965,310
Financial assets measured at amortized cost	6(2)	165,735	160,254	669,992
Trade receivables	6(3), 6(17), 8	971,052	794,161	682,765
Trade receivables-related parties	6(3), 6(17), 7	315,552	326,242	189,830
Other receivables		8,414	9,075	9,506
Other receivables-related parties	7	2,656	1,585	116,620
Current tax assets		-	725	751
Inventories	6(4), 8	1,216,499	1,290,201	730,998
Prepayments	7	141,020	85,793	66,606
Other current assets		145,497	109,454	71,534
Total current assets		4,042,788	3,924,235	3,503,912
<b>Non-current assets</b>				
Financial assets measured at fair value through other comprehensive income	6(5)	55,705	55,705	53,468
Financial assets measured at amortized cost	6(2)	14,044	13,100	13,183
Investment accounted for under the equity method	6(6)	310,256	294,594	285,059
Property, plant and equipment	6(7), 8	2,072,746	1,942,722	1,239,704
Right-of-use assets	6(20), 7	304,385	293,777	307,650
Investment property	6(8)	44,832	33,626	36,046
Intangible assets	6(9)	4,637	4,835	5,915
Deferred tax assets	6(22)	3,204	4,205	3,363
Other non-current assets	6(10)	33,144	60,053	81,148
Total non-current assets		2,842,953	2,702,617	2,025,536
<b>Total assets</b>		<b>\$6,885,741</b>	<b>\$6,626,852</b>	<b>\$5,529,448</b>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - (CONTINUED)

As of March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		As of		
Accounts	Notes	March 31, 2022	December 31, 2021	March 31, 2021
Current liabilities				
Short-term borrowings	6(11), 8	\$2,231,997	\$2,093,916	\$1,366,258
Contract liabilities	6(16)	73,051	70,149	82,331
Trade payables		421,178	512,240	400,116
Trade payables-related parties	7	19,282	30,167	4,115
Other payables	6(12)	545,183	390,359	470,962
Current tax liabilities	6(22)	149,823	121,860	164,232
Lease liabilities	6(20)	3,266	3,130	3,130
Lease liabilities-related parties	6(20), 7	1,895	-	1,435
Other current liabilities		1,602	1,766	1,495
Refund liabilities		29,301	28,284	29,017
Total current liabilities		3,476,578	3,251,871	2,523,091
Non-current liabilities				
Deferred tax liabilities	6(22)	16,410	16,410	16,410
Lease liabilities	6(20)	4,696	5,332	7,886
Lease liabilities-related parties	6(20), 7	1,435	-	-
Other non-current liabilities	6(13), 6(14)	14,039	13,640	12,649
Total non-current liabilities		36,580	35,382	36,945
Total liabilities		3,513,158	3,287,253	2,560,036
Equity attributable to shareholders of the parent				
Capital	6(15)			
Common stock		658,262	658,262	658,262
Capital surplus	6(15)	836,782	836,782	836,782
Retained earnings	6(15)			
Legal reserve		155,069	155,069	-
Special reserve		620,146	620,146	332,900
Unappropriated Earnings		1,570,379	1,690,315	1,680,134
Other components of equity		(487,450)	(641,588)	(538,666)
Non-controlling interests	6(15), 6(24)	19,395	20,613	-
Total equity		3,372,583	3,339,599	2,969,412
Total liabilities and equity		\$6,885,741	\$6,626,852	\$5,529,448

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

Description	Notes	For the 3-month periods ended March 31,	
		2022	2021
Operating revenues	6(16), 7	\$1,792,512	\$1,317,593
Operating costs	6(18), 7	(1,468,546)	(1,022,566)
Gross profit		323,966	295,027
Realized (Unrealized) sales profit		227	(334)
Gross profit, net		324,193	294,693
Operating expenses	6(18), 7		
Sales and marketing		(28,578)	(21,336)
General and administrative		(53,498)	(46,581)
Research and development		(19,896)	(18,938)
Expected credit losses	6(17)	-	-
Operating expenses total		(101,972)	(86,855)
Operating income		222,221	207,838
Non-operating incomes and expenses			
Other incomes	6(19), 7	14,250	13,225
Other gains and losses	6(19), 7	(10,319)	(541)
Finance costs	6(19), 7	(6,917)	(3,454)
Share of profit or loss of associates and joint ventures accounted for under the equity method	6(6)	5,493	7,298
Non-operating incomes and expenses total		2,507	16,528
Income before income tax		224,728	224,366
Income tax expense	6(22)	(50,371)	(47,458)
Net income		174,357	176,908
Other comprehensive income (loss)	6(21)		
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		148,631	(14,142)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		6,214	(940)
Total other comprehensive income, net of tax		154,845	(15,082)
Total comprehensive income		\$329,202	\$161,826
Net income (loss) attributable to:			
Stockholders of the parent		\$176,282	\$176,908
Non-controlling interests		(1,925)	-
		\$174,357	\$176,908
Total comprehensive income (loss) attributable to:			
Stockholders of the parent		\$330,420	\$161,826
Non-controlling interests		(1,218)	-
		\$329,202	\$161,826
Earnings per share-basic (in NTD)	6(23)	\$2.68	\$2.69
Earnings per share-diluted (in NTD)	6(23)	\$2.67	\$2.68

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



English Translation of Consolidated Financial Statements Originally Issued in Chinese

