

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

Ticker: 5288

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT AUDITORS
AS OF SEPTEMBER 30, 2022 AND 2021
AND FOR THE NINE-MONTH PERIODS THEN ENDED
(REVIEWED BUT UNAUDITED)**

Address: PO Box472, 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 September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and cash flows for the nine-month periods then ended and the notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 6(7), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$400,974 thousand and NT\$290,511 thousand as of September 30, 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures under the equity method for the three-month periods then ended amounted to NT\$6,669 thousand and NT\$11,472 thousand, respectively, while for the nine-month periods then ended were NT\$21,361 thousand and NT\$35,016 thousand, respectively. The related shares of other comprehensive income from the associates and joint ventures under the equity method for the three-month periods then ended amounted to NT\$13,021 thousand and NT\$125 thousand, respectively, while for the nine-month periods then ended were NT\$26,272 thousand and NT\$(4,072) thousand, respectively. The information related to above-mentioned associates and joint ventures accounted for under the equity method disclosed in Note 13 was not reviewed by independent accountants either.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain associates and joint ventures accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of September 30, 2022 and 2021, and their consolidated financial performance for the three-month and nine-month periods then ended, as well as the consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

Chang, Chih-Ming

Chen, Kuo-Shuai

Ernst & Young, Taiwan

November 1st, 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 September 30, 2022, December 31, 2022 and September 30, 2021 (September 30, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets	Notes	As of		
Accounts		September 30, 2022	December 31, 2021	September 30, 2021
Current assets				
Cash and cash equivalents	6(1)	\$1,704,442	\$1,146,745	\$1,014,568
Financial assets at fair value through profit or loss	4, 6(2), 6(14)	400	-	-
Financial assets measured at amortized cost	6(3)	176,127	160,254	252,001
Trade receivables	6(4), 6(19), 8	1,226,731	794,161	625,274
Trade receivables-related parties	6(4), 6(19), 7	314,354	326,242	396,806
Other receivables		10,411	9,075	13,002
Other receivables-related parties	7	5,215	1,585	575
Current tax assets		1,306	725	2,413
Inventories	6(5), 8	970,330	1,290,201	1,117,007
Prepayments	7	157,492	85,793	101,133
Other current assets		103,874	109,454	150,192
Total current assets		4,670,682	3,924,235	3,672,971
Non-current assets				
Financial assets measured at fair value through other comprehensive income	6(6)	95,705	55,705	53,468
Financial assets measured at amortized cost	6(3)	15,634	13,100	13,178
Investment accounted for under the equity method	6(7)	400,974	294,594	290,511
Property, plant and equipment	6(8), 7, 8	2,281,296	1,942,722	1,796,309
Right-of-use assets	6(22), 7	325,743	293,777	298,465
Investment property	6(9)	47,726	33,626	34,329
Intangible assets	6(10)	4,357	4,835	5,294
Deferred tax assets	4, 6(24)	3,674	4,205	3,906
Other non-current assets	6(11)	38,942	60,053	78,634
Total non-current assets		3,214,051	2,702,617	2,574,094
Total assets		\$7,884,733	\$6,626,852	\$6,247,065

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROGARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - (CONTINUED)

As of September 30, 2022, December 31, 2021 and September 30, 2021 (September 30, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity Accounts	Notes	As of		
		September 30, 2022	December 31, 2021	September 30, 2021
Current liabilities				
Short-term borrowings	6(12), 8	\$1,940,909	\$2,093,916	\$1,894,718
Contract liabilities	6(18)	12,679	70,149	88,566
Trade payables		477,649	512,240	406,671
Trade payables-related parties	7	24,187	30,167	16,740
Other payables	6(13)	320,829	390,359	335,136
Current tax liabilities	4, 6(24)	222,891	121,860	187,771
Lease liabilities	6(22)	3,852	3,130	3,122
Lease liabilities-related parties	6(22), 7	1,905	-	479
Other current liabilities		1,892	1,766	2,520
Refund liabilities		32,092	28,284	28,450
Total current liabilities		3,038,885	3,251,871	2,964,173
Non-current liabilities				
Bonds payable	4, 6(14)	475,893	-	-
Deferred tax liabilities	4, 6(24)	20,119	16,410	16,410
Lease liabilities	6(22)	3,620	5,332	6,160
Lease liabilities-related parties	6(22), 7	480	-	-
Other non-current liabilities	6(15), 6(16)	14,658	13,640	31,176
Total non-current liabilities		514,770	35,382	53,746
Total liabilities		3,553,655	3,287,253	3,017,919
Equity attributable to shareholders of the parent				
Capital	6(17)			
Common stock		658,262	658,262	658,262
Capital surplus	6(17)	876,806	836,782	836,782
Retained earnings	6(17)			
Legal reserve		218,316	155,069	155,069
Special reserve		307,950	620,146	620,146
Unappropriated retained earnings		2,282,172	1,690,315	1,551,447
Other components of equity		(30,790)	(641,588)	(616,733)
Non-controlling interests	6(17), 6(26)	18,362	20,613	24,173
Total equity		4,331,078	3,339,599	3,229,146
Total liabilities and equity		\$7,884,733	\$6,626,852	\$6,247,065

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the three-month and nine-month periods ended September 30, 2022 and 2021 (Reviewed but unaudited)
 (Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Description	Notes	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2022	2021	2022	2021
Operating revenues	6(18), 7	\$2,082,291	\$1,374,856	\$5,757,942	\$4,155,343
Operating costs	6(20), 7	(1,667,557)	(1,157,581)	(4,663,435)	(3,356,677)
Gross profit		414,734	217,275	1,094,507	798,666
Realized (Unrealized) sales profit	5	5	(14)	220	(343)
Gross profit, net		414,739	217,261	1,094,727	798,323
Operating expenses					
Sales and marketing	6(20), 7	(25,661)	(24,216)	(85,931)	(66,456)
General and administrative		(60,313)	(44,321)	(164,155)	(139,663)
Research and development		(21,304)	(20,710)	(62,871)	(59,774)
Expected credit gains (losses)	6(19)	(7,753)	-	(7,753)	-
Operating expenses total		(115,031)	(89,247)	(320,710)	(265,893)
Operating income		299,708	128,014	774,017	532,430
Non-operating incomes and expenses					
Other incomes	6(21), 7	19,590	17,041	49,754	48,988
Other gains and losses	6(21), 7	19,589	(4,843)	(7,588)	7,433
Finance costs	6(21), 7	(14,810)	(4,944)	(32,109)	(12,684)
Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(7)	6,669	11,472	21,361	35,016
Non-operating incomes and expenses total		31,038	18,726	31,418	78,753
Income before income tax		330,746	146,740	805,435	611,183
Income tax expense	4, 6(24)	(67,897)	(28,931)	(171,016)	(121,285)
Net income		262,849	117,809	634,419	489,898
Other comprehensive income (loss)	6(23)				
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations		265,146	3,218	586,982	(89,147)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		13,021	125	26,272	(4,072)
Total other comprehensive income (loss), net of tax		278,167	3,343	613,254	(93,219)
Total comprehensive income (loss)		\$541,016	\$121,152	\$1,247,673	\$396,679
Net income (loss) attributable to:					
Stockholders of the parent		\$263,970	\$118,447	\$639,126	\$490,536
Non-controlling interests		(1,121)	(638)	(4,707)	(638)
		\$262,849	\$117,809	\$634,419	\$489,898
Total comprehensive income (loss) attributable to:					
Stockholders of the parent		\$541,131	\$121,860	\$1,249,924	\$397,387
Non-controlling interests		(115)	(708)	(2,251)	(708)
		\$541,016	\$121,152	\$1,247,673	\$396,679
Earnings per share-basic (in NTD)	6(25)	\$4.01	\$1.80	\$9.71	\$7.45
Earnings per share-diluted (in NTD)	6(25)	\$3.84	\$1.80	\$9.42	\$7.43

