

Eastech Holding Limited and Subsidiaries
(Formerly Known as Eastern Technologies Holding Limited)

Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report

Notice to Readers

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Eastech Holding Limited (formerly known as Eastern Technologies Holding Limited)

Introduction

We have reviewed the accompanying consolidated balance sheets of Eastech Holding Limited, formerly known as Eastern Technologies Holding Limited ("Eastech") and its subsidiaries (collectively, the "Group") as of March 31, 2020 and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended March 31, 2020 and 2019, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Accounting Standards 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2020 and 2019 in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Chin-Chuan Shih and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 7, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 review such consolidated financial statements are those generally applied in the Republic of China.

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2020		December 31, 2019	
	(Reviewed)		(Audited)	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,391,996	28	\$ 1,400,462	26
Financial assets at fair value through profit or loss (Note 7)	83	-	162	-
Notes and accounts receivable, net (Notes 8, 18 and 22)	992,067	20	1,679,588	32
Inventories (Notes 10 and 22)	985,110	20	652,064	12
Restricted assets (Notes 6 and 22)	29,868	1	29,178	1
Income tax refund recoverable	394	-	3,152	-
Other receivables and prepayments (Note 9)	<u>308,370</u>	<u>6</u>	<u>266,642</u>	<u>5</u>
Total current assets	<u>3,707,888</u>	<u>75</u>	<u>4,031,248</u>	<u>76</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	83,496	2	83,496	2
Property, plant and equipment (Notes 11 and 22)	724,306	14	751,071	14
Right-of-use assets (Note 12)	180,588	4	181,982	3
Intangible assets (Notes 13 and 22)	248,033	5	245,175	5
Deferred tax assets (Notes 4 and 19)	<u>13,076</u>	<u>-</u>	<u>12,511</u>	<u>-</u>
Total non-current assets	<u>1,249,499</u>	<u>25</u>	<u>1,274,235</u>	<u>24</u>
TOTAL	<u>\$ 4,957,387</u>	<u>100</u>	<u>\$ 5,305,483</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 14)	\$ 729,026	15	\$ 513,056	10
Notes and accounts payable (Note 15)	1,751,750	35	2,060,438	39
Lease liabilities - current (Note 12)	24,385	1	24,475	1
Current tax liabilities (Notes 4 and 19)	21,095	-	21,026	-
Other payables (Note 15)	<u>599,028</u>	<u>12</u>	<u>541,023</u>	<u>10</u>
Total current liabilities	<u>3,125,284</u>	<u>63</u>	<u>3,160,018</u>	<u>60</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Note 12)	48,399	1	48,256	1
Long-term bank borrowings (Note 14)	87,716	2	103,657	2
Deferred tax liabilities (Notes 4 and 19)	117,070	2	118,186	2
Other payable - non-current	<u>4,744</u>	<u>-</u>	<u>2,951</u>	<u>-</u>
Total non-current liabilities	<u>257,929</u>	<u>5</u>	<u>273,050</u>	<u>5</u>
Total liabilities	<u>3,383,213</u>	<u>68</u>	<u>3,433,068</u>	<u>65</u>
EQUITY (Note 17)				
Share capital - common stock	614,580	13	615,040	12
Capital surplus	763,080	15	759,962	14
Treasury shares	(24,019)	-	(24,019)	(1)
Exchange differences on translating foreign operations	(188,308)	(4)	(178,006)	(3)
Employee unearned benefits	(6,767)	-	(8,801)	-
Unrealized losses on financial assets at fair value through other comprehensive income	(29,950)	(1)	(29,950)	(1)
Retained earnings				
Legal reserve	56,989	1	56,989	1
Unappropriated earnings	<u>388,569</u>	<u>8</u>	<u>681,200</u>	<u>13</u>
Total equity	<u>1,574,174</u>	<u>32</u>	<u>1,872,415</u>	<u>35</u>
TOTAL	<u>\$ 4,957,387</u>	<u>100</u>	<u>\$ 5,305,483</u>	<u>100</u>

