

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

**Ticker: 5288**

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REVIEW REPORT OF INDEPENDENT AUDITORS  
AS OF MARCH 31, 2023 AND 2022  
AND FOR THE THREE-MONTH PERIODS THEN ENDED  
(REVIEWED BUT UNAUDITED)**

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

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

**Consolidated financial statements**

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

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

**Introduction**

We have reviewed the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the "Company") and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2023 and 2022 and the notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements"). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

**Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As disclosed in Note 6(8), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$398,294 thousand and NT\$310,256 thousand as of March 31, 2023 and 2022, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$(6,292) thousand and NT\$5,493 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(2,007) thousand and NT\$6,214 thousand for the three-month periods ended March 31, 2023 and 2022, respectively. The information related to above-mentioned associates and joint ventures accounted for under the equity method disclosed in Note 13 was not reviewed by independent accountants.

### **Qualified Conclusion**

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain associates and joint ventures accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2023 and 2022, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Chen, Kuo-Shuai

Chang, Chi-Ming

Ernst & Young, Taiwan

May 9, 2023

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 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 the Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2023, December 31, 2022 and March 31, 2022 (March 31, 2023 and 2022 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets Accounts	Notes	As of		
		March 31, 2023	December 31, 2022	March 31, 2022
<b>Current assets</b>				
Cash and cash equivalents	6(1)	\$1,862,076	\$1,397,304	\$1,076,363
Financial assets at fair value through profit or loss	6(2), 6(16)	470	292	-
Financial assets measured at amortized cost	6(3)	534,506	528,379	165,735
Notes receivables	6(4)	18	-	-
Trade receivables	6(5), 6(21), 8	943,326	1,076,855	971,052
Trade receivables-related parties	6(5), 6(21), 7	398,805	368,486	315,552
Other receivables		8,088	18,371	8,414
Other receivables-related parties	7	2,847	2,729	2,656
Current tax assets	6(26)	738	512	-
Inventories	6(6), 8	936,885	1,102,281	1,216,499
Prepayments	7	68,441	77,479	141,020
Other current assets		32,001	120,223	145,497
<b>Total current assets</b>		<b>4,788,201</b>	<b>4,692,911</b>	<b>4,042,788</b>
<b>Non-current assets</b>				
Financial assets measured at fair value through other comprehensive income	6(7)	95,705	95,705	55,705
Financial assets measured at amoritized cost	6(3)	15,390	14,989	14,044
Investment accounted for under the equity method	6(8)	398,294	384,101	310,256
Property, plant and equipment	6(9), 7, 8	2,096,483	2,129,237	2,072,746
Right-of-use assets	6(24), 7	301,831	308,396	304,385
Investment property	6(10)	71,436	72,997	44,832
Intangible assets	6(11)	3,451	3,641	4,637
Deferred tax assets	6(26)	3,300	2,900	3,204
Other non-current assets	6(12), 6(18)	4,399	3,799	33,144
<b>Total non-current assets</b>		<b>2,990,289</b>	<b>3,015,765</b>	<b>2,842,953</b>
<b>Total assets</b>		<b>\$7,778,490</b>	<b>\$7,708,676</b>	<b>\$6,885,741</b>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - (CONTINUED)

As of March 31, 2023, December 31, 2022 and March 31, 2022 (March 31, 2023 and 2022 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity Accounts	Notes	As of		
		March 31, 2023	December 31, 2022	March 31, 2022
Current liabilities				
Short-term borrowings	6(13), 8	\$1,690,407	\$1,642,067	\$2,231,997
Financial liabilities at fair value through profit or loss	6(15)	3,413	-	-
Contract liabilities	6(20)	98,936	28,486	73,051
Trade payables		380,031	525,991	421,178
Trade payables-related parties	7	17,476	38,252	19,282
Other payables	6(14)	706,785	377,918	545,183
Current tax liabilities	6(26)	170,495	110,803	149,823
Lease liabilities	6(24)	3,724	3,725	3,266
Lease liabilities-related parties	6(24), 7	1,435	1,910	1,895
Other current liabilities		3,482	3,376	1,602
Refund liabilities		30,507	30,767	29,301
Total current liabilities		<u>3,106,691</u>	<u>2,763,295</u>	<u>3,476,578</u>
Non-current liabilities				
Bonds payable	6(16)	451,183	465,295	-
Deferred tax liabilities	6(26)	17,961	18,468	16,410
Lease liabilities	6(24)	1,564	2,528	4,696
Lease liabilities-related parties	6(24), 7	-	-	1,435
Other non-current liabilities	6(17), 6(18)	12,646	13,156	14,039
Total non-current liabilities		<u>483,354</u>	<u>499,447</u>	<u>36,580</u>
Total liabilities		<u>3,590,045</u>	<u>3,262,742</u>	<u>3,513,158</u>
Equity attributable to shareholders of the parent				
Capital	6(19)			
Common stock		660,300	659,163	658,262
Capital surplus	6(19)	903,708	888,652	836,782
Retained earnings	6(19)			
Legal reserve		218,316	218,316	155,069
Special reserve		307,951	307,951	620,146
Unappropriated Earnings		2,355,723	2,587,975	1,570,379
Other components of equity		(274,180)	(233,118)	(487,450)
Non-controlling interests	6(19), 6(28)	16,627	16,995	19,395
Total equity		<u>4,188,445</u>	<u>4,445,934</u>	<u>3,372,583</u>
Total liabilities and equity		<u>\$7,778,490</u>	<u>\$7,708,676</u>	<u>\$6,885,741</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the three-month periods ended March 31, 2023 and 2022 (Reviewed but unaudited)  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Description	Notes	For the 3-month periods ended March 31,	
		2023	2022
Operating revenues	6(20), 7	\$1,835,985	\$1,792,512
Operating costs	6(22), 7	(1,426,809)	(1,468,546)
Gross profit		409,176	323,966
Realized (Unrealized) sales profit		8	227
Gross profit, net		409,184	324,193
Operating expenses	6(22), 7		
Sales and marketing		(21,870)	(28,578)
General and administrative		(61,209)	(53,498)
Research and development		(21,016)	(19,896)
Expected credit losses	6(21)	-	-
Operating expenses total		(104,095)	(101,972)
Operating income		305,089	222,221
Non-operating incomes and expenses			
Other incomes	6(23), 7	26,837	14,250
Other gains and losses	6(23), 7	927	(10,319)
Finance costs	6(23), 7	(22,329)	(6,917)
Share of profit or loss of associates and joint ventures accounted for under the equity method	6(8)	(6,292)	5,493
Non-operating incomes and expenses total		(857)	2,507
Income before income tax		304,232	224,728
Income tax expense	6(26)	(68,701)	(50,371)
Net income		235,531	174,357
Other comprehensive income (loss)	6(25)		
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(39,200)	148,631
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(2,007)	6,214
Total other comprehensive income, net of tax		(41,207)	154,845
Total comprehensive income		\$194,324	\$329,202
Net income (loss) attributable to:			
Stockholders of the parent		\$235,754	\$176,282
Non-controlling interests		(223)	(1,925)
		\$235,531	\$174,357
Total comprehensive income (loss) attributable to:			
Stockholders of the parent		\$194,692	\$330,420
Non-controlling interests		(368)	(1,218)
		\$194,324	\$329,202
Earnings per share-basic (in NTD)	6(27)	\$3.57	\$2.68
Earnings per share-diluted (in NTD)	6(27)	\$3.43	\$2.67

