

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

**Ticker: 5288**

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH A REPORT OF INDEPENDENT AUDITORS  
AS OF JUNE 30, 2023 AND 2022  
AND FOR THE SIX-MONTH PERIODS THEN ENDED**

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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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Independent Auditors' Report Translated from Chinese

REPORT OF INDEPENDENT AUDITORS

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

**Qualified Opinion**

We have audited the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the "Company") and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred as "the consolidated financial statements").

In our opinion, except as explained in the following paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2023 and 2022, their consolidated financial performance for the three-month and six-month periods and cash flows for the six-month periods, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Qualified Opinion**

As disclosed in Note 4(3), the financial statements of certain insignificant subsidiaries were not audited by independent accountants. As of June 30, 2023 and 2022, those statements reflected total assets of NT\$686,797 thousand and NT\$762,558 thousand, constituting 9% and 10% of the consolidated total assets, and total liabilities of NT\$249,643 thousand and NT\$298,804 thousand, constituting 8% and 7% of the consolidated total liabilities, respectively; and total comprehensive income or loss amounted to NT\$8,232 thousand and NT\$13,093 thousand, constituting 3% and 3% of the consolidated total comprehensive income for the three-month periods then ended June 30, 2023 and 2022, respectively; and total comprehensive income or loss amounted to NT\$(1,020) thousand and NT\$25,148 thousand, constituting 0% and 4% of the consolidated total comprehensive income for the six-month periods then ended June 30, 2023 and 2022, respectively.

As disclosed in Note 6(8), the financial statements of certain associates and joint ventures accounted for under the equity method were not audited by independent accountants. Those associates and joint ventures under equity method amounted to NT\$402,846 thousand and NT\$389,521 thousand as of June 30, 2023 and 2022, respectively. The related shares of profits from the associates and joint ventures under the equity method for the three-month periods then ended amounted to NT\$(831) thousand and NT\$9,199 thousand, respectively, while for the six-month periods then ended were NT\$(7,123) thousand and NT\$14,692 thousand, respectively. The related shares of other comprehensive income from the associates and joint ventures under the equity method for the three-month periods then ended amounted to NT\$3,750 thousand and NT\$7,037 thousand, respectively, while for the six-month periods then ended were NT\$1,743 thousand and NT\$13,251 thousand, respectively. The information related to above-mentioned associates and joint ventures accounted for under the equity method disclosed in Note 13 was not audited by independent accountants either.

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six-month period ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue for the six-month period then ended June 30, 2023 amounted to NT\$3,632,290 thousand, which was material to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities through in multiple marketplaces. Furthermore, the sale terms and conditions were different with every major clients. Judgments regarding the main sale contracts or sale orders were required when determining the performance obligation and the time of satisfaction. We therefore conclude that there were significant risks associated with the determination of timing and amount of revenue recognition. Our audit procedures therefore included, but not limit to, evaluating the appropriateness of accounting policy for performance obligation, assessing and testing the effectiveness of relevant internal controls related to determination of timing of revenue recognition from performance obligation in the sales cycle, performing sales cut-off tests, sampling sales breakdown to perform test of details, including reviewing whether the timing of revenue recognition from performance obligation is consistent with the performance obligation and timing of satisfaction stated in the major terms and conditions of agreements. We also considered the appropriateness of the related disclosure of operating revenue in Note 6 to the consolidated financial statements.

## Trade receivables – loss allowance

The Company's consolidated gross trade receivables and loss allowance as of June 30, 2023 amounted to NT\$1,287,283 thousand and NT\$43,396 thousand, respectively. The consolidated net trade receivables represented 16% of the Company's total consolidated assets and were significant to the Company's consolidated financial statements. Since the amount of loss allowance against trade receivable was measured at the lifetime expected credit loss, the trade receivables should be grouped appropriately during the measurement process and determine the use of related assumptions in the analysis and measurement, including proper aging intervals, their respective loss rate and consideration of the forward-looking information for each aging interval. As the measurement of expected credit loss involves making judgement, analysis and estimates, and the result will affect the net trade receivables, we therefore considered this a key audit matter. Our audit procedures included, but not limit to, analyzing the appropriateness of the grouping of trade receivables to confirming whether customers with significantly different loss patterns from one another (i.e., similar risk characteristics) are appropriately grouped (e.g. by historical experiences, etc.); testing the provision matrix adopted by the Company and its subsidiaries, including evaluating the appropriations of the aging intervals and the accuracy of the basic data by reviewing the original certificates; reviewing the subsequent collection of trade receivables to evaluate its recoverability; analyzing the long-term trend

of loss allowance and turnover rate of trade receivables and confirming any impairment at the end of the period. We have also considered the appropriateness of the disclosure of trade receivables and related risk in Notes 5 and 6 to the consolidated financial statements.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six-month period ended June 30, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Kuo Shuai

Chang, Chih Ming

Ernst & Young, Taiwan

August 8<sup>th</sup>, 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 June 30, 2023, December 31, 2022 and June 30, 2022  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		
Accounts		June 30, 2023	December 31, 2022	June 30, 2022
<b>Current assets</b>				
Cash and cash equivalents	6(1)	\$1,941,831	\$1,397,304	\$1,755,712
Financial assets at fair value through profit or loss	6(2), 6(15)	354	292	300
Financial assets measured at amortized cost	6(3)	168,311	528,379	180,987
Notes receivables	6(4)	-	-	71
Trade receivables	6(5), 6(20), 8	851,810	1,076,855	940,266
Trade receivables-related parties	6(5), 6(20), 7	392,077	368,486	500,473
Other receivables		4,491	18,371	12,989
Other receivables-related parties	7	3,613	2,729	1,695
Current tax assets	6(25)	512	512	-
Inventories	6(6), 8	869,351	1,102,281	1,192,445
Prepayments	7	66,557	77,479	150,755
Other current assets		43,480	120,223	103,638
Total current assets		4,342,387	4,692,911	4,839,331
<b>Non-current assets</b>				
Financial assets measured at fair value through other comprehensive income	6(7)	95,705	95,705	95,705
Financial assets measured at amortized cost	6(3)	15,604	14,989	14,588
Investment accounted for under the equity method	6(8)	402,846	384,101	389,521
Property, plant and equipment	6(9), 8	2,093,671	2,129,237	2,137,327
Right-of-use assets	6(23), 7	302,000	308,396	312,170
Investment property	6(10)	71,477	72,997	45,917
Intangible assets	6(11)	3,289	3,641	4,467
Deferred tax assets	6(25)	3,530	2,900	2,943
Other non-current assets	6(12), 6(17)	123,279	3,799	34,814
Total non-current assets		3,111,401	3,015,765	3,037,452
Total assets		\$7,453,788	\$7,708,676	\$7,876,783

