

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

**Ticker: 5288**

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH A REPORT OF INDEPENDENT AUDITORS  
AS OF JUNE 30, 2022 AND 2021  
AND FOR THE SIX-MONTH PERIODS THEN ENDED**

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**

**Index**

Item	Page numbering
1. Cover page	1
2. Index	2
3. Report of Independent Auditors	3-8
4. Consolidated Balance Sheets	9-10
5. Consolidated Statements of Comprehensive Income	11
6. Consolidated Statements of Changes in Equity	12
7. Consolidated Statements of Cash Flows	13
8. Notes to the Consolidated Financial Statements	
(1) History and organization	14
(2) Date and procedures of authorization of financial statements for issue	14
(3) Newly issued or revised standards and interpretations	14-17
(4) Summary of significant accounting policies	18-21
(5) Significant accounting judgments, estimates and assumptions	21
(6) Contents of significant accounts	22-61
(7) Related party transactions	61-66
(8) Pledged assets	66
(9) Significant contingencies and unrecognized contract commitments	66
(10) Significant disaster loss	66
(11) Significant subsequent events	66
(12) Others	67-82
(13) Other disclosures	
1. Information at significant transactions	83, 86-87, 92
2. Information on investees	83-84, 86, 88-91
3. Information on investments in Mainland China	84
4. Information of major shareholders	85
(14) Operating Segment	85

Independent Auditors' Report Translated from Chinese  
REPORT OF INDEPENDENT AUDITORS

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

**Qualified Opinion**

We have audited the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the "Company") and its subsidiaries as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred as "the consolidated financial statements").

In our opinion, except as explained in the following paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2022 and 2021, their consolidated financial performance for the three-month and six-month periods and cash flows for the six-month periods, in conformity 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.

**Basis for Qualified Opinion**

As disclosed in Note 4.(3), the financial statements of certain insignificant subsidiaries were not audited by independent accountants. As of June 30, 2022 and 2021, those statements reflected total assets of NT\$762,558 thousand and NT\$515,606 thousand, constituting 10% and 9% of the consolidated total assets, and total liabilities of NT\$298,804 thousand and NT\$342,649 thousand, constituting 7% and 12% of the consolidated total liabilities, respectively; and total comprehensive income or loss amounted to NT\$13,093 thousand and NT\$(8,485) thousand, constituting 3% and (7)% of the consolidated total comprehensive income for the three-month periods then ended June 30, 2022 and 2021, respectively; and total comprehensive income or loss amounted to NT\$25,148 thousand and NT\$(18,499) thousand, constituting 4% and (7)% of the consolidated total comprehensive income for the six-month periods then ended June 30, 2022 and 2021, respectively.

As disclosed in Note 6(8), the financial statements of certain associates and joint ventures accounted for under the equity method were not audited by independent accountants. Those associates and joint ventures under equity method amounted to NT\$389,521 and NT\$295,869 thousand as of June 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\$9,199 thousand and NT\$16,246 thousand, respectively, while for the six-month periods then ended were NT\$14,692 thousand and NT\$23,544 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\$7,037 thousand and NT\$(3,257) thousand, respectively, while for the six-month periods then ended were NT\$13,251 thousand and NT\$(4,197) thousand, respectively. The information related to above-mentioned associates and joint ventures accounted for under the equity method disclosed in Note 13 was not audited by independent accountants either.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six-month period ended June 30, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue for the six-month period then ended June 30, 2022 amounted to NT\$3,675,651 thousand, which was material to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities through in multiple marketplaces. Furthermore, the sale terms and conditions were different with every major clients. Judgments regarding the main sale contracts or sale orders were required when determining the performance obligation and the time of satisfaction. We therefore conclude that there were significant risks associated with the determination of timing and amount of revenue recognition. Our audit procedures therefore included, but not limit to, evaluating the appropriateness of accounting policy for performance obligation, assessing and testing the effectiveness of relevant internal controls related to determination of timing of revenue recognition from performance obligation in the sales cycle, performing sales cut-off tests, sampling sales breakdown to perform test of details, including reviewing whether the timing of revenue recognition from performance obligation is consistent with the performance obligation and timing of satisfaction stated in the major terms and conditions of agreements. We also considered the appropriateness of the related disclosure of operating revenue in Note 6 to the consolidated financial statements.

## Trade receivables – loss allowance

The Company's consolidated gross trade receivables and loss allowance as of June 30, 2022 amounted to NT\$1,457,574 thousand and NT\$16,835 thousand, respectively. The consolidated net trade receivables represented 19% of the Company's total consolidated assets and were significant to the Company's consolidated financial statements. Since the amount of loss allowance against trade receivable was measured at the lifetime expected credit loss, the trade receivables should be grouped appropriately during the measurement process and determine the use of related assumptions in the analysis and measurement, including proper aging intervals, their respective loss rate and consideration of the forward-looking information for each aging interval. As the measurement of expected credit loss involves making judgement, analysis and estimates, and the result will affect the net trade receivables, we therefore considered this a key audit matter. Our audit procedures included, but not limit to, analyzing the appropriateness of the grouping of trade receivables to confirming whether customers with significantly different loss patterns from one another (i.e., similar risk characteristics) are appropriately grouped (e.g. by historical experiences, etc.); testing the provision matrix adopted by the Company and its subsidiaries, including evaluating the appropriations of the aging intervals and the accuracy of the basic data by reviewing the original certificates; reviewing the subsequent collection of trade receivables to evaluate its recoverability; analyzing the long-term trend of loss allowance and turnover rate of trade receivables and confirming any impairment at the end of the period. We have also considered the appropriateness of the disclosure of trade receivables and related risk in Notes 5 and 6 to the consolidated financial statements.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six-month period ended June 30, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chang, Chih Ming

Chen, Kuo Shuai

Ernst & Young, Taiwan

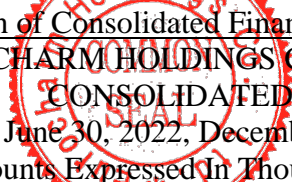
August 16<sup>th</sup>, 2022

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 June 30, 2022, December 31, 2021 and June 30, 2021  
 (Amounts Expressed In Thousands of New Taiwan Dollars)