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



English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31, 2023 and 2022 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent						Non-controlling Interests	Total Equity	
	Share capital		Retained Earnings			Other Components of equity			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations			
						Total			
Balance as of January 1, 2022	\$658,262	\$836,782	\$155,069	\$620,146	\$1,690,315	\$(641,588)	\$3,318,986	\$20,613	\$3,339,599
Appropriation and distribution of 2021 earnings:									
Cash dividends-common shares					(296,218)		(296,218)		(296,218)
Net income for the first quarter of 2022					176,282		176,282	(1,925)	174,357
Other comprehensive income (loss) for the first quarter of 2022						154,138	154,138	707	154,845
Total comprehensive income (loss)	-	-	-	-	176,282	154,138	330,420	(1,218)	329,202
Balance as of March 31, 2022	<u>\$658,262</u>	<u>\$836,782</u>	<u>\$155,069</u>	<u>\$620,146</u>	<u>\$1,570,379</u>	<u>\$(487,450)</u>	<u>\$3,353,188</u>	<u>\$19,395</u>	<u>\$3,372,583</u>
Balance as of January 1, 2023	\$659,163	\$888,652	\$218,316	\$307,951	\$2,587,975	\$(233,118)	\$4,428,939	\$16,995	\$4,445,934
Appropriation and distribution of 2022 earnings:									
Cash dividends-common shares					(468,006)		(468,006)		(468,006)
Net income for the first quarter of 2023					235,754		235,754	(223)	235,531
Other comprehensive income (loss) for the first quarter of 2023						(41,062)	(41,062)	(145)	(41,207)
Total comprehensive income (loss)	-	-	-	-	235,754	(41,062)	194,692	(368)	194,324
Conversion of convertible bonds	1,137	15,056					16,193		16,193
Balance as of March 31, 2023	<u>\$660,300</u>	<u>\$903,708</u>	<u>\$218,316</u>	<u>\$307,951</u>	<u>\$2,355,723</u>	<u>\$(274,180)</u>	<u>\$4,171,818</u>	<u>\$16,627</u>	<u>\$4,188,445</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the three-month periods ended March 31, 2023 and 2022 (Reviewed but unaudited)  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the 3-month periods ended March 31,		Items	For the 3-month periods ended March 31,	
	2023	2022		2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$304,232	\$224,728	Decrease (increase) in financial assets measured at amortized cost	(6,528)	(6,425)
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:		59,567	Acquisition of investment accounted for under the equity method	(23,446)	-
Depreciation (include investment property)	67,271	782	Acquisition of property, plant and equipment	(65,044)	(159,429)
Amortization	609	-	Proceeds from disposal of property, plant and equipment	-	1,085
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	3,206	-	Acquisition of intangible assets	(452)	(372)
Interest expense	22,329	6,917	Net cash provided by (used in) investing activities	<u>(95,470)</u>	<u>(165,141)</u>
Interest income	(13,022)	(4,505)	Cash flows from financing activities:		
Share of profit or loss of associates and joint ventures accounted for under the equity method	6,292	(5,493)	Increase in (repayment of) short-term borrowings	48,340	138,081
Loss (gain) on disposal of property, plant and equipment	876	(640)	Increase (decrease) in guarantee deposits	(510)	515
Unrealized (realized) sales profit	(8)	(227)	Repayment of lease liability principal	(1,383)	(1,257)
Changes in operating assets and liabilities:			Net cash provided by (used in) financing activities	<u>46,447</u>	<u>137,339</u>
Notes receivables	(18)	-	Effect of exchange rate changes	<u>(16,779)</u>	<u>61,531</u>
Trade receivables	133,835	(177,445)	Net increase (decrease) in cash and cash equivalents	464,772	(70,382)
Trade receivables-related parties	(30,319)	10,690	Cash and cash equivalents at beginning of period	1,397,304	1,146,745
Other receivables	6,735	(822)	Cash and cash equivalents at end of period	<u>\$1,862,076</u>	<u>\$1,076,363</u>
Other receivables-related parties	(118)	(1,071)			
Inventories	166,332	73,702			
Prepayments	9,038	(55,227)			
Other current assets	88,222	(36,043)			
Contract liabilities	70,450	2,902			
Trade payables	(145,960)	(91,062)			
Trade payables-related parties	(20,776)	(10,885)			
Other payables	(124,351)	(76,328)			
Other current liabilities	106	(164)			
Net defined benefit liabilities	(123)	(116)			
Refund liabilities	(260)	1,017			
Cash generated from (used in) operations	<u>544,578</u>	<u>(79,723)</u>			
Interest received	16,489	6,018			
Interest paid	(20,361)	(7,709)			
Income tax paid	(10,132)	(22,697)			
Net cash provided by (used in) operating activities	<u>530,574</u>	<u>(104,111)</u>			

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2023 and 2022 and for the three-month periods then ended

(REVIEWED BUT UNAUDITED)

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

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1. HISTORY AND ORGANIZATION

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

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

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the three-month periods ended March 31, 2023 and 2022 were authorized for issue by the board of directors on May 9, 2023.

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, 2023. The adoption of these new standards and amendments had no material impact on the Group.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(b) IFRS 17 “Insurance Contracts”

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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

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

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2023 and 2022 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(5), 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, 2022. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2022.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(2) Basis of preparation

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

(3) Basis of consolidation

The same principles of consolidation have been applied in the Group's consolidated financial statements as those applied in the Group's consolidated financial statements for the year ended December 31, 2022. For the principles of consolidation, please refer to Note 4(3) of the Group's consolidated financial statements for the year ended December 31, 2022.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
The Company	Eurocharm Innovation Co., Ltd. (B.V.I.)	Investment activities	100%	100%	100%
The Company	Eurocharm America LLC.	Trading activities, warehouse and logistic service	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Limited	Trading activities	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Plastic dipping and processing	55%	55%	55%

(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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the three-month period ended March 31, 2023 as those applied in the Group's consolidated financial statements for the year ended December 31, 2022. 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, 2022.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Cash on hand	\$896	\$768	\$664
Checking and saving	827,551	561,301	400,594
Time deposits matured within three months	1,033,629	835,235	675,105
Total	<u>\$1,862,076</u>	<u>\$1,397,304</u>	<u>\$1,076,363</u>

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

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Financial assets at fair value through profit or loss			
Embedded derivatives	<u>\$470</u>	<u>\$292</u>	<u>\$-</u>

The embedded derivative financial instruments (the issuer's redemption options) on the bonds payable which amounted to NT\$470 thousand and NT\$292 thousand were recognized as current financial assets at fair value through profit or loss as of March 31, 2023 and December 31, 2022, respectively.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(3) Financial assets measured at amortized cost

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Time deposits	\$549,896	\$543,368	\$179,779
Current	\$534,506	\$528,379	\$165,735
Non-current	15,390	14,989	14,044
Total	\$549,896	\$543,368	\$179,779

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		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Notes receivable arising from operating activities	\$18	\$-	\$-
Less: loss allowance	-	-	-
Total	\$18	\$-	\$-

Notes receivables was not pledged as collateral.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(5) Trade receivables and trade receivables-related parties

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

	As of		
	Mar. 31, 2022	Dec. 31, 2022	Mar. 31, 2022
Trade receivables	\$986,221	\$1,120,056	\$987,268
Less: loss allowance	(42,895)	(43,201)	(16,216)
Subtotal	943,326	1,076,855	971,052
Trade receivables from related parties	398,805	368,486	315,552
Less: loss allowance	-	-	-
Subtotal	398,805	368,486	315,552
Total	\$1,342,131	\$1,445,341	\$1,286,604

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

(c) Trade receivables are generally on 15~90 days terms. The total carrying amounts were NT\$ 1,385,026 thousand, NT\$1,488,542 thousand and NT\$1,302,820 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. Please refer to Note 6(21) for more details on loss allowance of trade receivables for the three-month periods ended March 31, 2023 and 2022, respectively. Please refer to Note 12 for more details on credit risk.