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 For the nine-month periods ended September 30, 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			
	Common Stock	Capital surplus	Legal Reserve	Special Reserve	Unappropriated retained earnings	Exchange Differences on Translation of Foreign Operations	Total		
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 and earnings for the six-month period ended June 30, 2021:									
Legal reserve			155,069		(155,069)		-		-
Special reserve				287,246	(287,246)		-		-
Cash dividends-common shares					(263,305)		(263,305)		(263,305)
Net income (loss) for the nine-month period ended September 30, 2021					490,536		490,536	(638)	489,898
Other comprehensive income (loss), for the nine-month period ended September 30, 2021						(93,149)	(93,149)	(70)	(93,219)
Total comprehensive income (loss)	-	-	-	-	490,536	(93,149)	397,387	(708)	396,679
Changes in non-controlling interests								24,881	24,881
Balance as of September 30, 2021	\$658,262	\$836,782	\$155,069	\$620,146	\$1,551,447	\$(616,733)	\$3,204,973	\$24,173	\$3,229,146
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 and earnings for the six-month period ended June 30, 2022:									
Legal reserve			63,247		(63,247)		-		-
Cash dividends-common shares				(312,196)	312,196		-		-
Special reserve reversal					(296,218)		(296,218)		(296,218)
Equity component of convertible bonds issued by the company		40,024					40,024		40,024
Net income (loss) for the nine-month period ended September 30, 2022					639,126		639,126	(4,707)	634,419
Other comprehensive income (loss), for the nine-month period ended September 30, 2022						610,798	610,798	2,456	613,254
Total comprehensive income (loss)	-	-	-	-	639,126	610,798	1,249,924	(2,251)	1,247,673
Balance as of September 30, 2022	\$658,262	\$876,806	\$218,316	\$307,950	\$2,282,172	\$(30,790)	\$4,312,716	\$18,362	\$4,331,078

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2022 and 2021 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the nine-month period ended September 30,		Items	For the nine-month period ended September 30,	
	2022	2021		2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$805,435	\$611,183	Acquisition of financial assets measured at fair value through other comprehensive income	(40,000)	(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	(18,407)	466,880
Depreciation (include investment property)	198,123	117,764	Acquisition of investment accounted for under the equity method	(58,733)	(119,504)
Amortization	2,351	3,269	Acquisition of property, plant and equipment	(309,558)	(780,655)
Expected credit losses	7,753	-	Proceeds from disposal of property, plant and equipment	1,132	103,039
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(200)	-	Acquisition of intangible assets	(1,353)	(2,267)
Interest expense	32,109	12,684	Net cash provided by (used in) investing activities	(426,919)	(366,544)
Interest income	(17,048)	(24,577)	Cash flows from financing activities:		
Share of profit or loss of associates and joint ventures accounted for under the equity method	(21,361)	(35,016)	Increase in (repayment of) short-term borrowings	(153,007)	684,738
Loss (Gain) on disposal of property, plant and equipment	(580)	612	Issuance of convertible bonds	512,995	-
Unrealized (Realized) sales profit	(220)	343	Increase (Decrease) in guarantee deposits	726	18,220
Changes in operating assets and liabilities:			Repayment of lease liabilities principal	(4,222)	(3,972)
Trade receivables	(442,924)	28,247	Cash dividends	(296,218)	(263,305)
Trade receivables-related parties	11,888	(162,464)	Increase (Decrease) in non-controlling interests	-	24,881
Other receivables	(2,924)	(7,402)	Net cash provided by (used in) financing activities	60,274	460,562
Other receivables-related parties	(3,630)	253	Effect of exchange rate changes	279,909	(50,828)
Inventories	319,871	(530,030)	Net increase (decrease) in cash and cash equivalents	557,697	(29,144)
Prepayments	(71,699)	(39,967)	Cash and cash equivalents at beginning of period	1,146,745	1,043,712
Other current assets	5,580	(89,474)	Cash and cash equivalents at end of period	\$1,704,442	\$1,014,568
Contract liabilities	(57,470)	2,236			
Notes payables	-	(4)			
Trade payables	(34,591)	72,915			
Trade payables-related parties	(5,980)	12,566			
Other payables	(5,743)	(4,505)			
Other current liabilities	126	984			
Net defined benefit liabilities	292	(341)			
Refund liabilities	3,808	(685)			
Cash generated from (used in) operations	722,966	(31,409)			
Interest received	18,735	34,889			
Dividends received	14,829	17,053			
Interest paid	(33,032)	(12,762)			
Income tax paid	(79,065)	(80,105)			
Net cash provided by (used in) operating activities	644,433	(72,334)			

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2022 and 2021 and for the nine-month periods then ended

(REVIEWED BUT UNAUDITED)

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

1. HISTORY AND ORGANIZATION

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

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on September 23, 2014 and started trading on September 25, 2014. The Company’s registered office is at PO 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 nine-month periods ended September 30, 2022 and 2021 were authorized for issue by the board of directors on November 1, 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. Apart from the nature and impact of the new standard and amendment is described below, the remaining 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 endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(a) 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.

(b) 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.

(c) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The Group assesses that there will be no significant impact on the Group’s financial statements then.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

- (3) Standards or interpretations issued, revised or amended, by 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	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(b) 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 it 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.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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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 nine-month periods ended September 30, 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.

Except for the following 4(3)~4(6), 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 to the Group'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) to the Group's consolidated financial statements for the year ended December 31, 2021.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 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 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%	55%	55% (Note)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(4) Post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) 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.

(6) Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the nine-month periods ended September 30, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Cash on hand	\$780	\$725	\$730
Checking and saving	725,524	408,188	322,331
Time deposits matured within three months	978,138	737,832	691,507
Total	<u>\$1,704,442</u>	<u>\$1,146,745</u>	<u>\$1,014,568</u>

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

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Financial assets at fair value through profit or loss			
Embedded derivatives	<u>\$400</u>	<u>\$-</u>	<u>\$-</u>

The embedded derivative financial instruments (the issuer's redemption options) on the bonds payable which amounted to NT\$400 thousand were recognized as current financial assets at fair value through profit or loss as of September 30, 2022.

No financial assets at fair value through profit or loss was pledged as collateral.

(3) Financial assets measured at amortized cost

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Time deposits	<u>\$191,761</u>	<u>\$173,354</u>	<u>\$265,179</u>
Current	\$176,127	\$160,254	\$252,001
Non-current	15,634	13,100	13,178
Total	<u>\$191,761</u>	<u>\$173,354</u>	<u>\$265,179</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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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.

(4) Trade receivables and trade receivables-related parties

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

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Trade receivables	\$1,252,747	\$809,823	\$641,026
Less: loss allowance	(26,016)	(15,662)	(15,752)
Subtotal	1,226,731	794,161	625,274
Trade receivables from related parties	314,354	326,242	396,806
Less: loss allowance	-	-	-
Subtotal	314,354	326,242	396,806
Total	\$1,541,085	\$1,120,403	\$1,022,080

(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\$1,567,101 thousand, NT\$1,136,065 thousand and NT\$1,037,832 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively. Please refer to Note 6 (19) for more details on loss allowance of trade receivables for the nine-month periods ended September 30, 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)

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

(5) Inventories

(a) Details of inventories are listed below:

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Raw materials and Supplies	\$338,653	\$585,930	\$529,858
Work in progress	417,334	408,669	418,695
Finished goods	210,313	295,014	163,008
Merchandises	4,030	588	5,446
Total	\$970,330	\$1,290,201	\$1,117,007

(b) The cost of inventories recognized in expenses amounted to NT\$1,667,557 thousand, NT\$1,157,581 thousand, NT\$4,663,435 thousand and NT\$3,356,677 thousand for the three-month and nine-month periods ended September 30, 2022 and 2021, respectively.

