

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 DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS 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
Index

Item	Page numbering
1. Cover page	1
2. Index	2
3. Report of Independent Auditors	3-8
4. Consolidated Balance Sheets	9
5. Consolidated Statements of Comprehensive Income	10
6. Consolidated Statements of Changes in Equity	11
7. Consolidated Statements of Cash Flows	12
8. Notes to the Consolidated Financial Statements	
(1) History and organization	13
(2) Date and procedures of authorization of financial statements for issue	13
(3) Newly issued or revised standards and interpretations	13-17
(4) Summary of significant accounting policies	17-46
(5) Significant accounting judgments, estimates and assumptions	46-47
(6) Contents of significant accounts	48-91
(7) Related party transactions	92-96
(8) Pledged assets	97
(9) Significant contingencies and unrecognized contract commitments	97
(10) Significant disaster loss	97
(11) Significant subsequent events	97
(12) Others	98-113
(13) Other disclosures	
1. Information at significant transactions	113-114,117-118,124
2. Information on investees	114-115,117,120-123
3. Information on investments in Mainland China	115
4. Information of major shareholders	115
(14) Operating Segment	115-116

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

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

Opinion

We have audited the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the “Company”) and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of material accounting policies (collectively referred as “the consolidated financial statements”).

In our opinion, 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 December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor’s 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. 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 amounting to NT\$7,267,327 thousand for the year ended December 31, 2023 is significant to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities through multi-market places. Furthermore, varieties of sale terms and conditions enacted in the main sale contracts or sale orders judging and determining the performance obligation and the time of satisfaction. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for performance obligation, of revenue recognition assessing and testing the effectiveness of relevant internal controls related to performance obligation of revenue recognition, executing sale cut-off tests, sampling-test of details, including to review the consistency of the fulfillment timing between determining the performance obligation of revenues recognition and the major sales orders or agreements for their terms and conditions. We also evaluated the appropriateness of the related disclosure in Note 6 to the consolidated financial statements.

Trade receivables – loss allowance

The Company's consolidated gross trade receivables and loss allowance as of December 31, 2023 amounted to NT\$1,086,782 thousand and NT\$55,757 thousand, respectively. The consolidated net trade receivables represented 15% of the Company's total consolidated assets and were significant to the Company's consolidated financial statements. The amount of loss allowance against trade receivable is measured based on expected credit loss during its existing period. For the measurement purpose, underlying receivable should be grouped appropriately and the application of related assumptions, including proper aging intervals, expected loss ratio and forward-looking information for each aging interval, be judged and analyzed. We conclude that the estimation of impairment loss toward trade receivable is one of the key audit matters due to its complexity of judgment, analysis and estimation and its significant impact on carrying value of net trade receivable. Our audit procedures therefore include, but not limit to, analyzing the appropriateness of the methodology to group trade receivable, confirming whether the customers with significantly different loss patterns

(i.e. similar risk characteristics) are appropriately grouped (i.e. by historical experiences, etc.); testing the preparation matrix adopted by the Group, including evaluation on reasonableness of determining aging intervals, and examining the correctness of original document for basic information; reviewing trade receivable subsequent collection for evaluating its recoverability; analyzing long-term variation trend of loss allowance and turnover rate of trade receivable and concluding whether any significant impairment needs to be made at the end of period. We have also evaluated the appropriateness of the disclosure in Note 5 and Note 6 to the consolidated financial statements regarding trade receivables and related risk.

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 Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee 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 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 2023 consolidated financial statements 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.

/s/Chen, Kuo-Shuai

/s/Chang, Chih-Ming

Ernst & Young, Taiwan

February 29th, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions . The standards, procedures and practices 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 December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets		Notes	2023.12.31	2022.12.31	Liabilities and Equity		Notes	2023.12.31	2022.12.31
Accounts					Accounts				
Current assets					Current liabilities				
Cash and cash equivalents	4, 6(1)		\$974,048	\$1,397,304	Short-term borrowings	6(12), 8	\$360,459	\$1,642,067	
Financial assets at fair value through profit or loss	4, 6(2), 6(14)		41	292	Contract liabilities	4, 6(18)	58,056	28,486	
Financial assets measured at amortized cost	4, 6(3)		382,990	528,379	Trade payables		347,508	525,991	
Trade receivables	4, 6(4), 6(19), 8		772,155	1,076,855	Trade payables-related parties	7	26,168	38,252	
Trade receivables-related parties	4, 6(4), 6(19), 7		258,870	368,486	Other payables	6(13)	353,170	377,918	
Other receivables			8,992	18,371	Current tax liabilities	4, 6(24)	119,615	110,803	
Other receivables-related parties	7		3,691	2,729	Lease liabilities	4, 6(22)	2,502	3,725	
Current tax assets	4, 6(24)		512	512	Lease liabilities-related parties	4, 6(22), 7	-	1,910	
Inventories	4, 6(5), 8		737,881	1,102,281	Other current liabilities		1,678	3,376	
Prepayments	7		69,056	77,479	Refund liabilities		30,460	30,767	
Other current assets			47,901	120,223	Total current liabilities		1,299,616	2,763,295	
Total current assets			3,256,137	4,692,911					
Non-current assets					Non-current liabilities				
Financial assets measured at fair value through other comprehensive income	4, 6(6)		95,705	95,705	Bonds payable	4, 6(14)	394,184	465,295	
Financial assets measured at amortized cost	4, 6(3)		126,617	14,989	Deferred tax liabilities	4, 6(24)	18,608	18,468	
Investment accounted for under the equity method	4, 6(7)		521,082	384,101	Lease liabilities	4, 6(22)	-	2,528	
Property, plant and equipment	4, 6(8), 7, 8		1,994,080	2,129,237	Other non-current liabilities	6(15)	12,231	13,156	
Right-of-use assets	4, 6(22), 7		645,163	308,396	Total non-current liabilities		425,023	499,447	
Investment property	4, 6(9)		81,196	72,997	Total liabilities		1,724,639	3,262,742	
Intangible assets	4, 6(10)		6,635	3,641	Equity attributable to shareholders of the parent				
Deferred tax assets	4, 6(24)		1,540	2,900	Capital	6(17)			
Other non-current assets	6(11), 6(16)		27,930	3,799	Common stock		664,729	659,163	
Total non-current assets			3,499,948	3,015,765	Capital surplus	6(17)	962,026	888,652	
					Retained earnings	6(17)			
					Legal reserve		321,016	218,316	
					Special reserve		233,118	307,951	
					Unappropriated Earnings		3,125,389	2,587,975	
					Other components of equity		(290,357)	(233,118)	
					Non-controlling interests	6(17), 6(26)	15,525	16,995	
					Total equity		5,031,446	4,445,934	
Total assets			\$6,756,085	\$7,708,676	Total liabilities and equity		\$6,756,085	\$7,708,676	

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 years ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Description	Notes	2023	2022
Operating revenues	4, 6(18), 7	\$7,267,327	\$8,037,354
Operating costs	6(20), 7	(5,744,734)	(6,478,423)
Gross profit		1,522,593	1,558,931
Realized (Unrealized) sales profit	4	(6)	313
Gross profit, net		1,522,587	1,559,244
Operating expenses	6(20), 7		
Sales and marketing		(98,952)	(117,340)
General and administrative		(244,606)	(238,445)
Research and development		(85,790)	(84,123)
Expected credit gains (losses)	4, 6(19)	(13,224)	(25,932)
Operating expenses total		(442,572)	(465,840)
Operating income		1,080,015	1,093,404
Non-operating incomes and expenses			
Other incomes	6(21), 7	162,397	104,496
Other gains and losses	6(21), 7	79,699	(44,650)
Finance costs	6(21), 7	(65,668)	(52,226)
Share of profit or loss of associates and joint ventures accounted for under the equity method	4, 6(7)	(1,356)	24,913
Non-operating incomes and expenses total		175,072	32,533
Income before income tax		1,255,087	1,125,937
Income tax expense	4, 6(24)	(223,562)	(189,939)
Net income		1,031,525	935,998
Other comprehensive income (loss)	6(23)		
Not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans		442	3,576
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(54,998)	394,062
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(2,391)	16,146
Total other comprehensive income, net of tax		(56,947)	413,784
Total comprehensive income		\$974,578	\$1,349,782
Net income (loss) attributable to:			
Stockholders of the parent		\$1,032,845	\$941,354
Non-controlling interests		(1,320)	(5,356)
		\$1,031,525	\$935,998
Total comprehensive income (loss) attributable to:			
Stockholders of the parent		\$976,048	\$1,353,400
Non-controlling interests		(1,470)	(3,618)
		\$974,578	\$1,349,782
Earnings per share-basic (in NTD)	6(25)	\$15.60	\$14.29
Earnings per share-diluted (in NTD)	6(25)	\$14.95	\$13.91