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Note 18)	\$ 1,158,099	100	\$ 2,209,965	100
COST OF REVENUE (Note 10)	<u>1,140,787</u>	<u>98</u>	<u>1,937,793</u>	<u>88</u>
GROSS PROFIT	<u>17,312</u>	<u>2</u>	<u>272,172</u>	<u>12</u>
OPERATING EXPENSES				
Selling and distribution	47,734	4	41,260	2
General and administrative (Note 8)	<u>237,956</u>	<u>21</u>	<u>166,272</u>	<u>7</u>
Total operating expenses	<u>285,690</u>	<u>25</u>	<u>207,532</u>	<u>9</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(268,378)</u>	<u>(23)</u>	<u>64,640</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 18)	25,141	2	10,126	-
Foreign exchange loss, net (Note 24)	(12,873)	(1)	(26,087)	(1)
Finance costs (Note 18)	(5,861)	-	(9,396)	-
Other losses (Note 18)	<u>(191)</u>	<u>-</u>	<u>(4,619)</u>	<u>-</u>
Total non-operating income and expense	<u>6,216</u>	<u>1</u>	<u>(29,976)</u>	<u>(1)</u>
(LOSS) PROFIT BEFORE INCOME TAX	(262,162)	(22)	34,664	2
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 19)	<u>874</u>	<u>-</u>	<u>(10,738)</u>	<u>(1)</u>
NET (LOSS) PROFIT FOR THE PERIOD	<u>(261,288)</u>	<u>(22)</u>	<u>23,926</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(10,302)</u>	<u>(1)</u>	<u>57,813</u>	<u>3</u>
	<u>(10,302)</u>	<u>(1)</u>	<u>57,813</u>	<u>3</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (271,590)</u>	<u>(23)</u>	<u>\$ 81,739</u>	<u>4</u>

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
(LOSS) EARNINGS PER SHARE (Note 21)				
Basic (loss) earnings per share after income tax	\$ (4.28)		\$ 0.39	
Diluted (loss) earnings per share after income tax	NA		\$ 0.39	

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefits	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings		Total Equity
							Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2019	\$ 616,060	\$ 751,962	\$ (24,019)	\$ (113,524)	\$ (18,396)	\$ (29,950)	\$ 54,382	\$ 455,652	\$ 1,692,167
Cancellation of restricted shares for employees	(270)	(552)	-	-	822	-	-	-	-
Restricted shares plan for employees	-	-	-	-	2,261	-	-	-	2,261
Compensation costs of employee stock options	-	582	-	-	-	-	-	-	582
Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	-	23,926	23,926
Other comprehensive income for the three months ended March 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,813</u>
Total comprehensive income for the three months ended March 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,926</u>	<u>81,739</u>
BALANCE AT MARCH 31, 2019	<u>\$ 615,790</u>	<u>\$ 751,992</u>	<u>\$ (24,019)</u>	<u>\$ (55,711)</u>	<u>\$ (15,313)</u>	<u>\$ (29,950)</u>	<u>\$ 54,382</u>	<u>\$ 479,578</u>	<u>\$ 1,776,749</u>
BALANCE AT JANUARY 1, 2020	\$ 615,040	\$ 759,962	\$ (24,019)	\$ (178,006)	\$ (8,801)	\$ (29,950)	\$ 56,989	\$ 681,200	\$ 1,872,415
Appropriation of 2019 earnings Cash dividends	-	-	-	-	-	-	-	(31,343)	(31,343)
Cancellation of restricted shares for employees	(460)	(934)	-	-	1,394	-	-	-	-
Restricted shares plan for employees	-	-	-	-	640	-	-	-	640
Compensation costs of employee stock options	-	4,052	-	-	-	-	-	-	4,052
Net loss for the three months ended March 31, 2020	-	-	-	-	-	-	-	(261,288)	(261,288)
Other comprehensive loss for the three months ended March 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,302)</u>
Total comprehensive loss for the three months ended March 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,288)</u>	<u>(271,590)</u>
BALANCE AT MARCH 31, 2020	<u>\$ 614,580</u>	<u>\$ 763,080</u>	<u>\$ (24,019)</u>	<u>\$ (188,308)</u>	<u>\$ (6,767)</u>	<u>\$ (29,950)</u>	<u>\$ 56,989</u>	<u>\$ 388,569</u>	<u>\$ 1,574,174</u>