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

For the three-month periods ended March 31, 2022 and 2021 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent							Non-controlling Interests	Total Equity
	Share capital		Retained Earnings			Other Components of equity	Total		
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations			
Balance as of January 1, 2021	\$658,262	\$836,782	\$-	\$332,900	\$1,766,531	\$(523,584)	\$3,070,891	\$-	\$3,070,891
Appropriation and distribution of 2020 earnings:									
Cash dividends-common shares					(263,305)		(263,305)		(263,305)
Net income for the first quarter of 2021					176,908		176,908		176,908
Other comprehensive income (loss) for the first quarter of 2021						(15,082)	(15,082)		(15,082)
Total comprehensive income (loss)	-	-	-	-	176,908	(15,082)	161,826	-	161,826
Balance as of March 31, 2021	<u>\$658,262</u>	<u>\$836,782</u>	<u>\$-</u>	<u>\$332,900</u>	<u>\$1,680,134</u>	<u>\$(538,666)</u>	<u>\$2,969,412</u>	<u>\$-</u>	<u>\$2,969,412</u>
Balance as of January 1, 2022	\$658,262	\$836,782	\$155,069	\$620,146	\$1,690,315	\$(641,588)	\$3,318,986	\$20,613	\$3,339,599
Appropriation and distribution of 2021 earnings:									
Cash dividends-common shares					(296,218)		(296,218)		(296,218)
Net income for the first quarter of 2022					176,282		176,282	(1,925)	174,357
Other comprehensive income (loss) for the first quarter of 2022						154,138	154,138	707	154,845
Total comprehensive income (loss)	-	-	-	-	176,282	154,138	330,420	(1,218)	329,202
Balance as of March 31, 2022	<u>\$658,262</u>	<u>\$836,782</u>	<u>\$155,069</u>	<u>\$620,146</u>	<u>\$1,570,379</u>	<u>\$(487,450)</u>	<u>\$3,353,188</u>	<u>\$19,395</u>	<u>\$3,372,583</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 three-month periods ended March 31, 2022 and 2021 (Reviewed but unaudited)  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the 3-month periods ended March 31,		Items	For the 3-month periods ended March 31,	
	2022	2021		2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$224,728	\$224,366	Acquisition of financial assets measured at fair value through other comprehensive income	-	(34,037)
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:			Decrease (Increase) in financial assets measured at amortized cost	(6,425)	48,884
Depreciation (include investment property)	59,567	40,240	Acquisition of investment accounted for under the equity method	-	(119,504)
Amortization	782	1,108	Acquisition of property, plant and equipment	(159,429)	(201,290)
Interest expense	6,917	3,454	Proceeds from disposal of property, plant and equipment	1,085	-
Interest income	(4,505)	(5,082)	Acquisition of intangible assets	(372)	(636)
Share of profit or loss of associates and joint ventures accounted for under the equity method	(5,493)	(7,298)	Net cash provided by (used in) investing activities	(165,141)	(306,583)
Loss (Gain) on disposal of property, plant and equipment	(640)	9	Cash flows from financing activities:		
Unrealized (Realized) sales profit	(227)	334	Increase in (Repayment of) short-term borrowings	138,081	156,278
Changes in operating assets and liabilities:			Increase (Decrease) in guarantee deposits	515	(534)
Trade receivables	(177,445)	(29,553)	Repayment of lease liability principal	(1,257)	(1,321)
Trade receivables-related parties	10,690	44,512	Net cash provided by (used in) financing activities	137,339	154,423
Other receivables	(822)	(2,673)	Effect of exchange rate changes	61,531	(7,107)
Other receivables-related parties	(1,071)	(11,391)	Net increase (decrease) in cash and cash equivalents	(70,382)	(78,402)
Inventories	73,702	(144,021)	Cash and cash equivalents at beginning of period	1,146,745	1,043,712
Prepayments	(55,227)	(5,440)	Cash and cash equivalents at end of period	\$1,076,363	\$965,310
Other current assets	(36,043)	(10,816)			
Contract liabilities	2,902	(3,999)			
Notes payables	-	(4)			
Trade payables	(91,062)	66,360			
Trade payables-related parties	(10,885)	(59)			
Other payables	(76,328)	(60,331)			
Other current liabilities	(164)	(41)			
Net defined benefit liabilities	(116)	(114)			
Refund liabilities	1,017	(118)			
Cash generated from (used in) operations	(79,723)	99,443			
Interest received	6,018	14,299			
Interest paid	(7,709)	(3,681)			
Income tax paid	(22,697)	(29,196)			
Net cash provided by (used in) operating activities	(104,111)	80,865			

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2021 and 2020 and for the three-month periods then ended

(REVIEWED BUT UNAUDITED)

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

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1. HISTORY AND ORGANIZATION

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

The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on September 23, 2014 and started trading on September 25, 2014. The Company's registered office is at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town KY1-1106, Grand Cayman, Cayman Islands. The main business locations are Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam and No.15, Ln. 315 and Xinshu Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.)

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the three-month periods ended March 31, 2022 and 2021 were authorized for issue by the board of directors on April 28, 2022.

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, 2022. 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction-Amendments to IAS 12	January 1, 2023

- (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)

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

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

(c) 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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 assesses that there will be no significant impact on the Group.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2022 and 2021 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.

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)

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, 2021. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2021.

(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 Group's consolidated financial statements as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For the principles of consolidation, please refer to Note 4(3) of the Group's consolidated financial statements for the year ended December 31, 2021.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
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 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		
			Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Limited	Trading activities	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Plastic dipping and processing	55% (Note)	55% (Note)	-%

Note: On April 30, 2021, the Company's board of directors resolved to invest in Vietnam Eurocharm Ways Plastics Company Limited. The amount was US\$1,100 thousand and the percentage of ownership was 55%.

(4) Income taxes

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)

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the three-month period ended March 31, 2022 as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For significant accounting judgments, estimates and assumptions, please refer to Note 5 to the Group's consolidated financial statements for the year ended December 31, 2021.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Cash on hand	\$664	\$725	\$788
Checking and saving	400,594	408,188	403,581
Time deposits matured within three months	675,105	737,832	560,941
Total	<u>\$1,076,363</u>	<u>\$1,146,745</u>	<u>\$965,310</u>

(2) Financial assets measured at amortized cost

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Time deposits	<u>\$179,779</u>	<u>\$173,354</u>	<u>\$683,175</u>
Current	\$165,735	\$160,254	\$669,992
Non-current	14,044	13,100	13,183
Total	<u>\$179,779</u>	<u>\$173,354</u>	<u>\$683,175</u>

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

(3) Trade receivables and trade receivables-related parties

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

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Trade receivables	\$987,268	\$809,823	\$698,826
Less: loss allowance	(16,216)	(15,662)	(16,061)
Subtotal	971,052	794,161	682,765
Trade receivables from related parties	315,552	326,242	189,830
Less: loss allowance	-	-	-
Subtotal	315,552	326,242	189,830
Total	\$1,286,604	\$1,120,403	\$872,595

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

(c) Trade receivables are generally on 15~90 days terms. The total carrying amounts were NT\$1,302,820 thousand, NT\$1,136,065 thousand and NT\$888,656 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively. Please refer to Note 6(17) for more details on loss allowance of trade receivables for the three-month periods ended March 31, 2022 and 2021, respectively. Please refer to Note 12 for more details on credit risk.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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(4) Inventories

(a) Details of inventories are listed below:

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Raw materials and Supplies	\$552,279	\$585,930	\$327,097
Work in progress	387,758	408,669	306,401
Finished goods	275,854	295,014	95,175
Merchandises	608	588	2,325
Total	<u>\$1,216,499</u>	<u>\$1,290,201</u>	<u>\$730,998</u>

(b) The cost of inventories recognized in expenses amounted to NT\$1,468,546 thousand and NT\$1,022,566 thousand for the three-month periods ended March 31, 2022 and 2021, respectively.

The following losses were included in cost of sale:

	For the three-month period ended March 31,	
	2022	2021
Loss on inventory valuation	\$-	\$1,500
Loss in inventory write-off obsolescence	3,576	3,324
Total	<u>\$3,576</u>	<u>\$4,824</u>

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

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

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Equity instruments investments measured at fair value through other comprehensive income - Non-current			
Unlisted companies stocks	<u>\$55,705</u>	<u>\$55,705</u>	<u>\$53,468</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(b) On September 11, 2017, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd (B.V.I), resolved to acquire 19.9% share interest on Northstar Precision (Vietnam) Company Limited. In October 2021 and December 2020, Eurocharm Innovation Co., Ltd (B.V.I) participated in Northstar Precision (Vietnam) Company Limited's cash offering proportionately.