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

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Loss from inventory market decline	\$-	\$4	\$-	\$3,019
Loss in inventory write-off obsolescence	10,856	2,988	27,212	15,265
Loss (gain) from the physical count	-	-	-	(30)
Total	\$10,856	\$2,992	\$27,212	\$18,254

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Equity instrument investments measured at fair value through other comprehensive income - Non-current			
Unlisted companies stocks	\$95,705	\$55,705	\$53,468

- (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 December 2020 and October 2021, Eurocharm Innovation Co., Ltd (B.V.I) participated in Northstar Precision (Vietnam) Company Limited's cash offering proportionately.
- (c) Mid of May 2022, the Company's subsidiary - Eurocharm Innovation Co., Ltd. invested NT\$40,000 thousand for 4,000 thousand shares of AmTrust Capital II Corp. The percentage of ownership was 4%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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(7) Investments accounted for under the equity method

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

Investee companies	As of					
	Sep. 30, 2022		Dec. 31, 2021		Sep. 30, 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$82,233	20.00%	\$73,163	20.00%	\$69,887	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	51,071	45.00%	42,227	45.00%	40,401	45.00%
Shiang Yu Precision Co., Ltd.	33,107	40.00%	28,464	40.00%	27,742	40.00%
Lieh Kwan International Co., Ltd.	23,485	40.00%	21,027	40.00%	22,684	40.00%
Vietnam King Duan Industrial Co., Ltd.	141,834	40.00%	123,696	40.00%	123,718	40.00%
Vietnam Uni-Calsonic Co., Ltd.	6,867	40.00%	6,017	40.00%	6,079	40.00%
PCI International Investment Inc.	62,377	45.00%	-	-%	-	-%
Total	<u>\$400,974</u>		<u>\$294,594</u>		<u>\$290,511</u>	

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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(b) Investments in associates

The Group's investments in above associates are not individually material. The aggregate carrying amounts of the Group's interest in associates were NT\$400,974 thousand, NT\$294,594 thousand and NT\$290,511 thousand as of September 30, 2022, December 31, 2021, and September 30, 2021, respectively. The aggregate financial information based on the Group's share is as follows:

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Profit or loss from continuing operations	\$6,669	\$11,472	\$21,361	\$35,016
Other comprehensive income (post-tax)	13,021	125	26,272	(4,072)
Total	<u>\$19,690</u>	<u>\$11,597</u>	<u>\$47,633</u>	<u>\$30,944</u>

The associates had no contingent liabilities or capital commitments and were not under pledge as of September 30, 2022, December 31, 2021, and September 30, 2021.

As of September 30, 2022 and 2021, the balances of investments accounted for under the equity method amounted to NT\$400,974 thousand and NT\$290,511 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$6,669 thousand and NT\$11,472 thousand, respectively, while for the nine-month periods then ended were NT\$21,361 thousand and NT\$35,016 thousand, respectively. For the three-month periods then ended, the share of other comprehensive income from these associates and joint ventures amounted to NT\$13,021 thousand and NT\$125 thousand, respectively, while for the nine-month periods then ended were NT\$26,272 thousand and NT\$(4,072) thousand, respectively. These amounts were recognized based on unreviewed financial statements of the investees.

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

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- (d) In 2022 and 2021, Vietnam Precision Industrial No.1 Co., Ltd. received a distribution from Exedy Vietnam Co., Ltd. in the amount of NT\$14,829 thousand and NT\$16,954 thousand, respectively, which was accounted for as a reduction to the carrying amount of the investment.
- (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%.
- (g) Mid of May 2022, the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I) invested US\$2,025 thousand in PCI International Investment Inc. The percentage of ownership was 45%.

(8) Property, plant and equipment

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Owner occupied property, plant and equipment	\$2,281,296	\$1,942,722	\$1,796,309
Property, plant and equipment leased out under operating leases	-	-	-
Total	<u>\$2,281,296</u>	<u>\$1,942,722</u>	<u>\$1,796,309</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(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	-	1,767	31,773	11,690	1,892	14,536	206,133	267,791
Disposals	-	-	(7,123)	(739)	(1,287)	(5,323)	-	(14,472)
Transfers	-	(10,880)	157,105	133	198	77	(158,423)	(11,790)
Exchange differences	-	85,817	364,083	15,897	2,775	20,281	7,769	496,622
As of Sep. 30, 2022	<u>\$52,420</u>	<u>\$721,417</u>	<u>\$2,887,500</u>	<u>\$151,278</u>	<u>\$26,845</u>	<u>\$188,082</u>	<u>\$102,547</u>	<u>\$4,130,089</u>
As of Jan. 1, 2021	\$52,420	\$330,673	\$1,851,202	\$110,499	\$16,118	\$156,242	\$132,347	\$2,649,501
Additions	-	569	11,167	4,413	1,689	17,198	736,748	771,784
Disposals	-	(106)	(129,848)	(1,058)	(949)	(16,960)	-	(148,921)
Transfers	-	-	124,179	577	-	96	(125,031)	(179)
Exchange differences	-	(7,613)	(48,658)	(2,457)	(324)	(3,383)	(3,216)	(65,651)
As of Sep. 30, 2021	<u>\$52,420</u>	<u>\$323,523</u>	<u>\$1,808,042</u>	<u>\$111,974</u>	<u>\$16,534</u>	<u>\$153,193</u>	<u>\$740,848</u>	<u>\$3,206,534</u>
Depreciation and impairment:								
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	25,532	127,640	7,518	2,327	21,610	-	184,627
Disposals	-	-	(7,035)	(740)	(1,287)	(4,858)	-	(13,920)
Transfers	-	(78)	-	-	-	-	-	(78)
Exchange differences	-	20,176	180,684	9,849	1,808	16,431	-	228,948
As of Sep. 30, 2022	<u>\$-</u>	<u>\$189,689</u>	<u>\$1,402,610</u>	<u>\$88,586</u>	<u>\$17,087</u>	<u>\$150,821</u>	<u>\$-</u>	<u>\$1,848,793</u>
As of Jan. 1, 2021	\$-	\$127,938	\$1,055,745	\$68,089	\$13,595	\$114,428	\$-	\$1,379,795
Depreciation	-	13,268	74,753	5,502	1,312	16,592	-	111,427
Disposals	-	(106)	(26,809)	(1,058)	(949)	(16,348)	-	(45,270)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(2,925)	(28,373)	(1,593)	(289)	(2,547)	-	(35,727)
As of Sep. 30, 2021	<u>\$-</u>	<u>\$138,175</u>	<u>\$1,075,316</u>	<u>\$70,940</u>	<u>\$13,669</u>	<u>\$112,125</u>	<u>\$-</u>	<u>\$1,410,225</u>

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	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Net carrying amount as of:								
Sep. 30, 2022	\$52,420	\$531,728	\$1,484,890	\$62,692	\$9,758	\$37,261	\$102,547	\$2,281,296
Dec. 31, 2021	\$52,420	\$500,654	\$1,240,341	\$52,338	\$9,028	\$40,873	\$47,068	\$1,942,722
Sep. 30, 2021	\$52,420	\$185,348	\$732,726	\$41,034	\$2,865	\$41,068	\$740,848	\$1,796,309

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

	Machinery and equipment
Cost:	
As of Jan. 1, 2022	\$31,720
Exchange differences	4,270
As of Sep. 30, 2022	\$35,990
As of Jan. 1, 2021	\$32,675
Exchange differences	(769)
As of Sep. 30, 2021	\$31,906
Depreciation and impairment:	
As of Jan. 1, 2022	\$31,720
Exchange differences	4,270
As of Sep. 30, 2022	\$35,990
As of Jan. 1, 2021	\$32,675
Exchange differences	(769)
As of Sep. 30, 2021	\$31,906
Net carrying amount as of:	
Sep. 30, 2022	\$-
Dec. 31, 2021	\$-
Sep. 30, 2021	\$-

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

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

(9) Investment property

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

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2022	\$48,588
Transfers from property, plant and equipment	11,715
Exchange differences	6,541
As of Sep. 30, 2022	<u>\$66,844</u>
As of Jan. 1, 2021	\$50,050
Exchange differences	(1,178)
As of Sep. 30, 2021	<u>\$48,872</u>
Depreciation and impairment:	
As of Jan. 1, 2022	\$14,962
Transfers from property, plant and equipment	78
Depreciation	1,933
Exchange differences	2,145
As of Sep. 30, 2022	<u>\$19,118</u>
As of Jan. 1, 2021	\$13,325
Depreciation	1,541
Exchange differences	(323)
As of Sep. 30, 2021	<u>\$14,543</u>