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

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

For the years ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent						Non-controlling Interests	Total Equity	
	Share capital		Retained Earnings			Other Components of Equity			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations			
Balance as of January 1, 2022	\$658,262	\$836,782	\$155,069	\$620,146	\$1,690,315	\$(641,588)	\$3,318,986	\$20,613	\$3,339,599
Appropriation and distribution of 2021 earnings and earnings for the six-month period ended June 30, 2022:									
Legal reserve			63,247		(63,247)		-		-
Cash dividends-common shares					(296,218)		(296,218)		(296,218)
Special reserve reversal				(312,195)	312,195		-		-
Equity component of convertible bonds issued by the Company		40,024					40,024		40,024
Net income (loss) in 2022					941,354		941,354	(5,356)	935,998
Other comprehensive income in 2022					3,576	408,470	412,046	1,738	413,784
Total comprehensive income (loss)	-	-	-	-	944,930	408,470	1,353,400	(3,618)	1,349,782
Conversion of convertible bonds	901	11,846					12,747		12,747
Balance as of December 31, 2022	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 and earnings for the six-month ended June 30, 2023:									
Legal reserve			102,700		(102,700)		-		-
Cash dividends-common shares					(468,006)		(468,006)		(468,006)
Special reserve reversal				(74,833)	74,833		-		-
Net income (loss) in 2023					1,032,845		1,032,845	(1,320)	1,031,525
Other comprehensive income in 2023					442	(57,239)	(56,797)	(150)	(56,947)
Total comprehensive income (loss)	-	-	-	-	1,033,287	(57,239)	976,048	(1,470)	974,578
Conversion of convertible bonds	5,566	73,374					78,940		78,940
Balance as of December 31, 2023	\$664,729	\$962,026	\$321,016	\$233,118	\$3,125,389	\$(290,357)	\$5,015,921	\$15,525	\$5,031,446

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 years ended December 31, 2023 and 2022
(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	2023	2022	Items	2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,255,087	\$1,125,937	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	33,761	(370,014)
Depreciation (include investment property)	284,771	267,535	Acquisition of investment accounted for under the equity method	(165,261)	(58,733)
Amortization	2,614	3,078	Acquisition of property, plant and equipment	(198,205)	(299,234)
Expected credit losses	13,224	25,932	Proceeds from disposal of property, plant and equipment	45	9,700
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	186	(103)	Acquisition of intangible assets	(5,608)	(1,465)
Interest expense	65,668	52,226	Acquisition of right-of-use assets	(355,701)	-
Interest income	(70,335)	(37,837)	Net cash provided by (used in) investing activities	<u>(690,969)</u>	<u>(759,746)</u>
Dividends	(27,744)	(17,621)	Cash flows from financing activities:		
Share of profit or loss of associates and joint ventures accounted for under the equity method	1,356	(24,913)	Increase in (repayment of) short-term borrowings	(1,281,608)	(451,849)
Loss (gain) on disposal of property, plant and equipment	1,878	(586)	Issuance of convertible bonds	-	512,995
Loss on inventory valuation	13,224	53,249	Increase (decrease) in guarantee deposits	(925)	35
Unrealized (realized) sales profit	6	(313)	Repayment of lease liabilities principal	(5,819)	(5,624)
Changes in operating assets and liabilities:			Cash dividends	(468,006)	(296,218)
Trade receivables	292,144	(310,233)	Net cash provided by (used in) financing activities	<u>(1,756,358)</u>	<u>(240,661)</u>
Trade receivables-related parties	109,616	(42,244)	Effect of exchange rate changes	<u>(28,879)</u>	<u>191,354</u>
Other receivables	6,825	(3,184)	Net increase (decrease) in cash and cash equivalents	(423,256)	250,559
Other receivables-related parties	(962)	(1,144)	Cash and cash equivalents at beginning of period	<u>1,397,304</u>	<u>1,146,745</u>
Inventories	352,485	129,384	Cash and cash equivalents at end of period	<u><u>\$974,048</u></u>	<u><u>\$1,397,304</u></u>
Prepayments	8,423	8,314			
Other current assets	72,322	(10,769)			
Contract liabilities	29,570	(41,663)			
Trade payables	(178,483)	13,751			
Trade payables-related parties	(12,084)	8,085			
Other payables	(11,827)	42,866			
Other current liabilities	(1,698)	1,610			
Net defined benefit liabilities	(482)	(406)			
Refund liabilities	(307)	2,483			
Cash generated from (used in) operations	<u>2,205,477</u>	<u>1,243,434</u>			
Interest received	72,851	31,942			
Dividends received	45,430	37,389			
Interest paid	(57,767)	(51,352)			
Income tax paid	(213,041)	(201,801)			
Net cash provided by (used in) operating activities	<u>2,052,950</u>	<u>1,059,612</u>			

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2023 and 2022 and for the years then ended

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

1. HISTORY AND ORGANIZATION

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

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

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2023 and 2022 were authorized for issue by the board of directors on February 29, 2024.

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 the Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments and interpretations of initial application has no material impact on the Group.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

- (a) 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.

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

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

- (c) 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(d) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The remaining standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as of 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	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

(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)

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) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(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

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference in 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)

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			2023	2022
The Company	Eurocharm Innovation Co., Ltd. (B.V.I.)	Investment activities	100%	100%
The Company	Eurocharm America LLC.	Trading activities, warehouse and logistic service	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (HK) Co., Ltd.	Trading activities	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Eurocharm Ways Plastics Company Limited.	Plastic dipping and processing	55%	55%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising from the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Group holds the asset primarily for the purpose of trading.
- (c) The Group expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle.
- (b) The Group holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchases or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, considering both factors below:

- A.the Group's business model for managing the financial assets and ;
- B.the contractual cash flow characteristics of the financial asset.

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 measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables, etc., on the balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and ;
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ;
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified measured at amortized cost or measured at fair value through other comprehensive income based on the aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from re-measurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

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 expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

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

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

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

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

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or losses including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – At actual purchase cost, using the weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing of the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorate basis when the Group disposes of the associate or joint venture.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~50 years
Machinery and equipment	2~15 years
Transportation equipment	3~15 years
Office equipment	2~10 years
Other equipment	1~10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10~25 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 8 years).

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

A summary of the policies applied to the Group’s intangible assets is as follows:

	Computer Software	Patents
Useful life	Limited	Limited
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

(18) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

Revenue from sale of goods, sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is motorcycle and auto equipment parts, medical equipment and machine parts and the Group's revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Group's sale of goods is from 15 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the domestic subsidiary is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the domestic subsidiary. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the domestic subsidiary will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(c) Trade receivables-estimation of impairment loss

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash on hand	\$826	\$768
Checking and saving	669,355	561,301
Time deposits matured within three months	303,867	835,235
Total	\$974,048	\$1,397,304

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

	As of December 31,	
	2023	2022
Financial assets at fair value through profit or loss		
Embedded derivatives	\$41	\$292

The embedded derivative financial instruments (the issuer's redemption options) on the bonds payable which amounted to NT\$41 thousand and NT\$292 thousand were recognized as current financial assets at fair value through profit or loss as of December 31, 2023 and 2022.