(6) Investments accounted for under the equity method

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

Investee companies	As of					
	Mar. 31, 2022		Dec. 31, 2021		Mar. 31, 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$79,382	20.00%	\$73,163	20.00%	\$82,484	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	44,962	45.00%	42,227	45.00%	37,585	45.00%
Shiang Yu Precision Co., Ltd.	30,265	40.00%	28,464	40.00%	23,766	40.00%
Lieh Kwan International Co., Ltd.	21,025	40.00%	21,027	40.00%	22,701	40.00%
Vietnam King Duan Industrial Co., Ltd.	128,389	40.00%	123,696	40.00%	112,322	40.00%
Vietnam Uni-Calsonic Co., Ltd.	6,233	40.00%	6,017	40.00%	6,201	40.00%
Total	<u>\$310,256</u>		<u>\$294,594</u>		<u>\$285,059</u>	

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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(b) Investments in associates

The Group's investments in Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd., Lieh Kwan International Co., Ltd., Vietnam King Duan Industrial Co., Ltd. and Vietnam Uni-Calsonic 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., Lieh Kwan International Co., Ltd., Vietnam King Duan Industrial Co., Ltd. and Vietnam Uni-Calsonic Co., Ltd. were NT\$310,256 thousand, NT\$294,594 thousand and NT\$285,059 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively. The aggregate financial information based on the Group's share is as follows:

	For the three-month period ended March 31,	
	2022	2021
Profit from continuing operations	\$5,493	\$7,298
Other comprehensive income (loss) (post-tax)	6,214	(940)
Total comprehensive income	\$11,707	\$6,358

The associates had no contingent liabilities or capital commitments and were not under pledge as of March 31, 2022, December 31, 2021, and March 31, 2021.

As of March 31, 2022 and 2021, the balances of investments accounted for under the equity method amounted to NT\$310,256 thousand and NT\$285,059 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$5,493 thousand and NT\$7,298 thousand, respectively. For the three-month periods then ended, share of other comprehensive income from these associates and joint ventures amounted to NT\$6,214 thousand and NT\$(940) thousand. These amounts were recognized based on un-reviewed financial statements of the investees.

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

(d) For the year ended December 31, 2021, Vietnam Precision Industrial No.1 Co., Ltd. received a distribution from Exedy Vietnam Co., Ltd. in the amount of NT\$16,954 thousand, which was accounted for as a reduction to the carrying amount of the investment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(e) On November 3, 2020, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I), resolved to invest US\$4,000 thousand in Vietnam King Duan Industrial Co., Ltd. The percentage of ownership was 40%.

(f) On February 26, 2021, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I), resolved to invest US\$220 thousand in Vietnam Uni-Calsonic Co., Ltd. The percentage of ownership was 40%. As of March 31, 2021, the Group has remitted the investment funds.

(7) Property, plant and equipment

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Owner occupied property, plant and equipment	\$2,072,746	\$1,942,722	\$1,239,704
Property, plant and equipment leased out under operating leases	-	-	-
Total	<u>\$2,072,746</u>	<u>\$1,942,722</u>	<u>\$1,239,704</u>

(a) Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2022	\$52,420	\$644,713	\$2,341,662	\$124,297	\$23,267	\$158,511	\$47,068	\$3,391,938
Additions	-	1,613	35,167	402	334	4,429	80,105	122,050
Disposals	-	-	(2,925)	(9)	(1,026)	(4,773)	-	(8,733)
Transfers	-	(9,863)	77,476	122	-	37	(78,465)	(10,693)
Exchange differences	-	22,920	97,319	4,259	746	5,429	2,073	132,746
As of Mar. 31, 2022	<u>\$52,420</u>	<u>\$659,383</u>	<u>\$2,548,699</u>	<u>\$129,071</u>	<u>\$23,321</u>	<u>\$163,633</u>	<u>\$50,781</u>	<u>\$3,627,308</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)

			Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
	Land	Buildings						
As of Jan. 1, 2021	\$52,420	\$330,673	\$1,851,202	\$110,499	\$16,118	\$156,242	\$132,347	\$2,649,501
Additions	-	-	18,349	855	52	1,419	97,546	118,221
Disposals	-	-	(128,900)	(1,021)	(704)	(14,324)	-	(144,949)
Transfers	-	-	35,111	-	-	-	(35,293)	(182)
Exchange differences	-	(1,313)	(8,636)	(425)	(57)	(603)	(555)	(11,589)
As of Mar. 31, 2021	\$52,420	\$329,360	\$1,767,126	\$109,908	\$15,409	\$142,734	\$194,045	\$2,611,002
Depreciation and impairment:								
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	8,122	37,702	2,311	757	6,363	-	55,255
Disposals	-	-	(2,925)	(9)	(1,026)	(4,328)	-	(8,288)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	5,068	46,151	2,556	463	4,141	-	58,379
As of Mar. 31, 2022	\$-	\$157,249	\$1,182,249	\$76,817	\$14,433	\$123,814	\$-	\$1,554,562
As of Jan. 1, 2021	\$-	\$127,938	\$1,055,745	\$68,089	\$13,595	\$114,428	\$-	\$1,379,795
Depreciation	-	4,498	25,909	1,846	457	5,401	-	38,111
Disposals	-	-	(24,499)	(1,021)	(704)	(14,315)	-	(40,539)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(488)	(4,821)	(270)	(49)	(441)	-	(6,069)
As of Mar. 31, 2021	\$-	\$131,948	\$1,052,334	\$68,644	\$13,299	\$105,073	\$-	\$1,371,298
Net carrying amount as of:								
Mar. 31, 2022	\$52,420	\$502,134	\$1,366,450	\$52,254	\$8,888	\$39,819	\$50,781	\$2,072,746
Dec. 31, 2021	\$52,420	\$500,654	\$1,240,341	\$52,338	\$9,028	\$40,873	\$47,068	\$1,942,722
Mar. 31, 2021	\$52,420	\$197,412	\$714,792	\$41,264	\$2,110	\$37,661	\$194,045	\$1,239,704

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	<u>Machinery and equipment</u>
Cost:	
As of Jan. 1, 2022	\$31,720
Exchange differences	1,140
As of Mar. 31, 2022	<u>\$32,860</u>
As of Jan. 1, 2021	\$32,675
Exchange differences	(133)
As of Mar. 31, 2021	<u>\$32,542</u>
Depreciation and impairment:	
As of Jan. 1, 2022	\$31,720
Exchange differences	1,140
As of Mar. 31, 2022	<u>\$32,860</u>
As of Jan. 1, 2021	\$32,675
Exchange differences	(133)
As of Mar. 31, 2021	<u>\$32,542</u>
Net carrying amount as of:	
Mar. 31, 2022	<u>\$-</u>
Dec. 31, 2021	<u>\$-</u>
Mar. 31, 2021	<u>\$-</u>

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

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



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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(8) Investment property

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

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2022	\$48,588
Transfers from property, plant and equipment	10,625
Exchange differences	1,747
As of Mar. 31, 2022	<u>\$60,960</u>
As of Jan. 1, 2021	\$50,050
Exchange differences	(203)
As of Mar. 31, 2021	<u>\$49,847</u>
Depreciation and impairment:	
As of Jan. 1, 2022	\$14,962
Depreciation	617
Exchange differences	549
As of Mar. 31, 2022	<u>\$16,128</u>
As of Jan. 1, 2021	\$13,325
Depreciation	530
Exchange differences	(54)
As of Mar. 31, 2021	<u>\$13,801</u>
Net carrying amount as of:	
Mar. 31, 2022	<u>\$44,832</u>
Dec. 31, 2021	<u>\$33,626</u>
Mar. 31, 2021	<u>\$36,046</u>

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	For the three-month period ended Mar. 31,	
	2022	2021
Rental income from investment property	\$8,066	\$6,481
Less : Direct operating expenses from investment property generating rental income	(1,562)	(1,005)
Total	<u>\$6,504</u>	<u>\$5,476</u>

(a) No investment property was pledged.