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (262,162)	\$ 34,664
Adjustments for:		
Amortization - other intangible assets	14,685	16,252
Allowance for inventories provision and inventories write-off	4,684	28,996
Depreciation expenses of property, plant and equipment	38,451	41,814
Depreciation expenses of right-of-use assets	7,782	7,841
Loss on disposal of property, plant and equipment	46	1,609
Loss on written off other intangible assets	-	432
Interest expense	5,861	9,396
Interest income	(873)	(1,409)
Compensation costs of employees restricted shares	640	2,261
Compensation costs of employee stock options	4,052	582
Provision for impairment loss on bad debt	47,108	-
Loss on fair value changes of financial instruments at fair value through profit or loss	79	2,881
Operating cash flows before working capital changes	(139,647)	145,319
Changes in operating assets and liabilities		
Notes and accounts receivable	640,413	209,167
Other receivables and prepayments	(41,728)	(46,355)
Inventories	(337,732)	(106,023)
Notes and accounts payable and other payables	(280,232)	44,938
Net defined benefit liabilities	-	341
Cash (used in) generated from operations	(158,926)	247,387
Interest paid	(5,861)	(8,450)
Interest received	873	1,409
Income tax refund (paid)	3,440	(23,321)
Net cash (used in) generated from operating activities	(160,474)	217,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquiring property, plant and equipment	(23,136)	(14,521)
Payments for acquiring right-of-use assets	-	(54,808)
Increase in other intangible assets	(16,198)	(14,941)
Increase in restricted assets	(688)	(39)
Proceeds from disposal of property, plant and equipment	1,346	581
Net cash used in investing activities	(38,676)	(83,728)

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	\$ 1,142,206	\$ 1,746,946
Repayments of bank borrowings	(942,902)	(1,863,662)
Repayments of the principal portion of lease liabilities	<u>(6,725)</u>	<u>(7,545)</u>
Net cash generated from (used in) financing activities	<u>192,579</u>	<u>(124,261)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(1,895)</u>	<u>47,805</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,466)	56,841
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,400,462</u>	<u>876,643</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,391,996</u>	<u>\$ 933,484</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:		
Cash and bank deposits	\$ 1,421,864	\$ 954,631
Pledge deposits	<u>(29,868)</u>	<u>(21,147)</u>
Cash and cash equivalents	<u>\$ 1,391,996</u>	<u>\$ 933,484</u>

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Eastech Holding Limited (formerly known as Eastern Technologies Holding Limited) (the “Company”) is an investment holding company incorporated in Cayman Islands on February 1, 2011.

The Company was set up to acquire Eastern Asia Technology (HK) Limited (the “EAH”) and its subsidiaries (the “EAH Group”) and to list on the Taiwan Stock Exchange. EAH Group was originally a subsidiary under Eastern Asia Technology Limited (the “EATL”, a company formerly listed on Singapore Stock Exchange and delisted in February 2011) and was principally engaged in the production and sales of speaker systems and headphones. Through restructuring, the Company acquired 100% interests in EAH Group from EATL with a consideration determined based on the carrying amount of EAH Group as at March 31, 2011. After the acquisition, the Company (as EAH Group) applied primary listing on the Taiwan Stock Exchange, and the shares of the Company commenced trading on the Taiwan Stock Exchange from November 5, 2012.

For the integration between the speaker systems and 3C electronic appliances to boost the sales, EAH acquired 99.98% interests in Eastech Electronics (Taiwan) Inc. (“ETT”) and its subsidiaries (“ETT Group”) from Luster Green Limited in January 2015. The principal activities of ETT Group are to design, production and sales of smart speakers and audio/video (“AV”) electronics home entertainment systems.

In order to maximize the allocation and to diffuse the risk of cost inflation and tariff on the current main production base, EAH established a wholly-owned subsidiary - Eastech (VN) Company Limited in Vietnam, as second production base, with the registered capital of US\$3.5 million on January 25, 2019.