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS (CONTINUED)  
 As of June 30, 2023, December 31, 2022 and June 30, 2022  
 (Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity Accounts	Notes	As of		
		June 30, 2023	December 31, 2022	June 30, 2022
<b>Current liabilities</b>				
Short-term borrowings	6(13), 8	\$1,040,147	\$1,642,067	\$2,207,385
Contract liabilities	6(19)	49,022	28,486	79,647
Trade payables		360,584	525,991	422,075
Trade payables-related parties	7	19,183	38,252	26,878
Other payables	6(14)	739,499	377,918	600,266
Current tax liabilities	6(25)	233,582	110,803	202,858
Lease liabilities	6(23)	3,808	3,725	3,396
Lease liabilities-related parties	6(23), 7	958	1,910	1,900
Other current liabilities		3,823	3,376	1,795
Refund liabilities		30,933	30,767	30,436
<b>Total current liabilities</b>		<b>2,481,539</b>	<b>2,763,295</b>	<b>3,576,636</b>
<b>Non-current liabilities</b>				
Bonds payable	6(15)	426,916	465,295	473,695
Deferred tax liabilities	6(25)	19,102	18,468	17,338
Lease liabilities	6(23)	621	2,528	4,034
Lease liabilities-related parties	6(23), 7	-	-	958
Other non-current liabilities	6(16), 6(17)	11,343	13,156	14,060
<b>Total non-current liabilities</b>		<b>457,982</b>	<b>499,447</b>	<b>510,085</b>
<b>Total liabilities</b>		<b>2,939,521</b>	<b>3,262,742</b>	<b>4,086,721</b>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(18)			
Common stock		662,137	659,163	658,262
Capital surplus	6(18)	928,161	888,652	876,806
Retained earnings	6(18)			
Legal reserve		275,293	218,316	180,800
Special reserve		233,118	307,951	641,588
Unappropriated retained earnings		2,595,050	2,587,975	1,722,080
Other components of equity		(196,084)	(233,118)	(307,951)
Non-controlling interests	6(18), 6(27)	16,592	16,995	18,477
<b>Total equity</b>		<b>4,514,267</b>	<b>4,445,934</b>	<b>3,790,062</b>
<b>Total liabilities and equity</b>		<b>\$7,453,788</b>	<b>\$7,708,676</b>	<b>\$7,876,783</b>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the three-month and six-month periods ended June 30, 2023 and 2022  
 (Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Description	Notes*	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2023	2022	2023	2022
Operating revenues	6(19), 7	\$1,796,305	\$1,883,139	\$3,632,290	\$3,675,651
Operating costs	6(21), 7	(1,454,203)	(1,527,332)	(2,881,012)	(2,995,878)
Gross profit		342,102	355,807	751,278	679,773
Realized (Unrealized) sales profit		(22)	(12)	(14)	215
Gross profit, net		342,080	355,795	751,264	679,988
Operating expenses	6(21), 7				
Sales and marketing		(23,212)	(31,692)	(45,082)	(60,270)
General and administrative		(54,529)	(50,344)	(115,738)	(103,842)
Research and development		(21,299)	(21,671)	(42,315)	(41,567)
Expected credit gains (losses)	6(20)	-	-	-	-
Operating expenses total		(99,040)	(103,707)	(203,135)	(205,679)
Operating income		243,040	252,088	548,129	474,309
Non-operating incomes and expenses					
Other incomes	6(22), 7	47,514	15,914	74,351	30,164
Other gains and losses	6(22), 7	18,590	(16,858)	19,517	(27,177)
Finance costs	6(22), 7	(23,625)	(10,382)	(45,954)	(17,299)
Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(8)	(831)	9,199	(7,123)	14,692
Non-operating incomes and expenses total		41,648	(2,127)	40,791	380
Income before income tax		284,688	249,961	588,920	474,689
Income tax expense	4, 6(25)	(63,483)	(52,748)	(132,184)	(103,119)
Net income		221,205	197,213	456,736	371,570
Other comprehensive income (loss)	6(24)				
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations		74,577	173,205	35,377	321,836
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		3,750	7,037	1,743	13,251
Total other comprehensive income (loss), net of tax		78,327	180,242	37,120	335,087
Total comprehensive income (loss)		\$299,532	\$377,455	\$493,856	\$706,657
Net income (loss) attributable to:					
Stockholders of the parent		\$221,471	\$198,874	\$457,225	\$375,156
Non-controlling interests		(266)	(1,661)	(489)	(3,586)
		\$221,205	\$197,213	\$456,736	\$371,570
Total comprehensive income (loss) attributable to:					
Stockholders of the parent		\$299,567	\$378,373	\$494,259	\$708,793
Non-controlling interests		(35)	(918)	(403)	(2,136)
		\$299,532	\$377,455	\$493,856	\$706,657
Earnings per share-basic (in NTD)	6(26)	\$3.35	\$3.02	\$6.93	\$5.70
Earnings per share-diluted (in NTD)	6(26)	\$3.23	\$2.99	\$6.65	\$5.66

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 For the six-month periods ended June 30, 2023 and 2022  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Description	Equity Attributable to Shareholders of the Parent							Non-controlling Interests	Total Equity
	Share capital		Retained Earnings			Other Components of equity			
	Common Stock	Capital surplus	Legal Reserve	Special Reserve	Unappropriated retained 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:									
Legal reserve			25,731		(25,731)		-		-
Special reserve				21,442	(21,442)		-		-
Cash dividends-common shares					(296,218)		(296,218)		(296,218)
Net income (loss) for the six-month period ended June 30, 2022					375,156		375,156	(3,586)	371,570
Other comprehensive income (loss), for the six-month period ended June 30, 2022						333,637	333,637	1,450	335,087
Total comprehensive income (loss)	-	-	-	-	375,156	333,637	708,793	(2,136)	706,657
Equity component of convertible bonds issued by the Company		40,024					40,024		40,024
Balance as of June 30, 2022	\$658,262	\$876,806	\$180,800	\$641,588	\$1,722,080	\$(307,951)	\$3,771,585	\$18,477	\$3,790,062
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:									
Legal reserve			56,977		(56,977)		-		-
Special reserve reversal				(74,833)	74,833		-		-
Cash dividends-common shares					(468,006)		(468,006)		(468,006)
Net income (loss), for the six-month period ended June 30, 2023					457,225		457,225	(489)	456,736
Other comprehensive income (loss), for the six-month period ended June 30, 2023						37,034	37,034	86	37,120
Total comprehensive income (loss)	-	-	-	-	457,225	37,034	494,259	(403)	493,856
Conversion of convertible bonds	2,974	39,509					42,483		42,483
Balance as of June 30, 2023	\$662,137	\$928,161	\$275,293	\$233,118	\$2,595,050	\$(196,084)	\$4,497,675	\$16,592	\$4,514,267

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the six-month period ended June 30,		Items	For the six-month period ended June 30,	
	2023	2022		2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$588,920	\$474,689	Acquisition of financial assets measured at fair value through other comprehensive income	-	(40,000)
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:			Decrease (increase) in financial assets measured at amortized cost	359,453	(22,221)
Depreciation (include investment property)	136,945	126,859	Acquisition of investment accounted for under the equity method	(23,447)	(58,733)
Amortization	1,269	1,580	Acquisition of property, plant and equipment	(113,780)	(206,338)
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(98)	(100)	Proceeds from disposal of property, plant and equipment	-	1,110
Interest expense	45,954	17,299	Decrease (increase) in refundable deposits	(108,320)	-
Interest income	(41,476)	(9,803)	Acquisition of intangible assets	(912)	(856)
Share of profit or loss of associates and joint ventures accounted for under the equity method	7,123	(14,692)	Net cash provided by (used in) investing activities	112,994	(327,038)
Loss (gain) on disposal of property, plant and equipment	1,563	(568)	Cash flows from financing activities:		
Unrealized (realized) sales profit	14	(215)	Increase in (repayment of) short-term borrowings	(601,920)	113,469
Changes in operating assets and liabilities:			Issuance of convertible bonds	-	512,995
Notes receivables	-	(71)	Increase (decrease) in guarantee deposits	(1,813)	652
Trade receivables	224,850	(147,278)	Repayment of lease liability principal	(2,788)	(2,557)
Trade receivables-related parties	(23,591)	(174,231)	Net cash provided by (used in) financing activities	(606,521)	624,559
Other receivables	6,283	(5,393)	Effect of exchange rate changes	24,675	142,085
Other receivables-related parties	(884)	(110)	Net increase (decrease) in cash and cash equivalents	544,527	608,967
Inventories	232,334	97,756	Cash and cash equivalents at beginning of period	1,397,304	1,146,745
Prepayments	10,922	(64,962)	Cash and cash equivalents at end of period	\$1,941,831	\$1,755,712
Other current assets	76,743	5,816			
Contract liabilities	20,536	9,498			
Trade payables	(165,407)	(90,165)			
Trade payables-related parties	(19,069)	(3,289)			
Other payables	(86,450)	(23,369)			
Other current liabilities	447	29			
Net defined benefit liabilities	(242)	(232)			
Refund liabilities	166	2,152			
Cash generated from (used in) operations	1,016,852	201,200			
Interest received	49,027	11,352			
Interest paid	(41,512)	(17,425)			
Income tax paid	(10,988)	(25,766)			
Net cash provided by (used in) operating activities	1,013,379	169,361			

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2023 and 2022 and for the six-month periods then ended

(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 assembling services.