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

(c) All of the fair values of investment properties held by the Group's subsidiary were NT\$167,629 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

(9) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	372
Transfers from property, plant and equipment	68
Deduction	(244)
Exchange differences	1,311
As of Mar. 31, 2022	<u>\$39,227</u>
As of Jan. 1, 2021	\$35,990
Additions-acquired separately	636
Transfers from property, plant and equipment	182
Deduction	(435)
Exchange differences	(139)
As of Mar. 31, 2021	<u>\$36,234</u>

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	<u>Computer software</u>
Amortization:	
As of Jan. 1, 2022	\$32,885
Amortization	782
Deduction	(244)
Exchange differences	1,167
As of Mar. 31, 2022	<u>\$34,590</u>
As of Jan. 1, 2021	\$29,762
Amortization	1,108
Deduction	(435)
Exchange differences	(116)
As of Mar. 31, 2021	<u>\$30,319</u>
Net carrying amount as of:	
Mar. 31, 2022	<u>\$4,637</u>
Dec. 31, 2021	<u>\$4,835</u>
Mar. 31, 2021	<u>\$5,915</u>

Amortization of intangible assets is as follows:

	<u>For the three-month period ended Mar. 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating costs	\$8	\$8
Sales and marketing expense	9	2
General and administrative expenses	739	1,072
Research and development expenses	26	26
Total	<u>\$782</u>	<u>\$1,108</u>

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(10) Other non-current assets

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Advance payments in equipment	\$32,808	\$59,717	\$80,812
Refundable deposits	336	336	336
Total	\$33,144	\$60,053	\$81,148

(11) Short-term borrowings

	Interest Rate (%)	As of		
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Secured bank loans	0.9% ~ 2%	\$528,290	\$502,401	\$305,707
Unsecured bank loans	0.7% ~ 2.1836%	1,703,707	1,591,515	1,060,551
Total		\$2,231,997	\$2,093,916	\$1,366,258

The Group's unused short-term lines of credits amounted to NT\$260,696 thousand, NT\$284,189 thousand and NT\$477,071 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

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

(12) Other payables

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Accrued expense	\$233,325	\$309,653	\$192,593
Accrued interest	131	909	103
Dividends payable	296,218	-	263,305
Payables on equipment	15,509	79,797	14,961
Total	\$545,183	\$390,359	\$470,962

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(13) Other non-current liabilities

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Net defined benefit liability	\$403	\$519	\$2,750
Guarantee deposits received	8,636	8,121	4,899
Other non-current liabilities	5,000	5,000	5,000
Total	<u>\$14,039</u>	<u>\$13,640</u>	<u>\$12,649</u>

(14) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2022 and 2021 were NT\$425 thousand and NT\$407 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2022 and 2021 were NT\$59 thousand and NT\$61 thousand, respectively.

(15) Equities

(a) Common stock

The Company's authorized capitals were all NT\$900,000 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021. Total issued stock capital was NT\$658,262 thousand, divided into both 65,826 thousand shares, each at a par value of NT\$10, respectively. Each share has one voting right and the right to receive dividends.

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(b) Capital surplus

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
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, 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. In addition, capital surplus derived from long-term investment accounted for under equity method shall not be used under any circumstances.

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the amended Articles of Incorporation approved at the Company's shareholders' meeting held on May 29, 2020, the distribution of profits or covering of losses proposal may be proposed at the close of each half fiscal year. Such distribution of profits or covering of losses proposal shall be made based on the financial statements audited or reviewed by a certified public accountant and such proposal, together with the business reports and financial statements of the Company, shall be submitted to the audit committee for their auditing, and then submitted to the board of directors for approval by resolutions. Prior to distribution of its profits, the Company shall estimate and reserve an amount to be paid for or cover taxes, employee compensations, and losses and set aside a legal reserve (unless the amount of such legal reserve is equal to the total paid-in capital of the Company.) If the Company is to distribute profits in the form of cash, such proposal shall be approved by the board of directors; and if such distribution of profits is to be made in the form of new shares to be issued by the Company, it shall be approved by a special shareholders' meeting.

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Unless otherwise required by law and the applicable public company rules, at the close of each fiscal year, the Company shall distribute profits in accordance with a proposal for distribution of profits prepared by the directors and approved by the members by an ordinary resolution at any general meeting. The directors shall prepare such a proposal as follows:

- i. If there is any profit (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings).
- ii. Set aside a special capital reserve or reversal, if one is required, in accordance with the applicable public company rules or as requested by the authorities in charge.
- iii. If there is any profit, it shall set aside no more than 2% of the balance as compensation to directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved. The board of directors shall determine the exact percentages to be distributed as compensation to directors and the compensation to employees, and such resolution shall be reported in the shareholders' meeting. A director who also serves as an executive officer of the Company may receive a compensation in his capacity as a director and the compensation in his capacity as an employee;
- iv. The Company distributes profits or covers losses at the close of the first half fiscal year (if any).
- v. Any balance left over may be distributed as dividends in accordance with the law and the applicable public company rules and after taking into consideration profits of the current year and capital structure of the Company, the amount of profits distributed to shareholders shall not be lower than 20% of profits (after tax) of the current year and the amount of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the current year; in the event that the dividends per share distributed in the current year is less than NT\$1, the Company may determine the dividends to be distributed partially or entirely by stock dividends or cash dividends.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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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 consider the Company's capital expenditures, future expansion plans, and financial structure and funds requirement for sustainable development needs etc.

(2) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(3) Special reserve

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Jin-Guan-Cheng-Fa-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.



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- (4) The appropriations of earnings for the Year 2021 and 2020 were approved through the board of directors' meeting and Shareholders' meeting held on February 25, 2022 and August 25, 2021, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2021	2020	2021	2020
Legal reserve (Note 1)	\$62,940	\$117,860		
Special reserve (Note 1)	118,004	190,684		
Common stock – cash dividend (Note 2)	296,218	263,305	\$4.5	\$4.0
Total	<u>\$477,162</u>	<u>\$571,849</u>		

Note 1: The earnings appropriation for the year 2021 included the earnings appropriation for the six-month period ended June 30, 2021 approved through the Board of Director's meeting held on August 19, 2021. The legal reserve and the special reserve set aside were NT\$37,209 thousand and NT\$96,562 thousand, respectively.

Note 2: According to the Articles of Incorporation, the board of directors has approved the appropriation of cash dividends for the year 2021 on February 25, 2022.

Please refer to Note 6(18) for further details on employees' compensation and remuneration to directors.

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(d) Non-controlling interests

	For the three-month period ended Mar. 31,	
	2022	2021
Beginning balance	\$20,613	\$-
Profit (loss) attributable to non-controlling interests	(1,925)	-
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	707	-
Ending balance	\$19,395	\$-

(16) Operating revenue

	For the three-month period ended March 31,	
	2022	2021
Revenue from contracts with customer		
Sale of goods	\$1,789,439	\$1,317,348
Revenue arising from rendering of services	3,073	245
Total	\$1,792,512	\$1,317,593

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Analysis of revenue from contracts with customer during the three-month periods ended March 31, 2022 and 2021, respectively, is as follows:

(a) Disaggregation of revenue

	Single Segment	
	For the three-month period ended March 31,	
	2022	2021
Revenue from contracts with customer		
Sale of goods	\$1,789,439	\$1,317,348
Revenue arising from rendering of services	3,073	245
Total	<u>\$1,792,512</u>	<u>\$1,317,593</u>
Timing of revenue recognition:		
At a point in time	<u>\$1,792,512</u>	<u>\$1,317,593</u>

(b) Contract balances

Contract liabilities - current

	As of			
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021	Jan.1, 2021
Sales of goods	<u>\$73,051</u>	<u>\$70,149</u>	<u>\$82,331</u>	<u>\$86,330</u>

For the three-month period ended March 31, 2022, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

For the three-month period ended March 31, 2021, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

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(c) Transaction price allocated to unsatisfied performance obligations

As of March 31, 2022, December 31, 2021 and March 31, 2021, there were no information of unsatisfied performance obligations provided in the consolidated financial statements because the durations of the Group's revenue contracts were all less than one year.