Assets Accounts	Notes	As of		
		June 30, 2022	December 31, 2021	June 30, 2021
<b>Current assets</b>				
Cash and cash equivalents	6(1)	\$1,755,712	\$1,146,745	\$962,691
Financial assets at fair value through profit or loss	4, 6(2)	300	-	-
Financial assets measured at amortized cost	6(3)	180,987	160,254	589,729
Notes receivables	6(4)	71	-	-
Trade receivables	6(5), 6(20), 8	940,266	794,161	725,452
Trade receivables-related parties	6(5), 6(20), 7	500,473	326,242	296,181
Other receivables		12,989	9,075	33,664
Other receivables-related parties	7	1,695	1,585	107,102
Current tax assets		-	725	725
Inventories	6(6), 8	1,192,445	1,290,201	855,499
Prepayments	7	150,755	85,793	76,363
Other current assets		103,638	109,454	90,692
<b>Total current assets</b>		<b>4,839,331</b>	<b>3,924,235</b>	<b>3,738,098</b>
<b>Non-current assets</b>				
Financial assets measured at fair value through other comprehensive income	6(7)	95,705	55,705	53,468
Financial assets measured at amortized cost	6(3)	14,588	13,100	12,914
Investment accounted for under the equity method	6(8)	389,521	294,594	295,869
Property, plant and equipment	6(9), 8	2,137,327	1,942,722	1,505,772
Right-of-use assets	6(23), 7	312,170	293,777	299,816
Investment property	6(10)	45,917	33,626	34,806
Intangible assets	6(11)	4,467	4,835	5,076
Deferred tax assets	4, 6(25)	2,943	4,205	4,731
Other non-current assets	6(12)	34,814	60,053	77,421
<b>Total non-current assets</b>		<b>3,037,452</b>	<b>2,702,617</b>	<b>2,289,873</b>
<b>Total assets</b>		<b>\$7,876,783</b>	<b>\$6,626,852</b>	<b>\$6,027,971</b>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS - (CONTINUED)  
 As of June 30, 2022, December 31, 2021 and June 30, 2021  
 (Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity Accounts	Notes	As of		
		June 30, 2022	December 31, 2021	June 30, 2021
<b>Current liabilities</b>				
Short-term borrowings	6(13), 8	\$2,207,385	\$2,093,916	\$1,566,402
Contract liabilities	6(19)	79,647	70,149	83,915
Trade payables		422,075	512,240	444,713
Trade payables-related parties	7	26,878	30,167	4,646
Other payables	6(14)	600,266	390,359	543,950
Current tax liabilities	4, 6(25)	202,858	121,860	206,163
Lease liabilities	6(23)	3,396	3,130	3,093
Lease liabilities-related parties	6(23), 7	1,900	-	958
Other current liabilities		1,795	1,766	2,128
Refund liabilities		30,436	28,284	28,426
<b>Total current liabilities</b>		<b>3,576,636</b>	<b>3,251,871</b>	<b>2,884,394</b>
<b>Non-current liabilities</b>				
Bonds payable	4, 6(15)	473,695	-	-
Deferred tax liabilities	4, 6(25)	17,338	16,410	16,410
Lease liabilities	6(23)	4,034	5,332	6,944
Lease liabilities-related parties	6(23), 7	958	-	-
Other non-current liabilities	6(16), 6(17)	14,060	13,640	12,229
<b>Total non-current liabilities</b>		<b>510,085</b>	<b>35,382</b>	<b>35,583</b>
<b>Total liabilities</b>		<b>4,086,721</b>	<b>3,287,253</b>	<b>2,919,977</b>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(18)			
Common stock		658,262	658,262	658,262
Capital surplus	6(18)	876,806	836,782	836,782
Retained earnings	6(18)			
Legal reserve		180,800	155,069	117,860
Special reserve		641,588	620,146	523,584
Unappropriated retained earnings		1,722,080	1,690,315	1,566,771
Other components of equity		(307,951)	(641,588)	(620,146)
Non-controlling interests	6(18)	18,477	20,613	24,881
<b>Total equity</b>		<b>3,790,062</b>	<b>3,339,599</b>	<b>3,107,994</b>
<b>Total liabilities and equity</b>		<b>\$7,876,783</b>	<b>\$6,626,852</b>	<b>\$6,027,971</b>

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

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

Description	Notes	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2022	2021	2022	2021
Operating revenues	6(19), 7	\$1,883,139	\$1,462,894	\$3,675,651	\$2,780,487
Operating costs	6(21), 7	(1,527,332)	(1,176,530)	(2,995,878)	(2,199,096)
Gross profit		355,807	286,364	679,773	581,391
Realized (Unrealized) sales profit	(12)	(12)	5	215	(329)
Gross profit, net		355,795	286,369	679,988	581,062
Operating expenses	6(21), 7				
Sales and marketing		(31,692)	(20,904)	(60,270)	(42,240)
General and administrative		(50,344)	(48,761)	(103,842)	(95,342)
Research and development		(21,671)	(20,126)	(41,567)	(39,064)
Expected credit gains (losses)	6(20)	-	-	-	-
Operating expenses total		(103,707)	(89,791)	(205,679)	(176,646)
Operating income		252,088	196,578	474,309	404,416
Non-operating incomes and expenses					
Other incomes	6(22), 7	15,914	18,722	30,164	31,947
Other gains and losses	6(22), 7	(16,858)	12,817	(27,177)	12,276
Finance costs	6(22), 7	(10,382)	(4,286)	(17,299)	(7,740)
Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(8)	9,199	16,246	14,692	23,544
Non-operating incomes and expenses total		(2,127)	43,499	380	60,027
Income before income tax		249,961	240,077	474,689	464,443
Income tax expense	4, 6(25)	(52,748)	(44,896)	(103,119)	(92,354)
Net income		197,213	195,181	371,570	372,089
Other comprehensive income (loss)	6(24)				
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations		173,205	(78,223)	321,836	(92,365)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		7,037	(3,257)	13,251	(4,197)
Total other comprehensive income (loss), net of tax		180,242	(81,480)	335,087	(96,562)
Total comprehensive income (loss)		\$377,455	\$113,701	\$706,657	\$275,527
Net income (loss) attributable to:					
Stockholders of the parent		\$198,874	\$195,181	\$375,156	\$372,089
Non-controlling interests		(1,661)	-	(3,586)	-
		\$197,213	\$195,181	\$371,570	\$372,089
Total comprehensive income (loss) attributable to:					
Stockholders of the parent		\$378,373	\$113,701	\$708,793	\$275,527
Non-controlling interests		(918)	-	(2,136)	-
		\$377,455	\$113,701	\$706,657	\$275,527
Earnings per share-basic (in NTD)	6(26)	\$3.02	\$2.97	\$5.70	\$5.65
Earnings per share-diluted (in NTD)	6(26)	\$2.99	\$2.96	\$5.66	\$5.64

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 six-month periods ended June 30, 2022 and 2021  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Description	Equity Attributable to Shareholders of the Parent							Non-controlling Interests	Total Equity
	Share capital		Retained Earnings			Other Components of equity	Total		
	Common Stock	Capital surplus	Legal Reserve	Special Reserve	Unappropriated retained earnings	Exchange Differences on Translation of Foreign Operations			
Balance as of January 1, 2021	\$658,262	\$836,782	\$-	\$332,900	\$1,766,531	\$(523,584)	\$3,070,891	\$-	\$3,070,891
Appropriation and distribution of 2020 earnings:									
Legal reserve			117,860		(117,860)		-		-
Special reserve				190,684	(190,684)		-		-
Cash dividends-common shares					(263,305)		(263,305)		(263,305)
Net income for the six-month period ended June 30, 2021					372,089		372,089		372,089
Other comprehensive income (loss), for the six-month period ended June 30, 2021						(96,562)	(96,562)		(96,562)
Total comprehensive income (loss)	-	-	-	-	372,089	(96,562)	275,527	-	275,527
Changes in non-controlling interests								24,881	24,881
Balance as of June 30, 2021	\$658,262	\$836,782	\$117,860	\$523,584	\$1,566,771	\$(620,146)	\$3,083,113	\$24,881	\$3,107,994
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:									
Legal reserve			25,731		(25,731)		-		-
Special reserve				21,442	(21,442)		-		-
Cash dividends-common shares					(296,218)		(296,218)		(296,218)
Net income (loss), for the six-month period ended June 30, 2022					375,156		375,156	(3,586)	371,570
Other comprehensive income (loss), for the six-month period ended June 30, 2022						333,637	333,637	1,450	335,087
Total comprehensive income (loss)	-	-	-	-	375,156	333,637	708,793	(2,136)	706,657
Equity component of convertible bonds issued by the Company		40,024					40,024		40,024
Balance as of June 30, 2022	\$658,262	\$876,806	\$180,800	\$641,588	\$1,722,080	\$(307,951)	\$3,771,585	\$18,477	\$3,790,062