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

(3) Financial assets measured at amortized cost

	As of December 31,	
	2023	2022
Time deposits	\$509,607	\$543,368
Current	\$382,990	\$528,379
Non-current	126,617	14,989
Total	\$509,607	\$543,368

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(4) Trade receivables and trade receivables-related parties

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

	As of December 31,	
	2023	2022
Trade receivables	\$827,912	\$1,120,056
Less: loss allowance	(55,757)	(43,201)
Subtotal	772,155	1,076,855
Trade receivables from related parties	258,870	368,486
Less: loss allowance	-	-
Subtotal	258,870	368,486
Total	\$1,031,025	\$1,445,341

(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\$1,086,782 thousand and NT\$1,488,542 thousand as of December 31, 2023 and 2022, respectively. Please refer to Note 6 (19) for more details on loss allowance of trade receivables for the years ended December 31, 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)

(5) Inventories

(a) Details of inventories are listed below:

	As of December 31,	
	2023	2022
Raw materials and Supplies	\$239,863	\$480,311
Work in progress	251,765	378,962
Finished goods	246,077	242,847
Merchandises	176	161
Total	\$737,881	\$1,102,281

(b) The cost of inventories recognized in expenses amounted to NT\$5,744,734 thousand and NT\$6,478,423 thousand for the years ended December 31, 2023 and 2022, respectively.

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

	For the year ended December 31,	
	2023	2022
Loss from inventory market decline	\$13,224	\$53,249
Loss in inventory write-off obsolescence	53,594	261,605
Loss (gain) from physical count	14	(103)
Total	\$66,831	\$314,751

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

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

	As of December 31,	
	2023	2022
Equity instruments investments measured at fair value through other comprehensive income - Non-current		
Unlisted companies stocks	\$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 December 2020 and October 2021, Eurocharm Innovation Co., Ltd (B.V.I) participated in Northstar Precision (Vietnam) Company Limited's cash offering proportionately.
- (c) The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income amount to NT\$27,744 thousand and NT17,621 thousand for the years ended December 31, 2023 and 2022, respectively.
- (d) 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%.
- (7) Investments accounted for under the equity method

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

Investee companies	As of December 31,			
	2023		2022	
	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Investments in associates:				
Exedy Vietnam Co., Ltd.	\$80,408	20.00%	\$83,770	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	40,995	45.00%	45,960	45.00%
Shiang Yu Precision Co., Ltd.	27,716	40.00%	31,554	40.00%
Lieh Kwan International Co., Ltd.	17,881	40.00%	21,645	40.00%
Vietnam King Duan Industrial Co., Ltd.	134,338	40.00%	135,830	40.00%
Vietnam Uni-Calsonic Co., Ltd.	28,444	40.00%	6,524	40.00%
PCI International Investment Inc.	54,671	45.00%	58,818	45.00%
Vietnam Lioho Machine Works Co., Ltd.	136,629	30.00%	-	-%
Total	\$521,082		\$384,101	

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 in associates were NT\$521,082 thousand and NT\$384,101 thousand as of December 31, 2023 and 2022, respectively. The aggregate financial information based on the Group's share are as follows:

	For the year ended December 31,	
	2023	2022
Profit from continuing operations	\$(1,356)	\$24,913
Other comprehensive income (loss) (post-tax)	(2,391)	16,146
Total comprehensive income	\$(3,747)	\$41,059

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

As of December 31, 2023 and 2022, the balances of investments accounted for under the equity method amounted to NT\$521,082 thousand and NT\$384,101 thousand, respectively. For the years ended December 31, 2023 and 2022, shares of investment income from these associates and joint ventures amounted to NT\$(1,356) thousand and NT\$24,913 thousand, respectively. For the years ended December 31, 2023 and 2022, share of other comprehensive income from these associates and joint ventures amounted to NT\$(2,391) thousand and NT\$16,146 thousand, respectively.

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

(d) In 2023 and 2022, Vietnam Precision Industrial No.1 Co., Ltd. received a distribution from Exedy Vietnam Co., Ltd. in the amount of NT\$17,686 thousand and NT\$14,217 thousand, respectively, which was accounted for as a reduction to the carrying amount of the investment.

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

In February 2023, the Group participated in Vietnam Uni-Calsonic Co., Ltd.'s cash offering by proportionately and invested NT\$23,448 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 Co., Ltd.. The percentage of ownership was 30%.

(8) Property, plant and equipment

	As of December 31,	
	2023	2022
Owner occupied property, plant and equipment	\$1,994,080	\$2,129,237
Property, plant and equipment leased out under operating leases	-	-
Total	\$1,994,080	\$2,129,237

(a) Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in	Total
							progress and equipment awaiting examination	
Cost:								
As of Jan. 1, 2023	\$52,420	\$662,622	\$2,813,163	\$149,972	\$26,113	\$183,134	\$66,104	\$3,953,528
Additions	-	9,948	95,828	9,903	3,652	14,396	28,505	162,232
Disposals	-	(622)	(48,053)	(873)	(900)	(6,096)	-	(56,544)
Reclassify of Transfers	-	(3,747)	(6,279)	2,615	1,595	246	(7,223)	(12,793)
Exchange differences	-	(6,550)	(31,685)	(1,364)	(227)	(1,737)	(824)	(42,387)
As of Dec. 31, 2023	\$52,420	\$661,651	\$2,822,974	\$160,253	\$30,233	\$189,943	\$86,562	\$4,004,036

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	\$52,420	\$644,713	\$2,341,662	\$124,297	\$23,267	\$158,511	\$47,068	\$3,391,938
Additions	-	1,694	7,444	13,379	2,619	16,676	261,869	303,681
Disposals	-	(117)	(17,179)	(746)	(1,782)	(5,394)	(386)	(25,604)
Reclassify of Transfers	-	(39,635)	243,725	2,652	190	73	(247,512)	(40,507)
Exchange differences	-	55,967	237,511	10,390	1,819	13,268	5,065	324,020
As of Dec. 31, 2022	\$52,420	\$662,622	\$2,813,163	\$149,972	\$26,113	\$183,134	\$66,104	\$3,953,528
Depreciation and impairment:								
As of Jan. 1, 2023	\$-	\$189,324	\$1,379,230	\$87,760	\$16,762	\$151,215	\$-	\$1,824,291
Depreciation	-	33,241	194,637	11,571	3,635	21,674	-	264,758
Disposals	-	(622)	(48,023)	(873)	(900)	(4,203)	-	(54,621)
Exchange differences	-	(2,330)	(19,176)	(996)	(196)	(1,774)	-	(24,472)
As of Dec. 31, 2023	\$-	\$219,613	\$1,506,668	\$97,462	\$19,301	\$166,912	\$-	\$2,009,956
As of Jan. 1, 2022	\$-	\$144,059	\$1,101,321	\$71,959	\$14,239	\$117,638	\$-	\$1,449,216
Depreciation	-	33,122	173,299	10,283	3,168	28,283	-	248,155
Disposals	-	(117)	(8,920)	(746)	(1,782)	(4,925)	-	(16,490)
Transfers	-	(210)	-	-	-	-	-	(210)
Exchange differences	-	12,470	113,530	6,264	1,137	10,219	-	143,620
As of Dec. 31, 2022	\$-	\$189,324	\$1,379,230	\$87,760	\$16,762	\$151,215	\$-	\$1,824,291
Net carrying amount as of:								
Dec. 31, 2023	\$52,420	\$442,038	\$1,316,306	\$62,791	\$10,932	\$23,031	\$86,562	\$1,994,080
Dec. 31, 2022	\$52,420	\$473,298	\$1,433,933	\$62,212	\$9,351	\$31,919	\$66,104	\$2,129,237

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	<u>Machinery and equipment</u>
Cost:	
As of Jan. 1, 2023	\$34,505
Exchange differences	(345)
As of Dec. 31, 2023	<u>\$34,160</u>
As of Jan. 1, 2022	\$31,720
Exchange differences	2,785
As of Dec. 31, 2022	<u>\$34,505</u>
Depreciation and impairment:	
As of Jan. 1, 2023	\$34,505
Exchange differences	(345)
As of Dec. 31, 2023	<u>\$34,160</u>
As of Jan. 1, 2022	\$31,720
Exchange differences	2,785
As of Dec. 31, 2022	<u>\$34,505</u>
Net carrying amount as of:	
Dec. 31, 2023	<u>\$-</u>
Dec. 31, 2022	<u>\$-</u>

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(9) Investment property

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

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2023	\$93,288
Transfers from property, plant and equipment	12,793
Exchange differences	(932)
As of Dec. 31, 2023	<u>\$105,149</u>
As of Jan. 1, 2022	\$48,588
Transfers from property, plant and equipment	40,435
Exchange differences	4,265
As of Dec. 31, 2022	<u>\$93,288</u>
Depreciation and impairment:	
As of Jan. 1, 2023	\$20,291
Depreciation	3,924
Exchange differences	(262)
As of Dec. 31, 2023	<u>\$23,953</u>
As of Jan. 1, 2022	\$14,962
Transfers from property, plant and equipment	210
Depreciation	3,757
Exchange differences	1,362
As of Dec. 31, 2022	<u>\$20,291</u>
Net carrying amount as of:	
Dec. 31, 2023	<u>\$81,196</u>
Dec. 31, 2022	<u>\$72,997</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the year ended December 31,	
	2023	2022
Rental income from investment property	\$50,444	\$37,862
Less: Direct operating expenses from investment property generating rental income	(7,178)	(5,338)
Total	\$43,266	\$32,524

(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 values of investment properties held by the Group's subsidiary were NT\$413,448 thousand and NT\$398,366 thousand as of December 31, 2023 and 2022, respectively. The determination of fair value was performed by an independent appraiser based on a comparative approach and income approach.