(d) Assets recognized from costs to fulfill a contract

None.

(17) Expected credit losses (gains)

	<u>For the three-month period ended Mar. 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating expenses – Expected credit losses		
Trade receivables	<u>\$-</u>	<u>\$-</u>

The Group expects no 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.

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The Group measures the loss allowance of its trade receivables at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively, is as follows:

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

As of March 31, 2022

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$758,898	\$5,353	\$53,826	\$16,609	\$776	\$835,462
Loss ratio	0.53%	4.45%	9.31%	28.16%	100%	
Lifetime expected credit losses	(4,030)	(238)	(5,013)	(4,676)	(776)	(14,733)
Carrying amount of trade receivables	<u>\$754,868</u>	<u>\$5,115</u>	<u>\$48,813</u>	<u>\$11,933</u>	<u>\$-</u>	<u>\$820,729</u>

Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$460,775	\$3,829	\$2,754	\$-	\$-	\$467,358
Loss ratio	0.14%	10.96%	15.93%	100%	100%	
Lifetime expected credit losses	(624)	(420)	(439)	-	-	(1,483)
Carrying amount of trade receivables	<u>\$460,151</u>	<u>\$3,409</u>	<u>\$2,315</u>	<u>\$-</u>	<u>\$-</u>	<u>\$465,875</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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As of December 31, 2021

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$594,187	\$82,292	\$59,128	\$5,711	\$375	\$741,693
Loss ratio	0.04%	4.26%	9.47%	29.57%	100%	
Lifetime expected credit losses	(245)	(3,502)	(5,600)	(1,689)	(375)	(11,411)
Carrying amount of trade receivables	<u>\$593,942</u>	<u>\$78,790</u>	<u>\$53,528</u>	<u>\$4,022</u>	<u>\$-</u>	<u>\$730,282</u>

Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$361,086	\$33,286	\$-	\$-	\$-	\$394,372
Loss ratio	0.15%	11.13%	10.88%	100%	100%	
Lifetime expected credit losses	(544)	(3,707)	-	-	-	(4,251)
Carrying amount of trade receivables	<u>\$360,542</u>	<u>\$29,579</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$390,121</u>

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As of March 31, 2021

## Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$468,268	\$-	\$30,102	\$7,242	\$745	\$506,357
Loss ratio	0.87%	7.31%	14.33%	39.81%	100%	
Lifetime expected credit losses	(3,922)	-	(4,314)	(2,883)	(745)	(11,864)
Carrying amount of trade receivables	<u>\$464,346</u>	<u>\$-</u>	<u>\$25,788</u>	<u>\$4,359</u>	<u>\$-</u>	<u>\$494,493</u>

## Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$376,970	\$5,328	\$-	\$1	\$-	\$382,299
Loss ratio	0.88%	16.85%	29.81%	100%	100%	
Lifetime expected credit losses	(3,299)	(897)	-	(1)	-	(4,197)
Carrying amount of trade receivables	<u>\$373,671</u>	<u>\$4,431</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$378,102</u>

(b) The movement in the provision for impairment of trade receivables during the three-month periods ended March 31, 2022 and 2021 is as follows:

	Trade receivables
As of Jan. 1, 2022	\$15,662
Exchange differences	554
As of Mar. 31, 2022	<u>\$16,216</u>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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	<u>Trade receivables</u>
As of Jan. 1, 2021	\$16,126
Exchange differences	(65)
As of Mar. 31, 2021	<u>\$16,061</u>

(18) Summary statement of employee benefits, depreciation and amortization by function during the three-month periods ended March 31, 2022 and 2021, respectively:

	For the three-month period ended March 31,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$261,529	\$44,898	\$306,427	\$237,900	\$44,806	\$282,706
Labor and health insurance	347	861	1,208	347	850	1,197
Pension	112	372	484	129	339	468
Other employee benefits expense	2,114	1,158	3,272	2,079	1,278	3,357
Depreciation	53,868	5,699	59,567	36,415	3,825	40,240
Amortization	8	774	782	8	1,100	1,108

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

For the three-month period ended March 31, 2022, the Company recorded the employees' compensation and directors' remuneration in the amount of NT\$6,854 thousand and NT\$3,076 thousand, respectively. While, employees' compensation and directors' remuneration for the three-month period ended March 31, 2021 amounted to NT\$7,554 thousand and NT\$4,604 thousand, respectively. The aforementioned employees' compensation and directors' remuneration were estimated based on post-tax net income of the period and recognized as salary expenses.



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The Company's board of directors have determined the employees' compensation and directors' remuneration, all in cash, to be NT\$24,428 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 25, 2022. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration for the year ended December 31, 2021.

The Company's board of directors have determined the employees' compensation and directors' remuneration, all in cash, to be NT\$23,937 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 26, 2021. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration for the year ended December 31, 2020.

(19) Non-operating income and expenses

(a) Other income

	For the three-month period ended March 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	\$4,505	\$5,082
Rental income	8,066	6,481
Others	1,679	1,662
Total	<u>\$14,250</u>	<u>\$13,225</u>

(b) Other gains and losses

	For the three-month period ended March 31,	
	2022	2021
Gains (losses) on disposal of property, plant and equipment	\$640	\$(9)
Foreign exchange gains (losses)	(9,474)	196
Others	(1,485)	(728)
Total	<u>\$(10,319)</u>	<u>\$(541)</u>

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(c) Finance costs

	For the three-month period ended	
	March 31,	
	2022	2021
Interest on borrowings from bank	\$6,838	\$3,354
Interest on lease liabilities	79	100
Total	<u>\$6,917</u>	<u>\$3,454</u>

(20) Leases

(a) The group as a lessee

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

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

A. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use asset

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Land	\$293,427	\$285,631	\$295,487
Buildings	10,958	8,146	12,163
Total	<u>\$304,385</u>	<u>\$293,777</u>	<u>\$307,650</u>

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## (ii) Lease liabilities

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Lease liabilities	\$11,292	\$8,462	\$12,451
Current	\$5,161	\$3,130	\$4,565
Non-current	\$6,131	\$5,332	\$7,886

Please refer to Note 6(19)(c) for the interest on lease liability recognized during the three-month periods ended March 31, 2022 and 2021, respectively, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of March 31, 2022 and 2021.

## B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the three-month period ended March 31,	
	2022	2021
Buildings (Includes the right to use land)	\$3,695	\$1,599

## C. Income and costs relating to leasing activities

	For the three-month period ended March 31,	
	2022	2021
Short-term lease expenses (rental expenses)	\$14	\$12

As of March 31, 2022, December 31, 2021 and March 31, 2021, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above. The number of its lease commitments all amounted to NT\$0.