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 six-month periods ended June 30, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the six-month period ended June 30,		Items	For the six-month period ended June 30,	
	2022	2021		2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$474,689	\$464,443	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	(22,221)	129,416
Depreciation (include investment property)	126,859	78,018	Acquisition of investment accounted for under the equity method	(58,733)	(119,504)
Amortization	1,580	2,202	Acquisition of property, plant and equipment	(206,338)	(497,449)
Expected credit losses	-	-	Proceeds from disposal of property, plant and equipment	1,110	-
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(100)	-	Acquisition of intangible assets	(856)	(984)
Interest expense	17,299	7,740	Net cash provided by (used in) investing activities	(327,038)	(522,558)
Interest income	(9,803)	(15,552)	Cash flows from financing activities:		
Share of profit or loss of associates and joint ventures accounted for under the equity method	(14,692)	(23,544)	Increase in (Repayment of) short-term borrowings	113,469	356,422
Loss (Gain) on disposal of property, plant and equipment	(568)	218	Issuance of convertible bonds	512,995	-
Unrealized (Realized) sales profit	(215)	329	Increase (Decrease) in guarantee deposits	652	(841)
Changes in operating assets and liabilities:			Repayment of lease liability principal	(2,557)	(2,646)
Notes receivables	(71)	-	Net cash provided by (used in) financing activities	624,559	352,935
Trade receivables	(147,278)	(71,918)	Effect of exchange rate changes	142,085	(53,584)
Trade receivables-related parties	(174,231)	(61,839)	Net increase (decrease) in cash and cash equivalents	608,967	(81,021)
Other receivables	(5,393)	(3,044)	Cash and cash equivalents at beginning of period	1,146,745	1,043,712
Other receivables-related parties	(110)	(2,895)	Cash and cash equivalents at end of period	\$1,755,712	\$962,691
Inventories	97,756	(268,522)			
Prepayments	(64,962)	(15,197)			
Other current assets	5,816	(29,974)			
Contract liabilities	9,498	(2,415)			
Notes payables	-	(4)			
Trade payables	(90,165)	110,957			
Trade payables-related parties	(3,289)	472			
Other payables	(23,369)	(13,331)			
Other current liabilities	29	592			
Net defined benefit liabilities	(232)	(227)			
Refund liabilities	2,152	(709)			
Cash generated from (used in) operations	201,200	155,800			
Interest received	11,352	25,758			
Interest paid	(17,425)	(7,883)			
Income tax paid	(25,766)	(31,489)			
Net cash provided by (used in) operating activities	169,361	142,186			

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 June 30, 2022 and 2021 and for the six-month periods then ended  
(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 assembling services.

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

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

The consolidated financial statements of the Company and subsidiaries (“the Group”) for the six-month periods ended June 30, 2022 and 2021 were authorized for issue by the board of directors on August 16, 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)

(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, 2022. 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)

(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

- (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)

(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.

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 remaining new or amended standards and interpretations have no material impact on the Group.

#### 4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Statement of compliance

The consolidated financial statements of the Group for the six-month periods ended June 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)

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			June 30, 2022	Dec. 31, 2021	June 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., Ltd.	Trading activities	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Way Plastics Company Limited.	Plastic dipping and processing	55%	55%	55% (Note)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

The financial statements of certain insignificant subsidiaries were not audited by independent auditors. Those statements reflect total assets of NT\$762,558 thousand and NT\$515,606 thousand, and total liabilities of NT\$298,804 thousand and NT\$342,649 thousand as of June 30, 2022 and 2021, respectively; and total comprehensive income or loss for the three-month periods then ended amounted to NT\$13,093 thousand and NT\$(8,485) thousand, respectively, and total comprehensive income or loss six-month periods then ended of NT\$25,148 thousand and NT\$(18,499) thousand for the six-month periods ended June 30, 2022 and 2021, respectively.

(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)

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

---

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Cash on hand	\$701	\$725	\$756
Checking and saving	900,528	408,188	333,061
Time deposits matured within three months	854,483	737,832	628,874
Total	<u>\$1,755,712</u>	<u>\$1,146,745</u>	<u>\$962,691</u>

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

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Financial assets at fair value through profit or loss			
Embedded derivatives	<u>\$300</u>	<u>\$-</u>	<u>\$-</u>

The embedded derivative financial instruments (the issuer's redemption options) on the bonds payable which amounted to NT\$300 thousand were recognized as current financial assets at fair value through profit or loss as of June 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		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Time deposits	<u>\$195,575</u>	<u>\$173,354</u>	<u>\$602,643</u>
Current	\$180,987	\$160,254	\$589,729
Non-current	14,588	13,100	12,914
Total	<u>\$195,575</u>	<u>\$173,354</u>	<u>\$602,643</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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) Notes receivables

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Notes receivables arising from operating activities	\$71	\$-	\$-
Less: loss allowance	-	-	-
Total	\$71	\$-	\$-

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(20) for more details on loss allowance. Please refer to Note 12 for more details on credit risk.

(5) Trade receivables and Trade receivables-related parties

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

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Trade receivables	\$957,101	\$809,823	\$741,191
Less: loss allowance	(16,835)	(15,662)	(15,739)
Subtotal	940,266	794,161	725,452
Trade receivables from related parties	500,473	326,242	296,181
Less: loss allowance	-	-	-
Subtotal	500,473	326,242	296,181
Total	\$1,440,739	\$1,120,403	\$1,021,633

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (c) Trade receivables are generally on 15~90 days terms. The total carrying amounts were NT\$1,457,574 thousand, NT\$1,136,065 thousand and NT\$1,037,372 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Please refer to Note 6(20) for more details on loss allowance of trade receivables for the six-month periods ended June 30, 2022 and 2021, respectively. Please refer to Note 12 for more details on credit risk.

(6) Inventories

- (a) Details of inventories are listed below:

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Raw materials and Supplies	\$593,450	\$585,930	\$440,161
Work in progress	376,154	408,669	325,876
Finished goods	217,800	295,014	85,292
Merchandises	5,041	588	4,170
Total	\$1,192,445	\$1,290,201	\$855,499

- (b) The cost of inventories recognized in expenses amounted to NT\$1,527,332 thousand, NT\$1,176,530 thousand, NT\$2,995,878 thousand and NT\$2,199,096 thousand for the three-month and six-month periods ended June 30, 2022 and 2021, respectively.

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Loss from inventory market decline	\$-	\$1,515	\$-	\$3,015
Loss in inventory write-off obsolescence	12,780	8,953	16,356	12,277
Gain from physical	-	(30)	-	(30)
Total	\$12,780	\$10,438	\$16,356	\$15,262



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Equity instruments 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 October 2021 and December 2020, 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%.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(8) Investments accounted for under the equity method

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

Investee companies	As of					
	Jun. 30, 2022		Dec. 31, 2021		Jun. 30, 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$87,220	20.00%	\$73,163	20.00%	\$84,876	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	47,329	45.00%	42,227	45.00%	39,303	45.00%
Shiang Yu Precision Co., Ltd.	31,683	40.00%	28,464	40.00%	26,216	40.00%
Lieh Kwan International Co., Ltd.	21,025	40.00%	21,027	40.00%	22,700	40.00%
Vietnam King Duan Industrial Co., Ltd.	135,973	40.00%	123,696	40.00%	116,700	40.00%
Vietnam Uni-Calsonic Co., Ltd.	6,475	40.00%	6,017	40.00%	6,074	40.00%
PCI International Investment Inc.	59,816	45.00%	-	-	-	-
Total	<u>\$389,521</u>		<u>\$294,594</u>		<u>\$295,869</u>	

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(b) Investments in associates

The Group's investments in above associates are not individually material. The aggregate carrying amounts of the Group's interests in associates were NT\$389,521 thousand, NT\$294,594 thousand and NT\$295,869 thousand as of June 30, 2022, December 31, 2021, and June 30, 2021, respectively. The aggregate financial information based on the Group's share is as follows:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Profit from continuing operations	\$9,199	\$16,246	\$14,692	\$23,544
Other comprehensive income (post-tax)	7,037	(3,257)	13,251	(4,197)
Total	<u>\$16,236</u>	<u>\$12,989</u>	<u>\$27,943</u>	<u>\$19,347</u>

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

As of June 30, 2022 and 2021, the balances of investments accounted for under the equity method amounted to NT\$389,521 thousand and NT\$295,869 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$9,199 thousand and NT\$16,246 thousand, respectively, while for the six-month periods then ended were NT\$14,692 thousand and NT\$23,544 thousand, respectively. For the three-month periods then ended, the share of other comprehensive income from these associates and joint ventures amounted to NT\$7,037 thousand and NT\$(3,257) thousand, respectively, while for the six-months periods then ended were NT\$13,251 thousand and NT\$(4,197) thousand, respectively. These amounts were recognized based on unaudited financial statements of the investees.