In order to expand the sales of headphones, EAH established a wholly-owned subsidiary - Eastech Microacoustics (HK) Limited, with the registered capital of HK\$100,000 on August 30, 2019.

The Company’s and its subsidiaries (collectively as the “Group”) principal places of operation are located in Hong Kong and Huizhou, Guangdong Province, China.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 7, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Standards and interpretations effective for the year

The Group has adopted all new, revised and amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) issued into effect after fiscal year beginning on January 1, 2020. Except for the following, whenever applied, the initial application of the amendments to the IFRSs issued into effect would not have any material impact on the Group’s consolidated financial statements for the three months ended March 31, 2020.

b. Standards and interpretations issued but not yet effective

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) and Rule No. 10200546801 issued by the Financial Supervisory Commission (the “FSC”). Moreover, the IFRSs applicable to these consolidated financial statements have no difference with the IFRS, IAS, interpretations as well as related guidance translated by Accounting Research and Development Foundation (ARDF) endorsed by the FSC with the effective dates (collectively, “Taiwan-IFRSs”).

b. Basis of preparation

- 1) The basis of consolidated financial statements are consistent with those applied in the consolidated financial statement for the year ended December 31, 2019.
- 2) The consolidated financial statements had been originally presented in the functional currency of the Company - i.e. HKD. Relevant NTD amounts are presented by translating from HKD according to the IAS 21. The assets and liabilities items are translated using exchange rates prevailing at the end of each reporting period. However, considering the effectiveness of the Group's finance management, the function of the Company has changed to be responsible for the plans of the Group's financing activities which is conducted in Taiwan and be also denominated in NTD. In response to this change, the Company decided to change its functional currency from HKD to NTD and this change is accounted for on a prospective basis beginning from January 1, 2020.

- 3) Pursuant to the above basis of preparation of the consolidated financial statements, the detail information of the subsidiaries was as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			March 31, 2020	December 31, 2019	
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and headphones	100.00	100.00	The Company acquired EAH 100% ownership interest on March 31, 2011 and thereby obtained 100% controlling power over EAH and its subsidiaries.
EAH	Eastech Systems (Huiyang) Co., Ltd. ("ESHY")	Production and sales of speaker systems	100.00	100.00	"
EAH	Eastech (Huiyang) Co., Ltd. ("EAHY")	Production, assembly and sales of speaker systems and accessories	100.00	100.00	"
EAH	Eastech Microacoustics (Huiyang) Co., Ltd. ("EMHY")	Production and sales of headphones	100.00	100.00	"
EAH	Shenzhen MaliMaliBox Trading Corporation Limited ("MMSZ")	Import and export trading of audio and headphones products, machinery and equipment	100.00	100.00	MMSZ was established by EAH on November 13, 2013.
EAH	Scan-Speak A/S ("ScS")	Research, production and sales of high-end speakers	100.00	100.00	EAH acquired ScS 100% ownership interest on April 1, 2014.
EAH	Eastech (VN) Company Limited ("EAVN")	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones	100.00	100.00	EAVN was established by EAH on January 25, 2019.
EAH	Eastech (SG) Pte. Ltd. ("ESG")	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology Sales of speakers and AV electronics home entertainment systems, smart speakers and headphones	100.00	100.00	ESG was established by ETH in October 2017 and was transferred 100% ownership from ETH to EAH in July 2019.
EAH	Eastech Microacoustics (HK) Limited ("EMH")	Sales of headphones and AV products	100.00	100.00	EMH was established by EAH on August 30, 2019.
EAH	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of smart speaker and AV electronics home entertainment systems	99.98	99.98	As mentioned in Note 1, EAH acquired ETT 99.98% ownership interest in January 2015, and thereby acquired its 100% owned subsidiaries, ETH and ETHY.
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speaker and AV electronics home entertainment systems	100.00	100.00	"
ETH	Eastech Electronics (Huiyang) Co., Ltd. ("ETHY")	Production and sales of smart speaker and AV electronics home entertainment systems	100.00	100.00	"

c. Other significant accounting policies

Except for the following, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

3) Explanatory about the seasonality of interim operations

The Group's majority of clients are internationally renowned audio-visual brand enterprises. In line with the relevant European and American customers' Christmas holiday sales, the Group's production and sales is focus on the third quarter of the year to make sure stock availability before Christmas holiday. The first half of the year is typically the case of the off-season operation; therefore, the Group has a seasonal cycle of operations.

d. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. Historical cost is usually determined by the fair value of the consideration paid upon obtaining of the assets.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates and assumptions have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2019. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Cash on hand	\$ 4,957	\$ 829
Cash at bank	1,387,039	1,399,633
Fixed deposits	<u>29,868</u>	<u>29,178</u>
	1,421,864	1,429,640
Less: Pledged deposits	<u>(29,868)</u>	<u>(29,178)</u>
	<u>\$ 1,391,996</u>	<u>\$ 1,400,462</u>

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 22), and is recognized under restricted assets.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
<u>Financial assets - current</u>		
Non-derivative financial assets		
Foreign-listed stocks	\$ <u>83</u>	\$ <u>162</u>
<u>Financial assets non - current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted stocks	\$ <u>83,496</u>	\$ <u>83,496</u>

8. NOTES AND ACCOUNTS RECEIVABLE

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Notes receivable	\$ 4,382	\$ 6,524
Accounts receivable	1,047,169	1,688,612
Less: Allowance for impairment loss	<u>(59,484)</u>	<u>(15,548)</u>
	\$ <u>992,067</u>	\$ <u>1,679,588</u>

The Group's average credit period of sales of goods was 108 days (66 days in 2019). No interest was charged on notes and accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs (excluding notes and accounts receivable that recognizes loss allowance at full amount). The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position and adjusted for general economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off the notes and accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the notes and accounts receivable are over 180 days past due, whichever occurs earlier.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

March 31, 2020

	Not Past Due	1 to 180 Days	181 to 365 Days	Over one year	Total
Gross carrying amount	\$ 870,936	\$ 121,131	\$ 47,137	\$ 12,347	\$ 1,051,551
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(47,137)</u>	<u>(12,347)</u>	<u>(59,484)</u>
Amortized cost	<u>\$ 870,936</u>	<u>\$ 121,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992,067</u>

December 31, 2019

	Not Past Due	1 to 180 Days	181 to 365 Days	Over one year	Total
Gross carrying amount	\$ 1,552,459	\$ 127,129	\$ -	\$ 15,548	\$ 1,695,136
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,548)</u>	<u>(15,548)</u>
Amortized cost	<u>\$ 1,552,459</u>	<u>\$ 127,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,679,588</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	For the Three Months Ended March 31, 2020 (Reviewed)	For the Year Ended December 31, 2019 (Audited)
Balance at the beginning of the period	\$ 15,548	\$ 12,373
Add: Impairment losses recognized	47,108	3,301
Less: Amounts recovered	(3,243)	-
Effect of foreign currency exchange differences	<u>71</u>	<u>(126)</u>
Balance at the end of the period	<u>\$ 59,484</u>	<u>\$ 15,548</u>

The notes and accounts receivable (with recourse) pledged as collateral for bank borrowings are set out in Notes 22 and 24 (h).

9. OTHER RECEIVABLES AND PREPAYMENTS

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Other receivables	\$ 160,091	\$ 160,177
Allowance for impairment loss	<u>(76,350)</u>	<u>(75,645)</u>
Other receivables, net	83,741	84,532
Prepayments for purchases	35,431	20,644
Prepayments	28,741	26,632
Prepayments for purchases of equipment and mold	12,768	11,647
Value-added tax recoverable and refundable	132,178	107,859
Guarantee deposits	<u>15,511</u>	<u>15,328</u>
	<u>\$ 308,370</u>	<u>\$ 266,642</u>

Other receivables of the Group mainly consist of the followings:

- a. Other receivables relating to litigations (including guarantee deposits) as described in Note 23 (a) were as follows:

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Other receivables (including security deposits)	\$ 86,825	\$ 89,984
Less: Allowance for impairment loss	<u>(76,350)</u>	<u>(75,644)</u>
	<u>\$ 10,475</u>	<u>\$ 14,340</u>

- b. As of March 31, 2020 and December 31, 2019, the amounts of temporary payments as described in Note 15 (b) were \$33,883 thousand and \$30,181 thousand, respectively.