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

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

The consolidated financial statements of the Company and subsidiaries (“the Group”) for the six-month periods ended June 30, 2023 and 2022 were authorized for issue by the board of directors on August 8, 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. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are 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
f	International Tax Reform – Pillar Two Model Rules– Amendments to IAS 12	January 1, 2023
g	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	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)

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

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

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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

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

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

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

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



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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(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.

(f) International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The amendments introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and targeted disclosure requirements for affected entities. An entity is not required to disclose the information required for any interim period ending on or before December 31 2023.

(g) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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 six-month periods ended June 30, 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Except for the following 4(3)~4(6), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2022. For more details, please refer to Note 4 to the Group's consolidated financial statements for the year ended December 31, 2022.

(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) to 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		
			June 30, 2023	Dec. 31, 2022	June 30, 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 HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			June 30, 2023	Dec. 31, 2022	June 30, 2022
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Ltd.	Trading activities	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Way Plastics Company Limited.	Plastic dipping and processing	55%	55%	55%

The financial statements of certain insignificant subsidiaries were not audited by independent auditors. Those statements reflect total assets of NT\$686,797 thousand and NT\$762,558 thousand, and total liabilities of NT\$249,643 thousand and NT\$298,804 thousand as of June 30, 2023 and 2022, respectively; and total comprehensive income or loss for the three-month periods then ended amounted to NT\$8,232 thousand and NT\$13,093 thousand, respectively, and total comprehensive income or loss six-month periods then ended of NT\$(1,020) thousand and NT\$25,148 thousand for the six-month periods ended June 30, 2023 and 2022, respectively.

(4) Post-employment benefits

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the six-month periods ended June 30, 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		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Cash on hand	\$795	\$768	\$701
Checking and saving	1,027,827	561,301	900,528
Time deposits matured within three months	913,209	835,235	854,483
Total	\$1,941,831	\$1,397,304	\$1,755,712

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Financial assets at fair value through profit or loss			
Embedded derivatives	\$354	\$292	\$300

The embedded derivative financial instruments (the issuer's redemption options) on the bonds payable which amounted to NT\$354 thousand, NT\$292 thousand and NT\$300 thousand were recognized as current financial assets at fair value through profit or loss as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

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

(3) Financial assets measured at amortized cost

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Time deposits	\$183,915	\$543,368	\$195,575
Current	\$168,311	\$528,379	\$180,987
Non-current	15,604	14,989	14,588
Total	\$183,915	\$543,368	\$195,575

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

(4) Notes receivables

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Notes receivable arising from operating activities	\$-	\$-	\$71
Less: loss allowance	-	-	-
Total	\$-	\$-	\$71

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Notes receivables was not pledged as collateral.

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

(5) Trade receivables and Trade receivables-related parties

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

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Trade receivables	\$895,206	\$1,120,056	\$957,101
Less: loss allowance	(43,396)	(43,201)	(16,835)
Subtotal	851,810	1,076,855	940,266
Trade receivables from related parties	392,077	368,486	500,473
Less: loss allowance	-	-	-
Subtotal	392,077	368,486	500,473
Total	\$1,243,887	\$1,445,341	\$1,440,739

(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\$1,287,283 thousand, NT\$1,488,542 thousand and NT\$1,457,574 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. Please refer to Note 6(20) for more details on loss allowance of trade receivables for the six-month periods ended June 30, 2023 and 2022, respectively. Please refer to Note 12 for more details on credit risk.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(6) Inventories

(a) Details of inventories are listed below:

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Raw materials and Supplies	\$382,499	\$480,311	\$593,450
Work in progress	294,575	378,962	376,154
Finished goods	191,903	242,847	217,800
Merchandises	374	161	5,041
Total	\$869,351	\$1,102,281	\$1,192,445

(b) The cost of inventories recognized in expenses amounted to NT\$1,454,203 thousand, NT\$1,527,332 thousand, NT\$2,881,012 thousand and NT\$2,995,878 thousand for the three-month and six-month periods ended June 30, 2023 and 2022, respectively.

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Loss in inventory write-off obsolescence	\$37,173	\$12,780	\$41,023	\$16,356

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

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

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Equity instruments investments measured at fair value through other comprehensive income - Non-current Unlisted companies stocks	\$95,705	\$95,705	\$95,705

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (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%.

(8) Investments accounted for under the equity method

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

Investee companies	As of					
	Jun. 30, 2023		Dec. 31, 2022		Jun. 30, 2022	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$91,807	20.00%	\$83,770	20.00%	\$87,220	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	38,563	45.00%	45,960	45.00%	47,329	45.00%
Shiang Yu Precision Co., Ltd.	30,500	40.00%	31,554	40.00%	31,683	40.00%
Lieh Kwan International Co., Ltd.	19,954	40.00%	21,645	40.00%	21,025	40.00%
Vietnam King Duan Industrial Co., Ltd.	134,993	40.00%	135,830	40.00%	135,973	40.00%
Vietnam Uni-Calsonic Co., Ltd.	29,915	40.00%	6,524	40.00%	6,475	40.00%
PCI International Investment Inc.	57,114	45.00%	58,818	45.00%	59,816	45.00%
Total	<u>\$402,846</u>		<u>\$384,101</u>		<u>\$389,521</u>	



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(b) Investments in associates

The Group's investments in above associates are not individually material. The aggregate carrying amounts of the Group's interests in associates were NT\$402,846 thousand, NT\$384,101 thousand and NT\$389,521 thousand as of June 30, 2023, December 31, 2022, and June 30, 2022, respectively. The aggregate financial information based on the Group's share is as follows:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Profit (loss) from continuing operations	\$(831)	\$9,199	\$(7,123)	\$14,692
Other comprehensive income (post-tax)	3,750	7,037	1,743	13,251
Total	<u>\$2,919</u>	<u>\$16,236</u>	<u>\$(5,380)</u>	<u>\$27,943</u>

The associates had no contingent liabilities or capital commitments and were not under pledge as of June 30, 2023, December 31, 2022, and June 30, 2022.

As of June 30, 2023 and 2022, the balances of investments accounted for under the equity method amounted to NT\$402,846 thousand and NT\$389,521 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$(831) thousand and NT\$9,199 thousand, respectively, while for the six-month periods then ended were NT\$(7,123) thousand and NT\$14,692 thousand, respectively. For the three-month periods then ended, the share of other comprehensive income from these associates and joint ventures amounted to NT\$3,750 thousand and NT\$7,037 thousand, respectively, while for the six-month periods then ended were NT\$1,743 thousand and NT\$13,251 thousand, respectively. These amounts were recognized based on unaudited financial statements of the investees.

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

(d) 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (e) On 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%.

In February 2023, the Group participated in Vietnam Uni-Calsonic Co., Ltd.'s cash offering by proportionately and invested NT\$23,447 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%.

- (g) On February 23, 2023, the board of directors of the Company's subsidiary - Vietnam Precision Industrial No. 1 Co., resolved to invest US\$4,500 thousand in Vietnam Lioho Machine Works Company Limited.. The percentage of ownership was 30%. The Group has remitted the investment amount on July 31, 2023.