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (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%.

(9) Property, plant and equipment

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Owner occupied property, plant and equipment	\$2,137,327	\$1,942,722	\$1,505,772
Property, plant and equipment leased out under operating leases	-	-	-
Total	\$2,137,327	\$1,942,722	\$1,505,772

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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	-	1,676	33,600	10,999	706	11,339	110,871	169,191
Disposals	-	-	(6,042)	(725)	(1,233)	(5,071)	-	(13,071)
Transfers	-	(10,319)	120,656	127	103	73	(121,822)	(11,182)
Exchange differences	-	48,505	205,857	8,990	1,574	11,479	4,392	280,797
As of Jun. 30, 2022	<u>\$52,420</u>	<u>\$684,575</u>	<u>\$2,695,733</u>	<u>\$143,688</u>	<u>\$24,417</u>	<u>\$176,331</u>	<u>\$40,509</u>	<u>\$3,817,673</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	-	202	12,386	2,936	1,129	13,736	413,717	444,106
Disposals	-	(106)	(130,299)	(1,011)	(753)	(16,477)	-	(148,646)
Transfers	-	-	72,945	-	-	-	(73,124)	(179)
Exchange differences	-	(7,875)	(49,799)	(2,538)	(334)	(3,458)	(3,326)	(67,330)
As of Jun. 30, 2021	<u>\$52,420</u>	<u>\$322,894</u>	<u>\$1,756,435</u>	<u>\$109,886</u>	<u>\$16,160</u>	<u>\$150,043</u>	<u>\$469,614</u>	<u>\$2,877,452</u>
Depreciation and impairment:								
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	16,677	81,250	4,826	1,521	13,786	-	118,060
Disposals	-	-	(5,956)	(725)	(1,233)	(4,615)	-	(12,529)
Transfers	-	(74)	-	-	-	-	-	(74)
Exchange differences	-	10,976	99,289	5,455	995	8,958	-	125,673
As of Jun. 30, 2022	<u>\$-</u>	<u>\$ 171,638</u>	<u>\$1,275,904</u>	<u>\$81,515</u>	<u>\$15,522</u>	<u>\$135,767</u>	<u>\$-</u>	<u>\$1,680,346</u>
As of Jan. 1, 2021	\$-	\$127,938	\$1,055,745	\$68,089	\$13,595	\$114,428	\$-	\$1,379,795
Depreciation	-	8,893	49,779	3,697	881	10,535	-	73,785
Disposals	-	(106)	(26,920)	(1,011)	(753)	(16,259)	-	(45,049)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(3,033)	(29,280)	(1,648)	(299)	(2,591)	-	(36,851)
As of Jun. 30, 2021	<u>\$-</u>	<u>\$133,692</u>	<u>\$1,049,324</u>	<u>\$69,127</u>	<u>\$13,424</u>	<u>\$106,113</u>	<u>\$-</u>	<u>\$1,371,680</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Net carrying amount as of:								
Jun. 30, 2022	\$52,420	\$512,937	\$1,419,829	\$62,173	\$8,895	\$40,564	\$40,509	\$2,137,327
Dec. 31, 2021	\$52,420	\$500,654	\$1,240,341	\$52,338	\$9,028	\$40,873	\$47,068	\$1,942,722
Jun. 30, 2021	\$52,420	\$189,202	\$707,111	\$40,759	\$2,736	\$43,930	\$469,614	\$1,505,772

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

	Machinery and equipment
Cost:	
As of Jan. 1, 2022	\$31,720
Exchange differences	2,413
As of Jun. 30, 2022	\$34,133
As of Jan. 1, 2021	\$32,675
Exchange differences	(796)
As of Jun. 30, 2021	\$31,879
Depreciation and impairment:	
As of Jan. 1, 2022	\$31,720
Exchange differences	2,413
As of Jun. 30, 2022	\$34,133
As of Jan. 1, 2021	\$32,675
Exchange differences	(796)
As of Jun. 30, 2021	\$31,879
Net carrying amount as of:	
Jun. 30, 2022	\$-
Dec. 31, 2021	\$-
Jun. 30, 2021	\$-

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

(10) 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	11,111
Exchange differences	3,697
As of Jun. 30, 2022	<u>\$63,396</u>
As of Jan. 1, 2021	\$50,050
Exchange differences	(1,219)
As of Jun. 30, 2021	<u>\$48,831</u>
Depreciation and impairment:	
As of Jan. 1, 2022	\$14,962
Transfers from property, plant and equipment	74
Depreciation	1,263
Exchange differences	1,180
As of Jun. 30, 2022	<u>\$17,479</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Buildings			
Depreciation and impairment:				
As of Jan. 1, 2021	\$13,325			
Depreciation	1,035			
Exchange differences	(335)			
As of Jun. 30, 2021	\$14,025			
Net carrying amount as of:				
Jun. 30, 2022	\$45,917			
Dec. 31, 2021	\$33,626			
Jun. 30, 2021	\$34,806			
	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Rental income from investment property	\$8,757	\$6,953	\$16,823	\$13,434
Less: Direct operating expenses from investment property generating rental income	(1,261)	(1,290)	(2,823)	(2,295)
Total	\$7,496	\$5,663	\$14,000	\$11,139

(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 June 30, 2022, December 31, 2021 and June 30, 2021, respectively. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(11) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	856
Transfers from property, plant and equipment	71
Deduction	(244)
Exchange differences	2,774
As of Jun. 30, 2022	<u>\$41,177</u>
As of Jan. 1, 2021	\$35,990
Additions-acquired separately	984
Transfers from property, plant and equipment	179
Deduction	(435)
Exchange differences	(837)
As of Jun. 30, 2021	<u>\$35,881</u>
Depreciation and impairment:	
As of Jan. 1, 2022	\$32,885
Amortization	1,580
Deduction	(244)
Exchange differences	2,489
As of Jun. 30, 2022	<u>\$36,710</u>
As of Jan. 1, 2021	\$29,762
Amortization	2,202
Deduction	(435)
Exchange differences	(724)
As of Jun. 30, 2021	<u>\$30,805</u>
Net carrying amount as of:	
Jun. 30, 2022	<u>\$4,467</u>
Dec. 31, 2021	<u>\$4,835</u>
Jun. 30, 2021	<u>\$5,076</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Amortization of intangible assets is as follows:

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2022	2021	2022	2021
Operating costs	\$8	\$8	\$16	\$16
Sales and marketing expenses	9	1	18	3
General and administrative expenses	754	1,058	1,493	2,130
Research and development expenses	27	27	53	53
Total	\$798	\$1,094	\$1,580	\$2,202

(12) Other non-current assets

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Advance payments in equipment	\$34,478	\$59,717	\$77,085
Refundable deposits	336	336	336
Total	\$34,814	\$60,053	\$77,421

(13) Short-term borrowings

	Interest Rate (%)	As of		
		Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Secured bank loans	0.9% ~ 2.7%	\$442,707	\$502,401	\$342,340
Unsecured bank loans	0.7% ~ 4.26%	1,764,678	1,591,515	1,224,062
Total		\$2,207,385	\$2,093,916	\$1,566,402

The Group's unused short-term lines of credits amounted to NT\$821,174 thousand, NT\$284,189 thousand and NT\$321,778 thousand as of June 30, 2022, December 31, 2021 and June 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(14) Other payables

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Accrued expense	\$286,284	\$309,653	\$239,593
Accrued interest	353	909	92
Dividends payable	296,218	-	263,305
Payables on equipment	17,411	79,797	40,960
Total	\$600,266	\$390,359	\$543,950

(15) Bonds payable

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

	Jun. 30, 2022
Liability component:	
Unsecured domestic bonds payable	\$500,000
Discounts on bonds payable	(26,305)
Total	473,695
Less: current portion	-
Net	\$473,695
Embedded derivative	\$300
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 (22) to the consolidated financial statement.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

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 September 9, 2022 (the 90th day following the closing date) and ending at the close of business on June 8, 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.