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	<u>Buildings</u>			
Net carrying amount as of:				
Sep. 30, 2022	<u>\$47,726</u>			
Dec. 31, 2021	<u>\$33,626</u>			
Sep. 30, 2021	<u>\$34,329</u>			
	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Rental income from investment property	\$9,779	\$6,924	\$26,602	\$20,358
Less : Direct operating expenses from investment property generating rental income	(1,317)	(1,229)	(4,140)	(3,524)
Total	<u>\$8,462</u>	<u>\$5,695</u>	<u>\$22,462</u>	<u>\$16,834</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) The fair value of investment properties held by the Group's subsidiaries was NT\$167,629 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

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(10) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	1,353
Transfers from property, plant and equipment	75
Deduction	(244)
Exchange differences	4,909
As of Sep. 30, 2022	<u>\$43,813</u>
As of Jan. 1, 2021	\$35,990
Additions-acquired separately	2,267
Transfers from property, plant and equipment	179
Deduction	(435)
Exchange differences	(809)
As of Sep. 30, 2021	<u>\$37,192</u>
As of Jan. 1, 2022	\$32,885
Amortization	2,351
Deduction	(244)
Exchange differences	4,464
As of Sep. 30, 2022	<u>\$39,456</u>
As of Jan. 1, 2021	\$29,762
Amortization	3,269
Deduction	(435)
Exchange differences	(698)
As of Sep.30, 2021	<u>\$31,898</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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	<u>Computer software</u>
Net carrying amount as of:	
Sep. 30, 2022	\$4,357
Dec. 31, 2021	\$4,835
Sep. 30, 2021	\$5,294

Amortization of intangible assets is as follows:

	<u>For the three-month period</u>		<u>For the nine-month period</u>	
	<u>ended Sep. 30,</u>		<u>ended Sep. 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating costs	\$8	\$8	\$24	\$24
Sales and marketing expenses	9	3	27	6
General and administrative expenses	728	1,030	2,221	3,160
Research and development expenses	26	26	79	79
Total	<u>\$771</u>	<u>\$1,067</u>	<u>\$2,351</u>	<u>\$3,269</u>

(11) Other non-current assets

	<u>As of</u>		
	<u>Sep. 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>Sep. 30, 2021</u>
Advance payments in equipment	\$38,606	\$59,717	\$78,298
Refundable deposits	336	336	336
Total	<u>\$38,942</u>	<u>\$60,053</u>	<u>\$78,634</u>

(12) Short-term borrowings

	<u>Interest Rate (%)</u>	<u>As of</u>		
		<u>Sep. 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>Sep. 30, 2021</u>
Secured bank loans	0.9% ~ 3.55%	\$334,974	\$502,401	\$434,144
Unsecured bank loans	0.7% ~ 4.26%	1,605,935	1,591,515	1,460,574
Total		<u>\$1,940,909</u>	<u>\$2,093,916</u>	<u>\$1,894,718</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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The Group's unused short-term lines of credits amounted to NT\$1,218,804 thousand, NT\$284,189 thousand and NT\$310,070 thousand as of September 30, 2022, December 31, 2021 and September 30, 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.

(13) Other payables

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Accrued expense	\$303,910	\$309,653	\$248,419
Accrued interest	-	909	72
Payables on equipment	16,919	79,797	86,645
Total	\$320,829	\$390,359	\$335,136

(14) Bonds payable

A. The Group had no balance of the bonds payable as of December 31, 2021 and September 30, 2021. The details of the bonds payable as of September 30, 2022 are as follows:

	Sep. 30, 2022
Liability component:	
Unsecured domestic bonds payable	\$500,000
Discounts on bonds payable	(24,107)
Total	475,893
Less: current portion	-
Net	\$475,893
Embedded derivative	\$400
Equity component-conversion right	\$40,024

For the details of the gain or loss from valuation through profit or loss on embedded derivative - redemption options and the interest expense on the convertible bonds payable, please refer to Note 6 (21) to the consolidated financial statement.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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B. On March 25, 2022, the Company's board of directors' meetings resolved to issued first unsecured convertible bonds. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1110340539. The terms of the bonds are as follows:

(A) Issue date: June 8, 2022

(B) Issue amount: NT\$500,000 thousand

(C) Issue price: NT\$103.82

(D) Coupon rate: 0%

(E) Secured or unsecured: Unsecured bonds

(F) Period: June 8, 2022 to June 8, 2025

(G) Terms of Conversion:

(a) Conversion period: The bondholders will have the right to convert their bonds at any time during the conversion period commencing 9 September ,2022 (the 90th day following the closing date) and ending at the close of business on 8 June ,2025 (the maturity Date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time;(ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date on (and including)such record; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction ; (iv)No request for conversion other than the starting date of the stop of conversion for the change of stock denomination to the day before the trading day before the start of the new stock exchange.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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The starting date of the stop of conversion refers to the one business day before company applicate registration change to MOEA. The company shall announce four business days before the starting date of the stop of conversion.

- (b) Conversion price and adjustment: The conversion price was originally at NT\$153.00 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

Due to the distribution of cash dividends on ordinary shares in 2022, the Company adjusted the conversion price in accordance with the terms of conversion of the Company's first unsecured convertible bonds. Therefore, the conversion price has been adjusted from NT\$153.00 to NT\$148.60 since September 8, 2022.

- (c) The Company will redeem the bonds in cash if the convertible bonds were not settled by the maturity date.

(H) Redemption clauses:

- (a) The Company may redeem the convertible bonds from the next day (September 9, 2022) following a three-month period after the bonds are issued to 40 days before the maturity date (April 30, 2025) if the following terms are met: when the closing price of the Company's common shares is 30% above the convertible price for 30 consecutive trading days, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

- (b) The Company may redeem the convertible bonds from the next day (September 9, 2022) following a three-month period after the bonds are issued to 40 days before the maturity date (April 30, 2025) if the following terms are met: when the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.
- (c) If the bondholders haven't respond bond redemption notification in written before the bond recovery measurement date, the company stock transfer agent shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.

(15) Other non-current liabilities

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Net defined benefit liability	\$811	\$519	\$2,523
Guarantee deposits received	8,847	8,121	23,653
Other non-current liabilities	5,000	5,000	5,000
Total	\$14,658	\$13,640	\$31,176

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(16) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended September 30, 2022 and 2021 were NT\$413 thousand and NT\$415 thousand, respectively, while for the nine-month periods ended September 30, 2022 and 2021 were NT\$1,259 thousand and NT\$1,248 thousand, respectively.

Defined benefits plan

Expenses under the defined benefit plan for the three-month periods ended September 30, 2022 and 2021 were NT\$59 thousand and NT\$62 thousand, respectively, while for the nine-month periods ended September 30, 2022 and 2021 were NT\$177 thousand and NT\$184 thousand, respectively.

(17) Equities

(a) Common stock

The Company's authorized capitals were NT\$900,000 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, divided into both 65,826 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was NT\$658,262 thousand. Each share has one voting right and the right to receive dividends.

(b) Capital surplus

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Additional paid-in capital	\$836,062	\$836,062	\$836,062
Share options	40,024	-	-
Other	720	720	720
Total	\$876,806	\$836,782	\$836,782

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

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

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).

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

- ii. 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 covering 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.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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- (4) The appropriation of earnings for 2021 and 2020 were approved by stockholders' meeting on May 31, 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	296,218	263,305	\$4.5	\$4.0
Total	<u>\$477,162</u>	<u>\$571,849</u>		

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

The earnings appropriation for the six-month period ended June 30, 2022 was approved through the Board of Director's meeting held on August 16, 2022. The legal reserve and the special reserve reversal set aside were NT\$37,516 thousand and NT\$(333,638) thousand, respectively.

Please refer to Note 6 (20) for further details on employees' compensation and remuneration to directors.