(10) Intangible assets

	Computer software
Cost:	
As of Jan. 1, 2023	\$42,214
Additions-acquired separately	5,608
Deduction	(675)
Exchange differences	(412)
As of Dec. 31, 2023	\$46,735
As of Jan. 1, 2022	\$37,720
Additions-acquired separately	1,465
Transfers from property, plant and equipment	72
Deduction	(244)
Exchange differences	3,201
As of Dec. 31, 2022	\$42,214

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	<u>Computer software</u>
Amortization:	
As of Jan. 1, 2023	\$38,573
Amortization	2,614
Deduction	(675)
Exchange differences	(412)
As of Dec. 31, 2023	<u>\$40,100</u>
As of Jan. 1, 2022	\$32,885
Amortization	3,078
Deduction	(244)
Exchange differences	2,854
As of Dec. 31, 2022	<u>\$38,573</u>
Net carrying amount as of:	
Dec. 31, 2023	<u>\$6,635</u>
Dec. 31, 2022	<u>\$3,641</u>

Amortization of intangible assets is as follows:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating costs	\$20	\$32
Sales and marketing expenses	34	36
General and administrative expenses	2,472	2,904
Research and development expenses	88	106
Total	<u>\$2,614</u>	<u>\$3,078</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(11) Other non-current assets

	As of December 31,	
	2023	2022
Advance payments in equipment	\$23,207	\$-
Refundable deposits	336	336
Net defined benefit assets	4,387	3,463
Total	\$27,930	\$3,799

(12) Short-term borrowings

	Interest Rates (%)	As of December 31,	
		2023	2022
Secured bank loans	1.675% ~ 4.9%	\$115,003	\$325,176
Unsecured bank loans	1.1% ~ 6.15%	245,456	1,316,891
Total		\$360,459	\$1,642,067

The Group's unused short-term lines of credits amounted to NT\$2,857,673 thousand and NT\$994,281 thousand as of December 31, 2023 and 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.

(13) Other payables

	As of December 31,	
	2023	2022
Accrued expense	\$340,692	\$352,519
Accrued interest	717	872
Payables on equipment	11,761	24,527
Total	\$353,170	\$377,918

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(14) Bonds payable

A. The details of the bonds payable as of December 31, 2023 and 2022 are as follows:

	As of December 31,	
	2023	2022
Liability component:		
Unsecured domestic bonds payable	\$404,700	\$486,600
Discounts on bonds payable	(10,516)	(21,305)
Total	394,184	465,295
Less: current portion	-	-
Net	\$394,184	\$465,295
Embedded derivative	\$41	\$292
Equity component-conversion right	\$32,395	\$38,951

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

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

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

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (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.
- (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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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\$95,300 thousand have been converted to 647 thousand common shares as of December 31, 2023. The surplus due to the conversion amounted to NT\$85,220 thousand, recorded under additional paid-in capital.

(15) Other non-current liabilities

	As of December 31,	
	2023	2022
Guarantee deposits received	\$7,231	\$8,156
Other non-current liabilities	5,000	5,000
Total	\$12,231	\$13,156

(16) Post-employment benefits

Defined contribution plan

The Group's Taiwan domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group's Taiwan domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group's Taiwan domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$1,436 thousand and NT\$1,654 thousand, respectively.

Defined benefits plan

The Group's Taiwan domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group's Taiwan domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group's Taiwan domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group's Taiwan domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group's Taiwan domestic subsidiaries does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group's Taiwan domestic subsidiaries

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

expects to contribute NT\$646 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

As of December 31, 2023 and 2022, the maturities of the Group's Taiwan domestic subsidiaries defined benefit plan were expected in 2025 and 2024, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current period service costs	\$199	\$229
Net interest of defined benefit	(30)	7
Total	<u>\$169</u>	<u>\$236</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	<u>As of</u>		
	<u>Dec.31, 2023</u>	<u>Dec.31, 2022</u>	<u>Jan.1, 2022</u>
Defined benefit obligation	\$25,882	\$25,666	\$27,525
Plan assets at fair value	<u>(29,623)</u>	<u>(28,488)</u>	<u>(26,308)</u>
Subtotal	(3,741)	(2,822)	1,217
Net defined benefit expected to contribute during the 12 months	(646)	(641)	(698)
Other non-current – net defined benefit liability (assets) on the consolidated balance sheets	<u>\$ (4,387)</u>	<u>\$ (3,463)</u>	<u>\$ 519</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Jan. 1, 2022	\$27,525	\$(26,308)	\$1,217
Current period service costs	229	-	229
Net interest expense (revenue)	144	(137)	7
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	<u>27,898</u>	<u>(26,445)</u>	<u>1,453</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	37	-	37
Actuarial gains and losses arising from changes in financial assumptions	(259)	(2,003)	(2,262)
Experience adjustments	(1,351)	-	(1,351)
Re-measurement on defined benefit assets	-	-	-
Subtotal	<u>(1,573)</u>	<u>(2,003)</u>	<u>(3,576)</u>
Payments from the plan	(659)	659	-
Contributions by employer	-	(699)	(699)
As of Dec. 31, 2022	<u>25,666</u>	<u>(28,488)</u>	<u>(2,822)</u>
Current period service costs	199	-	199
Net interest expense (revenue)	280	(310)	(30)
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	<u>26,145</u>	<u>(28,798)</u>	<u>(2,653)</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	8	(179)	(171)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Experience adjustments	(271)	-	(271)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(263)	(179)	(442)
Payments from the plan	-	-	-
Contributions by employer	-	(646)	(646)
As of Dec. 31, 2023	\$25,882	\$(29,623)	\$(3,741)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2023	2022
Discount rate	1.07%	1.09%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as shown below:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$189	\$-	\$196
Discount rate decrease by 0.5%	211	-	219	-
Future salary increase by 0.5%	210	-	218	-
Future salary decrease by 0.5%	-	190	-	198

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) Equities

(a) Common stock

The Company's authorized capitals were both NT\$900,000 thousand as of December 31, 2023 and 2022, divided into 66,473 thousand and 65,916 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital was NT\$664,729 thousand and NT\$659,163 thousand, respectively. Each share has one voting right and the right to receive dividends.

For the year ended December 31, 2023, the first unsecured convertible bonds in amount of NT\$81,900 thousand were converted into 557 thousand common shares, each at a par value of NT\$10. Total issued stock capital was NT\$5,566 thousand.

(b) Capital surplus

	As of December 31,	
	2023	2022
Additional paid-in capital	\$836,062	\$836,062
Arising from bond conversion	92,849	12,919
Share options	32,395	38,951
Other	720	720
Total	\$962,026	\$888,652

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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

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

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

- i. If there is any profit (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings).
- 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.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

(2) Legal reserve

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(3) Special reserve

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

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

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

(4) The appropriations of earnings for the Year 2023 and 2022 were approved through the board of directors' meeting and Shareholders' meeting held on Feb 29, 2024 and May 31, 2023, respectively. The details of the distributions are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (in NT\$)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve	\$103,329	\$94,493		
Special reserve	57,239	(408,470)		
Common stock – cash dividend(Note)	519,153	468,006	\$7.8	\$7.1
Total	<u>\$679,721</u>	<u>\$154,029</u>		

Note: According to the Articles of Incorporation, the board of directors has approved the appropriation of cash dividends for the year 2023 on February 29, 2024.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The earnings appropriation for the six-month period ended June 30, 2023 was approved through the Board of Director's meeting held on August 8, 2023. The legal reserve set aside was NT\$45,723 thousand.