(6) Inventories

(a) Details of inventories are listed below:

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Raw materials and Supplies	\$384,239	\$480,311	\$552,279
Work in progress	335,474	378,962	387,758
Finished goods	215,470	242,847	275,854
Merchandises	1,702	161	608
Total	\$936,885	\$1,102,281	\$1,216,499

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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- (b) The cost of inventories recognized in expenses amounted to NT\$1,426,809 thousand and NT\$1,468,546 thousand for the three-month periods ended March 31, 2023 and 2022, respectively.

The following losses were included in cost of sale:

	For the three-month period ended March 31,	
	2023	2022
Loss in inventory write-off obsolescence	\$3,850	\$3,576

- (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		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Equity instruments investments measured at fair value through other comprehensive income - Non-current			
Unlisted companies stocks	\$95,705	\$95,705	\$55,705

- (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)

(REVIEWED BUT UNAUDITED)

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(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					
	Mar. 31, 2023		Dec. 31, 2022		Mar. 31, 2022	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$86,090	20.00%	\$83,770	20.00%	\$79,382	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	39,454	45.00%	45,960	45.00%	44,962	45.00%
Shiang Yu Precision Co., Ltd.	31,109	40.00%	31,554	40.00%	30,265	40.00%
Lieh Kwan International Co., Ltd.	21,645	40.00%	21,645	40.00%	21,025	40.00%
Vietnam King Duan Industrial Co., Ltd.	133,389	40.00%	135,830	40.00%	128,389	40.00%
Vietnam Uni-Calsonic Co., Ltd.	29,990	40.00%	6,524	40.00%	6,233	40.00%
PCI International Investment Inc.	56,617	45.00%	58,818	45.00%	-	-%
Total	<u>\$398,294</u>		<u>\$384,101</u>		<u>\$310,256</u>	

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(b) Investments in associates

The Group's investments in above associates are not individually material. The aggregate carrying amounts of the Group's interests in above associates were NT\$398,294 thousand, NT\$384,101 thousand and NT\$310,256 thousand as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively. The aggregate financial information based on the Group's share is as follows:

	For the three-month period ended March 31,	
	2023	2022
Profit (loss) from continuing operations	\$(6,292)	\$5,493
Other comprehensive income (loss) (post-tax)	(2,007)	6,214
Total comprehensive income	\$(8,299)	\$11,707

The aforementioned associates had no contingent liabilities or capital commitments and were not under pledge as of March 31, 2023, December 31, 2022, and March 31, 2022.

As of March 31, 2023 and 2022, the balances of investments accounted for under the equity method amounted to NT\$398,294 thousand and NT\$310,256 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$(6,292) thousand and NT\$5,493 thousand, respectively. For the three-month periods then ended, the share of other comprehensive income from these associates and joint ventures amounted to NT\$(2,007) thousand and NT\$6,214 thousand. These amounts were recognized based on unreviewed financial statements of the investees.

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

(d) In 2022, Vietnam Precision Industrial No.1 Co., Ltd. received a distribution from Exedy Vietnam Co., Ltd. in the amount of NT\$14,217 thousand, which was accounted for as a reduction to the carrying amount of the investment.

(e) 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%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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In February 2023, the Group participated in Vietnam Uni-Calsonic Co., Ltd.'s cash offering by proportionately and invested NT\$23,446 thousand.

- (f) Mid of May 2022, the board of directors of the Company's subsidiary - Eurocharm Innovation Co., Ltd. (B.V.I), resolved to invest US\$2,025 thousand in PCI International Investment Inc. The percentage of ownership was 45%.

(9) Property, plant and equipment

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Owner occupied property, plant and equipment	\$2,096,483	\$2,129,237	\$2,072,746
Property, plant and equipment leased out under operating leases	-	-	-
<b>Total</b>	<b>\$2,096,483</b>	<b>\$2,129,237</b>	<b>\$2,072,746</b>

(a) Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in	Total
							progress and equipment awaiting examination	
Cost:								
As of Jan. 1, 2023	\$52,420	\$662,622	\$2,813,163	\$149,972	\$26,113	\$183,134	\$66,104	\$3,953,528
Additions	-	-	79,345	2,899	466	6,282	(38,724)	50,268
Disposals	-	(622)	(26,923)	-	(791)	(4,707)	-	(33,043)
Transfers	-	-	(16,379)	-	179	-	16,200	-
Exchange differences	-	(5,542)	(27,557)	(1,165)	(198)	(1,526)	(698)	(36,686)
<b>As of Mar. 31, 2023</b>	<b>\$52,420</b>	<b>\$656,458</b>	<b>\$2,821,649</b>	<b>\$151,706</b>	<b>\$25,769</b>	<b>\$183,183</b>	<b>\$42,882</b>	<b>\$3,934,067</b>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
As of Jan. 1, 2022	\$52,420	\$644,713	\$2,341,662	\$124,297	\$23,267	\$158,511	\$47,068	\$3,391,938
Additions	-	1,613	35,167	402	334	4,429	80,105	122,050
Disposals	-	-	(2,925)	(9)	(1,026)	(4,773)	-	(8,733)
Transfers	-	(9,863)	77,476	122	-	37	(78,465)	(10,693)
Exchange differences	-	22,920	97,319	4,259	746	5,429	2,073	132,746
As of Mar. 31, 2022	\$52,420	\$659,383	\$2,548,699	\$129,071	\$23,321	\$163,633	\$50,781	\$3,627,308
Depreciation and impairment:								
As of Jan. 1, 2023	\$-	\$189,324	\$1,379,230	\$87,760	\$16,762	\$151,215	\$-	\$1,824,291
Depreciation	-	8,097	44,933	2,817	866	5,662	-	62,375
Disposals	-	(622)	(26,893)	-	(791)	(3,861)	-	(32,167)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(1,504)	(13,342)	(707)	(129)	(1,233)	-	(16,915)
As of Mar. 31, 2023	\$-	\$195,295	\$1,383,928	\$89,870	\$16,708	\$151,783	\$-	\$1,837,584
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	8,122	37,702	2,311	757	6,363	-	55,255
Disposals	-	-	(2,925)	(9)	(1,026)	(4,328)	-	(8,288)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	5,068	46,151	2,556	463	4,141	-	58,379
As of Mar. 31, 2022	\$-	\$157,249	\$1,182,249	\$76,817	\$14,433	\$123,814	\$-	\$1,554,562
Net carrying amount as of:								
Mar. 31, 2023	\$52,420	\$461,163	\$1,437,721	\$61,836	\$9,061	\$31,400	\$42,882	\$2,096,483
Dec. 31, 2022	\$52,420	\$473,298	\$1,433,933	\$62,212	\$9,351	\$31,919	\$66,104	\$2,129,237
Mar. 31, 2022	\$52,420	\$502,134	\$1,366,450	\$52,254	\$8,888	\$39,819	\$50,781	\$2,072,746



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

	<u>Machinery and equipment</u>
Cost:	
As of Jan. 1, 2023	\$34,505
Exchange differences	(292)
As of Mar. 31, 2023	<u>\$34,213</u>
As of Jan. 1, 2022	\$31,720
Exchange differences	1,140
As of Mar. 31, 2022	<u>\$32,860</u>
Depreciation and impairment:	
As of Jan. 1, 2023	\$34,505
Exchange differences	(292)
As of Mar. 31, 2023	<u>\$34,213</u>
As of Jan. 1, 2022	\$31,720
Exchange differences	1,140
As of Mar. 31, 2022	<u>\$32,860</u>
Net carrying amount as of:	
Mar. 31, 2023	<u>\$-</u>
Dec. 31, 2022	<u>\$-</u>
Mar. 31, 2022	<u>\$-</u>

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(10) Investment property

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

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2023	\$93,288
Transfers from property, plant and equipment	-
Exchange differences	(789)
As of Mar. 31, 2023	<u>\$92,499</u>
As of Jan. 1, 2022	\$48,588
Transfers from property, plant and equipment	10,625
Exchange differences	1,747
As of Mar. 31, 2022	<u>\$60,960</u>
Depreciation and impairment:	
As of Jan. 1, 2023	\$20,291
Depreciation	939
Exchange differences	(167)
As of Mar. 31, 2023	<u>\$21,063</u>
As of Jan. 1, 2022	\$14,962
Depreciation	617
Exchange differences	549
As of Mar. 31, 2022	<u>\$16,128</u>
Net carrying amount as of:	
Mar. 31, 2023	<u>\$71,436</u>
Dec. 31, 2022	<u>\$72,997</u>
Mar. 31, 2022	<u>\$44,832</u>

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	For the three-month period ended Mar. 31,	
	2023	2022
Rental income from investment property	\$11,675	\$8,066
Less : Direct operating expenses from investment property generating rental income	(1,345)	(1,562)
Total	<u>\$10,330</u>	<u>\$6,504</u>

(a) No investment property was pledged.