(d) Non-controlling interests

	For the nine-month period ended Sep. 30,	
	2022	2021
Beginning balance	\$20,613	\$-
Acquisition of shares issued by subsidiary	-	24,881
Net profit (loss) attributable to NCIs	(4,707)	(638)
Other comprehensive income, attributable to NCIs:		
Exchange differences arising on translation of foreign operations	2,456	(70)
Ending balance	<u>\$18,362</u>	<u>\$24,173</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(18) Operating revenue

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Revenue from contracts with customer				
Sale of goods	\$2,081,429	\$1,374,107	\$5,753,937	\$4,153,602
Revenue arising from the rendering of services	862	749	4,005	1,741
Total	<u>\$2,082,291</u>	<u>\$1,374,856</u>	<u>\$5,757,942</u>	<u>\$4,155,343</u>

Analysis of revenue from contracts with customers during the three-month periods ended and the nine-month periods then ended September 30, 2022 and 2021, respectively, is as follows:

(a) Disaggregation of revenue

	Single Segment			
	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Revenue from contracts with customer				
Sale of goods	\$2,081,429	\$1,374,107	\$5,753,937	\$4,153,602
Revenue arising from the rendering of services	862	749	4,005	1,741
Total	<u>\$2,082,291</u>	<u>\$1,374,856</u>	<u>\$5,757,942</u>	<u>\$4,155,343</u>

Timing of revenue recognition:

At a point in time	<u>\$2,082,291</u>	<u>\$1,374,856</u>	<u>\$5,757,942</u>	<u>\$4,155,343</u>
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EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(b) Contract balances

Contract liabilities - current

	As of			
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2022	Jan.1, 2021
Sales of goods	\$12,679	\$70,149	\$88,566	\$86,330

For the nine-month periods ended September 30, 2022, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

For the nine-month periods ended September 30, 2021, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

(c) Transaction price allocated to unsatisfied performance obligations

As of September 30, 2022, December 31, 2021 and September 30, 2021, there was no information about unsatisfied performance obligations provided in the consolidated financial statements because the duration of the Group's revenue contracts were all less than one year.

(d) Assets recognized from costs to fulfill a contract

None.

(19) Expected credit losses (gains)

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Operating expenses – Expected credit losses (gains)				
Trade receivables	\$7,753	\$-	\$7,753	\$-

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

The Group measures the loss allowance of its trade receivables (including notes receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of September 30, 2022, December 31, 2021 and September 30, 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 September 30, 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	\$773,433	\$113,397	\$29,225	\$47,334	\$-	\$963,389
Loss ratio	0.10%	1.36%	5.30%	17.73%	100%	
Lifetime expected credit losses	(809)	(1,540)	(1,550)	(8,395)	-	(12,294)
Carrying amount of trade receivables	<u>\$772,624</u>	<u>\$111,857</u>	<u>\$27,675</u>	<u>\$38,939</u>	<u>\$-</u>	<u>\$951,095</u>

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Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$504,811	\$93,447	\$5,454	\$-	\$-	\$603,712
Loss ratio	0.82%	9.62%	11.16%	100%	100%	
Lifetime expected credit losses	(4,124)	(8,989)	(609)	-	-	(13,722)
Carrying amount of trade receivables	<u>\$500,687</u>	<u>\$84,458</u>	<u>\$4,845</u>	<u>\$-</u>	<u>\$-</u>	<u>\$589,990</u>

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>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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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>

As of September 30, 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	\$668,165	\$56,308	\$42,341	\$11,219	\$153	\$778,186
Loss ratio	0.09%	4.65%	10.30%	31.89%	100.00%	
Lifetime expected credit losses	(593)	(2,621)	(4,361)	(3,578)	(153)	(11,306)
Carrying amount of trade receivables	<u>\$667,572</u>	<u>\$53,687</u>	<u>\$37,980</u>	<u>\$7,641</u>	<u>\$-</u>	<u>\$766,880</u>

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Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$210,020	\$49,020	\$569	\$37	\$-	\$259,646
Loss ratio	0.01%	8.83%	10.88%	100.00%	100.00%	
Lifetime expected credit losses	(17)	(4,330)	(62)	(37)	-	(4,446)
Carrying amount of trade receivables	<u>\$210,003</u>	<u>\$44,690</u>	<u>\$507</u>	<u>\$-</u>	<u>\$-</u>	<u>\$255,200</u>

(b) The movement in the provision for impairment of trade receivables during the nine-month periods ended September 30, 2022 and 2021, respectively, is as follows:

	Trade receivables
As of Jan. 1, 2022	\$15,662
Addition for the current period	7,753
Exchange differences	2,601
As of Sep. 30, 2022	<u>\$26,016</u>
As of Jan. 1, 2021	\$16,126
Exchange differences	(374)
As of Sep. 30, 2021	<u>\$15,752</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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- (20) Summary statement of employee benefits, depreciation and amortization by function during the three-month and nine-month periods ended September 30, 2022 and 2021:

Nature \ Function	For the three-month period ended Sep. 30,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$325,344	\$55,602	\$380,946	\$259,841	\$42,635	\$302,476
Labor and health insurance	312	835	1,147	330	870	1,200
Pension	112	360	472	119	358	477
Other employee benefits expense	2,388	1,285	3,673	2,237	1,419	3,656
Depreciation	65,174	6,090	71,264	36,562	3,184	39,746
Amortization	8	763	771	8	1,059	1,067

Nature \ Function	For the nine-month period ended Sep. 30,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$871,920	\$146,228	\$1,018,148	\$744,527	\$134,552	\$879,079
Labor and health insurance	910	2,561	3,471	1,013	2,582	3,595
Pension	336	1,100	1,436	376	1,056	1,432
Other employee benefits expense	6,806	3,713	10,519	6,541	3,994	10,535
Depreciation	180,495	17,628	198,123	107,409	10,355	117,764
Amortization	24	2,327	2,351	24	3,245	3,269

According to the Company's Articles of Incorporation, no less than 2% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. The Company may have the profit distributable as employees' compensation in the form of shares or 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 remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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For the three-month period ended September 30, 2022, the Company recorded the compensations to employees and directors in the amount of NT\$11,974 thousand and NT\$2,554 thousand, respectively, and, for the nine-month period ended September 30, 2022, NT\$21,969 thousand and NT\$7,425 thousand, respectively; while employees' compensations to employees and remuneration to directors for the three-month period ended September 30, 2021 amounted to NT\$2,603 thousand and NT\$1,602 thousand, respectively, and for the nine-month period ended September 30, 2021, NT\$18,419 thousand and NT\$11,335 thousand, respectively. The aforementioned employees' compensation and directors' remuneration were estimated based on the post-tax net income of the period and recognized as salary expenses.

The Company's board of directors meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$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' meeting has 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 remuneration to directors and supervisors for the year ended December 31, 2020.

(21) Non-operating income and expenses

(a) Other income

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Interest income				
Financial assets measured at amortized cost	\$7,245	\$9,025	\$17,048	\$24,577
Rental income	9,779	6,924	26,602	20,358
Others	2,566	1,092	6,104	4,053
Total	<u>\$19,590</u>	<u>\$17,041</u>	<u>\$49,754</u>	<u>\$48,988</u>

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(b) Other gains and losses

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Gains/(losses) on disposal of property, plant and equipment	\$12	\$(394)	\$580	\$(612)
Foreign exchange gains/(losses)	22,477	4,639	(2,542)	18,997
Financial assets at fair value through profit	100	-	200	-
Others	(3,000)	(9,088)	(5,826)	(10,952)
Total	<u>\$19,589</u>	<u>\$(4,843)</u>	<u>\$(7,588)</u>	<u>\$7,433</u>

(c) Finance costs

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Interest on borrowings from bank	\$12,539	\$4,861	\$29,160	\$12,410
Interest on lease liabilities	73	83	227	274
Interest on convertible bonds	2,198	-	2,722	-
Total	<u>\$14,810</u>	<u>\$4,944</u>	<u>\$32,109</u>	<u>\$12,684</u>

(22) Leases

(a) The group as a lessee

The Group leases various properties, including real estate 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 all or parts of the leases without obtaining consent from the lessors.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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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 assets

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Land	\$315,956	\$285,631	\$289,018
Buildings	9,787	8,146	9,447
Total	\$325,743	\$293,777	\$298,465

(ii) Lease liabilities

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Lease liabilities	\$9,857	\$8,462	\$9,761
Current	\$5,757	\$3,130	\$3,601
Non-current	\$4,100	\$5,332	\$6,160

Please refer to Note 6(21)(c) for the interest on lease liability recognized during the three-month and nine-month periods ended September 30, 2022 and 2021, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of September 30, 2022 and 2021.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Buildings(Includes land use right)	\$4,027	\$1,598	\$11,563	\$4,796

C. Income and costs relating to leasing activities

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Short-term leased expense (Rental expense)	\$15	\$470	\$43	\$493

As of September 30, 2022, December 31, 2021 and September 30, 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 both amounted to NT\$0.