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

(d) Non-controlling interests

	For the year ended December 31,	
	2023	2022
Beginning balance	\$16,995	\$20,613
Profit (loss) attributable to non-controlling interests	(1,320)	(5,356)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(150)	1,738
Ending balance	<u>\$15,525</u>	<u>\$16,995</u>

(18) Operating revenue

	For the year ended December 31,	
	2023	2022
Revenue from contracts with customer		
Sale of goods	\$7,241,527	\$8,029,127
Revenue arising from rendering of services	25,800	8,227
Total	<u>\$7,267,327</u>	<u>\$8,037,354</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Analysis of revenue from contracts with customers during the year ended December 31, 2023 and 2022, respectively, is as follows:

(a) Disaggregation of revenue

	Single Segment	
	For the year ended December 31,	
	2023	2022
Revenue from contracts with customer		
Sale of goods	\$7,241,527	\$8,029,127
Revenue arising from rendering of services	25,800	8,227
Total	<u>\$7,267,327</u>	<u>\$8,037,354</u>
Timing of revenue recognition:		
At a point in time	<u>\$7,267,327</u>	<u>\$8,037,354</u>

(b) Contract balances

Contract liabilities - current

	As of		
	Dec.31, 2023	Dec.31, 2022	Jan.1, 2022
Sales of goods	<u>\$58,056</u>	<u>\$28,486</u>	<u>\$70,149</u>

For the year ended December 31, 2023, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/ services should be provided afterwards.

For the year ended December 31, 2022, contract liabilities decreased because certain performance obligations embedded in the beginning contract liability were fulfilled and recognized as revenues.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(c) Transaction price allocated to unsatisfied performance obligations

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

(d) Assets recognized from costs to fulfill a contract

None.

(19) Expected credit losses (gains)

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating expenses – Expected credit losses(gains)		
Trade receivables	<u>\$13,224</u>	<u>\$25,932</u>

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 at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2023 and 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 December 31, 2023

Group 1

	Not yet due	Overdue			More than 271 days	Total
		Less than 30 days	31-90 days	91-270 days		
Gross carrying amount	\$570,658	\$72,592	\$24,289	\$6,749	\$-	\$674,288
Loss ratio	1.51%	15.21%	26.06%	100%	100%	
Lifetime expected credit losses	(8,599)	(11,041)	(6,331)	(6,749)	-	(32,720)
Carrying amount of trade receivables	<u>\$562,059</u>	<u>\$61,551</u>	<u>\$17,958</u>	<u>\$-</u>	<u>\$-</u>	<u>\$641,568</u>

Group 2

	Not yet due	Overdue			More than 271 days	Total
		Less than 30 days	31-90 days	91-270 days		
Gross carrying amount	\$318,924	\$59,696	\$33,588	\$286	\$-	\$412,494
Loss ratio	1.78%	17.29%	20.06%	100%	100%	
Lifetime expected credit losses	(5,692)	(10,322)	(6,737)	(286)	-	(23,037)
Carrying amount of trade receivables	<u>\$313,232</u>	<u>\$49,374</u>	<u>\$26,851</u>	<u>\$-</u>	<u>\$-</u>	<u>\$389,457</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)

(b) The movement in the provision for impairment of trade receivables during the year ended December 31, 2023 and 2022 is as follows:

	Trade receivables
As of Jan.1, 2023	\$43,201
Addition for the current period	13,224
Exchange differences	(668)
As of Dec.31, 2023	<u>\$55,757</u>
As of Jan.1, 2022	\$15,662
Addition for the current period	25,932
Exchange differences	1,607
As of Dec.31, 2022	<u>\$43,201</u>

(20) Summary statement of employee benefits, depreciation and amortization by function during the years ended December 31, 2023 and 2022:

	For the year ended December 31,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,095,965	\$216,862	\$1,312,827	\$1,216,499	\$208,631	\$1,425,130
Labor and health insurance	1,083	3,169	4,252	1,209	3,441	4,650
Pension	369	1,236	1,605	443	1,447	1,890
Other employee benefits expense	8,989	5,179	14,168	9,449	5,079	14,528
Depreciation	260,064	24,707	284,771	242,822	24,713	267,535
Amortization	20	2,594	2,614	32	3,046	3,078

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

For the year ended December 31, 2023, the Company recorded the employees' compensation and directors' remuneration in the amount of NT\$40,553 thousand and NT\$12,000 thousand, respectively; while, employees' compensation and directors' remuneration for the year ended December 31, 2022 amounted to NT\$35,613 thousand and NT\$10,300 thousand, respectively. The aforementioned employees' compensation and directors' remuneration were estimated based on post-tax net income of the period and recognized as salary expenses. The number of stocks distributed as employees' compensation, if any, shall be calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$40,553 thousand and NT\$12,000 thousand, respectively, in a meeting held on February 29, 2024. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration and supervisors for the year ended December 31, 2023.

The Company's board of directors' meeting has 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 and supervisors 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)

(21) Non-operating income and expenses

(a) Other incomes

	For the year ended December 31,	
	2023	2022
Interest income		
Financial assets measured at amortized cost	\$70,335	\$37,837
Rental income	50,444	37,862
Dividends income	27,744	17,621
Others	13,874	11,176
Total	\$162,397	\$104,496

(b) Other gains and losses

	For the year ended December 31,	
	2023	2022
Gains/(losses) on disposal of property, plant and equipment	\$(1,878)	\$586
Foreign exchange gains/(losses)	88,046	(15,487)
Gains (losses) on financial assets and liability at fair value through profit or loss	(186)	103
Others	(6,283)	(29,852)
Total	\$79,699	\$(44,650)

(c) Finance costs

	For the year ended December 31,	
	2023	2022
Interest on borrowings from bank	\$57,610	\$47,052
Interest on lease liabilities	164	292
Interest on convertible bonds	7,894	4,882
Total	\$65,668	\$52,226

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(22) Leases

(a) The group as a lessee

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

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

A. Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use assets

	As of December 31,	
	2023	2022
Land	\$642,740	\$300,321
Buildings	2,423	8,075
Total	\$645,163	\$308,396

The additions to the right-of-use assets amounted to NT\$355,701 thousand and NT\$4,693 thousand for the years ended December 31, 2023 and 2022, respectively.

(ii) Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	\$2,502	\$8,163
Current	\$2,502	\$5,635
Non-current	\$-	\$2,528

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Please refer to Note 6(21)(c) for the interest on lease liability recognized during the year ended December 31, 2023 and 2022, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2023 and 2022.

B. Amounts recognized in the statement of profit or loss

The depreciation charge for right-of-use assets

	For the year ended December 31,	
	2023	2022
Buildings (Includes land use right)	\$16,089	\$15,623

C. Income and costs relating to leasing activities

	For the year ended December 31,	
	2023	2022
Short-term leased expense (Rental expense)	\$1,429	\$59

As of December 31, 2023 and 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.

D. Cash outflow relating to leasing activities

During the year ended December 31, 2023 and 2022, the Group's total cash outflow for leases amounted to NT\$7,084 thousand and NT\$5,683 thousand, respectively.