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

(c) All of the fair values of investment properties held by the Group's subsidiary was NT\$394,998 thousand, NT\$398,366 thousand and NT\$167,629 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

(11) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2023	\$42,214
Additions-acquired separately	452
Deduction	(676)
Exchange differences	(348)
As of Mar. 31, 2023	<u>\$41,642</u>
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	372
Transfers from property, plant and equipment	68
Deduction	(244)
Exchange differences	1,311
As of Mar. 31, 2022	<u>\$39,227</u>

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	<u>Computer software</u>
Amortization:	
As of Jan. 1, 2023	\$38,573
Amortization	609
Deduction	(676)
Exchange differences	(315)
As of Mar. 31, 2023	<u>\$38,191</u>
As of Jan. 1, 2022	\$32,885
Amortization	782
Deduction	(244)
Exchange differences	1,167
As of Mar. 31, 2022	<u>\$34,590</u>
Net carrying amount as of:	
Mar. 31, 2023	<u>\$3,451</u>
Dec. 31, 2022	<u>\$3,641</u>
Mar. 31, 2022	<u>\$4,637</u>

Amortization of intangible assets is as follows:

	<u>For the three-month period ended Mar. 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating costs	\$1	\$8
Sales and marketing expense	8	9
General and administrative expenses	579	739
Research and development expenses	21	26
Total	<u>\$609</u>	<u>\$782</u>

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(12) Other non-current assets

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Advance payments in equipment	\$477	\$-	\$32,808
Refundable deposits	336	336	336
Net defined benefit assets	3,586	3,463	-
Total	\$4,399	\$3,799	\$33,144

(13) Short-term borrowings

	Interest Rate (%)	As of		
		Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Secured bank loans	0.9% ~ 4.9%	\$365,162	\$325,176	\$528,290
Unsecured bank loans	1.1% ~ 5.84%	1,325,245	1,316,891	1,703,707
Total		\$1,690,407	\$1,642,067	\$2,231,997

The Group's unused short-term lines of credits amounted to NT\$1,534,447 thousand, NT\$994,281 thousand and NT\$260,696 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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

(14) Other payables

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Accrued expense	\$228,168	\$352,519	\$233,325
Accrued interest	383	872	131
Dividends payable	468,006	-	296,218
Payables on equipment	10,228	24,527	15,509
Total	\$706,785	\$377,918	\$545,183

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(15) Financial liabilities at fair value through profit or loss

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Held for trading:			
Foreign exchange swap contracts	\$-	\$-	\$-
Financial liabilities held for trading valuation adjustment	3,397	-	-
Exchange differences	16	-	-
Total	<u>\$3,413</u>	<u>\$-</u>	<u>\$-</u>
Current	<u>\$3,413</u>	<u>\$-</u>	<u>\$-</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

(16) Bonds payable

- A. The Group had no balance of the bonds payable as of March 31, 2022. The details of the bonds payable as of March 31, 2023 and December 31, 2022, respectively, is as follows:

	As of	
	Mar. 31, 2023	Dec. 31, 2022
Liability component:		
Unsecured domestic bonds payable	\$469,700	\$486,600
Discounts on bonds payable	(18,517)	(21,305)
Total	<u>451,183</u>	<u>465,295</u>
Less: current portion	<u>-</u>	<u>-</u>
Net	<u>\$451,183</u>	<u>\$465,295</u>
Embedded derivative	<u>\$470</u>	<u>\$292</u>
Equity component-conversion right	<u>\$37,598</u>	<u>\$38,951</u>

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 (23) to the consolidated financial statement.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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

(A) Issue date: June 8, 2022

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

(C) Issue price: NT\$103.82

(D) Coupon rate: 0%

(E) Secured or unsecured: Unsecured bonds

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

(G) Terms of Conversion:

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

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

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

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

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

(H) Redemption clauses:

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



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(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.

C. The unsecured convertible bonds in the amount of NT\$30,300 thousand have been converted to 204 thousand common shares as of March 31, 2023. The surplus due to the conversion amounted to NT\$26,902 thousand, recorded under additional paid-in capital.

(17) Other non-current liabilities

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Net defined benefit liability	\$-	\$-	\$403
Guarantee deposits received	7,646	8,156	8,636
Other non-current liabilities	5,000	5,000	5,000
Total	<u>\$12,646</u>	<u>\$13,156</u>	<u>\$14,039</u>

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(18) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2023 and 2022 were NT\$372 thousand and NT\$425 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2023 and 2022 were NT\$42 thousand and NT\$59 thousand, respectively.

(19) Equities

(a) Common stock

The Company's authorized capitals were all NT\$900,000 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, divided into 66,030 thousand, 65,916 thousand and 65,826 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was NT\$660,300 thousand, NT\$659,163 thousand and NT\$658,262 thousand, respectively. Each share has one voting right and the right to receive dividends.

For the three-month period ended March 31, 2023, the first unsecured convertible bonds in amount of NT\$16,900 thousand was converted into 114 thousand common shares, each at a par value of NT\$10. Total issued stock capital was NT\$1,137 thousand.

(b) Capital surplus

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Additional paid-in capital	\$836,062	\$836,062	\$836,062
Arising from bond conversion	29,328	12,919	-
Share options	37,598	38,951	-
Other	720	720	720
Total	\$903,708	\$888,652	\$836,782

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

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the 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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(2) Legal reserve

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

(3) Special reserve

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

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

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

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- (4) The appropriations of earnings for the Year 2022 and 2021 were approved through the board of directors' meeting and Shareholders' meeting held on Feb 24, 2023 and May 31, 2022, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve (Note 1)	\$94,493	\$62,940		
Special reserve (Note 1)	(408,470)	118,004		
Common stock – cash dividend (Note 2)	468,006	296,218	\$7.1	\$4.5
Total	<u>\$154,029</u>	<u>\$477,162</u>		

Note 1: The earnings appropriation for the year 2022 included the earnings appropriation for the six-month period ended June 30, 2022 approved through the Board of Director's meeting held on August 16, 2022. The legal reserve and the special reserve set aside were NT\$37,516 thousand and NT\$(333,638) thousand, respectively.

Note 2: According to the Articles of Incorporation, the board of directors has approved the appropriation of cash dividends for the year 2022 on February 24, 2023.

Please refer to Note 6(22) for further details on employees' compensation and remuneration to directors.