D. Cash outflow relating to leasing activities

During the nine-month periods ended September 30, 2022 and 2021, the Group's total cash outflow for leases amounted to NT\$4,265 thousand and NT\$4,465 thousand, respectively.

(b) The group as lessor

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Leased income recognized by operating leased				
Fixed leased payment-related income	\$9,779	\$6,924	\$26,602	\$20,358

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively, are as follows:

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Not later than one year	\$20,967	\$24,669	\$23,325
More than one year but less than two years	3,842	-	5,605
Total	\$24,809	\$24,669	\$28,930

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(23) Components of other comprehensive income

	For the three-month period ended Sep. 30, 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	\$265,146	\$-	\$265,146	\$-	\$265,146
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	13,021	-	13,021	-	13,021
Total of other comprehensive income	\$278,167	\$-	\$278,167	\$-	\$278,167

	For the three-month period ended Sep. 30, 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	\$3,218	\$-	\$3,218	\$-	\$3,218
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	125	-	125	-	125
Total of other comprehensive income	\$3,343	\$-	\$3,343	\$-	\$3,343

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	For the nine-month period ended Sep. 30, 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	\$586,982	\$-	\$586,982	\$-	\$586,982
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	26,272	-	26,272	-	26,272
Total of other comprehensive income	\$613,254	\$-	\$613,254	\$-	\$613,254

	For the nine-month period ended Sep. 30, 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	\$(89,147)	\$-	\$(89,147)	\$-	\$(89,147)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(4,072)	-	(4,072)	-	(4,072)
Total of other comprehensive income	\$(93,219)	\$-	\$(93,219)	\$-	\$(93,219)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(24) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Current income tax expense (income):				
Current income tax charge	\$65,847	\$28,106	\$166,776	\$122,173
Deferred tax expense (income):				
Deferred tax expense relating to origination and reversal of temporary differences	2,050	825	4,240	(888)
Total income tax expense	<u>\$67,897</u>	<u>\$28,931</u>	<u>\$171,016</u>	<u>\$121,285</u>

(b) The assessment of income tax returns

As of September 30, 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

(25) Earnings per share

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
(a)Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$263,970	\$118,447	\$639,126	\$490,536
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826	65,826	65,826
Basic earnings per share (NT\$)	\$4.01	\$1.80	\$9.71	\$7.45
(b)Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$263,970	\$118,447	\$639,126	\$490,536
Interest expense on convertible bonds (in thousand NT\$)	2,198	-	2,722	-
Gains on financial assets at fair value through profit or loss	(100)	-	(200)	-
Net income available to common shareholders outstanding after dilution (in thousand shares)	\$266,068	\$118,447	\$641,648	\$490,536
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826	65,826	65,826

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	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Effect of dilution:				
Employee bonus – stock (in thousands)	126	138	158	176
Convertible bonds (in thousands)	3,365	-	2,138	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	69,317	65,964	68,122	66,002
Diluted earnings per share (NT\$)	\$3.84	\$1.80	\$9.42	\$7.43

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.

(26) Subsidiary that has material non-controlling interests

As of September 30, 2022, December 31, 2021 and September 30, 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		
		Sep. 30, 2022	Dec. 31, 2021	Sep.30, 2021
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%	45%

Accumulated balances of material non-controlling interest:

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Vietnam Eurocharm Ways Plastics Company Limited.	\$18,362	\$20,613	\$24,173

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

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Vietnam Eurocharm Ways Plastics Company Limited.	<u>\$(1,121)</u>	<u>\$(638)</u>	<u>\$(4,707)</u>	<u>\$(638)</u>

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

Summarized information of profit or loss for the three-month periods ended and the nine-month periods then ended September 30, 2022 and 2021, respectively, is as follows:

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Operating revenue	\$3	\$-	\$124	\$-
Profit/loss from continuing operation	(2,491)	(1,418)	(10,460)	(1,418)
Total comprehensive income for the period	(2,491)	(1,418)	(10,460)	(1,418)

Summarized information of financial position as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively, is as follows:

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Current assets	\$31,717	\$48,735	\$55,526
Non-current assets	29,152	32,286	30,020
Current liabilities	20,065	35,216	31,829
Non-current liabilities	-	-	-

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Summarized information of cash flows for the nine-month periods then ended September 30, 2022 and 2021, respectively, is as follows:

	For the nine-month period ended Sep. 30,	
	2022	2021
Operating activities	\$(27,849)	\$(13,572)
Investing activities	(152)	(588)
Financing activities	(2,048)	55,292
Net increase/(decrease) in cash and cash equivalents	(30,049)	41,132

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
PCI International Investments Inc.	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

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(2) Significant transactions with related parties

(a) Sales

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Associates	\$43,294	\$19,741	\$118,447	\$76,185
Other related party	-	10	9	23
Other related party – Northstar Precision (Vietnam) Company	416,814	439,484	1,432,246	1,067,944
Total	<u>\$460,108</u>	<u>\$459,235</u>	<u>\$1,550,702</u>	<u>\$1,144,152</u>

The sales prices with related parties were decided based on product type, inventory cost, market conditions and other trading terms. Receivables shall be finalized monthly and shall be collected within 15 to 90 days after accounts have been finalized for the general clients. The terms of collection for related parties are within the range of trading terms for general clients.

(b) Purchases

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2022	2021	2022	2021
Associates	\$65,097	\$49,942	\$183,632	\$99,474
Other related parties	617	829	1,472	2,020
Total	<u>\$65,714</u>	<u>\$50,771</u>	<u>\$185,104</u>	<u>\$101,494</u>

The purchases prices with related parties were decided based on product type, market conditions and other trading terms. Payables shall be finalized monthly and shall be paid within 30 to 90 days after accounts have been finalized for the general suppliers. The terms of payment for related parties are within the range of trading terms for general suppliers.

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- (c) For the nine-month periods ended September 30, 2022 and 2021, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$62,927 thousand and NT\$73,440 thousand, respectively.
- (d) For the nine-month periods ended September 30, 2022 and 2021, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$1,672 thousand and NT\$1,741 thousand, respectively, which were recorded under operating revenues.
- (e) For the nine-month periods ended September 30, 2022 and 2021, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$2,333 thousand and NT\$0, respectively, which were recorded under operating revenues.
- (f) For the nine-month periods ended September 30, 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 nine-month periods ended September 30, 2022 and 2021, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$1,434 thousand and NT\$7,859 thousand, respectively, which were recorded under non-operating income and expenses-other gain or loss.
- (h) For the nine-month periods ended September 30, 2021, the Group recognized NT\$0 of disposal gain or loss from sale of machine to associates in the amount of NT\$103,379 thousand.
- (i) For the nine-month periods ended September 30, 2022 and 2021, the Group recognized service fee amounted to NT\$219 thousand and NT\$135 thousand, respectively, which were recorded under non-operating income.