(9) Property, plant and equipment

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Owner occupied property, plant and equipment	\$2,093,671	\$2,129,237	\$2,137,327
Property, plant and equipment leased out under operating leases	-	-	-
Total	\$2,093,671	\$2,129,237	\$2,137,327

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(a) Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2023	\$52,420	\$662,622	\$2,813,163	\$149,972	\$26,113	\$183,134	\$66,104	\$3,953,528
Additions	-	4,688	5,004	2,940	969	10,636	58,352	82,589
Disposals	-	(622)	(34,486)	-	(793)	(5,692)	-	(41,593)
Transfers	-	-	66,174	-	181	-	(66,355)	-
Exchange differences	-	3,526	17,056	742	123	929	444	22,820
As of Jun. 30, 2023	<u>\$52,420</u>	<u>\$670,214</u>	<u>\$2,866,911</u>	<u>\$153,654</u>	<u>\$26,593</u>	<u>\$189,007</u>	<u>\$58,545</u>	<u>\$4,017,344</u>
As of Jan. 1, 2022	\$52,420	\$644,713	\$2,341,662	\$124,297	\$23,267	\$158,511	\$47,068	\$3,391,938
Additions	-	1,676	33,600	10,999	706	11,339	110,871	169,191
Disposals	-	-	(6,042)	(725)	(1,233)	(5,071)	-	(13,071)
Transfers	-	(10,319)	120,656	127	103	73	(121,822)	(11,182)
Exchange differences	-	48,505	205,857	8,990	1,574	11,479	4,392	280,797
As of Jun. 30, 2022	<u>\$52,420</u>	<u>\$684,575</u>	<u>\$2,695,733</u>	<u>\$143,688</u>	<u>\$24,417</u>	<u>\$176,331</u>	<u>\$40,509</u>	<u>\$3,817,673</u>
Depreciation and impairment:								
As of Jan. 1, 2023	\$-	\$189,324	\$1,379,230	\$87,760	\$16,762	\$151,215	\$-	\$1,824,291
Depreciation	-	16,379	91,680	5,672	1,752	11,608	-	127,091
Disposals	-	(622)	(34,456)	-	(793)	(4,159)	-	(40,030)
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	1,170	9,627	517	98	909	-	12,321
As of Jun. 30, 2023	<u>\$-</u>	<u>\$206,251</u>	<u>\$1,446,081</u>	<u>\$93,949</u>	<u>\$17,819</u>	<u>\$159,573</u>	<u>\$-</u>	<u>\$1,923,673</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	16,677	81,250	4,826	1,521	13,786	-	118,060
Disposals	-	-	(5,956)	(725)	(1,233)	(4,615)	-	(12,529)
Transfers	-	(74)	-	-	-	-	-	(74)
Exchange differences	-	10,976	99,289	5,455	995	8,958	-	125,673
As of Jun. 30, 2022	\$-	\$ 171,638	\$1,275,904	\$81,515	\$15,522	\$135,767	\$-	\$1,680,346
Net carrying amount as of:								
Jun. 30, 2023	\$52,420	\$463,963	\$1,420,830	\$59,705	\$8,774	\$29,434	\$58,545	\$2,093,671
Dec. 31, 2022	\$52,420	\$473,298	\$1,433,933	\$62,212	\$9,351	\$31,919	\$66,104	\$2,129,237
Jun. 30, 2022	\$52,420	\$512,937	\$1,419,829	\$62,173	\$8,895	\$40,564	\$40,509	\$2,137,327

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

	Machinery and equipment
Cost:	
As of Jan. 1, 2023	\$34,505
Exchange differences	186
As of Jun. 30, 2023	\$34,691
As of Jan. 1, 2022	
As of Jan. 1, 2022	\$31,720
Exchange differences	2,413
As of Jun. 30, 2022	\$34,133
Depreciation and impairment:	
As of Jan. 1, 2023	\$34,505
Exchange differences	186
As of Jun. 30, 2023	\$34,691
As of Jan. 1, 2022	
As of Jan. 1, 2022	\$31,720
Exchange differences	2,413
As of Jun. 30, 2022	\$34,133

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	<u>Machinery and equipment</u>
Net carrying amount as of:	
Jun. 30, 2023	\$-
Dec. 31, 2022	\$-
Jun. 30, 2022	\$-

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

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

(10) Investment property

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

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2023	\$93,288
Exchange differences	502
As of Jun. 30, 2023	\$93,790
As of Jan. 1, 2022	\$48,588
Transfers from property, plant and equipment	11,111
Exchange differences	3,697
As of Jun. 30, 2022	\$63,396
Depreciation and impairment:	
As of Jan. 1, 2023	\$20,291
Depreciation	1,891
Exchange differences	131
As of Jun. 30, 2023	\$22,313

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Buildings
Depreciation and impairment:	
As of Jan. 1, 2022	\$14,962
Transfers from property, plant and equipment	74
Depreciation	1,263
Exchange differences	1,180
As of Jun. 30, 2022	<u>\$17,479</u>
Net carrying amount as of:	
Jun. 30, 2023	<u>\$71,477</u>
Dec. 31, 2022	<u>\$72,997</u>
Jun. 30, 2022	<u>\$45,917</u>

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Rental income from investment property	\$12,578	\$8,757	\$24,253	\$16,823
Less: Direct operating expenses from investment property generating rental income	(1,380)	(1,261)	(2,725)	(2,823)
Total	<u>\$11,198</u>	<u>\$7,496</u>	<u>\$21,528</u>	<u>\$14,000</u>

(a) No investment property was pledged.

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

(c) The fair value of investment properties held by the Group's subsidiaries was NT\$398,366 thousand, NT\$398,366 thousand and NT\$167,629 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(11) Intangible assets

	<u>Computer software</u>
Cost:	
As of Jan. 1, 2023	\$42,214
Additions-acquired separately	912
Deduction	(676)
Exchange differences	222
As of Jun. 30, 2023	<u>\$42,672</u>
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	856
Transfers from property, plant and equipment	71
Deduction	(244)
Exchange differences	2,774
As of Jun. 30, 2022	<u>\$41,177</u>
Depreciation and impairment:	
As of Jan. 1, 2023	\$38,573
Amortization	1,269
Deduction	(676)
Exchange differences	217
As of Jun. 30, 2023	<u>\$39,383</u>
As of Jan. 1, 2022	\$32,885
Amortization	1,580
Deduction	(244)
Exchange differences	2,489
As of Jun. 30, 2022	<u>\$36,710</u>
Net carrying amount as of:	
Jun. 30, 2023	<u>\$3,289</u>
Dec. 31, 2022	<u>\$3,641</u>
Jun. 30, 2022	<u>\$4,467</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Amortization of intangible assets is as follows:

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Operating costs	\$5	\$8	\$6	\$16
Sales and marketing expenses	8	9	16	18
General and administrative expenses	622	754	1,201	1,493
Research and development expenses	25	27	46	53
Total	\$660	\$798	\$1,269	\$1,580

(12) Other non-current assets

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Advance payments in equipment	\$10,918	\$-	\$34,478
Refundable deposits	108,656	336	336
Net defined benefit assets	3,705	3,463	-
Total	\$123,279	\$3,799	\$34,814

(13) Short-term borrowings

	Interest Rate (%)	As of		
		Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Secured bank loans	1.675% ~ 4.9%	\$295,701	\$325,176	\$442,707
Unsecured bank loans	1.1% ~ 6.15%	744,446	1,316,891	1,764,678
Total		\$1,040,147	\$1,642,067	\$2,207,385

The Group's unused short-term lines of credits amounted to NT\$2,362,461 thousand, NT\$994,281 thousand and NT\$821,174 thousand as of June 30, 2023, December 31, 2022 and June 30, 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.



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(14) Other payables

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Accrued expense	\$266,069	\$352,519	\$286,284
Accrued interest	1,170	872	353
Dividends payable	468,006	-	296,218
Payables on equipment	4,254	24,527	17,411
Total	\$739,499	\$377,918	\$600,266

(15) Bonds payable

- A. The Group had no balance of the bonds payable as of December 31, 2022 and June 30, 2022. The details of the bonds payable as of June 30, 2023 are as follows:

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Liability component:			
Unsecured domestic bonds payable	\$442,400	\$486,600	\$500,000
Discounts on bonds payable	(15,484)	(21,305)	(26,305)
Total	426,916	465,295	473,695
Less: current portion	-	-	-
Net	\$426,916	\$465,295	\$473,695
Embedded derivative	\$354	\$292	\$300
Equity component-conversion right	\$35,413	\$38,951	\$40,024

For the details of the gain or loss from valuation through profit or loss on embedded derivative - redemption options and the interest expense on the convertible bonds payable, please refer to Note 6 (22) to the consolidated financial statement.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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.