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(d) Non-controlling interests

	For the three-month period ended Mar. 31,	
	2023	2022
Beginning balance	\$16,995	\$20,613
Profit (loss) attributable to non-controlling interests	(223)	(1,925)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(145)	707
Ending balance	<u>\$16,627</u>	<u>\$19,395</u>

(20) Operating revenue

	For the three-month period ended March 31,	
	2023	2022
Revenue from contracts with customer		
Sale of goods	\$1,832,939	\$1,789,439
Revenue arising from rendering of services	3,046	3,073
Total	<u>\$1,835,985</u>	<u>\$1,792,512</u>

Analysis of revenue from contracts with customer during the three-month periods ended March 31, 2023 and 2022, respectively, is as follows:

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(a) Disaggregation of revenue

	Single Segment	
	For the three-month period ended March 31,	
	2023	2022
Revenue from contracts with customer		
Sale of goods	\$1,832,939	\$1,789,439
Revenue arising from rendering of services	3,046	3,073
Total	<u>\$1,835,985</u>	<u>\$1,792,512</u>
Timing of revenue recognition:		
At a point in time	<u>\$1,835,985</u>	<u>\$1,792,512</u>

(b) Contract balances

Contract liabilities - current

	As of			
	Mar. 31, 2023	Dec.31, 2022	Mar. 31, 2022	Jan.1, 2022
Sales of goods	<u>\$98,936</u>	<u>\$28,486</u>	<u>\$73,051</u>	<u>\$70,149</u>

For the three-month period ended March 31, 2023 and 2022, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

(c) Transaction price allocated to unsatisfied performance obligations

As of March 31, 2023, December 31, 2022 and March 31, 2022, there were no information of unsatisfied performance obligations provided in the consolidated financial statements because the durations of the Group's revenue contracts were all less than one year.

(d) Assets recognized from costs to fulfill a contract

None.



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(21) Expected credit losses (gains)

	For the three-month period ended Mar. 31,	
	2023	2022
Operating expenses – Expected credit losses		
Trade receivables	\$-	\$-

The Group does not expects any significant loss against other receivables due to a counterparty being unable to fulfill its obligations. Please refer to Note 12 for more details on credit risk. The Group measures the loss allowance of its trade receivables (including notes receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively, is as follows:

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

As of March 31, 2023

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$807,076	\$520	\$31,352	\$7,813	\$579	\$847,340
Loss ratio	0.75%	11.05%	42.58%	67.77%	100%	
Lifetime expected credit losses	(6,030)	(57)	(13,349)	(5,295)	(579)	(25,310)
Carrying amount of trade receivables	\$801,046	\$463	\$18,003	\$2,518	\$-	\$822,030

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Group 2

	Not yet due (Note)	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$481,268	\$28,842	\$8,007	\$19,587	\$-	\$537,704
Loss ratio	0.58%	6.31%	16.24%	59.62%	100%	
Lifetime expected credit losses	(2,788)	(1,819)	(1,301)	(11,677)	-	(17,585)
Carrying amount of trade receivables	<u>\$478,480</u>	<u>\$27,023</u>	<u>\$6,706</u>	<u>\$7,910</u>	<u>\$-</u>	<u>\$520,119</u>

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

As of December 31, 2022

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$691,642	\$92,763	\$27,679	\$21,386	\$5,785	\$839,255
Loss ratio	0.05%	7.57%	25.44%	66.97%	100%	
Lifetime expected credit losses	(362)	(7,026)	(7,043)	(14,323)	(5,785)	(34,539)
Carrying amount of trade receivables	<u>\$691,280</u>	<u>\$85,737</u>	<u>\$20,636</u>	<u>\$7,063</u>	<u>\$-</u>	<u>\$804,716</u>

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Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$478,372	\$166,292	\$4,597	\$26	\$-	\$649,287
Loss ratio	0.02%	4.94%	6.69%	100%	100%	
Lifetime expected credit losses	(108)	(8,208)	(320)	(26)	-	(8,662)
Carrying amount of trade receivables	<u>\$478,264</u>	<u>\$158,084</u>	<u>\$4,277</u>	<u>\$-</u>	<u>\$-</u>	<u>\$640,625</u>

As of March 31, 2022

Group 1

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

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Group 2

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

(b) The movement in the provision for impairment of notes receivables and trade receivables during the three-month periods ended March 31, 2023 and 2022 is as follows:

	Notes receivables	Trade receivables
As of Jan. 1, 2023	\$-	\$43,201
Exchange differences	-	(306)
As of Mar. 31, 2023	<u>\$-</u>	<u>\$42,895</u>
As of Jan. 1, 2022	\$-	\$15,662
Exchange differences	-	554
As of Mar. 31, 2022	<u>\$-</u>	<u>\$16,216</u>

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(22) Summary statement of employee benefits, depreciation and amortization by function during the three-month periods ended March 31, 2023 and 2022, respectively:

	For the three-month period ended March 31,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$283,634	\$56,264	\$339,898	\$261,529	\$44,898	\$306,427
Labor and health insurance	298	815	1,113	347	861	1,208
Pension	96	318	414	112	372	484
Other employee benefits expense	2,095	1,126	3,221	2,114	1,158	3,272
Depreciation	61,262	6,009	67,271	53,868	5,699	59,567
Amortization	1	608	609	8	774	782

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

For the three-month period ended March 31, 2023, the Company recorded the employees' compensation and directors' remuneration in the amount of NT\$9,607 thousand and NT\$6,405 thousand, respectively. While, employees' compensation and directors' remuneration for the three-month period ended March 31, 2022 amounted to NT\$6,854 thousand and NT\$3,076 thousand, respectively. The aforementioned employees' compensation and directors' remuneration were estimated based on post-tax net income of the period and recognized as salary expenses.

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The Company's board of directors have determined the employees' compensation and directors' remuneration, all in cash, to be NT\$35,613 thousand and NT\$10,300 thousand, respectively, in a meeting held on February 24, 2023. 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, 2022.

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.

(23) Non-operating income and expenses

(a) Other income

	For the three-month period ended	
	March 31,	
	2023	2022
Interest income		
Financial assets measured at amortized cost	\$13,022	\$4,505
Rental income	11,675	8,066
Others	2,140	1,679
Total	<u>\$26,837</u>	<u>\$14,250</u>

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(b) Other gains and losses

	For the three-month period ended	
	March 31,	
	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$(876)	\$640
Foreign exchange gains (losses)	6,342	(9,474)
Gains (losses) on financial assets and liability at fair value through profit or loss	(3,206)	-
Others	(1,333)	(1,485)
Total	<u>\$927</u>	<u>\$(10,319)</u>

(c) Finance costs

	For the three-month period ended	
	March 31,	
	2023	2022
Interest on borrowings from bank	\$20,181	\$6,838
Interest on lease liabilities	54	79
Interest on convertible bonds	2,094	-
Total	<u>\$22,329</u>	<u>\$6,917</u>

(24) Leases

(a) The group as a lessee

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

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

A. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use asset

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Land	\$295,208	\$300,321	\$293,427
Buildings	6,623	8,075	10,958
Total	<u>\$301,831</u>	<u>\$308,396</u>	<u>\$304,385</u>

(ii) Lease liabilities

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Lease liabilities	<u>\$6,723</u>	<u>\$8,163</u>	<u>\$11,292</u>
Current	<u>\$5,159</u>	<u>\$5,635</u>	<u>\$5,161</u>
Non-current	<u>\$1,564</u>	<u>\$2,528</u>	<u>\$6,131</u>

Please refer to Note 6(23)(c) for the interest on lease liability recognized during the three-month periods ended March 31, 2023 and 2022, respectively, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of March 31, 2023 and 2022.



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B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the three-month period ended March 31,	
	2023	2022
Buildings (Includes land use right)	\$3,957	\$3,695

C. Income and costs relating to leasing activities

	For the three-month period ended March 31,	
	2023	2022
Short-term lease expenses (Rental expenses)	\$15	\$14

As of March 31, 2023, December 31, 2022 and March 31, 2022, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above. The number of its lease commitments all amounted to NT\$0.