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

- (b) Conversion price and adjustment: The conversion price was originally at NT\$153 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.
- (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)

(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.

(16) Other non-current liabilities

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Net defined benefit liability	\$287	\$519	\$2,637
Guarantee deposits received	8,773	8,121	4,592
Other non-current liabilities	5,000	5,000	5,000
Total	\$14,060	\$13,640	\$12,229

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(17) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2022 and 2021 were NT\$421 thousand and NT\$426 thousand, respectively, while for the six-month periods ended June 30, 2022 and 2021 were NT\$846 thousand and NT\$833 thousand, respectively.

Defined benefits plan

Expenses under the defined benefit plan for the three-month periods ended June 30, 2022 and 2021 were NT\$59 thousand and NT\$61 thousand, respectively, while for the six-month periods ended June 30, 2022 and 2021 were NT\$118 thousand and NT\$122 thousand, respectively.

(18) Equities

(a) Common stock

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

(b) Capital surplus

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

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

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the 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)

(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.

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(3) Special reserve

When the Company distributing 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.

(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:

	<u>Appropriation of earnings</u>		<u>Dividend per share (in NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
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>		

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

Please refer to Note 6(21) for further details on employees' compensation and remuneration to directors.

(d) Non-controlling interests

	For the six-month period ended June 30,	
	2022	2021
Beginning balance	\$20,613	\$-
Acquisition of shares issued by subsidiary	-	24,881
Net profit (loss) attributable to NCIs	(3,586)	-
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	1,450	-
Ending balance	\$18,477	\$24,881

(19) Operating revenue

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Revenue from contracts with customer				
Sale of goods	\$1,883,069	\$1,462,147	\$3,672,508	\$2,779,495
Revenue arising from the rendering of services	70	747	3,143	992
Total	\$1,883,139	\$1,462,894	\$3,675,651	\$2,780,487

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(1) Disaggregation of revenue

	Single Segment			
	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Revenue from contracts with customer				
Sale of goods	\$1,883,069	\$1,462,147	\$3,672,508	\$2,779,495
Revenue arising from the rendering of services	70	747	3,143	992
Total	<u>\$1,883,139</u>	<u>\$1,462,894</u>	<u>\$3,675,651</u>	<u>\$2,780,487</u>
Timing of revenue recognition:				
At a point in time	<u>\$1,883,139</u>	<u>\$1,462,894</u>	<u>\$3,675,651</u>	<u>\$2,780,487</u>

(2) Contract balances

Contract liabilities - current

	As of			
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021	Jan. 1, 2021
Sales of goods	<u>\$79,647</u>	<u>\$70,149</u>	<u>\$83,915</u>	<u>\$86,330</u>

For the six-month periods ended June 30, 2022, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

For the six-month periods ended June 30, 2021, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(3) Transaction price allocated to unsatisfied performance obligations

As of June 30, 2022, December 31, 2021 and June 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.

(4) Assets recognized from costs to fulfill a contract

None.

(20) Expected credit losses (gains)

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2022	2021	2022	2021
Operating expenses – Expected credit losses/(gains)				
Trade receivables	\$-	\$-	\$-	\$-

The Group expects no significant loss against other receivables due to a counterparty being unable to fulfill its obligations. Please refer to Note 12 for more details on credit risk.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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 June 30, 2022, December 31, 2021 and June 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 June 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	\$746,185	\$174,710	\$65,827	\$44,610	\$513	\$1,031,845
Loss ratio	0.06%	0.56%	1.87%	16.38%	100%	
Lifetime expected credit losses	(432)	(986)	(1,230)	(7,309)	(513)	(10,470)
Carrying amount of trade receivables	<u>\$745,753</u>	<u>\$173,724</u>	<u>\$64,597</u>	<u>\$37,301</u>	<u>\$-</u>	<u>\$1,021,375</u>

Group 2

	Not yet due (Note)	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$349,242	\$72,032	\$3,350	\$1,176	\$-	\$425,800
Loss ratio	0.75%	3.32%	5.04%	100%	100%	
Lifetime expected credit losses	(2,627)	(2,393)	(169)	(1,176)	-	(6,365)
Carrying amount of trade receivables	<u>\$346,615</u>	<u>\$69,639</u>	<u>\$3,181</u>	<u>\$-</u>	<u>\$-</u>	<u>\$419,435</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

As of December 31, 2021

Group 1

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

Group 2

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of June 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	\$549,501	\$63,574	\$14,080	\$13,188	\$202	\$640,545
Loss ratio	0.15%	5.13%	11.27%	34.61%	100%	
Lifetime expected credit losses	(797)	(3,258)	(1,587)	(4,565)	(202)	(10,409)
Carrying amount of trade receivables	<u>\$548,704</u>	<u>\$60,316</u>	<u>\$12,493</u>	<u>\$8,623</u>	<u>\$-</u>	<u>\$630,136</u>

Group 2

	Not yet due (Note)	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$347,010	\$49,746	\$71	\$-	\$-	\$396,827
Loss ratio	0.01%	10.60%	10.88%	100%	100%	
Lifetime expected credit losses	(48)	(5,274)	(8)	-	-	(5,330)
Carrying amount of trade receivables	<u>\$346,962</u>	<u>\$44,472</u>	<u>\$63</u>	<u>\$-</u>	<u>\$-</u>	<u>\$391,497</u>



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	Trade receivables
As of Jan.1, 2022	\$15,662
Exchange differences	1,173
As of Jun.30, 2022	<u>\$16,835</u>
As of Jan.1, 2021	\$16,126
Exchange differences	(387)
As of Jun.30, 2021	<u>\$15,739</u>

- (21) Summary statement of employee benefits, depreciation and amortization by function during the three-month and six-month periods ended June 30, 2022 and 2021, respectively:

Nature \ Function	For the three-month period ended June 30,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$285,047	\$45,728	\$330,775	\$246,786	\$47,111	\$293,897
Labor and health insurance	251	865	1,116	336	862	1,198
Pension	112	368	480	128	359	487
Other employee benefits expense	2,304	1,270	3,574	2,225	1,297	3,522
Depreciation	61,453	5,839	67,292	34,432	3,346	37,778
Amortization	8	790	798	8	1,086	1,094

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Nature	Function	For the six-month period ended June 30,					
		2022			2021		
		Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense							
Salaries		\$546,576	\$90,626	\$637,202	\$484,686	\$91,917	\$576,603
Labor and health insurance		317	1,726	2,234	683	1,712	2,395
Pension		224	740	964	257	698	955
Other employee benefits expense		4,418	2,428	6,846	4,304	2,575	6,879
Depreciation		115,321	11,538	126,859	70,847	7,171	78,018
Amortization		16	1,564	1,580	16	2,186	2,202

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.

For the three-month period ended June 30, 2022, the Company recorded the compensations to employees and directors in the amount of NT\$3,141 thousand and NT\$1,795 thousand, respectively, and, for the six-month period ended June 30, 2022, NT\$9,995 thousand and NT\$4,871 thousand, respectively; while employees' compensation and remuneration to directors for the three-month period ended June 30, 2021, amounted to NT\$8,262 thousand and NT\$5,129 thousand, respectively, and, for the six-month period ended June 30, 2021, NT\$15,816 thousand and NT\$9,733 thousand, respectively. The aforementioned employees' compensation and remuneration were estimated based on the post-tax net income of the period and recognized as salary expenses.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$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.