10. INVENTORIES

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Raw materials	\$ 497,546	\$ 303,891
Work-in-process	388,940	228,070
Finished goods	75,986	81,311
Goods in transit	<u>22,638</u>	<u>38,792</u>
	<u>\$ 985,110</u>	<u>\$ 652,064</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 and 2019 was \$1,140,787 thousand and \$1,937,793 thousand, respectively, which included \$4,684 thousand and \$28,996 thousand, allowance for inventories provision and inventories write-off, respectively.

The inventories pledged as collateral for bank borrowing are set out in Note 22.

11. PROPERTY, PLANT AND EQUIPMENT

- a. Details of property, plant and equipment were as follows:

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Cost	\$ 1,775,423	\$ 1,779,649
Accumulated depreciation and impairment	<u>(1,051,117)</u>	<u>(1,028,578)</u>
Carrying amount	<u>\$ 724,306</u>	<u>\$ 751,071</u>
Land and buildings	\$ 152,693	\$ 92,102
Machinery and office equipment	564,426	551,362
Property under construction	<u>7,187</u>	<u>107,607</u>
Carrying amount	<u>\$ 724,306</u>	<u>\$ 751,071</u>

- b. Changes in real estate, plant and equipment are as follows:

	Land and Buildings	Machinery and Office Equipment	Property under Construction	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 474,461	\$ 1,333,732	\$ 3,501	\$ 1,811,694
Additions	414	105,328	111,662	217,404
Disposals	(1,469)	(147,583)	(1,339)	(150,391)
Reclassification	-	3,596	(3,596)	-
Effect of exchange rate change	<u>(21,773)</u>	<u>(74,664)</u>	<u>(2,621)</u>	<u>(99,058)</u>
Balance at December 31, 2019	451,633	1,220,409	107,607	1,779,649
Additions	4,753	14,626	3,757	23,136
Disposals	-	(2,874)	(1,345)	(4,219)
Reclassification	65,962	33,724	(103,162)	(3,476)
Effect of exchange rate change	<u>(5,209)</u>	<u>(14,788)</u>	<u>330</u>	<u>(19,667)</u>
Balance at March 31, 2020	<u>\$ 517,139</u>	<u>\$ 1,251,097</u>	<u>\$ 7,187</u>	<u>\$ 1,775,423</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2019	\$ 342,990	\$ 725,148	\$ -	\$ 1,068,138
Depreciation	37,697	120,721	-	158,418
Disposals	(1,308)	(135,936)	-	(137,244)
Effect of exchange rate change	<u>(19,848)</u>	<u>(40,886)</u>	<u>-</u>	<u>(60,734)</u>
Balance at December 31, 2019	359,531	669,047	-	1,028,578
Depreciation	9,464	28,987	-	38,451
Disposals	-	(2,827)	-	(2,827)
Effect of exchange rate change	<u>(4,549)</u>	<u>(8,536)</u>	<u>-</u>	<u>(13,085)</u>
Balance at March 31, 2020	<u>\$ 364,446</u>	<u>\$ 686,671</u>	<u>\$ -</u>	<u>\$ 1,051,117</u>

For the shutdown effect from the coronavirus pandemic, the management has conducted an impairment test. Since the sales orders from main customers are still existed and shipments are just deferred, hence, the recoverable amount is still higher than net book value based on the aforementioned test result. No impairment loss is recognized accordingly.

The management assessed that there was no indication of impairment for the year ended December 31, 2019.