Due to the distribution of cash dividends on ordinary shares in 2023, 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\$148.60 to NT\$142.70 since August 19, 2023.

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

(H) Redemption clauses:

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

- C. The unsecured convertible bonds in the amount of NT\$57,600 thousand have been converted to 388 thousand common shares as of June 30, 2023. The surplus due to the conversion amounted to NT\$51,355 thousand, recorded under additional paid-in capital.

(16) Other non-current liabilities

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Net defined benefit liability	\$-	\$-	\$287
Guarantee deposits received	6,343	8,156	8,773
Other non-current liabilities	5,000	5,000	5,000
Total	\$11,343	\$13,156	\$14,060

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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(17) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2023 and 2022 were NT\$357 thousand and NT\$421 thousand, respectively, while for the six-month periods ended June 30, 2023 and 2022 were NT\$729 thousand and NT\$846 thousand, respectively.

Defined benefits plan

Expenses under the defined benefit plan for the three-month periods ended June 30, 2023 and 2022 were NT\$42 thousand and NT\$59 thousand, respectively, while for the six-month periods ended June 30, 2023 and 2022 were NT\$84 thousand and NT\$118 thousand, respectively.

(18) Equities

(a) Common stock

The Company's authorized capitals were all NT\$900,000 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, divided into 66,214 thousand, 65,916 thousand and 65,826 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was NT\$662,137 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 six-month period ended June 30, 2023, the first unsecured convertible bonds in amount of NT\$44,200 thousand was converted into 297 thousand common shares, each at a par value of NT\$10. Total issued stock capital was NT\$2,974 thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(b) Capital surplus

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Additional paid-in capital	\$836,062	\$836,062	\$836,062
Arising from bond conversion	55,966	12,919	-
Share options	35,413	38,951	40,024
Other	720	720	720
Total	<u>\$928,161</u>	<u>\$888,652</u>	<u>\$876,806</u>

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

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(2) Legal reserve

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

(3) Special reserve

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

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

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



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (4) The appropriation of earnings for the Year 2022 and 2021 were approved by stockholders' meeting on May 31, 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	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 set aside and the special reserve reversal were NT\$37,516 thousand and NT\$(333,637) thousand, respectively.

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

(d) Non-controlling interests

	For the six-month period ended June 30,	
	2023	2022
Beginning balance	\$16,995	\$20,613
Profit (loss) attributable to non-controlling interests	(489)	(3,586)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	86	1,450
Ending balance	<u>\$16,592</u>	<u>\$18,477</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(19) Operating revenue

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Revenue from contracts with customer				
Sale of goods	\$1,785,011	\$1,883,069	\$3,617,950	\$3,672,508
Revenue arising from the rendering of services	11,294	70	14,340	3,143
Total	<u>\$1,796,305</u>	<u>\$1,883,139</u>	<u>\$3,632,290</u>	<u>\$3,675,651</u>

Analysis of revenue from contracts with customers during the three-month periods ended and the six-month periods then ended June 30, 2023 and 2022, respectively, is as follows:

(1) Disaggregation of revenue

	Single Segment			
	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Revenue from contracts with customer				
Sale of goods	\$1,785,011	\$1,883,069	\$3,617,950	\$3,672,508
Revenue arising from the rendering of services	11,294	70	14,340	3,143
Total	<u>\$1,796,305</u>	<u>\$1,883,139</u>	<u>\$3,632,290</u>	<u>\$3,675,651</u>
Timing of revenue recognition:				
At a point in time	<u>\$1,796,305</u>	<u>\$1,883,139</u>	<u>\$3,632,290</u>	<u>\$3,675,651</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(2) Contract balances

Contract liabilities - current

	As of			
	Jun. 30, 2023	Dec.31, 2022	Jun. 30, 2022	Jan.1, 2022
Sales of goods	\$49,022	\$28,486	\$79,647	\$70,149

For the six-month periods ended June 30, 2023 and 2022, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

(3) Transaction price allocated to unsatisfied performance obligations

As of June 30, 2023, December 31, 2022 and June 30, 2022, there was no information about unsatisfied performance obligations provided in the consolidated financial statements because the duration of the Group's revenue contracts were all less than one year.

(4) Assets recognized from costs to fulfill a contract

None.

(20) Expected credit losses (gains)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Operating expenses – Expected credit losses/(gains)				
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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The Group measures the loss allowance of its trade receivables (including notes receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of June 30, 2023, December 31, 2022 and June 30, 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 June 30, 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	\$603,653	\$134,382	\$52,120	\$15,081	\$2,129	\$807,365
Loss ratio	0.14%	4.42%	24.36%	51.38%	100%	
Lifetime expected credit losses	(867)	(5,939)	(12,695)	(7,734)	(2,129)	(29,364)
Carrying amount of trade receivables	<u>\$602,786</u>	<u>\$128,443</u>	<u>\$39,425</u>	<u>\$7,347</u>	<u>\$-</u>	<u>\$778,001</u>

Group 2

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$364,608	\$76,190	\$31,890	\$7,230	\$-	\$479,918
Loss ratio	0.12%	4.74%	19.80%	50.71%	100%	
Lifetime expected credit losses	(441)	(3,610)	(6,314)	(3,667)	-	(14,032)
Carrying amount of trade receivables	<u>\$364,167</u>	<u>\$72,580</u>	<u>\$25,576</u>	<u>\$3,563</u>	<u>\$-</u>	<u>\$465,886</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of 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>

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>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of June 30, 2022

Group 1

	Not yet due	Overdue				Total
		Less than 30 days	31-90 days	91-270 days	More than 271 days	
Gross carrying amount	\$746,185	\$174,710	\$65,827	\$44,610	\$513	\$1,031,845
Loss ratio	0.06%	0.56%	1.87%	16.38%	100%	
Lifetime expected credit losses	(432)	(986)	(1,230)	(7,309)	(513)	(10,470)
Carrying amount of trade receivables	<u>\$745,753</u>	<u>\$173,724</u>	<u>\$64,597</u>	<u>\$37,301</u>	<u>\$-</u>	<u>\$1,021,375</u>

Group 2

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (b) The movement in the provision for impairment of notes receivables and trade receivables during the six-month periods ended June 30, 2023 and 2022, respectively, is as follows:

	Trade receivables
As of Jan.1, 2023	\$43,201
Exchange differences	195
As of Jun.30, 2023	<u>\$43,396</u>
As of Jan.1, 2022	\$15,662
Exchange differences	1,173
As of Jun.30, 2022	<u>\$16,835</u>

- (21) Summary statement of employee benefits, depreciation and amortization by function during the three-month and six-month periods ended June 30, 2023 and 2022, respectively:

Nature \ Function	For the three-month period ended June 30,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$280,869	\$49,523	\$330,392	\$285,047	\$45,728	\$330,775
Labor and health insurance	325	772	1,097	251	865	1,116
Pension	92	307	399	112	368	480
Other employee benefits expense	2,347	1,215	3,562	2,304	1,270	3,574
Depreciation	63,613	6,061	69,674	61,453	5,839	67,292
Amortization	5	655	660	8	790	798

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Nature	Function	For the six-month period ended June 30,					
		2023			2022		
		Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense							
Salaries		\$564,503	\$105,787	\$670,290	\$546,576	\$90,626	\$637,202
Labor and health insurance		623	1,587	2,210	598	1,726	2,324
Pension		188	625	813	224	740	964
Other employee benefits expense		4,442	2,341	6,783	4,418	2,428	6,846
Depreciation		124,875	12,070	136,945	115,321	11,538	126,859
Amortization		6	1,263	1,269	16	1,564	1,580

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

For the three-month period ended June 30, 2023, the Company recorded the compensations to employees and directors in the amount of NT\$8,729 thousand and NT\$2,160 thousand, respectively, and, for the six-month period ended June 30, 2023, NT\$18,336 thousand and NT\$8,565 thousand, respectively; while employees' compensation and remuneration to directors for the three-month period ended June 30, 2022, amounted to NT\$3,141 thousand and NT\$1,795 thousand, respectively, and, for the six-month period ended June 30, 2022, NT\$9,995 thousand and NT\$4,871 thousand, respectively. The aforementioned employees' compensation and remuneration were estimated based on the post-tax net income of the period and recognized as salary expenses.