(22) Non-operating income and expenses

(a) Other income

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Interest income				
Financial assets measured at amortized cost	\$5,298	\$10,470	\$9,803	\$15,552
Rental income	8,757	6,953	16,823	13,434
Others	1,859	1,299	3,538	2,961
Total	\$15,914	\$18,722	\$30,164	\$31,947

(b) Other gains and losses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Gains/(losses) on disposal of property, plant and equipment	\$(72)	\$(209)	\$568	\$(218)
Foreign exchange gains/(losses)	(15,545)	14,162	(25,019)	14,358
Financial assets at fair value through profit	100	-	100	-
Others	(1,341)	(1,136)	(2,826)	(1,864)
Total	\$(16,858)	\$12,817	\$(27,177)	\$12,276

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(c) Finance costs

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2022	2021	2022	2021
Interest on borrowings from bank	\$9,783	\$4,195	\$16,621	\$7,549
Interest on lease liabilities	75	91	154	191
Interest on convertible bonds	524	-	524	-
Total	\$10,382	\$4,286	\$17,299	\$7,740

(23) 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.

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		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Land	\$302,227	\$285,631	\$289,123
Buildings	9,943	8,146	10,693
Total	\$312,170	\$293,777	\$299,816

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (ii) Lease liabilities

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Lease liabilities	\$10,288	\$8,462	\$10,995
Current	\$5,296	\$3,130	\$4,051
Non-current	\$4,992	\$5,332	\$6,944

Please refer to Note 6 (22)(c) for the interest on lease liability recognized during the three-month and six-month periods ended June 30, 2022 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of June 30, 2022.

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

## The depreciation charge for right-of-use assets

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Buildings (Includes land use right)	\$3,841	\$1,599	\$7,536	\$3,198

## C. Income and costs relating to leasing activities

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2021	2020	2021	2020
Short-term leased expense (rental expense)	\$14	\$11	\$28	\$23

As of June 30, 2022, December 31, 2021 and June 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

D. Cash outflow relating to leasing activities

During the six-month period ended June 30, 2022 and 2021, the Group's total cash outflow for leases amounted to NT\$2,585 thousand and NT\$2,669 thousand, respectively.

(b) The Group as lessor

Please refer to Note 6 (10) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer all the risks and rewards incidental to ownership of underlying assets substantially.

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2022	2021	2022	2021
Leased income recognized by operating leased				
Fixed leased payment-related income	<u>\$8,757</u>	<u>\$6,953</u>	<u>\$16,823</u>	<u>\$13,434</u>

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

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Not later than one year	<u>\$20,432</u>	<u>\$24,669</u>	<u>\$23,379</u>
More than one year but less than two years	<u>4,906</u>	<u>-</u>	<u>11,200</u>
Total	<u>\$25,338</u>	<u>\$24,669</u>	<u>\$34,579</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(24) Components of other comprehensive income

	For the three-month period ended June 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	\$173,205	\$-	\$173,205	\$-	\$173,205
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	7,037	-	7,037	-	7,037
Total of other comprehensive income	<u>\$180,242</u>	<u>\$-</u>	<u>\$180,242</u>	<u>\$-</u>	<u>\$180,242</u>
	For the three-month period ended June 30, 2021				
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$(78,223)	\$-	\$(78,223)	\$-	\$(78,223)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(3,257)	-	(3,257)	-	(3,257)
Total of other comprehensive income	<u>\$(81,480)</u>	<u>\$-</u>	<u>\$(81,480)</u>	<u>\$-</u>	<u>\$(81,480)</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the six-month period ended June 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	\$321,836	\$-	\$321,836	\$-	\$321,836
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	13,251	-	13,251	-	13,251
Total of other comprehensive income	<u>\$335,087</u>	<u>\$-</u>	<u>\$335,087</u>	<u>\$-</u>	<u>\$335,087</u>
	For the six-month period ended June 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	\$(92,365)	\$-	\$(92,365)	\$-	\$(92,365)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(4,197)	-	(4,197)	-	(4,197)
Total of other comprehensive income	<u>\$(96,562)</u>	<u>\$-</u>	<u>\$(96,562)</u>	<u>\$-</u>	<u>\$(96,562)</u>



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(25) 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 six-month period	
	ended June 30,		ended June 30,	
	2022	2021	2022	2021
Current income tax expense (income):				
Current income tax charge	\$51,559	\$46,264	\$100,929	\$94,067
Deferred tax expense (income):				
Deferred tax expense relating to origination and reversal of temporary differences	1,189	(1,368)	2,190	(1,713)
Total income tax expense	<u>\$52,748</u>	<u>\$44,896</u>	<u>\$103,119</u>	<u>\$92,354</u>

(b) The assessment of income tax returns

As of June 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

(26) Earnings per share

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2022	2021	2022	2021
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$198,874	\$195,181	\$375,156	\$372,089
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\$)	\$3.02	\$2.97	\$5.70	\$5.65
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$198,874	\$195,181	\$375,156	\$372,089
Interest expense on convertible bonds (in thousand NT\$)	524	-	524	-
Gains on financial assets at fair value through profit or loss	(100)	-	(100)	-
Net income available to common shareholders outstanding after dilution (in thousand shares)	\$199,298	\$-	\$375,580	\$-
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,826	65,826	65,826	65,826
Effect of dilution:				
Employee bonus – stock (in thousands)	60	94	109	150

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2022	2021	2022	2021
Convertible bonds (in thousands)	826	-	415	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	66,712	65,920	66,350	65,976
Diluted earnings per share (NT\$)	\$2.99	\$2.96	\$5.66	\$5.64

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.

(27) Subsidiary that has material non-controlling interests

As of June 30, 2022 and June 30, 2021, the Group had no non-controlling interests. As of June 30, 2022, 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		
		Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%	45%

Accumulated balances of material non-controlling interest:

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Vietnam Eurocharm Ways Plastics Company Limited.	\$18,477	\$20,613	\$24,881

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Vietnam Eurocharm Ways Plastics Company Limited.	<u>\$(1,661)</u>	<u>\$-</u>	<u>\$(3,586)</u>	<u>\$-</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 six-month periods then ended June 30, 2022 and 2021, respectively, is as follows:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Operating revenue	\$6	\$-	\$121	\$-
Profit/loss from continuing operation	(3,690)	-	(7,969)	-
Total comprehensive income for the period	(3,690)	-	(7,969)	-

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

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Current assets	\$34,974	\$48,735	\$55,292
Non-current assets	30,586	32,286	-
Current liabilities	24,501	35,216	-
Non-current liabilities	-	-	-

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	For the six-month period ended June 30,	
	2022	2021
Operating activities	\$(23,948)	\$-
Investing activities	(152)	-
Financing activities	(1,718)	-
Net increase/(decrease) in cash and cash equivalents	(25,818)	-

7. RELATED PARTY TRANSACTIONS

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

Related parties and relation

<u>Related parties</u>	<u>Relationship</u>
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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(2) Significant transactions with related parties

(a) Sales

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Associates	\$40,552	\$23,911	\$75,153	\$56,444
Other related party	9	-	9	13
Other related party – Northstar Precision (Vietnam) Company	609,878	351,166	1,015,432	628,460
Total	<u>\$650,439</u>	<u>\$375,077</u>	<u>\$1,090,594</u>	<u>\$684,917</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 June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Associates	\$65,587	\$42,753	\$118,535	\$49,532
Other related parties	477	478	855	1,191
Total	<u>\$66,064</u>	<u>\$43,231</u>	<u>\$119,390</u>	<u>\$50,723</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.