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(j) Trade receivables from related parties

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Associates	\$17,517	\$16,646	\$4,017
Other related parties	-	-	11
Other related party-Northstar Precision (Vietnam) Company Limited	296,837	309,596	392,778
Total	<u>\$314,354</u>	<u>\$326,242</u>	<u>\$396,806</u>

(k) Other receivables - related parties

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Associates	\$1,717	\$971	\$152
Other related parties	3,498	614	423
Total	<u>\$5,215</u>	<u>\$1,585</u>	<u>\$575</u>

(l) Prepayments

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep.30, 2021
Associates	<u>\$12,743</u>	<u>\$7,792</u>	<u>\$8,648</u>

(m) Trade payables to related parties

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Associates	\$24,064	\$29,968	\$16,540
Other related parties	123	199	200
Total	<u>\$24,187</u>	<u>\$30,167</u>	<u>\$16,740</u>

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(n) Operating lease

A. Right-of-use asset

Relationship	Property	As of		
		Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Other related party	Buildings	\$2,375	\$-	\$475

C. Lease liabilities

Relationship	Property	As of		
		Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Other related party	Buildings	\$2,385	\$-	\$480

C. Interest on lease liabilities

Relationship	Property	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
		2022	2021	2022	2021
Other related party	Rent office	\$7	\$2	\$25	\$9

D. For the nine-month periods ended September 30, 2022 and 2021, the Group paid other related parties for rent expense every month by cash.

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E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the nine-month period ended Sep. 30, 2022</u>			
Associate	Property and plant	Jan. 1, 2021 ~ Dec. 31, 2023	\$18,724
Other related party	Property and plant	Jan. 1, 2022 ~ Dec. 31, 2022	7,878
Total			<u>\$26,602</u>
<u>For the nine-month period ended Sep. 30, 2021</u>			
Associate	Property and plant	Jan. 1, 2021 ~ Dec. 31, 2021	\$16,060
Other related party	Property and plant	Apr. 1, 2021 ~ Dec. 31, 2021	4,298
Total			<u>\$20,358</u>

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

	For the three-month period		For the nine-month period	
	ended Sep. 30,		ended Sep. 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$16,321	\$14,013	\$28,050	\$24,803
Post-employment benefits	106	81	278	245
Total	<u>\$16,427</u>	<u>\$14,094</u>	<u>\$28,328</u>	<u>\$25,048</u>

8. PLEDGED ASSETS

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

Item	Carrying Amount As of			Secured liabilities
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021	
Trade receivables	\$135,700	\$239,200	\$240,600	Short-term borrowings
Inventories	135,700	239,200	240,600	Short-term borrowings
Property, plant and equipment – land	52,420	52,420	52,420	Short-term borrowings
Property, plant and equipment – buildings	167	228	252	Short-term borrowings
Total	<u>\$323,987</u>	<u>\$531,048</u>	<u>\$533,872</u>	

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Amounts available under unused letters of credit as of September 30, 2022 are USD\$94 thousand and EUR\$177 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Financial assets at fair value through profit or loss financial asset held for trading	\$400	\$-	\$-
Financial assets at fair value through other comprehensive income	95,705	55,705	53,468
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,703,662	1,146,020	1,013,838
Financial assets measured at amortized cost	191,761	173,354	265,179
Trade receivables (includes related parties)	1,541,085	1,120,403	1,022,080
Other receivables (includes related parties)	15,626	10,660	13,577
Refundable deposits	336	336	336
Subtotal	3,452,470	2,450,773	2,315,010
Total	\$3,548,575	\$2,506,478	\$2,368,478

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Financial liabilities

	As of		
	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Financial liabilities at amortized cost:			
Short-term borrowings	\$1,940,909	\$2,093,916	\$1,894,718
Trade payables (includes related parties)	822,665	932,766	758,547
Leased liabilities (includes related parties)	9,857	8,462	9,761
Guaranteed deposits received	8,847	8,121	23,653
Bonds payable	475,893	-	-
Total	<u>\$3,258,171</u>	<u>\$3,043,265</u>	<u>\$2,686,679</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 activate. 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 nine-month periods ended September 30, 2022 and 2021 is decreased/increased by NT\$1,086 thousand and increased/decreased NT\$5,619 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the nine-month periods ended September 30, 2022 and 2021 is increased/decreased by VND\$6,104,063 thousand and decreased/increased VND\$1,148,171 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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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 nine-month periods ended September 30, 2022 and 2021 to decrease/increase by NT\$159 thousand and NT\$194 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 enhancing credit procedures, such as requesting for prepayment or insurance.

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As of September 30, 2022, December 31, 2021 and September 30, 2021, trade receivables from top ten customers represented 78.06%, 74.70% and 80.65% 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 September 30, 2022, December 31, 2021 and September 30, 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 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 Sep. 30, 2022</u>			
Short-term borrowings	\$1,955,983	\$-	\$1,955,983
Trade and other payables	822,665	-	822,665
Leased liabilities	5,953	4,157	10,110
Convertible Bonds	-	500,000	500,000
<u>As of Dec. 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 Sep. 30, 2021</u>			
Short-term borrowings	\$1,903,873	\$-	\$1,903,873
Trade and other payables	758,547	-	758,547
Leased liabilities	3,873	6,368	10,241

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine-month period ended September 30, 2022:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bond payables	Total liabilities from financing activities
As of Jan. 1, 2022	\$2,093,916	\$8,121	\$8,462	\$-	\$2,110,499
Cash flows	(153,007)	726	(4,222)	512,995	356,492
Non-cash changes	-	-	5,617	(37,102)	(31,485)
As of Sep. 30, 2022	\$1,940,909	\$8,847	\$9,857	\$475,893	\$2,435,506

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Reconciliation of liabilities for the nine-month period ended September 30, 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	684,738	18,220	(3,972)	698,986
Non-cash changes	-	-	181	181
As of Sep. 30, 2021	\$1,894,718	\$23,653	\$9,761	\$1,928,132

(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 payables 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

Except as described in the table below, the carrying amount of the Group's financial assets and liabilities measured at amortized cost approximates their fair value.

	Carrying amount as of	
	111.09.30	110.12.31
Financial liabilities:		
Bonds payable	\$475,893	\$-
	Fair value as of	
	111.09.30	110.12.31
Financial liabilities:		
Bonds payable	\$476,900	\$-

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(8) Derivative financial instruments

As of December 31, 2022 and September 30, 2021, the Group doesn't have any derivative financial instruments. As of September 30, 2022, the Group's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled are as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(2) and Note 6(14) for further information on this transaction.

(9) 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

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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

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

As of September 30, 2022, December 31, 2021, and September 30, 2021, fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of Sep. 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss-current				
Embedded derivatives	\$-	\$-	\$400	\$400
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	<u>\$-</u>	<u>\$-</u>	<u>\$96,105</u>	<u>\$96,105</u>

As of Dec. 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>

As of Sep. 30, 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>

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

For the nine-month periods ended September 30, 2021, there was no movement of fair value measurements, and for nine-month period ended September 30, 2022 and for the years ended December 31, 2021, there was a movement of fair value measurements is as follows:

	Assets
	Financial assets at fair value through other comprehensive income
As of Jan. 1, 2022	\$55,705
Acquisition	40,000
As of September. 30, 2022	\$95,705

	Assets
	Derivatives financial assets at fair value through profit or loss
As of Jan. 1, 2022	\$-
Acquisition	200
Amount recognized in profit or loss (presented in “other gains and losses”	200
As of September 30, 2022	\$400

	Assets
	Financial assets at fair value through other comprehensive income
As of Jan. 1, 2021	\$53,468
Acquisition	2,237
As of December 31, 2021	\$55,705

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Information on significant unobservable inputs to valuation

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

As of September 30, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	26.55%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$300 thousand and NT\$(250)thousand.

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As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	Increase (decrease) in the discount for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$5,571 thousand.

As of September 30, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$5,347 thousand.

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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.