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



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$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 remuneration to directors and supervisors for the year ended December 31, 2021.

(22) Non-operating income and expenses

(a) Other income

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Interest income				
Financial assets measured at amortized cost	\$28,454	\$5,298	\$41,476	\$9,803
Rental income	12,578	8,757	24,253	16,823
Others	6,482	1,859	8,622	3,538
Total	\$47,514	\$15,914	\$74,351	\$30,164

(b) Other gains and losses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Gains/(losses) on disposal of property, plant and equipment	\$(687)	\$(72)	\$(1,563)	\$568
Foreign exchange gains/(losses)	17,563	(15,545)	23,905	(25,019)
Gains (losses) on financial assets and liability at fair value through profit or loss	3,304	100	98	100
Others	(1,590)	(1,341)	(2,923)	(2,826)
Total	\$18,590	\$(16,858)	\$19,517	\$(27,177)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(c) Finance costs

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Interest on borrowings from bank	\$21,534	\$9,783	\$41,715	\$16,621
Interest on lease liabilities	45	75	99	154
Interest on convertible bonds	2,046	524	4,140	524
Total	\$23,625	\$10,382	\$45,954	\$17,299

(23) Leases

(a) The Group as a lessee

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

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

A. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use assets

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Land	\$296,716	\$300,321	\$302,227
Buildings	5,284	8,075	9,943
Total	\$302,000	\$308,396	\$312,170

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(ii) Lease liabilities

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Lease liabilities	\$5,387	\$8,163	\$10,288
Current	\$4,766	\$5,635	\$5,296
Non-current	\$621	\$2,528	\$4,992

Please refer to Note 6 (22)(c) for the interest on lease liability recognized during the three-month and six-month periods ended June 30, 2023 and 2022, respectively, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of June 30, 2023 and 2022.

B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Buildings (Includes land use right)	\$4,006	\$3,841	\$7,963	\$7,536

C. Income and costs relating to leasing activities

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Short-term leased expense (rental expense)	\$749	\$14	\$764	\$28

As of June 30, 2023, December 31, 2022 and June 30, 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 both amounted to NT\$0.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

D. Cash outflow relating to leasing activities

During the six-month period ended June 30, 2023 and 2022, the Group's total cash outflow for leases amounted to NT\$3,552 thousand and NT\$2,585 thousand, respectively.

(b) The Group as lessor

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

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Leased income recognized by operating leased				
Fixed leased payment-related income	\$12,578	\$8,757	\$24,253	\$16,823

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively, are as follows:

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Not later than one year	\$25,742	\$14,734	\$20,432
More than one year but less than two years	6,813	-	4,906
Total	\$32,555	\$14,734	\$25,338

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(24) Components of other comprehensive income

	For the three-month period ended June 30, 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	\$74,577	\$-	\$74,577	\$-	\$74,577
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	3,750	-	3,750	-	3,750
Total of other comprehensive income	\$78,327	\$-	\$78,327	\$-	\$78,327

	For the three-month period ended June 30, 2022				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$173,205	\$-	\$173,205	\$-	\$173,205
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	7,037	-	7,037	-	7,037
Total of other comprehensive income	\$180,242	\$-	\$180,242	\$-	\$180,242

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the six-month period ended June 30, 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	\$35,377	\$-	\$35,377	\$-	\$35,377
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	1,743	-	1,743	-	1,743
Total of other comprehensive income	\$37,120	\$-	\$37,120	\$-	\$37,120
	For the six-month period ended June 30, 2022				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$321,836	\$-	\$321,836	\$-	\$321,836
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	13,251	-	13,251	-	13,251
Total of other comprehensive income	\$335,087	\$-	\$335,087	\$-	\$335,087

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(25) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Current income tax expense (income):				
Current income tax charge	\$62,572	\$51,559	\$132,180	\$100,929
Deferred tax expense (income):				
Deferred tax expense relating to origination and reversal of temporary differences	911	1,189	4	2,190
Total income tax expense	<u>\$63,483</u>	<u>\$52,748</u>	<u>\$132,184</u>	<u>\$103,119</u>

(b) The assessment of income tax returns

As of June 30, 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 2021
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2020

(26) Earnings per share

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$221,471	\$198,874	\$457,225	\$375,156
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,079	65,826	66,019	65,826
Basic earnings per share (NT\$)	\$3.35	\$3.02	\$6.93	\$5.70
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$221,471	\$198,874	\$457,225	\$375,156
Interest expense on convertible bonds (in thousand NT\$)	2,046	524	4,140	524
Gains on financial assets at fair value through profit or loss	93	(100)	(98)	(100)
Net income available to common shareholders outstanding after dilution (in thousand shares)	\$223,610	\$199,298	\$461,267	\$375,580



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,079	65,826	66,019	65,826
Effect of dilution:				
Employee bonus – stock (in thousands)	98	60	158	109
Convertible bonds (in thousands)	3,111	826	3,172	415
Weighted average number of ordinary shares outstanding after dilution (in thousands)	69,288	66,712	69,349	66,350
Diluted earnings per share (NT\$)	\$3.23	\$2.99	\$6.65	\$5.66

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

(27) Subsidiary that has material non-controlling interests

As of June 30, 2023, December 31, 2022 and June 30, 2022, the financial information of the subsidiary in which the Group has material non-controlling interests is provided as follows:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	As of		
		Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%	45%

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Accumulated balances of material non-controlling interest:

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Vietnam Eurocharm Ways Plastics Company Limited.	\$16,592	\$16,995	\$18,477

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

	For the three-month period		For the six-month	
	ended June 30,		period ended June 30,	
	2023	2022	2023	2022
Vietnam Eurocharm Ways Plastics Company Limited.	\$(266)	\$(1,661)	\$(489)	\$(3,586)

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

Summarized information of profit or loss for the three-month periods ended and the six-month periods then ended June 30, 2023 and 2022, respectively, is as follows:

	For the three-month period		For the six-month	
	ended June 30,		period ended June 30,	
	2023	2022	2023	2022
Operating revenue	\$-	\$6	\$-	\$121
Profit/loss from continuing operation	(591)	(3,690)	(1,087)	(7,969)
Total comprehensive income for the period	(591)	(3,690)	(1,087)	(7,969)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Summarized information of financial position as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively, is as follows:

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Current assets	\$21,744	\$40,071	\$34,974
Non-current assets	16,989	18,507	30,586
Current liabilities	1,863	20,811	24,501
Non-current liabilities	-	-	-

Summarized information of cash flows for the six-month periods then ended June 30, 2023 and 2022, respectively, is as follows:

	For the six-month period ended June 30,	
	2023	2022
Operating activities	\$(189)	\$(23,948)
Investing activities	(18,344)	(152)
Financing activities	-	(1,718)
Net increase/(decrease) in cash and cash equivalents	(18,533)	(25,818)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

7. RELATED PARTY TRANSACTIONS

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

Related parties and relation

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

(2) Significant transactions with related parties

(a) Sales

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Associates	\$33,896	\$40,552	\$58,344	\$75,153
Other related party	-	9	-	9
Other related party — Northstar Precision (Vietnam) Company	502,388	609,878	1,000,152	1,015,432
Total	\$536,284	\$650,439	\$1,058,496	\$1,090,594

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The terms of collection for related parties are within the range of trading terms for general clients.