D. Cash outflow relating to leasing activities

During the three-month periods ended March 31, 2023 and 2022, the Group's total cash outflow for leases amounted to NT\$1,398 thousand and NT\$1,271 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.

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

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Lease income recognized by operating lease		
Fixed lease payment - related income	<u>\$11,675</u>	<u>\$8,066</u>

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively, are as follows:

	<u>As of</u>		
	<u>Mar. 31, 2023</u>	<u>Dec. 31, 2022</u>	<u>Mar. 31, 2022</u>
Not later than one year	\$35,531	\$14,734	\$24,782
More than one year but less than two years	10,080	-	7,085
Total	<u>\$45,611</u>	<u>\$14,734</u>	<u>\$31,867</u>

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(25) Components of other comprehensive income

	For the three-month period ended March 31, 2023				
	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	\$(39,200)	\$-	\$(39,200)	\$-	\$(39,200)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(2,007)	-	(2,007)	-	(2,007)
Total of other comprehensive income	<u>\$(41,207)</u>	<u>\$-</u>	<u>\$(41,207)</u>	<u>\$-</u>	<u>\$(41,207)</u>

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

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(26) Income tax

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

Income tax expense (income) recognized in profit or loss

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense (income):		
Current income tax charge	\$69,608	\$49,370
Adjustments in respect of current income tax of prior periods	-	-
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	(907)	1,001
Total income tax expense	<u>\$68,701</u>	<u>\$50,371</u>

(b) The assessment of income tax returns

As of March 31, 2023, 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 2020
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2020

(27) Earnings per share

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

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

	For the three-month period ended March 31,	
	2023	2022
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$235,754	\$176,282
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,959	65,826
Basic earnings per share (NT\$)	\$3.57	\$2.68
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$235,754	\$176,282
Interest expense on convertible bonds (in thousand NT\$)	2,094	-
Gains on financial assets at fair value through profit or loss	(191)	-
Net income available to common shareholders outstanding after dilution (in thousand shares)	\$237,657	\$176,282
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,959	65,826
Effect of dilution:		
Employee bonus – stock (in thousands)	175	143
Convertible bonds (in thousands)	3,232	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	69,366	65,969
Diluted earnings per share (NT\$)	\$3.43	\$2.67

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

(28) Subsidiary that has material non-controlling interests

As of March 31, 2023, December 31, 2022 and March 31, 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		
		Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%	45%

Accumulated balances of material non-controlling interest:

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Vietnam Eurocharm Ways Plastics Company Limited.	\$16,627	\$16,995	\$19,395

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

	For the three-month period ended March 31,	
	2023	2022
Vietnam Eurocharm Ways Plastics Company Limited.	\$(223)	\$(1,925)

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

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Summarized information of profit or loss for the three-month periods ended Mar. 31, 2023 and 2022, respectively, is as follows:

	For the three-month period ended March 31,	
	2023	2022
Operating revenue	\$-	\$115
Profit/loss from continuing operation	(496)	(4,279)
Total comprehensive income for the period	(496)	(4,279)

Summarized information of financial position as of Mar. 31, 2023, December 31, 2022 and Mar. 31, 2022, respectively, is as follows:

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Current assets	\$21,257	\$40,071	\$40,389
Non-current assets	17,553	18,507	31,414
Current liabilities	1,861	20,811	28,704
Non-current liabilities	-	-	-

Summarized information of cash flows for the three-month periods ended Mar. 31, 2023 and 2022, respectively, is as follows:

	For the three-month period ended March 31,	
	2023	2022
Operating activities	\$(524)	\$(18,319)
Investing activities	(18,406)	(152)
Financing activities	-	(836)
Net increase (decrease) in cash and cash equivalents	(18,930)	19,307

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**7. RELATED PARTY TRANSACTIONS**

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

Related parties and relation

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

(2) Significant transactions with related parties

(a) Sales

	For the three-month period ended March 31,	
	2023	2022
Associates	\$24,448	\$34,601
Other related party-Northstar Precision (Vietnam) Company Limited	497,764	405,554
<b>Total</b>	<b>\$522,212</b>	<b>\$440,155</b>

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.



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(b) Purchases

	For the three-month period ended March 31,	
	2023	2022
Associates	\$58,007	\$52,948
Other related party	288	378
Total	\$58,295	\$53,326

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 three-month periods ended March 31, 2023 and 2022, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT14,362 thousand and NT\$22,573 thousand, respectively.
- (d) For the three-month periods ended March 31, 2023 and 2022, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$3,046 thousand and NT\$1,603 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the three-month periods ended March 31, 2023 and 2022, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$0 and NT\$1,470 thousand, respectively, which were recorded under the caption of operating revenues.
- (f) For the three-month period ended March 31, 2022, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$172 thousand, which was recorded under non-operating income and expenses-other gain or loss.
- (g) For the three-month period ended March 31, 2023 and 2022, the Group recognized service fee in the amount of NT\$313 thousand and NT\$28 thousand, which were recorded under non-operating income, respectively.

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(h) Trade receivables - related parties

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Associates	\$12,481	\$14,500	\$13,145
Other related party-Northstar Precision (Vietnam) Company Limited	386,324	353,986	302,407
<b>Total</b>	<b>\$398,805</b>	<b>\$368,486</b>	<b>\$315,552</b>

(i) Other receivables - related parties

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Associates	\$1,427	\$1,449	\$1,963
Other related party	1,420	1,280	693
<b>Total</b>	<b>\$2,847</b>	<b>\$2,729</b>	<b>\$2,656</b>

(j) Advance payment

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Associates	\$-	\$5,462	\$7,957

(k) Trade payables - related parties

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Associates	\$17,286	\$38,196	\$19,064
Other related party	190	56	218
<b>Total</b>	<b>\$17,476</b>	<b>\$38,252</b>	<b>\$19,282</b>

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(1) Operating lease

A. Right-of-use asset

Relationship	Property	As of		
		Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Other related party	Buildings	\$1,425	\$1,900	\$3,325

B. Lease liabilities

Relationship	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Other related party	\$1,435	\$1,910	\$3,330

C. Interest on lease liabilities

Relationship	Property	For the three-month period ended March 31,	
		2023	2022
Other related party	Rent office	\$4	\$10

D. For the three-month periods ended March 31, 2023 and 2022, the Group paid other related parties for rental expense every month by cash.

E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the three-month period ended March 31, 2023</u>			
Associate	Buildings	Jan. 1, 2022~Dec. 31, 2023	\$8,712
Other related party	Buildings	Jan. 1, 2023~Dec. 31, 2024	2,963
Total			\$11,675
<u>For the three-month period ended March 31, 2022</u>			
Associate	Buildings	Jan. 1, 2021~Dec. 31, 2023	\$5,596
Other related party	Buildings	Jan. 1, 2022~Dec. 31, 2022	2,470
Total			\$8,066

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

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

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$7,083	\$6,122
Post-employment benefits	106	82
Total	<u>\$7,189</u>	<u>\$6,204</u>

8. PLEDGED ASSETS

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

<u>Item</u>	<u>Carrying Amount As of</u>			<u>Secured liabilities</u>
	<u>Mar. 31, 2023</u>	<u>Dec. 31, 2022</u>	<u>Mar. 31, 2022</u>	
Trade receivables	\$129,000	\$130,100	\$247,800	Short-term borrowings
Inventories	129,000	130,100	247,800	Short-term borrowings
Property, plant and equipment - land	52,420	52,420	52,420	Short-term borrowings
Property, plant and equipment - buildings	154	157	206	Short-term borrowings
Total	<u>\$310,574</u>	<u>\$312,777</u>	<u>\$548,226</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Amounts available under unused letters of credit as of March 31, 2023 are USD49 thousand and EUR91 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

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11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Financial assets at fair value through profit or loss financial asset held for trading	\$470	\$292	\$-
Financial assets at fair value through other comprehensive income	95,705	95,705	55,705
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,861,180	1,396,536	1,075,699
Financial assets measured at amortized cost	549,896	543,368	179,779
Trade receivables (include related parties)	1,342,149	1,445,341	1,286,604
Other receivables (include related parties)	10,935	21,100	11,070
Refundable deposits	336	336	336
Total	<u>\$3,860,671</u>	<u>\$3,502,678</u>	<u>\$2,609,193</u>

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Financial liabilities

	As of		
	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Financial liabilities at fair value through profit or loss:			
Designated measured at fair value through profit or loss	\$3,413	\$-	\$-
Financial liabilities at amortized cost:			
Short-term borrowings	1,690,407	1,642,067	2,231,997
Trade payables (include related parties)	1,104,292	942,161	985,643
Leased liabilities (include related parties)	6,723	8,163	11,292
Guarantee deposits received	7,646	8,156	8,636
Bonds payable	451,183	465,295	-
Total	<u>\$3,263,664</u>	<u>\$3,065,842</u>	<u>\$3,237,568</u>

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other

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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.