- (c) For the six-month periods ended June 30, 2022 and 2021, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$43,638 thousand and NT\$46,482 thousand, respectively.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

- (d) For the six-month periods ended June 30, 2022 and 2021, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$1,639 thousand and NT\$992 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the six-month periods ended June 30, 2022 and 2021, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$1,504 thousand and NT\$0, respectively, which were recorded under the caption of operating revenues.
- (f) For the six-month periods ended June 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 six-month period ended June 30, 2022, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$1,344 thousand, which was recorded under non-operating income and expenses-other gain or loss.
- (h) For the six-month period ended June 30, 2022, the Group recognized NT\$0 of disposal gain or loss from sale of machine to associates in the amount of NT\$103,379 thousand. As of June 30, 2021, the related receivables have not been collected, which was recorded under other receivables-related parties' caption.
- (i) For the six-month period ended June 30, 2022, the Group recognized service fee in the amount of NT\$117 thousand, which were recorded under non-operating income and expenses-other income.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(j) Trade receivables from related parties

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Associates	\$13,465	\$16,646	\$6,965
Other related party-Northstar Precision (Vietnam) Company Limited	487,008	309,596	289,216
Total	<u>\$500,473</u>	<u>\$326,242</u>	<u>\$296,181</u>

(k) Other receivables-related parties

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Associates	\$542	\$971	\$106,913
Other related parties	1,153	614	189
Total	<u>\$1,695</u>	<u>\$1,585</u>	<u>\$107,102</u>

(l) Prepayments

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Associates	<u>\$9,580</u>	<u>\$7,792</u>	<u>\$-</u>

(m) Trade payables to related parties

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Associates	\$26,769	\$29,968	\$4,486
Other related parties	109	199	160
Total	<u>\$26,878</u>	<u>\$30,167</u>	<u>\$4,646</u>



## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

## (n) Operating lease

## A. Right-of-use asset

Relationship	Property	As of		
		Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Other related party	Buildings	\$2,850	\$-	\$950

## B. Lease liabilities

Relationship	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Other related party	\$2,858	\$-	\$958

## C. Interest on lease liabilities

Relationship	Property	For the three-month period		For the six-month period	
		ended June 30,		ended June 30,	
		2022	2021	2022	2021
Other related parties	Rent office	\$8	\$3	\$18	\$7

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

## E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the six-month period ended June 30, 2022</u>			
Associate	Property and plant	Jan. 1, 2021 ~ Dec. 31, 2023	\$11,698
Other related party	Property and plant	Jan. 1, 2022 ~ Dec. 31, 2022	5,125
Total			\$16,823
<u>For the six-month period ended June 30, 2021</u>			
Associate	Property and plant	Jan. 1, 2021 ~ Dec. 31, 2022	\$12,859
Other related party	Property and plant	Jan. 1, 2021 ~ Dec. 31, 2022	575
Total			\$13,434

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$5,607	\$4,872	\$11,729	\$10,790
Post-employment benefits	90	82	172	164
Total	\$5,697	\$4,954	\$11,901	\$10,954

8. PLEDGED ASSETS

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

Item	Carrying Amount As of			Secured liabilities
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021	
Trade receivables	\$128,700	\$239,200	\$240,400	Short-term borrowings
Inventories	128,700	239,200	240,400	Short-term borrowings
Property, plant and equipment – land	52,420	52,420	52,420	Short-term borrowings
Property, plant and equipment – buildings	184	228	271	Short-term borrowings
Total	\$310,004	\$531,048	\$533,491	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Amounts available under unused letters of credit as of June 30, 2022 are USD\$658 thousand and EUR\$1,236 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

12. OTHERS

## (1) Financial instruments

Categories of financial instruments

## Financial assets

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Financial assets at fair value through profit or loss financial asset held for trading	\$300	\$-	\$-
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)	1,755,011	1,146,020	961,935
Financial assets measured at amortized cost	195,575	173,354	602,643
Notes receivables	71	-	-
Trade receivables (includes related parties)	1,440,739	1,120,403	1,021,633
Other receivables (includes related parties)	14,684	10,660	140,766
Refundable deposits	336	336	336
Subtotal	3,406,416	2,450,773	2,727,313
Total	<u>\$3,502,421</u>	<u>\$2,506,478</u>	<u>\$2,780,781</u>

## Financial liabilities

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Financial liabilities at amortized cost:			
Short-term borrowings	\$2,207,385	\$2,093,916	\$1,566,402
Trade payables (includes related parties)	1,049,219	932,766	993,309
Leased liabilities (includes related parties)	10,288	8,462	10,995
Guaranteed deposits received	8,773	8,121	4,592
Bonds payable	473,695	-	-
Total	<u>\$3,749,360</u>	<u>\$3,043,265</u>	<u>\$2,575,298</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

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 six-month periods ended June 30, 2022 and 2021 is decreased/increased by NT\$3,179 thousand and NT\$3,131 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the six-month periods ended June 30, 2022 and 2021 is increased/decreased by VND\$117,157 thousand and VND\$699,750 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the six-month periods ended June 30, 2022 and 2021 to increase /decrease by NT\$63 thousand and decrease/increase by NT\$116 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

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

(4) Credit risk management

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

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

As of June 30, 2022, December 31, 2021 and June 30, 2021, trade receivables from top ten customers represented 78.11%, 74.70% and 76.78% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is relatively in significant.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for 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 June 30, 2022, December 31, 2021 and June 30, 2021, the Group did not hold any debt instrument investment measured at fair value through profit or loss.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of June 30, 2022</u>			
Short-term borrowings	\$2,221,179	\$-	\$2,221,179
Trade and other payables	1,049,219	-	1,049,219
Leased Liabilities	5,501	5,075	10,576
Convertible Bonds	-	500,000	500,000
<u>As of December 31, 2021</u>			
Short-term borrowings	\$2,104,725	\$-	\$2,104,725
Trade and other payables	932,766	-	932,766
Leased Liabilities	3,366	5,490	8,856
<u>As of June 30, 2021</u>			
Short-term borrowings	\$1,572,400	\$-	\$1,572,400
Trade and other payables	993,309	-	993,309
Leased Liabilities	4,342	7,208	11,550

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended June 30, 2022:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bonds payable	Total liabilities from financing activities
As of Jan. 1, 2022	\$2,093,916	\$8,121	\$8,462	\$-	\$2,110,499
Cash flows	113,469	652	(2,557)	512,995	624,559
Non-cash changes	-	-	4,383	(39,300)	(34,917)
As of Jun. 30, 2022	\$2,207,385	\$8,773	\$10,288	\$473,695	\$2,700,141

Reconciliation of liabilities for the six-month period ended June 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	356,422	(841)	(2,646)	352,935
Non-cash changes	-	-	89	89
As of Jun. 30, 2021	\$1,566,402	\$4,592	\$10,995	\$1,581,989

(7) Fair values of financial instruments

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

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

- i. The carrying amount of cash and cash equivalents, trade receivables, trade payable and other current liabilities approximate their fair value due to their short maturities.



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- iv. Fair value of debt instruments without market quotations, bank loans, bonds 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).

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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 measure at amortized cost approximates their fair value.

	Carrying amount as of	
	Jun. 30, 2022	Dec. 31, 2021
Financial liabilities:		
Bonds payable	\$473,695	\$-

	Fair value as of	
	Jun. 30, 2022	Dec. 31, 2021
Financial liabilities:		
Bonds payable	\$479,300	\$-

(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.

(8) Derivative financial instruments

As of December 31, 2021 and June 30, 2021, the Group doesn't have any derivative financial instruments. As of June 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(15) for further information on this transaction.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

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

As of June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss-current				
Embedded derivatives	\$-	\$-	\$300	\$300
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	\$-	\$-	\$96,005	\$96,005

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of December 31, 2021

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

As of June 30, 2021

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

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

For the six-month period ended June 30, 2020, there was no movement of fair value measurements, and for six-month period ended June 30, 2022 and for the years ended December 31, 2020, 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 June 30, 2022	\$95,705

	Assets
	Financial assets at fair value through other comprehensive income
As of Jan. 1, 2022	\$-
Acquisition	200
Amount recognized in profit or loss (presented in “other gains and losses”)	100
As of June 30, 2022	\$300

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	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

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 June 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 increase (decrease) in the Group's other comprehensive income by NT\$ 9,571 thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	26.54%	The higher the volatility, the higher the fair value of the embedded derivatives	1% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$100 thousand

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 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 increase (decrease) in the Group's other comprehensive income by NT\$5,571 thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of June 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 increase (decrease) in the Group's other comprehensive income by NT\$5,347 thousand.