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D. Cash outflow relating to leasing activities

During the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflow for leases amounted to NT\$1,271 thousand and NT\$1,333 thousand, respectively.

(b) The Group as lessor

Please refer to Note 6(8) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

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

	For the three-month period ended March 31,	
	2022	2021
Lease income recognized by operating lease		
Fixed lease payment - related income	\$8,066	\$6,481

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively, are as follows:

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Not later than one year	\$24,782	\$24,669	\$22,866
More than one year but less than two years	7,085	-	17,149
Total	\$31,867	\$24,669	\$40,015

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(21) Components of other comprehensive income

	For the three-month period ended March 31, 2022				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$148,631	\$-	\$148,631	\$-	\$148,631
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	6,214	-	6,214	-	6,214
Total of other comprehensive income	\$154,845	\$-	\$154,845	\$-	\$154,845

	For the three-month period ended March 31, 2021				
	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	\$(14,142)	\$-	\$(14,142)	\$-	\$(14,142)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(940)	-	(940)	-	(940)
Total of other comprehensive income	\$(15,082)	\$-	\$(15,082)	\$-	\$(15,082)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(22) Income tax

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

Income tax expense (income) recognized in profit or loss

	<u>For the three-month period ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense (income):		
Current income tax charge	\$49,370	\$47,803
Adjustments in respect of current income tax of prior periods	-	-
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	1,001	(345)
Total income tax expense	<u>\$50,371</u>	<u>\$47,458</u>

(b) The assessment of income tax returns

As of March 31, 2022, 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 2019
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2016

(23) 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 March 31,	
	2022	2021
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$176,282	\$176,908
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826
Basic earnings per share (NT\$)	\$2.68	\$2.69
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$176,282	\$176,908
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826
Effect of dilution:		
Employee bonus — stock (in thousands)	143	166
Weighted average number of ordinary shares outstanding after dilution (in thousands)	65,969	65,992
Diluted earnings per share (NT\$)	\$2.67	\$2.68

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.

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(24) Subsidiary that has material non-controlling interests

As of March 31, 2021, the Group had no non-controlling interests. As of March 31, 2022 and December 31, 2021, the financial information of the subsidiary in which the Group has material non-controlling interests is provided as follows:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	As of		
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%	-%

Accumulated balances of material non-controlling interest:

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Vietnam Eurocharm Ways Plastics Company Limited.	\$19,395	\$20,613	\$-

Profit (loss) allocated to material non-controlling interest:

	For the three-month period ended March 31,	
	2022	2021
Vietnam Eurocharm Ways Plastics Company Limited.	\$(1,925)	\$-

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.



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Summarized information of profit or loss for the three-month periods ended Mar. 31, 2022 and 2021, respectively, is as follows:

	For the three-month period ended March 31,	
	2022	2021
Operating revenue	\$115	\$-
Profit/loss from continuing operation	(4,279)	-
Total comprehensive income for the period	(4,279)	-

Summarized information of financial position as of Mar. 31, 2022 and December 31, 2021, respectively, is as follows:

	As of	
	March 31, 2022	December 31, 2021
Current assets	\$40,389	\$48,735
Non-current assets	31,414	32,286
Current liabilities	28,704	35,216
Non-current liabilities	-	-

Summarized information of cash flows for the three-month periods ended Mar. 31, 2022 and 2021, respectively, is as follows:

	For the three-month period ended March 31,	
	2022	2021
Operating activities	\$(18,319)	\$-
Investing activities	(152)	-
Financing activities	(836)	-
Net increase (decrease) in cash and cash equivalents	19,307	-

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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7. RELATED PARTY TRANSACTIONS

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

Related parties and relation

Related parties	Relationship
Exedy Vietnam Co., Ltd.	Associate
Hsieh Yuan Technology Vietnam Co., Ltd.	Associate
Shiang Yu Precision Co., Ltd.	Associate
Vietnam King Duan Industrial Co., Ltd.	Associate
Vietnam Uni-Calsonic Co., Ltd.	Associate
Vietnam Lieh Kwan 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 March 31,	
	2022	2021
Associates	\$34,601	\$32,533
Other related party	-	13
Other related party-Northstar Precision (Vietnam) Company Limited	405,554	277,294
Total	\$440,155	\$309,840

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.

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(b) Purchases

	For the three-month period ended March 31,	
	2022	2021
Associates	\$52,948	\$6,779
Other related party	378	713
Total	\$53,326	\$7,492

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

- (c) For the three-month periods ended March 31, 2022 and 2021, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$22,573 thousand and NT\$16,103 thousand, respectively.
- (d) For the three-month periods ended March 31, 2022 and 2021, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$1,603 thousand and NT\$245 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the three-month periods ended March 31, 2022 and 2021, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$1,470 thousand and NT\$0, respectively, which were recorded under the caption of operating revenues.
- (f) For the three-month periods ended March 31, 2022 and 2021, the Group was charged by associates due to product defect and therefore recognized compensation in the amount of NT\$0 and NT\$1 thousand, respectively, which were recorded under non-operating income and expenses-other gain or loss.
- (g) For the three-month period ended March 31, 2022, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$172 thousand, which was recorded under non-operating income and expenses-other gain or loss.

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- (h) For the three-month period ended March 31, 2022, the Group recognized service income in the amount of NT\$28 thousand, which was recorded under non-operating income and expenses-other income.

- (i) Trade receivables - related parties

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Associates	\$13,145	\$16,646	\$17,039
Other related party	-	-	13
Other related party-Northstar Precision (Vietnam) Company Limited	302,407	309,596	172,778
Total	<u>\$315,552</u>	<u>\$326,242</u>	<u>\$189,830</u>

- (j) Other receivables - related parties

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Associates	\$1,963	\$971	\$1,625
Associates-Vietnam King Duan Industrial Co., Ltd.	-	-	114,935
Other related party	693	614	60
Total	<u>\$2,656</u>	<u>\$1,585</u>	<u>\$116,620</u>

- (k) Prepayments

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Associates	<u>\$7,957</u>	<u>\$7,792</u>	<u>\$5,058</u>

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(l) Trade payables - related parties

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Associates	\$19,064	\$29,968	\$3,882
Other related party	218	199	233
Total	\$19,282	\$30,167	\$4,115

(m) Operating lease

A. Right-of-use asset

Relationship	Property	As of		
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Other related party	Buildings	\$3,325	\$-	\$1,425

B. Lease liabilities

Relationship	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Other related party	\$3,330	\$-	\$1,435

C. Interest on lease liabilities

Relationship	Property	For the three month period ended March 31,	
		2022	2021
Other related party	Rent office	\$10	\$4

D. For the three-month periods ended March 31, 2022 and 2021, the Group paid other related parties for rental expense every month by cash.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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## E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the three-month period ended March 31, 2022</u>			
Associate	Buildings	Jan. 1, 2021 ~ Dec. 31, 2023	\$5,596
Other related party	Buildings	Jan. 1, 2022 ~ Dec. 31, 2022	2,470
Total			<u>\$8,066</u>
<u>For the three-month period ended March 31, 2021</u>			
Associate	Buildings	Jan. 1, 2021 ~ Dec. 31, 2022	\$5,046
Other related party	Buildings	Jan. 1, 2021 ~ Dec. 31, 2022	1,435
Total			<u>\$6,481</u>

The lease contract's resolution and way of payment between the Group and related party are equivalent to the general lease transaction.