(b) The group as lessor

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Leased income recognized by operating leased		
Fixed leased payment-related income	<u>\$50,444</u>	<u>\$37,682</u>

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

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Not later than one year	<u>\$37,797</u>	<u>\$14,734</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(23) Components of other comprehensive income

	For the year ended December 31, 2023				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$442	\$-	\$442	\$-	\$442
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(54,998)	-	(54,998)	-	(54,998)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(2,391)	-	(2,391)	-	(2,391)
Total of other comprehensive income	<u>\$(56,947)</u>	<u>\$-</u>	<u>\$(56,947)</u>	<u>\$-</u>	<u>\$(56,947)</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the year ended December 31, 2022				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$3,576	\$-	\$3,576	\$-	\$3,576
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	394,062	-	394,062	-	394,062
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	16,146	-	16,146	-	16,146
Total of other comprehensive income	\$413,784	\$-	\$413,784	\$-	\$413,784

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(24) Income tax

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

Income tax expense (income) recognized in profit or loss

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense (income):		
Current income tax charge	\$222,024	\$188,036
Adjustments in respect of current income tax of prior periods	38	(1,460)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	1,500	3,363
Total income tax expense	<u>\$223,562</u>	<u>\$189,939</u>

(b) Income tax relating to components of other comprehensive income:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$-</u>	<u>\$-</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (c) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2023	2022
Accounting profit before tax from continuing operations	<u>\$1,255,087</u>	<u>\$1,125,937</u>
Tax payable at the enacted tax rates	\$217,195	\$180,413
Surtax on undistributed retained earnings	891	483
Tax effect of expenses not deductible for tax purposes	5,438	10,503
Adjustments in respect of current income tax of prior periods	38	(1,460)
Total income tax expense recognized in profit or loss	<u>\$223,562</u>	<u>\$189,939</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(d) Deferred tax assets (liabilities) relate to the following:

	For the year ended December 31, 2023			
	Beginning balance as of Jan. 1, 2023	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2023
Temporary differences				
Unrealized loss on inventory valuation	\$1,333	\$-	\$-	\$1,333
Unrealized exchange loss (gain)	(2,058)	(140)	-	(2,198)
Bonus for unused vacation	207	-	-	207
Revaluation surplus of land	(16,410)	-	-	(16,410)
Expect credit impairment loss	1,360	(1,360)	-	-
Deferred tax income/(expense)		<u>\$(1,500)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$(15,568)</u>			<u>\$(17,068)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$2,900</u>			<u>\$1,540</u>
Deferred tax liabilities	<u>\$(18,468)</u>			<u>\$(18,608)</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	For the year ended December 31, 2022			
	Beginning balance as of Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2022
Temporary differences				
Unrealized loss on inventory valuation	\$1,333	\$-	\$-	\$1,333
Unrealized exchange loss (gain)	2,665	(4,723)	-	(2,058)
Bonus for unused vacation	207	-	-	207
Revaluation surplus of land	(16,410)	-	-	(16,410)
Expect credit impairment loss	-	1,360	-	1,360
Deferred tax income/(expense)		<u>\$(3,363)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$(12,205)</u>			<u>\$(15,568)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$4,205</u>			<u>\$2,900</u>
Deferred tax liabilities	<u>\$(16,410)</u>			<u>\$(18,468)</u>

(e) The assessment of income tax returns

As of December 31, 2023, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	<u>The assessment of income tax returns</u>
Subsidiary- Eurocharm Innovation Co., Ltd.	Assessed and approved up to 2021
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2020

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(25) Earnings per share

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

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.

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$1,032,845</u>	<u>\$941,354</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>66,206</u>	<u>65,863</u>
Basic earnings per share (NT\$)	<u>\$15.60</u>	<u>\$14.29</u>
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,032,845	\$941,354
Interest expense on convertible bonds (in thousand NT\$)	7,894	4,882
Gains on financial assets at fair value through profit or loss	186	(103)
Net income available to common shareholders outstanding after dilution (in thousand shares)	<u>\$1,040,925</u>	<u>\$946,133</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,206	65,863
Effect of dilution:		
Employee bonus – stock (in thousands)	253	241
Convertible bonds (in thousands)	3,190	1,910

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>69,649</u>	<u>68,014</u>
Diluted earnings per share (NT\$)	<u>\$ 14.95</u>	<u>\$13.91</u>

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

(26) Subsidiary that has material non-controlling interests

As of December 31, 2023 and 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:

<u>Name</u>	<u>Country of incorporation and operation</u>	<u>As of December 31,</u>	
		<u>2023</u>	<u>2022</u>
Vietnam Eurocharm Ways Plastics Company Limited.	Vietnam	45%	45%

Accumulated balances of material non-controlling interest:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Vietnam Eurocharm Ways Plastics Company Limited.	<u>\$15,525</u>	<u>\$16,995</u>

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

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Vietnam Eurocharm Ways Plastics Company Limited.	<u>\$(1,320)</u>	<u>\$(5,356)</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The 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 is as follows:

	For the year ended December 31,	
	2023	2022
Operating revenue	\$-	\$125
Profit/loss from continuing operation	(2,933)	(11,902)
Total comprehensive income for the period	(2,933)	(11,902)

Summarized information of financial position is as follows:

	As of December 31,	
	2023	2022
Current assets	\$18,526	\$40,071
Non-current assets	16,251	18,507
Current liabilities	277	20,811
Non-current liabilities	-	-

Summarized information of cash flows is as follows:

	For the year ended December 31,	
	2023	2022
Operating activities	\$9,773	\$7,898
Investing activities	(28,382)	(2,857)
Financing activities	-	(2,068)
Net increase/(decrease) in cash and cash equivalents	(18,609)	2,973

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) Deal with related parties as of the end of the reporting period

Related parties and relation

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

(2) Significant transactions with related parties

(a) Sales

	For the year ended December 31,	
	2023	2022
Associates	\$116,343	\$159,109
Other related party	-	9
Other related party – Northstar Precision (Vietnam) Company Limited	1,758,269	1,888,239
Total	\$1,874,612	\$2,047,357

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(b) Purchases

	For the year ended December 31,	
	2023	2022
Associates	\$287,778	\$275,770
Other related parties	1,547	1,756
Total	\$289,325	\$277,526

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 years ended December 31, 2023 and 2022, the Group was charged by associates for processing and therefore recognized processing expense in the amount of NT\$54,148 thousand and NT\$85,123 thousand, respectively.
- (d) For the years ended December 31, 2023 and 2022, the Group charged associates for processing and therefore recognized processing income in the amount of NT\$24,298 thousand and NT\$5,778 thousand, respectively, which were recorded under the caption of operating revenues.
- (e) For the years ended December 31, 2023 and 2022, the Group charged other related parties for processing and therefore recognized processing income in the amount of NT\$1,502 thousand and NT\$2,449 thousand, respectively, which were recorded under the caption of operating revenues.
- (f) For the years ended December 31, 2023, the Group was charged by associates for repairing and therefore recognized expense in the amount of NT\$415 thousand, which were recorded under operating expenses.

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 year ended December 31, 2022, the Group was charged by other related parties due to product defect and therefore recognized compensation in the amount of NT\$1,449 thousand, which were recorded under non-operating income and expenses-other gain or loss.

(h) For the year ended December 31, 2022, the Group recognized NT\$0 of disposal gain or loss from sale of machine to associates in the amount of NT\$499 thousand.

(i) For the year ended December 31, 2023 and 2022, the Group recognized service fee amounted to NT\$1,813 thousand and NT\$548 thousand, which were recorded under non-operating income, respectively.

(j) Trade receivables from related parties

	As of December 31,	
	2023	2022
Associates	\$8,707	\$14,500
Other related party-Northstar Precision (Vietnam) Company Limited	250,163	353,986
Total	<u>\$258,870</u>	<u>\$368,486</u>

(k) Other receivables - related parties

	As of December 31,	
	2023	2022
Associates	\$2,334	\$1,449
Other related parties	1,357	1,280
Total	<u>\$3,691</u>	<u>\$2,729</u>

(l) Advance payment

	As of December 31,	
	2023	2022
Associates	\$-	\$5,462

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(m) Trade payables to related parties

	As of December 31,	
	2023	2022
Associates	\$26,093	\$38,196
Other related parties	75	56
Total	\$26,168	\$38,252

(n) Operating lease

A. Right-of-use asset

Relationship	Property	As of December 31,	
		2023	2022
Other related party	Buildings	\$-	\$1,900

B. Lease liabilities

Relationship	As of December 31,	
	2023	2022
Other related party	\$-	\$1,910

C. Interest on lease liabilities

Relationship	Property	For the year ended December 31,	
		2023	2022
Other related party	Rent office	\$10	\$31

D. For the year ended December 31, 2023 and 2022, the Group paid other related parties for rent expense every month by cash.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

E. Lease transactions with related parties

Lessee	Lease	Duration	Rental income
<u>For the year ended Dec. 31, 2023</u>			
Associate	Property and plant	Jan. 1, 2022~Dec. 31, 2024	\$38,497
Other related party	Property and plant	Jan. 1, 2023~Dec. 31, 2024	11,947
Total			<u>\$50,444</u>
<u>For the year ended Dec. 31, 2022</u>			
Associate	Property and plant	Jan. 1, 2022~Dec. 31, 2023	\$27,238
Other related party	Property and plant	Jan. 1, 2022~Dec. 31, 2022	10,624
Total			<u>\$37,862</u>

(o) Transactions of assets— Prepaid equipment (Recorded under Non-Current assets)

	As of December 31,	
	2023	2022
Other related parties	\$19,048	\$-

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

	For the year ended December 31,	
	2023	2022
Short-term employee benefits	\$39,489	\$33,410
Post-employment benefits	376	384
Total	<u>\$39,865</u>	<u>\$33,794</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

8. PLEGDED ASSETS

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

Items	Carrying Amount		Secured liabilities
	As of December 31,		
	2023	2022	
Trade receivables	\$128,800	\$130,100	Short-term borrowings
Inventories	128,800	130,100	Short-term borrowings
Property, plant and equipment – land	52,420	52,420	Short-term borrowings
Property, plant and equipment – buildings	338,638	157	Short-term borrowings
Total	\$648,658	\$312,777	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2023, the Group's outstanding contracts relating to purchased property, plant and equipment were as follows (foreign currencies: in thousands):

The nature of the contract	Contract amount	Amount paid	Outstanding balance
Electroplating equipment	USD2,066	USD620	USD1,446

Amount paid were recorded under prepayments for equipment.