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

As of June 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(10))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (Note 12(7))	<u>\$-</u>	<u>\$-</u>	<u>\$479,300</u>	<u>\$479,300</u>

As of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(10))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>

As of June 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(10))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(10) 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					
	June 30 , 2022			December 31, 2021		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$57,597	29.71	\$1,711,277	\$47,547	27.27	\$1,296,797
VND	\$1,396,465,723	0.001286	\$1,795,943	\$998,371,052	0.001196	\$1,194,451
<u>Investments accounted for under the equity method</u>						
VND	\$239,927,596	0.001287	\$308,787	\$229,004,492	0.001196	\$273,889
<u>Financial liabilities</u>						
Monetary items:						
USD	\$72,930	29.79	\$2,172,246	\$75,206	27.58	\$2,074,335
VND	\$513,855,052	0.001287	\$663,163	\$533,803,179	0.001190	\$635,382
<u>As of</u>						
<u>June 30 , 2021</u>						
	Foreign currencies	Exchange rate	NTD			
<u>Financial assets</u>						
Monetary items:						
USD	\$44,341	27.64	\$1,225,449			
VND	\$1,313,941,123	0.001202	\$1,579,357			
<u>Investments accounted for under the equity method</u>						
VND	\$227,269,673	0.001202	\$273,178			

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
 (Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of		
	June 30, 2021		
	Foreign currencies	Exchange rate	NTD
<u>Financial liabilities</u>			
Monetary items:			
USD	\$55,241	27.85	\$1,538,616
VND	\$524,384,324	0.001202	\$630,310

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\$(15,545)thousand and NT\$14,162 thousand for the three-month periods ended June 30, 2022 and 2021, respectively. The foreign exchange gains were NT\$(25,019)thousand and NT\$14,358 thousand for the six-month periods ended June 30, 2022 and 2021, respectively.

(10) Capital management

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

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

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 June 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\$ 300 million or 20 percent of the paid-in capital for the six-month period ended June 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 six-month period ended June 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 six-month period ended June 30, 2022: None.
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the six-month period ended June 30, 2022: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2022: None.
- (i) Derivative instrument transactions: Please refer to Note 12 (8).
- (j) Intercompany relationships and significant intercompany transactions for the six-month period ended June 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

(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 June 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\$300 million or 20 percent of the paid-in capital for the six-month period ended June 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 for the six-month period ended June 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 for the six-month period ended June 30, 2022: None.
- vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the six-month period ended June 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 June 30, 2022: Please refer to Attachment 6.
- ix. Derivative instrument transactions: None.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

---

(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.	4,859,000	7.38%

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 six-month periods ended June 30, 2022)

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

NO. (Note1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	Value		
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	Other receivables -related parties	\$59,452	\$59,452	\$59,452 (Note 4)	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$754,317 (Note 2) (Note 3)	\$1,508,634 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	Other receivables -related parties	\$112,084	\$59,452	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$754,317 (Note 2) (Note 3)	\$1,508,634 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm America LLC.	Other receivables -related parties	\$5,945	\$5,945	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$754,317 (Note 2) (Note 3)	\$1,508,634 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$520,000	\$520,000	\$178,356 (Note 4)	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$754,317 (Note 2) (Note 3)	\$1,508,634 (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	\$-	-	\$-	\$985,500 (Note 2) (Note 3)	\$1,971,000 (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.

ATTACHMENT 2 (Endorsement/Guarantee provided to others for the six-month periods ended June 30, 2022)

(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		Actual amount provided	Amount of collateral for guarantee/ endorsement	Ratio of accumulated guarantee amount to net assets value from the latest financial statement	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	for receiving party (Note3)	Maximum balance for the period Ending balance								
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,508,634	\$80,000 \$80,000	\$69,000	\$-	2.12%	\$1,885,793	Y	N	N	
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$1,508,634	\$208,082 (USD 7,000) (Note4)	\$208,082 (USD 7,000) (Note4)	\$195,597 (USD 6,580) (Note4)	\$-	5.52%	\$1,885,793	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,508,634	\$802,602 (USD 27,000) (Note4)	\$802,602 (USD 27,000) (Note4)	\$655,988 (USD 22,068) (Note4)	\$-	21.28%	\$1,885,793	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	2	\$1,508,634	\$125,226 (USD 4,500) (Note4)	\$74,315 (USD 2,500) (Note4)	\$- (Note4)	\$-	1.97%	\$1,885,793	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 six-month periods ended June 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 June 30, 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Jun. 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%	\$4,927,501 (Note 5)	\$450,476	\$450,476 (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%	11,662 (Note 5)	11,389	11,389 (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	170,345 (Note 5)	8,218	12,128 (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%	4,433,076 (Note 3) (Note 5)	415,606	427,755 (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%	96,695 (Note 5)	27,962	14,133 (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%	22,582 (Note 5)	(7,969)	(4,383) (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%	47,329	4,064	1,829	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Lieh Kwan International Co., Ltd.	British Virgin Islands	Investment holding	USD 800	USD 800	8,000	40.00%	21,025	(4)	(2)	Investment accounted for under the equity method
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam King Duan Industrial Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 4,000	USD 4,000	-	40.00%	135,973	6,356	2,542	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%	6,475	(1)	-	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%	59,816	2,407	1,083	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%	87,220	41,096	8,220	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%	31,683	2,550	1,020	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$8,218 thousand and realized profit on transaction between subsidiaries amounted to NT\$3,910 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$415,606 thousand and realized profit on transaction between subsidiaries amounted to NT\$12,149 thousand.

Note 3: Holding net equity at the end of the period amount to NT\$4,499,590 thousand minus unrealized profit on transaction between subsidiaries amounted to NT\$66,514 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$27,962 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$13,829 thousand.

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



ATTACHMENT 4 (Securities held as of June 30, 2022) (Excluding subsidiaries, associates and joint ventures)

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

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

Company	Investee Company	Relationship	Financial statement account	Investments as of June 30, 2022				Note	Shares as collateral
				Number of shares	Book Value	Percentage of ownership (%)	Fair Value		
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial Joint Stock Company	-	Financial assets measured at fair value through other comprehensive income	-	\$11,007	6.91%	\$11,007	-	None
Eurocharm Innovation Co., Ltd.	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 six-month period ended June 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 (payable)		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	\$160,506	82.00%	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 \$32,958	56.38%	1
Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	Sales	\$153,761	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 \$67,385	79.09%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$1,013,180	28.02%	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 \$485,984	32.83%	
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam King Duan Industrial Co., Ltd.	Other related party	Purchase	\$108,214	5.07%	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 \$23,141	6.02%	

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 June 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>\$485,984</u>	<u>5.10</u>	<u>\$-</u>	-	<u>\$254,079</u>	<u>\$-</u>	

(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>2022.01.01~2022.06.30</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	59,592	-	0.76%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	138	-	-%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	195	-	0.01%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Other receivables	178,551	-	2.27%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Dividend Receivables	120,837	-	1.53%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	160,506	30 days after monthly closing	4.37%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	32,958	30 days after monthly closing	0.42%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other receivables	50	30 days after monthly closing	-%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other incomes	29	-	-%
2	Eurocharm Innovation Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade Receivables	536	60 days after monthly closing	0.01%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	153,761	30 days after monthly closing	4.18%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	67,385	30 days after monthly closing	0.86%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Eurocharm Ways Plastics Company Limited.	3	Trade Receivables	17,811	60~90 days after monthly closing	0.23%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	67,308	60~90 days after monthly closing	0.85%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	57,106	60~90 days after monthly closing	1.55%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other receivables	3,190	15 days after monthly closing	0.04%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Rental incomes	1,640	In accordance with contract	0.04%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other incomes	113	In accordance with contract	-%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Processing income	111	30 days after monthly closing	-%
5	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Advance receipts	361	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.