## (n) Salaries and rewards to key management of the Group

	<u>For the three-month period ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$6,122	\$5,918
Post-employment benefits	82	82
Total	<u>\$6,204</u>	<u>\$6,000</u>

8. PLEDGED ASSETS

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

Item	<u>Carrying Amount As of</u>			Secured liabilities
	<u>Mar. 31, 2022</u>	<u>Dec. 31, 2021</u>	<u>Mar. 31, 2021</u>	
Trade receivables	\$247,800	\$239,200	\$245,400	Short-term borrowings
Inventories	247,800	239,200	245,400	Short-term borrowings
Property, plant and equipment - land	52,420	52,420	52,420	Short-term borrowings
Property, plant and equipment - buildings	206	228	294	Short-term borrowings
Total	<u>\$548,226</u>	<u>\$531,048</u>	<u>\$543,514</u>	

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9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Amounts available under unused letters of credit as of March 31, 2022 are USD658 thousand and EUR1,236 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial assets at fair value through other comprehensive income	\$55,705	\$55,705	\$53,468
Financial assets measured at amortized cost			
Cash and cash equivalents			
(exclude cash on hand)	1,075,699	1,146,020	964,522
Financial assets measured at amortized cost	179,779	173,354	683,175
Trade receivables			
(include related parties)	1,286,604	1,120,403	872,595
Other receivables			
(include related parties)	11,070	10,660	126,126
Refundable deposits	336	336	336
Total	<u>\$2,609,193</u>	<u>\$2,506,478</u>	<u>\$2,700,222</u>

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Financial liabilities

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial liabilities at amortized cost:			
Short-term borrowings	\$2,231,997	\$2,093,916	\$1,366,258
Trade payables (include related parties)	985,643	932,766	875,193
Leased liabilities (include related parties)	11,292	8,462	12,451
Guarantee deposits received	8,636	8,121	4,899
Total	<u>\$3,237,568</u>	<u>\$3,043,265</u>	<u>\$2,258,801</u>

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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



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Foreign currency risk

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

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

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

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the three-month periods ended March 31, 2022 and 2021 increased/decreased by NT\$7,118 thousand and NT\$2,023 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the three-month periods ended March 31, 2022 and 2021 increased/decreased by VND\$2,099,821 thousand and decreased/increased by VND\$715,220 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.

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The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods ended March 31, 2022 and 2021 to decrease /increase by NT\$266 thousand and by NT\$53 thousand, respectively.

Equity price risk

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

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

(4) Credit risk management

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

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

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As of March 31, 2022, December 31, 2021 and March 31, 2021, trade receivables from top ten customers represented 77.75%, 74.70% and 81.01% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is relatively insignificant.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss are purchased based on low credit risk, and the Group makes an assessment on each balance sheet date as to whether the credit risk rises significantly since original recognition and then further determines the method of measuring the loss allowance and the loss rate. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group did not hold any debt instrument investment measured at fair value through profit or loss.

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.

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Non-derivative financial liabilities

	Less than 1 year	1 to 5 years	Total
<u>As of March 31, 2022</u>			
Short-term borrowings	\$2,242,945	\$-	\$2,242,945
Trade and other payables	985,643	-	985,643
Leased Liabilities	5,400	6,254	11,654
<u>As of December 31, 2021</u>			
Short-term borrowings	\$2,104,725	\$-	\$2,104,725
Trade and other payables	932,766	-	932,766
Leased Liabilities	3,366	5,490	8,856
<u>As of March 31, 2021</u>			
Short-term borrowings	\$1,370,520	\$-	\$1,370,520
Trade and other payables	875,193	-	875,193
Leased Liabilities	4,891	8,219	13,110

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month period ended March 31, 2022:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of Jan. 1, 2022	\$2,093,916	\$8,121	\$8,462	\$2,110,499
Cash flows	138,081	515	(1,257)	137,339
Non-cash changes	-	-	4,087	4,087
As of Mar. 31, 2022	\$2,231,997	\$8,636	\$11,292	\$2,251,925

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Reconciliation of liabilities for the three-month period ended March 31, 2021:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of Jan. 1, 2021	\$1,209,980	\$5,433	\$13,552	\$1,228,965
Cash flows	156,278	(534)	(1,321)	154,423
Non-cash changes	-	-	220	220
As of Mar. 31, 2021	\$1,366,258	\$4,899	\$12,451	\$1,383,608

(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).

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- iv. Fair value of debt instruments without market quotations, bank loans, bonds payables and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation methods (for example, Monte Carlo Simulation).

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

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

(c) Fair value measurement hierarchy for financial instruments

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

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of March 31, 2022, December 31, 2021, and March 31, 2021, fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of March 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$55,705</u>	<u>\$55,705</u>

As of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$55,705</u>	<u>\$55,705</u>

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As of March 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$53,468</u>	<u>\$53,468</u>

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

For the three-month period ended March 31, 2022 there was no movement of fair value measurements, and for the year ended December 31, 2021, there was a movement of fair value measurements which is as follows:

	<u>Equity instrument measured at fair value through other comprehensive income</u>
	<u>Stock</u>
As of Jan. 1, 2021	\$53,468
Acquisition for the year ended Dec. 31, 2021	<u>2,237</u>
As of Dec. 31, 2021	<u>\$55,705</u>



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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 March 31, 2022

	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\$5,571 thousand.

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As of December 31, 2021

	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\$5,571 thousand.

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As of March 31, 2021

	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\$5,347 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.

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

As of March 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(8))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

As of December 31, 2021

	<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(8))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

As of March 31, 2021

	<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(8))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

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(REVIEWED BUT UNAUDITED)

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

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

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

	As of					
	Mar. 31, 2022			Dec. 31, 2021		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$51,528	28.29	\$1,457,873	\$47,547	27.27	\$1,296,797
VND	\$1,024,995,174	0.001239	\$1,269,994	\$998,371,052	0.001196	\$1,194,451
<u>Investments accounted for under the equity method</u>						
VND	\$233,516,383	0.001239	\$289,327	\$229,004,492	0.001196	\$273,889
<u>Financial liabilities</u>						
Monetary items:						
USD	\$76,186	28.57	\$2,176,648	\$75,206	27.58	\$2,074,335
VND	\$511,578,211	0.001239	\$633,845	\$533,803,179	0.001190	\$635,382

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	As of		
	Mar. 31, 2021		
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$38,914	28.28	\$1,100,433
VND	\$1,319,036,192	0.001227	\$1,618,457
<u>Investments accounted for under the equity method</u>			
VND	\$214,089,098	0.001227	\$262,687
<u>Financial liabilities</u>			
Monetary items:			
USD	\$45,947	28.52	\$1,310,270
VND	\$441,503,553	0.001227	\$541,725

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

The Group's entities' functional currencies are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains (loss) were NT\$(9,474) thousand and NT\$196 thousand for the three-month periods ended March 31, 2022 and 2021, 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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(11) Impact of the Covid-19 pandemic on the Group

The Covid-19 outbreak took place in January 2020 and had no significant impact on the Group.