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

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the three-month periods ended March 31, 2023 and 2022 decreased/increased by NT\$461 thousand and increased/decreased NT\$7,118 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the three-month periods ended March 31, 2023 and 2022 decreased/increased by VND\$6,668,668 thousand and increased/decreased by VND\$2,099,821 thousand, respectively.

Interest rate risk

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

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The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods ended March 31, 2023 and 2022 to decrease /increase by NT\$102 thousand and NT\$266 thousand, respectively.

Equity price risk

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

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

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



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As of March 31, 2023, December 31, 2022 and March 31, 2022, trade receivables from top ten customers represented 77.01%, 81.51% and 77.75% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is relatively insignificant.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss are purchased based on low credit risk, and the Group makes an assessment on each balance sheet date as to whether the credit risk rises significantly since original recognition and then further determines the method of measuring the loss allowance and the loss rate. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group did not hold any debt instrument investment measured at fair value through profit or loss.

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

(5) Liquidity risk management

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

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Non-derivative financial liabilities

	Less than 1 year	1 to 5 years	Total
<u>As of March 31, 2023</u>			
Short-term borrowings	\$1,706,789	\$-	\$1,706,789
Trade and other payables	1,104,292	-	1,104,292
Leased Liabilities	5,285	1,577	6,862
Convertible Bonds	-	469,700	469,700
<u>As of December 31, 2022</u>			
Short-term borrowings	\$1,656,398	\$-	\$1,656,398
Trade and other payables	942,161	-	942,161
Leased Liabilities	5,785	2,557	8,342
Convertible Bonds	-	486,600	486,600
<u>As of March 31, 2022</u>			
Short-term borrowings	\$2,242,945	\$-	\$2,242,945
Trade and other payables	985,643	-	985,643
Leased Liabilities	5,400	6,254	11,654

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month period ended March 31, 2023:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Convertible Bonds	Total liabilities from financing activities
As of Jan. 1, 2023	\$1,642,067	\$8,156	\$8,163	\$465,295	\$2,123,681
Cash flows	48,340	(510)	(1,383)	-	46,447
Non-cash changes	-	-	(57)	(14,112)	(14,169)
As of Mar. 31, 2023	\$1,690,407	\$7,646	\$6,723	\$451,183	\$2,155,959

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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

(7) Fair values of financial instruments

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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iv. Fair value of debt instruments without market quotations, bank loans, bonds payables and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).

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

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

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

	Carrying amount as of	
	Mar. 31, 2023	Dec. 31, 2022
Financial liabilities:		
Bonds payable	\$451,183	\$465,295
	<u>                    </u>	<u>                    </u>
	Fair value as of	
	Mar. 31, 2023	Dec. 31, 2022
Financial liabilities:		
Bonds payable	\$454,200	\$468,401
	<u>                    </u>	<u>                    </u>

(c) Fair value measurement hierarchy for financial instruments

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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(8) Derivative financial instruments

As of March 31, 2022, the Group doesn't have any derivative financial instruments. As of March 31, 2023 and December 31, 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:

Foreign exchange swap

The Group entered into foreign exchange swap to manage its exposure to financial risk, but these contracts are not designated as hedging instruments.

As of March 31, 2023, the derivative instruments held are as follow in foreign currencies (in thousand dollars):

<u>Subject</u>	<u>Contract amount</u>	<u>Period</u>
112.03.31		
Foreign exchange swap	Sell USD 3,000	2023.02.21~2023.05.08
Foreign exchange swap	Sell USD 3,000	2023.02.23~2023.06.27

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(16) for further information on this transaction.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

(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.

Fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of March 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivatives	\$-	\$-	\$470	\$470
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	<u>\$-</u>	<u>\$-</u>	<u>\$96,175</u>	<u>\$96,175</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Interest rate swaps	<u>\$-</u>	<u>\$3,413</u>	<u>\$-</u>	<u>\$3,413</u>

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivatives	\$-	\$-	\$292	\$292
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	<u>\$-</u>	<u>\$-</u>	<u>\$95,997</u>	<u>\$95,997</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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As of March 31, 2022

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

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

For the three-month period ended March 31, 2023 and 2022, t 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, 2023	\$95,705
Acquisition	-
As of March. 31, 2023	\$95,705

	Assets
	Derivatives financial assets at fair value through profit of loss
As of Jan. 1, 2023	\$292
Gain or disposal	(13)
Amount recognized in profit or loss (presented in "other gains and losses")	191
As of March. 31, 2023	\$470

	Assets
	Financial assets at fair value through other comprehensive income
As of Jan. 1, 2022	\$55,705
Acquisition	-
As of March. 31, 2022	\$55,705



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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Information on significant unobservable inputs to valuation

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

As of March 31, 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	27.61%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$188 thousand and NT\$(376) thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	27.67%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$243 thousand and NT\$(146) thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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As of March 31, 2022

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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

As of March 31, 2023

	<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>\$394,998</u>	<u>\$394,998</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>\$454,200</u>	<u>\$454,200</u>

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(10))	<u>\$-</u>	<u>\$-</u>	<u>\$398,366</u>	<u>\$398,366</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>\$468,401</u>	<u>\$468,401</u>

As of March 31, 2022

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

(REVIEWED BUT UNAUDITED)

(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					
	Mar. 31, 2023			Dec. 31, 2022		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$57,293	30.16	\$1,728,325	\$47,203	30.49	\$1,439,294
VND	\$1,528,869,275	0.001290	\$1,972,241	\$2,013,807,833	0.001301	\$2,620,317
<u>Investments accounted for under the equity method</u>						
VND	\$248,129,888	0.001290	\$320,088	\$233,437,338	0.001301	\$303,702
<u>Financial liabilities</u>						
Monetary items:						
USD	\$54,280	30.49	\$1,655,034	\$51,321	30.68	\$1,574,592
VND	\$450,535,467	0.001290	\$581,191	\$545,159,483	0.001301	\$709,252

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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	As of		
	Mar. 31, 2022		
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$51,528	28.29	\$1,457,873
VND	\$1,024,995,174	0.001239	\$1,269,994
<u>Investments accounted for under the equity method</u>			
VND	\$233,516,383	0.001239	\$289,327
<u>Financial liabilities</u>			
Monetary items:			
USD	\$76,186	28.57	\$2,176,648
VND	\$511,578,211	0.001239	\$633,845

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

The Group's entities' functional currencies are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains (loss) were NT\$6,342 thousand and NT\$(9,474) thousand for the three-month periods ended March 31, 2023 and 2022, respectively.