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 December 31,	
	2023	2022
Financial assets at fair value through profit or loss financial asset held for trading	\$41	\$292
Financial assets at fair value through other comprehensive income	95,705	95,705
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	973,222	1,396,536
Financial assets measured at amortized cost	509,607	543,368
Trade receivables (includes related parties)	1,031,025	1,445,341
Other receivables (includes related parties)	12,683	21,100
Refundable deposits	336	336
Subtotal	2,526,873	3,406,681
Total	\$2,622,619	\$34,502,678

Financial liabilities

	As of December 31,	
	2023	2022
Financial liabilities at amortized cost:		
Short-term borrowings	\$360,459	\$1,642,067
Trade payables (includes related parties)	726,846	942,161
Leased liabilities (includes related parties)	2,502	8,163
Guarantee deposits received	7,231	8,156
Bonds payable	394,184	465,295
Total	\$1,491,222	\$3,065,842

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the years ended December 31, 2023 and 2022 decreased/increased by NT\$10,539 thousand and increased/decreased by NT\$31,429 thousand, respectively.

When VND is strengthened/weakened against foreign currency USD by 1%, the profit for the years ended December 31, 2023 and 2022 decreased/increased by VND\$8,594,044 thousand and VND\$974,513 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 years ended December 31, 2023 and 2022 to increase/decrease by NT\$424 thousand and decrease/increase by NT\$274 thousand, respectively.

Equity price risk

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(4) Credit risk management

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

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

As of December 31, 2023 and 2022, trade receivables from the top ten customers represent 74.93% and 81.51% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is relatively not significant.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss are purchased based on low credit risk, and the Group makes an assessment on each balance sheet date as to whether the credit risk rises significantly since original recognition and then further determines the method of measuring the loss allowance and the loss rate. As of December 31, 2023 and 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 December 31, 2023</u>			
Short-term borrowings	\$366,053	\$-	\$366,053
Trade and other payables	726,846	-	726,846
Leased Liabilities	2,532	-	2,532
Convertible Bonds	-	404,700	404,700
<u>As of December 31, 2022</u>			
Short-term borrowings	\$1,656,398	\$-	\$1,656,398
Trade and other payables	942,161	-	942,161
Leased Liabilities	5,785	2,557	8,342
Convertible Bonds	-	486,600	486,600

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 year ended December 31, 2023:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bond payables	Total liabilities from financing activities
As of Jan. 1, 2023	\$1,642,067	\$8,156	\$8,163	\$465,295	\$2,123,681
Cash flows	(1,281,608)	(925)	(5,655)	-	(1,288,188)
Non-cash changes	-	-	(6)	(71,111)	(71,117)
As of Dec. 31, 2023	\$360,459	\$7,231	\$2,502	\$394,184	\$764,376

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Bond payables	Total liabilities from financing activities
As of Jan. 1, 2022	\$2,093,916	\$8,121	\$8,462	\$-	\$2,110,499
Cash flows	(451,849)	35	(5,624)	512,995	55,557
Non-cash changes	-	-	5,325	(47,700)	(42,375)
As of Dec. 31, 2022	\$1,642,067	\$8,156	\$8,163	\$465,295	\$2,123,681

(7) Fair values of financial instruments

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

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

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 December 31,	
	2023	2022
Financial liabilities:		
Bonds payable	\$394,184	\$465,295
	Fair value as of December 31,	
	2023	2022
Financial liabilities:		
Bonds payable	\$395,675	\$468,401

(c) Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

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

Embedded derivatives

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

As of December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss-current				
Embedded derivatives	\$-	\$-	\$41	\$41
Equity instrument measured at fair value through other comprehensive income	-	-	95,705	95,705
Total	<u>\$-</u>	<u>\$-</u>	<u>\$95,746</u>	<u>\$95,746</u>

As of December 31, 2022

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(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 the years ended December 31, 2023 and 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, 2022	\$55,705
Acquisition	40,000
As of December. 31, 2022	95,705
Acquisition	-
As of December. 31, 2023	\$95,705

	Assets
	Derivatives financial assets at fair value through profit of 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
	Derivatives financial assets at fair value through profit of loss
As of Jan. 1, 2023	\$292
Acquisition	
Gain or disposal	(65)
Amount recognized in profit or loss (presented in “other gains and losses”	(186)
As of December 31, 2023	\$41

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 December 31, 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
a. Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the extent of lacking marketability, the lower the fair value of the stocks.	Increase (decrease) in the extent for lack of marketability by 10% would result in (decrease) increase in the Group's other comprehensive income by NT\$9,571 thousand.
b. Financial assets measured at fair value through profit or loss					
Embedded derivatives	A binomial tree model for convertible bond pricing	Volatility	18.71%	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\$121 thousand and NT\$(40) 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.

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 December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6(9))	<u>\$-</u>	<u>\$-</u>	<u>\$413,448</u>	<u>\$413,448</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>\$395,675</u>	<u>\$395,675</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(9))	<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>

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 December 31,					
	2023			2022		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$45,706	30.94	\$1,414,156	\$47,203	30.49	\$1,439,294
VND	\$989,415,350	0.001288	\$1,247,367	\$2,013,807,833	0.001301	\$2,620,317
<u>Investments accounted for under the equity method</u>						
VND	\$348,291,902	0.001288	\$448,600	\$233,437,338	0.001301	\$303,702
<u>Financial liabilities</u>						
Monetary items:						
USD	\$15,577	30.76	\$479,143	\$51,321	30.68	\$1,574,592
VND	\$544,034,031	0.001288	\$700,716	\$545,159,483	0.001301	\$709,252

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

The Group's entities' functional currency 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\$88,046 thousand and NT\$(15,487) thousand for the years ended December 31, 2023 and 2022, respectively.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

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 December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- (e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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

(j) Intercompany relationships and significant intercompany transactions for the year ended December 31, 2023: Please refer to Attachment 8.

(2) Information on investees:

(a) Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to Attachment 3.

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

i. Financing provided to others: Please refer to Attachment 1.

ii. Endorsement/Guarantee provided to others: None.

iii. Marketable securities held as of December 31, 2023. (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 4.

iv. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: Please refer to Attachment 5.

v. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

vi. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2023: None.

vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023: Please refer to Attachment 6.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

viii. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023: Please refer to Attachment 7.

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

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

(4) Information of major shareholders:

Name	Shares Number of shares	Percentage of ownership
SEASHORE GROUP LIMITED	24,769,059	37.26%
New General Limited	13,833,217	20.81%
Fubon Life Insurance Company, Ltd.	3,725,000	5.60%

14. OPERATING SEGMENT

(1) 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 to and evaluated the overall performance. Therefore, the Group was aggregated into a single segment.