- c. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land and buildings	Buildings in Mainland China were 20 years, buildings in Hong Kong and Taiwan were 40 years; and building improvements were depreciated over 2 to 10 years.
Machinery equipment	5 to 10 years
Office equipment	1 to 10 years

- d. Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 22.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
<u>Carrying amounts</u>		
Land and buildings	\$ 175,994	\$ 176,747
Machinery and office equipment	<u>4,594</u>	<u>5,235</u>
	<u>\$ 180,588</u>	<u>\$ 181,982</u>
	For the Three Months Ended March 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 7,342</u>	<u>\$ 57,772</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 7,155	\$ 7,189
Machinery and office equipment	<u>627</u>	<u>652</u>
	<u>\$ 7,782</u>	<u>\$ 7,841</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2020 and for the year ended December 31, 2019.

b. Lease liabilities

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
<u>Carrying amounts</u>		
Current	\$ 24,385	\$ 24,475
Non-current	<u>48,399</u>	<u>48,256</u>
	<u>\$ 72,784</u>	<u>\$ 72,731</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Land and buildings	3.73%-4.63%	3.73%-4.63%
Machinery and office equipment	3.73%-4.63%	3.73%-4.63%

c. Material lease-in activities and terms

The Group leases lands, office, and other operating assets for the operations and manufacturing purpose. The Group does not have bargain purchase options to acquire the leased assets at the end of the lease terms. In addition, since land use right in respect of lands at the PRC and Vietnam were obtained by way of lease as they could not be directly acquired subject to restrictions of laws, the Group's land use rights in the PRC and Vietnam have been paid in full at the inception of the lease. The details of land use right held by the Group were as follows:

March 31, 2020 and December 31, 2019

Company Name	Location	Description	Tenure/Unexpired Term
EAHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land (land use right is recognized under right-of-use assets)	Lease for term of 50 years from December 14, 1995 to December 13, 2045
ETHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC	6 factory buildings and 2 dormitories built on a 365,976 sq. ft. land (land use right is recognized under right-of-use assets)	Lease for a term of 50 years from December 6, 2000 to December 6, 2050
		1 factory building and 2 dormitories built on a 134,947 sq. ft. land (land use right is recognized under right-of-use assets)	Lease for a term of 50 years from June 19, 2002 to June 19, 2052
EAVN	B2-4, Cong Hou Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	41,227.5 sq. ft. land (the land use right is recognized under right-of-use assets)	Lease for a term of 40 years from January 2019 to April 2058

d. Other lease information

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Expenses relating to short-term leases	<u>\$ 12,914</u>	<u>\$ 9,910</u>
Total cash outflow for leases	<u>\$ (20,468)</u>	<u>\$ (72,260)</u>

The Group leases certain motor vehicles, employee dormitories and etc. which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Goodwill	\$ 110,358	\$ 110,809
Technical knowledge (including capitalized costs of R&D)	125,781	121,045
Customer relationship	<u>11,894</u>	<u>13,321</u>
	<u>\$ 248,033</u>	<u>\$ 245,175</u>

- a. Details of goodwill were as follows:

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Related to ScS	\$ 98,531	\$ 98,880
Related to EMHY	<u>11,827</u>	<u>11,929</u>
	<u>\$ 110,358</u>	<u>\$ 110,809</u>

- b. Intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful lives as follow:

Technical acknowledge (including capitalized costs at development stage)	2-15 years
Customer relationship	9 years

The intangible assets pledged as collateral for bank borrowing are set out in Note 22.

14. BANK BORROWINGS

- a. Short-term bank borrowings

	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Factoring	3.36%-6.45%	\$ 7,353	4.07%-7.35%	\$ 10,590
Bank borrowings	1.5%-4.05%	625,800	1.75%-4.5%	450,445
Commercial paper	2.14%	30,000	1.99%	10,000
Long-term borrowings due within 1 year	2.6%-4.63%	<u>23,678</u>	2.6%-4.63%	<u>39,872</u>
		<u>686,831</u>		<u>510,907</u>
<u>Unsecured borrowings</u>				
Bank borrowings	4.2%	<u>42,195</u>	4.79%	<u>2,149</u>
		<u>\$ 729,026</u>		<u>\$ 513,056</u>

The above amounts represent revolving facility (for operating capital demand) of bank loan, commercial paper and current portion of long-term bank borrowings.