13. OTHER DISCLOSURES

(1) Information at significant transactions:

- (a) Financing provided to others: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- (c) Marketable securities held as of March 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2022: None.
- (e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2022: None.
- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2022: 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 three-month period ended March 31, 2022: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2022: None.
- (i) Derivative instrument transactions: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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- (j) Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2022: 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 1.
- ii. Endorsement/Guarantee provided to others: None.
- iii. Marketable securities held as of March 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 4.
- iv. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital or for the three-month period ended March 31, 2022: None.
- v. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2022: None.
- vi. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2022: None.
- vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2022: Please refer to Attachment 5.
- viii. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2022: Please refer to Attachment 6.
- ix. Derivative instrument transactions: None.



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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

(4) Information of major shareholders:

Name	Shares	Number of shares	Percentage of ownership
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 a decision about resources to be allocated and evaluated the overall performance. Therefore, the Group was aggregated into a single segment.

ATTACHMENT 1 (Financing provided to others for the year ended March 31, 2022)

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

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

NO. (Note1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	Value		
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	Other receivables -related parties	\$57,244	\$57,244	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$670,638 (Note 2) (Note 3)	\$1,341,275 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	Other receivables -related parties	\$112,084	\$57,244	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$670,638 (Note 2) (Note 3)	\$1,341,275 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	Other receivables -related parties	\$5,724	\$5,724	\$859 (Note 4)	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$670,638 (Note 2) (Note 3)	\$1,341,275 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Eurocharm Ways Plastics Company Limited.	Other receivables -related parties	\$28,021	\$-	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$902,388 (Note 2) (Note 3)	\$1,804,776 (Note 2)

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

A subsidiary under the company's control is coded "1".

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

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

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No.	Endorser/Guarantor	Guaranteed party		Limit of guarantee/endorsement amount to each guaranteed party	Maximum balance for the period	Ending balance	Actual amount drawn	Amount of collateral for guarantee/ endorsement	Ratio of accumulated guarantee amount to net assets value per latest financial statements	Maximum guarantee/endorsement amount allowed (Note3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Company name	Relationship (Note2)										
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,341,275	\$80,000	\$80,000	\$69,000	\$-	2.39%	\$1,676,594	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$1,341,275	\$200,354 (USD 7,000) (Note4)	\$200,354 (USD 7,000) (Note4)	\$188,333 (USD 6,580) (Note4)	\$-	5.98%	\$1,676,594	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,341,275	\$772,794 (USD 27,000) (Note4)	\$772,794 (USD 27,000) (Note4)	\$677,081 (USD 23,656) (Note4)	\$-	23.05%	\$1,676,594	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$1,341,275	\$125,226 (USD 4,500) (Note4)	\$71,555 (USD 2,500) (Note4)	\$-  (Note4)	\$-	2.13%	\$1,676,594	Y	N	N

- Note 1: Eurocharm Holdings Co., Ltd. is coded "0".
- Note 2: The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:
- 1.The company with business contacts.
  - 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
  - 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
  - 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
  - 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
  - 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
  - 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

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

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

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

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

ATTACHMENT 3 (If an investor has the ability to exercise significant influence on investee or has material controlling power on investee for the year ended March 31, 2022) (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 Mar. 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Mar. 31, 2022	As of Dec. 31, 2021	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%	\$4,511,940 (Note 5)	\$214,130	\$214,130 (Note 5)	Subsidiary
Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	America	Trading activities, warehouse and logistic service	USD 200	USD 200	200,000	100.00%	4,895 (Note 5)	4,907	4,907 (Note 5)	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%	166,158 (Note 5)	3,986	7,941 (Note 1) (Note 5)	Subsidiary
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%	4,046,207 (Note 3) (Note 5)	192,089	203,056 (Note 2) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Limited	Hong Kong	Trading activities	USD 1,500	USD 1,500	1,500,000	100.00%	78,243 (Note 5)	24,924	4,781 (Note 4) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	Plastic dipping and processing	USD 1,100	USD 1,100	-	55.00%	23,704 (Note 5)	(4,279)	(2,354)	Subsidiary
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%	44,962	2,658	1,196	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%	21,025	(5)	(2)	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam King Duan Industrial Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 4,000	USD 4,000	-	40.00%	128,389	39	15	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Uni-Calsonic Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 220	USD 220	-	40.00%	6,233	(1)	-	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%	79,382	17,600	3,520	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%	30,265	1,911	764	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$3,986 thousand and realized profit on transaction between subsidiaries amounted to NT\$3,955 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$192,089 thousand and realized profit on transaction between subsidiaries amounted to NT\$10,967 thousand.

Note 3: Holding net equity at the end of the period amount to NT\$4,113,903 thousand minus unrealized profit on transaction between subsidiaries amounted to NT\$67,696 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$24,924 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$20,143 thousand.

Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 4 (Securities held as of March 31, 2022) (Excluding investments in subsidiaries, associates and joint ventures)

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

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

Company	Investee company	Relationship	Financial statement account	Investments as of March 31, 2022					
				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	-	44,698	19.90%	44,698	-	None
Total					<u>\$55,705</u>		<u>\$55,705</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 year ended March 31, 2022)

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

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

							Notes and trade				
			Transactions				Details of non-arm's length transaction		receivables (payables)		
Purchase (sales)			Purchases	Percentage of					Percentage of total		
company	Related party	Relationship	(Sales)	Amount	(sales) (%)	Term	Unit price	Term	Balance	balances (%)	Note
Eurocharm Innovation (HK)	Vietnam Precision	Also a subsidiary	Sales	\$125,094	100.00%	60~90 days after	By product type,	Non related parties	Trade receivables	85.27%	1
Co., Limited	Industrial No.1 Co., Ltd.	under the Company's				monthly closing	cost, market price	are 60~90 days	\$124,104		
		control					and other trading	after monthly closing			
							terms.				
Vietnam Precision	Northstar Precision	Other related party	Sales	\$404,848	22.96%	30~90 days after	By product type,	Non related parties	Trade receivables	22.78%	
Industrial No.1 Co., Ltd.	(Vietnam) Company Limited					monthly closing	cost, market price	are 15~90 days	\$302,148		
							and other trading	after monthly closing			
							terms.				

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 March 31, 2022)

(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 ratio	Overdue		Amount received in subsequent periods	Loss allowance	Note
					Amount	Action taken			
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	<u>\$302,148</u>	<u>5.30</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>	
Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	<u>\$124,104</u>	<u>3.22</u>	<u>\$-</u>	-	<u>\$1,364</u>	<u>\$-</u>	1

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

ATTACHMENT 7 (Intercompany relationships and significant intercompany transactions for the year ended March 31, 2022)

(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>2022.01.01~2022.03.31</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Interest incomes	\$14	-	-%
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	1	Other receivables	862	-	0.01%
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	1	Interest incomes	2	-	-%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Dividend receivables	116,420	-	1.69%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	54,742	30 days after monthly closing	3.05%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	22,060	30 days after monthly closing	0.32%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other incomes	8	-	-%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other receivables	114	30 days after monthly closing	-%
2	Eurocharm Innovation Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade receivables	536	60 days after monthly closing	0.01%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	125,094	30 days after monthly closing	6.98%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	124,104	30 days after monthly closing	1.80%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade receivables	21,436	60~90 days after monthly closing	0.31%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	26,614	60~90 days after monthly closing	1.48%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade receivables	65,789	60~90 days after monthly closing	0.96%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other receivables	2,771	15 days after monthly closing	0.04%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Rental income	904	In accordance with contract terms	0.05%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other incomes	55	In accordance with contract terms	-%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Processing income	109	30 days after monthly closing	0.01%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Advance payment	347	In accordance with contract terms	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.