(2) Geographical information

(a) Revenues from external customers

	For the year ended December 31,	
	2023	2022
Vietnam	\$3,232,031	\$3,837,561
USA	2,511,267	2,407,559
Other	1,524,029	1,792,234
Total	<u>\$7,267,327</u>	<u>\$8,037,354</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) Non-current assets

	As of December 31,	
	2023	2022
Vietnam	\$3,331,076	\$2,844,826
Taiwan	71,627	72,334
Total	\$3,402,703	\$2,917,160

(3) Information about major customers: sales from individual customers represent over 10% of the Group's operating revenues is as below:

	For the year ended December 31,	
	2023	2022
Customer A	\$2,075,292	\$2,278,856
Customer B	1,758,269	1,888,239
Customer C	(Note 1)	836,501

Note 1: This year the customer's sale accounted less than 10% of consolidated net sales, so it was not disclosed.

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NO. (Note1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	Value		
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	Other receivables -related parties	\$320,040	\$61,470	\$-	2.50% ~ 5.20%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,003,184 (Note 2) (Note 3)	\$2,006,368 (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	\$-	-	\$-	\$1,003,184 (Note 2) (Note 3)	\$2,006,368 (Note 2)
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$356,609	\$338,085	\$-	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,003,184 (Note 2) (Note 3)	\$2,006,368 (Note 2)
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd	Other receivables -related parties	\$210,724	\$199,778	\$-	2.50%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$1,155,486 (Note 2) (Note 3)	\$2,310,972 (Note 2)

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

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

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

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

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

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

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No. (Note 1)	Endorser/Guarantor	Guaranteed party		Limit of guarantee/endorsement amount to each guaranteed party (Note3)	Maximum balance for the period Ending balance	Actual draw	Amount of collateral for guarantee/ endorsement	Ratio of accumulated guarantee amount to net assets value per latest financial statements	Maximum guarantee/endorsement amount allowed (Note3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China	
		Relationship (Note2)	Company name										
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	\$2,006,368	\$80,000	\$80,000	\$-	\$-	1.59%	\$2,507,961	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	2	\$2,006,368	\$226,933 (USD 7,000) (Note4)	\$215,145 (USD 7,000) (Note4)	\$-	\$-	4.29%	\$2,507,961	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	\$2,006,368	\$1,167,084 (USD 36,000) (Note4)	\$1,106,460 (USD 36,000) (Note4)	\$-	\$-	22.06%	\$2,507,961	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation(HK) Co., Limited	2	\$2,006,368	\$81,048 (USD 2,500) (Note4)	\$76,838 (USD 2,500) (Note4)	\$-	\$-	1.53%	\$2,507,961	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 December 31, 2023) (Excluding investment in Mainland China)
(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Investor company	Investee company	Address	Main businesses and products	Original Investment Amount		Investments as of Dec. 31, 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Dec. 31, 2023	As of Dec. 31, 2022	Number of shares	Percentage of ownership (%)	Book Value			
Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I.)	British Virgin Islands	Investment holding	\$615,652	\$615,652	19,000,000	100.00%	\$5,777,431 (Note 5)	\$1,104,341	\$1,104,341 (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%	13,540 (Note 5)	6,100	6,100 (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation (TW) Co., Limited.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	207,842 (Note 5)	21,285	23,239 (Note 1) (Note 5)	Sub-subsiary
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%	5,286,284 (Note 3) (Note 5)	1,098,075	1,106,955 (Note 2) (Note 5)	Sub-subsiary
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%	(89,016) (Note 5)	(60,214)	(26,485) (Note 4) (Note 5)	Sub-subsiary
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%	18,976 (Note 5)	(2,933)	(1,613) (Note 5)	Sub-subsiary
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%	40,995	(10,169)	(4,576)	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%	17,881	(9,010)	(3,603)	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%	134,338	(356)	(143)	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%	28,444	(3,931)	(1,573)	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%	54,671	(8,035)	(3,616)	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%	80,408	77,043	15,409	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%	27,716	(8,944)	(3,578)	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Lioho Machine Works Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	USD 4,500	-	-	30.00%	136,629	1,078	324	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT\$21,285 thousand and realized profit on transaction between subsidiaries amounted to NT\$1,954 thousand.
Note 2: Including investment gain recognized under equity method amounted to NT\$1,098,075 thousand and realized profit on transaction between subsidiaries amounted to NT\$8,880 thousand.
Note 3: Holding net equity at the end of the period amount to NT\$5,334,726 thousand minus unrealized profit on transaction between subsidiaries amounted to NT\$48,442 thousand.
Note 4: Including investment loss recognized under equity method amounted to NT\$60,214 thousand and realized profit on transaction between subsidiaries amounted to NT\$33,729 thousand.
Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

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

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Company	Investee company	Relationship	Financial statement account	Investments as of December 31, 2023				Note	Shares as collateral
				Number of shares	Book value	Percentage 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 (Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more for the year ended December 31, 2023)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Purchase (sales) company	Type and name of securities (Note 1)	Financial statement account	Counter-party (Note 2)	Relationship (Note 2)	Beginning balance		Addition (Note 3)		Disposal (Note 3)			Ending balance		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	Gain (Loss) from disposal	Number of shares	Amount (Note 5)
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Lioho Machine Works Co., Ltd.	Investments accounted for under the equity method	Not applicable	Other related party	-	\$-	-	\$141,813	-	\$-	\$-	\$-	-	\$136,629

Note 1 : Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related securities of the above items.

Note 2 : Investors who use the equity method in their securities accounts are required to fill in these two fields.

Note 3 : The cumulative purchase and sale amount should be calculated separately according to the market price, whether it reaches 300 million yuan or 20% of the paid-up capital.

Note 4 : The amount of paid-up capital refers to the paid-up capital of the parent company. If the stock has no par value or the denomination per share is not NT\$10,

the transaction amount of 20% of the paid-up capital is required to be calculated in 10% of the equity attributable to the owners of the parent company in the balance sheet.

Note 5 : It is composed of NT\$324 thousand in a share of profit of associates and joint ventures accounted for under the equity method and a balance of NT\$(5,088) thousand in a share of other comprehensive income of associates and joint ventures accounted for under the equity method.

ATTACHMENT 6 (Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2023)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Purchase (sales) company	Related party	Relationship	Purchases (Sales)	Transactions			Details of non-arm's length transaction		Notes and trade receivables (payable)		
				Amount	Percentage of total purchases (sales) (%)	Term	Unit Price	Term	Balance	Percentage of total balances (%)	Note
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a sub-subsidiary under the company's control	Sales	\$241,981	82.94%	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 \$22,312	78.41%	1
Eurocharm America LLC.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a sub-subsidiary under the company's control	Purchase	\$309,426	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 \$153,249	100.00%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	\$1,758,623	24.54%	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 \$249,974	21.05%	
Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam King Duan Industrial Co., Ltd.	Other related party	Purchase	\$273,852	7.06%	30 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 30~90 days after monthly closing	Trade payables \$22,652	6.77%	

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

ATTACHMENT 7 (Receivables from related of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2023)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Company Name	Related Party	Relationships	Ending Balance	Turnover 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>\$249,974</u>	<u>5.83</u>	<u>\$-</u>	-	<u>\$93,503</u>	<u>\$-</u>	
Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	Sub-subsidiary	<u>\$153,249</u>	<u>2.55</u>	<u>\$-</u>	-	<u>\$71,147</u>	<u>\$-</u>	

ATTACHMENT 8 (Intercompany relationships and significant intercompany transactions for the year ended December 31, 2023)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
	<u>2023.01.01~2023.12.31</u>						
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I)	1	Interest incomes	\$2,923	-	0.04%
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	2,582	-	0.04%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Other receivables	42,917	In accordance with contract	0.64%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	1	Other incomes	74,928	In accordance with contract	1.03%
1	Eurocharm Innovation Co., Ltd. (B.V.I)	Vietnam Precision Industrial No.1 Co., Ltd.	1	Interest incomes	1,865	-	0.03%
2	Eurocharm Innovation Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	241,981	30 days after monthly closing	3.33%
2	Eurocharm Innovation Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	22,312	30 days after monthly closing	0.33%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	62,287	30 days after monthly closing	0.86%
3	Eurocharm Innovation (HK) Co., Limited	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade Receivables	2,151	30 days after monthly closing	0.03%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm Innovation (HK) Co., Limited	3	Prepayments for Equipment	39,689	In accordance with contract	0.59%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam Eurocharm Ways Plastics Company Limited.	3	Other receivables	18	30 days after monthly closing	-%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Sales	309,426	60~90 days after monthly closing	4.26%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm America LLC.	3	Trade Receivables	153,249	60~90 days after monthly closing	2.27%

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.