(11) Capital management

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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

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13. OTHER DISCLOSURES

(1) Information at significant transactions:

- (a) Financing provided to others: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- (c) Marketable securities held as of March 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2023: None.
- (e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2023: None.
- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2023: None.
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2023: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2023: None.
- (i) Derivative instrument transactions: Please refer to Note 12(8).
- (j) Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2023: 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)

(REVIEWED BUT UNAUDITED)

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(b) Investees over which the Company exercises control disclose information in Note 13(1):

- i. Financing provided to others: Please refer to Attachment 1.
- ii. Endorsement/Guarantee provided to others: None.
- iii. Marketable securities held as of March 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 4.
- iv. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital or for the three-month period ended March 31, 2023: None.
- v. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2023: None.
- vi. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2023: None.
- vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2023: Please refer to Attachment 5.
- viii. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2023: Please refer to Attachment 6.
- ix. Derivative instrument transactions: Please refer to Note 12(8).

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



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

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(4) Information of major shareholders:

Name	Shares Number of shares	Percentage of ownership
SEASHORE GROUP LIMITED	24,769,059	37.51%
New General Limited	13,833,217	20.95%
Fubon Life Insurance Company, Ltd.	3,878,000	5.87%

14. OPERATING SEGMENT

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

ATTACHMENT 1 (Financing provided to others for the year ended March 31, 2023)

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

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

NO. (Note1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	Value		
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	Other receivables -related parties	\$320,040	\$258,859	\$197,951 (Note 4)	2.50%~5.20%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$834,364 (Note 2) (Note 3)	\$1,668,727 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	Other receivables -related parties	\$60,960	\$-	\$-	1.00%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$834,364 (Note 2) (Note 3)	\$1,668,727 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co , Ltd	Other receivables -related parties	\$335,280	\$334,994	\$334,994 (Note 4)	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$834,364 (Note 2) (Note 3)	\$1,668,727 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co , Ltd	Other receivables -related parties	\$198,120	\$197,951	\$197,951 (Note 4)	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,130,790 (Note 2) (Note 3)	\$2,261,580 (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 year ended March 31, 2023)

(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	Relationship (Note2)	Limit of	Maximum balance for the period	Actual amount drawn	Amount of collateral for guarantee/ endorsement	Ratio of accumulated guarantee amount to net assets value per latest financial statements	Maximum guarantee/endorsement amount allowed (Note3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China	
		Company name		to each guaranteed party (Note3)									guarantee/endorsement amount
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,668,727	\$80,000	\$80,000	\$69,000	\$-	1.92%	\$2,085,909	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$1,668,727	\$213,360 (USD 7,000) (Note4)	\$213,178 (USD 7,000) (Note4)	\$168,411 (USD 5,530) (Note4)	\$-	5.11%	\$2,085,909	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,668,727	\$1,097,280 (USD 36,000) (Note4)	\$1,096,344 (USD 36,000) (Note4)	\$108,763 (USD 3,571) (Note4)	\$-	26.28%	\$2,085,909	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$1,668,727	\$76,200 (USD 2,500) (Note4)	\$76,135 (USD 2,500) (Note4)	\$-	\$-	1.82%	\$2,085,909	Y	N	N

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

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

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

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

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

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

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

ATTACHMENT 3 (If an investor has the ability to exercise significant influence on investee or has material controlling power on investee for the year ended March 31, 2023) (Excluding investment in Mainland China)  
(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

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

Investor company	Investee company	Address	Main businesses and products	Original investment amount		Investments as of Mar. 31, 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Mar. 31, 2023	As of Dec. 31, 2022	Number of shares	Percentage of ownership (%)	Book value			
Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I.)	British Virgin Islands	Investment holding	\$615,652	\$615,652	19,000,000	100.00%	\$5,653,951 (Note 5)	\$269,807	\$269,807 (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%	7,249 (Note 5)	(200)	(200) (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%	180,175 (Note 5)	(3,731)	(3,988) (Note 1) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and medical equipment	USD 8,700	USD 8,700	-	100.00%	4,803,820 (Note 3) (Note 5)	275,557	276,850 (Note 2) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Limited	Hong Kong	Trading activities	USD 1,500	USD 1,500	1,500,000	100.00%	(52,521) (Note 5)	1,927	11,912 (Note 4) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	Plastic dipping and processing	USD 1,100	USD 1,100	-	55.00%	20,322 (Note 5)	(496)	(273) (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Hsieh Yuan Technology Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and surface plating	USD 562	USD 562	-	45.00%	39,454	(13,532)	(6,089)	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%	21,645	-	-	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%	133,389	(3,225)	(1,290)	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 1,000	USD 220	-	40.00%	29,990	(122)	(49)	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	USD 2,025	2,025	45.00%	56,617	(3,771)	(1,697)	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%	86,090	15,052	3,010	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%	31,109	(444)	(177)	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$3,731 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$257 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$275,557 thousand and realized profit on transaction between subsidiaries amounted to NT\$1,293 thousand.

Note 3: Holding net equity at the end of the period amount to NT\$4,859,848 thousand minus unrealized profit on transaction between subsidiaries amounted to NT\$56,028 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$1,927 thousand and realized profit on transaction between subsidiaries amounted to NT\$9,985 thousand.

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

ATTACHMENT 4 (Securities held as of March 31, 2023) (Excluding investments in subsidiaries, associates and joint ventures)

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

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

			Investments as of March 31, 2023						
Company	Investee company	Relationship	Financial statement account	Number of shares	Book value	Percentage of ownership (%)	Fair value	Note	Shares as collateral
Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial Joint Stock Company	-	Financial assets measured at fair value through other comprehensive income	-	\$11,007	5.77%	\$11,007	-	None
Eurocharm Innovation (TW) Co., Limited.	AmTrust Capital II Corp.	-	Financial assets measured at fair value through other comprehensive income	4,000,000	40,000	4.00%	40,000	-	None
Eurocharm Innovation Co., Ltd. (B.V.I.)	Northstar Precision (Vietnam) Company Limited	Other related party	Financial assets measured at fair value through other comprehensive income	-	44,698	19.90%	44,698	-	None
Total					<u>\$95,705</u>		<u>\$95,705</u>		

ATTACHMENT 5 (Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended March 31, 2023)

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

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

Purchase (sales) company	Related party	Relationship	Purchases (Sales)	Transactions			Details of non-arm's length transaction		Notes and trade receivables (payables)		Note
				Amount	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance	Percentage of total balances (%)	
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$497,260	27.07%	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 \$386,319	26.53%	

ATTACHMENT 6 (Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2023)

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

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

Company name	Related party	Relationships	Ending balance	Turnover ratio	Overdue		Amount received in subsequent periods	Loss allowance	Note
					Amount	Action taken			
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	<u>\$386,319</u>	<u>5.38</u>	<u>\$-</u>	-	<u>\$143,341</u>	<u>\$-</u>	
Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	Subsidiary	<u>\$105,855</u>	<u>2.80</u>	<u>\$-</u>	-	<u>\$19,723</u>	<u>\$-</u>	

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

ATTACHMENT 7 (Intercompany relationships and significant intercompany transactions for the year ended March 31, 2023)

(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>2023.01.01~2023.03.31</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Other receivables	\$201,015	-	2.58%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	1,343	-	0.07%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	2,052	-	0.11%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Other receivables	341,492	-	4.39%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	1,213	-	0.07%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Other receivables	201,002	-	2.58%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Dividend Receivables	541,398	-	6.96%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	71,483	30 days after monthly closing	3.89%
2	Eurocharm Innovation (TW) Co., Limited.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	41,551	30 days after monthly closing	0.53%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	7,058	30 days after monthly closing	0.38%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	19,903	30 days after monthly closing	0.26%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	105,855	60~90 days after monthly closing	1.36%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Other receivables	1,119	60~90 days after monthly closing	0.01%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	68,262	60~90 days after monthly closing	3.72%

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.