(b) Purchases

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Associates	\$62,190	\$65,587	\$120,197	\$118,535
Other related parties	373	477	661	855
Total	\$62,563	\$66,064	\$120,858	\$119,390

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

- (c) For the six-month periods ended June 30, 2023 and 2022, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$26,855 thousand and NT\$43,638 thousand, respectively.
- (d) For the six-month periods ended June 30, 2023 and 2022, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$14,213 thousand and NT\$1,639 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the six-month periods ended June 30, 2023 and 2022, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$127 thousand and NT\$1,504, respectively, which were recorded under the caption of operating revenues.
- (f) For the six-month periods ended June 30, 2022, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$1,344, which was recorded under non-operating income and expenses-other gain or loss.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(g) For the six-month period ended June 30, 2023 and 2022, the Group recognized service fee in the amount of NT\$1,125 thousand and NT\$117 thousand, which were recorded under non-operating income, respectively.

(h) Trade receivables from related parties

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Associates	\$20,080	\$14,500	\$13,465
Other related party-Northstar Precision (Vietnam) Company Limited	371,997	353,986	487,008
Total	\$392,077	\$368,486	\$500,473

(i) Other receivables-related parties

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Associates	\$2,155	\$1,449	\$542
Other related parties	1,458	1,280	1,153
Total	\$3,613	\$2,729	\$1,695

(j) Prepayments

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Associates	\$3,768	\$5,462	\$9,580

(k) Trade payables - related parties

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Associates	\$19,013	\$38,196	\$26,769
Other related parties	170	56	109
Total	\$19,183	\$38,252	\$26,878

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

## (1) Operating lease

## A. Right-of-use asset

Relationship	Property	As of		
		Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Other related party	Buildings	\$950	\$1,900	\$2,850

## B. Lease liabilities

Relationship	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Other related party	\$958	\$1,910	\$2,858

## C. Interest on lease liabilities

Relationship	Property	For the three-month period		For the six-month period	
		ended June 30,		ended June 30,	
		2023	2022	2023	2022
Other related parties	Rent office	\$4	\$8	\$8	\$18

D. For the six-month periods ended June 30, 2023 and 2022, the Group paid other related parties for rent expense every month by cash.

## E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the six-month period ended June 30, 2023</u>			
Associate	Buildings	Jan. 1, 2021 ~ Dec. 31, 2023	\$18,333
Other related party	Buildings	Jan. 1, 2023 ~ Dec. 31, 2024	5,920
Total			\$24,253
<u>For the six-month period ended June 30, 2022</u>			
Associate	Buildings	Jan. 1, 2021 ~ Dec. 31, 2023	\$11,698
Other related party	Buildings	Jan. 1, 2022 ~ Dec. 31, 2022	5,125
Total			\$16,823

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	For the three-month period		For the six-month period	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$6,317	\$5,607	\$13,478	\$11,729
Post-employment benefits	94	90	188	172
Total	\$6,411	\$5,697	\$13,666	\$11,901

8. PLEDGED ASSETS

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

Item	Carrying Amount As of			Secured liabilities
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022	
Trade receivables	\$130,800	\$130,100	\$128,700	Short-term borrowings
Inventories	130,800	130,100	128,700	Short-term borrowings
Property, plant and equipment – land	52,420	52,420	52,420	Short-term borrowings
Property, plant and equipment – buildings	354,322	157	184	Short-term borrowings
Total	\$668,342	\$312,777	\$310,004	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Amounts available under unused letters of credit as of June 30, 2023 are USD\$49 thousand and EUR\$91 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Financial assets at fair value through profit or loss financial asset held for trading	\$354	\$292	\$300
Financial assets at fair value through other comprehensive income	95,705	95,705	95,705
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,941,036	1,396,536	1,755,011
Financial assets measured at amortized cost	183,915	543,368	195,575
Notes receivables	-	-	71
Trade receivables (includes related parties)	1,243,887	1,445,341	1,440,739
Other receivables (includes related parties)	8,104	21,100	14,684
Refundable deposits	108,656	336	336
Total	<u>\$3,581,657</u>	<u>\$3,502,678</u>	<u>\$3,502,421</u>

Financial liabilities

	As of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Financial liabilities at amortized cost:			
Short-term borrowings	\$1,040,147	\$1,642,067	\$2,207,385
Trade payables (includes related parties)	1,119,266	942,161	1,049,219
Leased liabilities (includes related parties)	5,387	8,163	10,288
Guaranteed deposits received	6,343	8,156	8,773
Bonds payable	426,916	465,295	473,695
Total	<u>\$2,598,059</u>	<u>\$3,065,842</u>	<u>\$3,749,360</u>

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the six-month periods ended June 30, 2023 and 2022 decreased/increased by NT\$10,026 thousand and NT\$3,179 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the six-month periods ended June 30, 2023 and 2022 decreased/increased by VND7,556,739 thousand and increased/decreased by VND\$117,157 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the six-month periods ended June 30, 2023 and 2022 to increase /decrease by NT\$422 thousand and NT\$63 thousand, respectively.

Equity price risk

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(4) Credit risk management

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

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, trade receivables from top ten customers represented 75.45%, 81.51% and 78.11% 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 June 30, 2023, December 31, 2022 and June 30, 2022, the Group did not hold any debt instrument investment measured at fair value through profit or loss.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of June 30, 2023</u>			
Short-term borrowings	\$1,052,335	\$-	\$1,052,335
Trade and other payables	1,119,266	-	1,119,266
Leased Liabilities	4,858	624	5,482
Convertible Bonds	-	442,400	442,400
<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 June 30, 2022</u>			
Short-term borrowings	\$2,221,179	\$-	\$2,221,179
Trade and other payables	1,049,219	-	1,049,219
Leased Liabilities	5,501	5,075	10,576
Convertible Bonds	-	500,000	500,000

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended June 30, 2023:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bonds payable	Total liabilities from financing activities
As of Jan. 1, 2023	\$1,642,067	\$8,156	\$8,163	\$465,295	\$2,123,681
Cash flows	(601,920)	(1,813)	(2,788)	-	(606,521)
Non-cash changes	-	-	12	(38,379)	(38,367)
As of Jun. 30, 2023	\$1,040,147	\$6,343	\$5,387	\$426,916	\$1,478,793

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

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

(7) Fair values of financial instruments

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
  - iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
  - iv. Fair value of debt instruments without market quotations, bank loans, bonds payables and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).
  - v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation methods (for example, Monte Carlo Simulation).
- (b) Fair value of financial instruments measured at amortized cost

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Carrying amount as of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Financial liabilities:			
Bonds payable	\$426,916	\$465,295	\$473,695

  

	Fair value as of		
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Financial liabilities:			
Bonds payable	\$429,482	\$468,401	\$479,300

(c) Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled are as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(2) and Note 6(15) for further information on this transaction.



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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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.