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

As of Sep. 30, 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(9))	\$-	\$-	\$167,629	\$167,629
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (Note 12(7))	\$-	\$-	\$476,900	\$476,900

As of Dec. 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(9))	\$-	\$-	\$167,629	\$167,629

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As of Sep. 30, 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(9))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

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

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

	As of					
	<u>Sep. 30, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
Monetary items:						
USD	<u>\$57,609</u>	32.01	<u>\$1,844,200</u>	<u>\$47,547</u>	27.27	<u>\$1,296,797</u>
VND	<u>\$1,240,445,562</u>	0.001357	<u>\$1,683,288</u>	<u>\$998,371,052</u>	0.001196	<u>\$1,194,451</u>
<u>Investments accounted for under the equity method</u>						
VND	<u>\$211,380,744</u>	0.001357	<u>\$286,844</u>	<u>\$229,004,492</u>	0.001196	<u>\$273,889</u>
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$56,925</u>	32.01	<u>\$1,822,575</u>	<u>\$75,206</u>	27.58	<u>\$2,074,335</u>
VND	<u>\$526,950,257</u>	0.001357	<u>\$715,071</u>	<u>\$533,803,179</u>	0.001190	<u>\$635,382</u>

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	As of		
	Sep. 30, 2021		
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$49,373	27.49	\$1,357,667
VND	\$902,862,315	0.001203	\$1,086,137
<u>Investments accounted for under the equity method</u>			
VND	\$222,895,211	0.001203	\$268,143
<u>Financial liabilities</u>			
Monetary items:			
USD	\$69,012	27.71	\$1,912,590
VND	\$525,650,058	0.001203	\$632,357

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 gain/(loss) were NT\$22,477 thousand and NT\$4,639 thousand for the three-month periods ended September 30, 2022 and 2021, respectively. The foreign exchange gain/(loss) were NT\$(2,542) thousand and NT\$18,997 thousand for the nine-month periods ended September 30, 2022 and 2021, respectively.

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(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.

(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 September 30, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT\$ 100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2022: None.

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(g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2022: None.

(h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2022: None.

(i) Derivative instrument transactions: None.

(j) Intercompany relationships and significant intercompany transactions for the nine-month period ended September 30, 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 shall be disclosed of information under 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 September 30, 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\$100 million or 20 percent of the paid-in capital or for the nine-month period ended September 30, 2022: None.

v. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital or for the nine-month period ended September 30, 2022: None.

vi. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital or for the nine-month period ended September 30, 2022: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital or for the nine-month period ended September 30, 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 September 30, 2022: Please refer to Attachment 6.

ix. Derivative instrument transactions: Please refer to Note 12(8).

(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.	3,898,000	5.92%

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 segment.

ATTACHMENT 1 (Financing provided to others for the nine-month period ended September 30, 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	\$269,816	\$269,816	\$269,816 (Note 4)	1.00%~2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$862,543 (Note 2) (Note 3)	\$1,725,086 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	Other receivables -related parties	\$112,084	\$63,486	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$862,543 (Note 2) (Note 3)	\$1,725,086 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	Other receivables -related parties	\$6,349	\$6,349	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$862,543 (Note 2) (Note 3)	\$1,725,086 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$520,000	\$349,173	\$349,173 (Note 4)	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$862,543 (Note 2) (Note 3)	\$1,725,086 (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	\$-	-	\$-	\$1,058,558 (Note 2) (Note 3)	\$2,117,116 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$206,330	\$206,330	\$206,330 (Note 4)	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,058,558 (Note 2) (Note 3)	\$2,117,116 (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. (Note 1)	Endorser/Guarantor	Guaranteed party		Limit of guarantee/endorsement amount to each guaranteed party (Note3)	Maximum balance for the period Ending balance	Actual actually draw	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	
		Relationship (Note2)	Company name										
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,725,086	\$80,000	\$80,000	\$69,000	\$-	1.85%	\$2,156,358	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$1,725,086	\$222,201 (USD 7,000) (Note4)	\$222,201 (USD 7,000) (Note4)	\$161,254 (USD 5,080) (Note4)	\$-	5.15%	\$2,156,358	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,725,086	\$1,142,748 (USD 36,000) (Note4)	\$1,142,748 (USD 36,000) (Note4)	\$282,665 (USD 8,905) (Note4)	\$-	26.50%	\$2,156,358	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$1,725,086	\$125,226 (USD 4,000) (Note4)	\$79,358 (USD 2,500) (Note4)	\$-	\$-	1.84%	\$2,156,358	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 nine-month period ended September 30, 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 Sep. 30, 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Sep. 30, 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%	\$5,292,789 (Note 5)	\$749,428	\$749,428 (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%	16,379 (Note 5)	15,280	15,280 (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (TW) Co., Limited.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	178,780 (Note 5)	16,317	20,564 (Note 1) (Note 5)	Sub-subsiidiary
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%	4,409,709 (Note 3) (Note 5)	688,930	719,580 (Note 2) (Note 5)	Sub-subsiidiary
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%	-70,721 (Note 5)	49,251	18,492 (Note 4) (Note 5)	Sub-subsiidiary
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%	22,442 (Note 5)	-10,460	-5,753 (Note 5)	Sub-subsiidiary
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%	51,071	6,577	2,960	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Lieh Kwan International Co., Ltd.	British Virgin Islands	Investment holding	USD 800	USD 800	8,000	40.00%	23,485	-867	-347	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%	141,834	2,827	1,131	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%	6,867	93	37	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	PCI International Investment Inc.	British Virgin Islands	Investment holding	USD 2,025	-	2,025	45.00%	62,377	8,096	3,644	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%	82,233	65,881	13,176	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%	33,107	1,901	760	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$16,317 thousand and realized profit on transaction between subsidiaries amounted to NT\$4,247 thousand.
Note 2: Including investment gain recognized under equity method amounted to NT\$688,930 thousand and realized profit on transaction between subsidiaries amounted to NT\$30,650 thousand.
Note 3: Holding net equity at the end of the period amount to NT\$4,457,721 thousand minus unrealized profit on transaction between subsidiaries amounted to NT\$48,012 thousand.
Note 4: Including investment gain recognized under equity method amounted to NT\$49,251 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$30,759 thousand.
Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 4 (Securities held as of September 30, 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 September 30, 2022					
				Number of shares	Book value	Percentage of ownership (%)	Fair value	Note	Shares as collateral
Eurocharm Innovation (TW) Co., Limited.	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 (TW) Co., Limited.	AmTrust Capital II Corp.	-	Financial assets measured at fair value through other comprehensive income	4,000,000	40,000	4.00%	40,000	-	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>\$95,705</u>		<u>\$95,705</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 nine-month period ended September 30, 2022)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Purchase (sales) company	Related party	Relationship	Purchases (Sales)	Transactions			Details of non-arm's length transaction		Notes and trade receivables (payables)		Note
				Amount	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance	Percentage of total balances (%)	
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	Sales	\$251,690	83.14%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables \$28,390	52.43%	1
Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the Company's control	Sales	\$262,430	100.00%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables \$117,214	86.04%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$1,430,264	25.27%	30~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 15~90 days after monthly closing	Trade receivables \$295,246	18.77%	
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam King Duan Industrial Co., Ltd.	Other related party	Purchase	\$171,984	5.06%	30 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 30~90 days after monthly closing	Trade payables \$20,646	4.58%	

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

ATTACHMENT 6 (Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 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 rate	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>\$295,246</u>	<u>3.53</u>	<u>\$-</u>	-	<u>\$86,610</u>	<u>\$-</u>	
Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	Sub-subsiary	<u>\$117,214</u>	<u>2.30</u>	<u>\$-</u>	-	<u>\$2,754</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 nine-month period ended September 30, 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>2022.01.01~2022.09.30</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Interest incomes	\$14	-	-%
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	1	Interest incomes	4	-	-%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Other receivables	270,747	-	3.43%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	906	-	0.02%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Dividend Receivables	68,765	-	0.87%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	2,330	-	0.04%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Other receivables	351,593	-	4.46%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	599	-	0.01%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Other receivables	206,937	-	2.62%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Eurocharm Innovation (HK) Co., Limited	1	Dividend Receivables	142,844	-	1.81%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Dividend Receivables	569,517	-	7.22%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	251,690	30 days after monthly closing	4.37%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	28,390	30 days after monthly closing	0.36%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other incomes	30	-	-%
2	Eurocharm Innovation (TW) Co., Limited.	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	262,430	30 days after monthly closing	4.56%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	117,214	30 days after monthly closing	1.49%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade Receivables	19,019	60~90 days after monthly closing	0.24%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	49,200	60~90 days after monthly closing	0.62%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	80,586	60~90 days after monthly closing	1.40%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Rent incomes	1,913	In accordance with contract	0.03%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other incomes	380	In accordance with contract	-%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Processing income	113	30 days after monthly closing	-%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Advance receipts	381	In accordance with contract	-%

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.