(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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of June 30, 2023, December 31, 2022, and June 30, 2022, fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of June 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss-current				
Embedded derivatives	\$-	\$-	\$354	\$354
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	\$-	\$-	\$96,059	\$96,059

As of December 31, 2022

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

As of June 30, 2022

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

For six-month period ended June 30, 2023 and 2022 and for the years ended December 31, 2022, 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 June 30, 2023	\$95,705

	Assets
	Derivatives financial assets at fair value through profit or loss
As of Jan. 1, 2023	\$292
Disposal	(36)
Amount recognized in profit or loss (presented in “other gains and losses”)	98
As of June 30, 2023	\$354

	Assets
	Financial assets at fair value through other comprehensive income
As of Jan. 1, 2022	\$55,705
Acquisition	40,000
As of December 31, 2022	\$95,705

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Assets
	Derivatives financial assets at fair value through profit or loss
As of Jan. 1, 2022	\$-
Acquisition	200
Gain or Disposal	(11)
Amount recognized in profit or loss (presented in “other gains and losses”	103
As of December 31, 2022	\$292

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Information on significant unobservable inputs to valuation

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

As of June 30, 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	27.48%	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\$221 thousand and NT\$(177) thousand.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

As of 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)

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

As of June 30, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	26.54%	The higher the volatility, the higher the fair value of the embedded derivatives	1% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$100 thousand

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

As of June 30, 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>\$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>\$429,482</u>	<u>\$429,482</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 June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(10))	<u>\$-</u>	<u>\$-</u>	<u>\$167,629</u>	<u>\$167,629</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (Note 12(7))	<u>\$-</u>	<u>\$-</u>	<u>\$479,300</u>	<u>\$479,300</u>



EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

	As of					
	June 30 , 2023			December 31, 2022		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$54,884	30.71	\$1,685,600	\$47,203	30.49	\$1,439,294
VND	\$1,141,532,157	0.001308	\$1,493,124	\$2,013,807,833	0.001301	\$2,620,317
<u>Investments accounted for under the equity method</u>						
VND	\$249,126,848	0.001308	\$325,858	\$233,437,338	0.001301	\$303,702
<u>Financial liabilities</u>						
Monetary items:						
USD	\$34,480	31.11	\$1,072,766	\$51,321	30.68	\$1,574,592
VND	\$351,003,667	0.001308	\$459,113	\$545,159,483	0.001301	\$709,252

## EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	As of		
	June 30, 2022		
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$57,597	29.71	\$1,711,277
VND	\$1,396,465,723	0.001286	\$1,795,943
<u>Investments accounted for under the equity method</u>			
VND	\$239,927,596	0.001287	\$308,787
<u>Financial liabilities</u>			
Monetary items:			
USD	\$72,930	29.79	\$2,172,246
VND	\$513,855,052	0.001287	\$663,163

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

The Group's entities functional currencies are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain/(loss) were NT\$17,563 thousand and NT\$(15,545) thousand for the three-month periods ended June 30, 2023 and 2022, respectively. The foreign exchange gains were NT\$ 23,905 thousand and NT\$(25,019) thousand for the six-month periods ended June 30, 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)

(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 June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 2023: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2023: None.
- (i) Derivative instrument transactions: Please refer to Note 12(8).
- (j) Intercompany relationships and significant intercompany transactions for the six-month period ended June 30, 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)

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

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(b) Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

- i. Financing provided to others: Please refer to attachment 1.
- ii. Endorsement/Guarantee provided to others: None.
- iii. Marketable securities held as of June 30, 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 for the six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 June 30, 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)

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

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(4) Information of major shareholders:

Name	Shares Number of shares	Percentage of ownership
SEASHORE GROUP LIMITED	24,769,059	37.40%
New General Limited	13,833,217	20.89%
Fubon Life Insurance Company, Ltd.	3,878,000	5.85%

14. OPERATING SEGMENT

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

ATTACHMENT 1 (Financing provided to others for the year ended June 30, 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	\$264,648	\$-	2.50%~5.20%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$899,535 (Note 2) (Note 3)	\$1,799,070 (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	\$-	-	\$-	\$899,535 (Note 2) (Note 3)	\$1,799,070 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$342,485	\$342,485	\$-	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$899,535 (Note 2) (Note 3)	\$1,799,070 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$202,378	\$202,378	\$-	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,198,437 (Note 2) (Note 3)	\$2,396,875 (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 June 30, 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		Limit of guarantee/endorsement amount to each guaranteed party (Note3)	Maximum balance for the period Ending balance	Actual amount drawn	Amount of collateral for guarantee/ endorsement	Ratio of accumulated guarantee amount to net assets value per latest financial statements	Maximum guarantee/endorsement amount allowed (Note3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China	
		Relationship (Note2)	Company name										
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$1,799,070	\$80,000	\$80,000	\$69,000	\$-	1.78%	\$2,248,838	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$1,799,070	\$217,945 (USD 7,000) (Note4)	\$217,945 (USD 7,000) (Note4)	\$-	\$-	4.85%	\$2,248,838	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$1,799,070	\$1,120,860 (USD 36,000) (Note4)	\$1,120,860 (USD 36,000) (Note4)	\$69,939 (USD 2,246) (Note4)	\$-	24.92%	\$2,248,838	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$1,799,070	\$77,838 (USD 2,500) (Note4)	\$77,838 (USD 2,500) (Note4)	\$-	\$-	1.73%	\$2,248,838	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 June 30, 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 June 30, 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Jun. 30, 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%	\$5,992,187 (Note 5)	\$530,136	\$530,136 (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%	8,860 (Note 5)	1,223	1,223 (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%	183,397 (Note 5)	(1,085)	(765) (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%	4,793,189 (Note 3) (Note 5)	509,367	525,112 (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%	(38,592) (Note 5)	3,204	23,029 (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%	20,279 (Note 5)	(1,087)	(598) (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%	38,563	(16,792)	(7,557)	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%	19,954	(4,468)	(1,787)	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%	134,993	(3,889)	(1,556)	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%	29,915	(1,343)	(537)	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%	57,114	(4,437)	(1,997)	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%	91,807	37,599	7,520	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Shiang Yu Precision Co., Ltd.	Vietnam	Design, manufacturing and sales of molds	USD 800	USD 800	-	40.00%	30,500	(3,023)	(1,209)	Investment accounted for under the equity method

Note 1: Including investment loss recognized under equity method amounted to NT\$1,085 thousand and realized profit on transaction between subsidiaries amounted to NT\$320 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$509,367 thousand and realized profit on transaction between subsidiaries amounted to NT\$15,745 thousand.

Note 3: Holding net equity at the end of the period amount to NT\$4,834,765 thousand minus unrealized profit on transaction between subsidiaries amounted to NT\$41,576 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT\$3,204 thousand and realized profit on transaction between subsidiaries amounted to NT\$19,825 thousand.

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



ATTACHMENT 4 (Securities held as of June 30, 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 June 30, 2023							
Company	Investee company	Relationship	Financial statement account				Percentage		Note	Shares as collateral
				Number of shares	Book value	of ownership (%)	Fair value			
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 six-month period ended June 30, 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 (payable)		Note
				Amount	Percentage of total purchases (sales) (%)	Term	Unit Price	Term	Balance	Percentage of total balances (%)	
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	Sales	\$142,374	86.27%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables \$23,243	66.53%	1
Eurocharm America LLC.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	Purchase	\$110,592	100.00%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade payables \$96,974	100.00%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$999,633	27.85%	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 \$371,853	28.17%	
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam King Duan Industrial Co., Ltd.	Other related party	Purchase	\$113,903	5.80%	30 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 30~90 days after monthly closing	Trade payables \$17,195	5.09%	

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

ATTACHMENT 6 ( Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 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 Rate	Overdue		Amount Received in Subsequent Periods	Loss Allowance	Note
					Amount	Action Taken			
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	<u>\$371,853</u>	<u>5.51</u>	<u>\$-</u>	-	<u>\$175,987</u>	<u>\$-</u>	

ATTACHMENT 7 (Intercompany relationships and significant intercompany transactions for the six-month periods ended June 30, 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>2023.01.01~2023.06.30</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	\$2,923	-	0.08%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	2,582	-	0.07%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	1,865	-	0.05%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Dividend Receivables	693,384	-	9.30%
2	Eurocharm Innovation Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	142,374	30 days after monthly closing	3.92%
2	Eurocharm Innovation Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	23,243	30 days after monthly closing	0.31%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	16,157	30 days after monthly closing	0.44%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	3,680	30 days after monthly closing	0.05%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	110,592	60~90 days after monthly closing	3.04%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	96,974	60~90 days after monthly closing	1.30%

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.