Outstanding short-term commercial paper was as follow:

March 31, 2020

Promissory Institution	Nominal Amount (NT\$)	Carrying Amount (NT\$)	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corp.	<u>\$ 30,000</u>	<u>\$ 30,000</u>	2.14%	-	<u>\$ -</u>

December 31, 2019

Promissory Institution	Nominal Amount (NT\$)	Carrying Amount (NT\$)	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corp.	<u>\$ 10,000</u>	<u>\$ 10,000</u>	1.99%	-	<u>\$ -</u>

The commercial papers issued by the Group are all short-term promissory notes. Due to the short-term period, the interest expenses are not significant. Therefore, the difference between nominal amount and cash received is recognized interest expense directly at the issuance of commercial paper.

b. Long-term bank borrowings

	<u>March 31, 2020 (Reviewed)</u>		<u>December 31, 2019 (Audited)</u>	
	Interest Rate	Amount	Interest Rate	Amount
Long-term bank borrowings	2.6%-4.63%	\$ 111,394	2.6%-4.63%	\$ 143,529
Less: Long-term bank borrowings due within 1 year		<u>(23,678)</u>		<u>(39,872)</u>
		<u>\$ 87,716</u>		<u>\$ 103,657</u>

For acquiring equipment and long-term operating capital demand, the Group draws down the borrowings from banks. The repayments of the bank borrowings are due quarterly.

The maturity dates for long-term bank borrowings were as follows:

	<u>March 31, 2020 (Reviewed)</u>	<u>December 31, 2019 (Audited)</u>
Due within 2 to 5 years	<u>\$ 87,716</u>	<u>\$ 103,657</u>

c. The detail of the Group's pledged assets for the aforementioned bank borrowings please refer to Note 22.

15. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were 60 or 120 days. No interest is charged by notes and accounts payable in general. The Group has financial risk management policies to ensure settlement of all payables within payment term.

b. Details of other payables were as follows:

	<u>March 31, 2020 (Reviewed)</u>	<u>December 31, 2019 (Audited)</u>
Accrued salaries	\$ 178,122	\$ 260,137
Temporary receivables (Remark)	100,660	73,105
Accrued dividend	31,343	-
Other payables	<u>288,903</u>	<u>207,781</u>
	<u>\$ 599,028</u>	<u>\$ 541,023</u>

Remark: Temporary receivables are mainly sample fee, test fee, safety certification fee, etc. received in advance. Since the Group produces customized audio-visual electronic products for individual customer demand, related costs associated with the customized audio-visual electronic products, payment on behalf and installment prepayments based on agreements negotiated by both parties, are recorded in temporary payments (please refer to Note 9) and temporary receivables, respectively. After completion of the project (customer confirmed), the Group will reverse the aforementioned temporary payments and temporary receivables at the same time and the differences are recorded as income.

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

ETT adopts a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group’s subsidiary in PRC, Hong Kong and Denmark are members of a state-managed retirement benefit plan operated by the government of PRC, Hong Kong and Denmark. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

17. EQUITY

a. Share capital

The initial setup capital of the Company is NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of March 31, 2020 and December 31, 2019 were NT\$614,580 thousand and NT\$615,040 thousand, respectively, divided into 61,458 thousand shares and 61,504 thousand shares, each with a nominal amount of NT\$10 per share. All of the shares are ordinary shares, each carrying the rights to vote and receive dividend.

The movements of the shares issued and outstanding were as follows:

		(In Thousands of Shares)
		Number of Shares
Purpose of Buy-back		
January 1, 2019		61,606
Write-off of restricted shares		<u>(102)</u>
December 31, 2019		61,504
Write-off of restricted shares		<u>(46)</u>
March 31, 2020		<u>61,458</u>

b. Treasury shares

As of March 31, 2020 and December 31, 2019, the details of treasury shares are as follows:

Purpose of Buy-back	Number of Shares
Shares held by its subsidiaries	<u>453</u>

For the purpose of short-term investment, related information regarding shares of the Company held by its subsidiaries on the balance sheet date was as follows:

March 31, 2020 (reviewed)

Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Value
ETT	453	<u>\$ 24,019</u>	<u>\$ 10,170</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, are bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

c. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to 10% of the Company's capital annually. As of March 31, 2020 and December 31, 2019, the capital surplus of the Company are as follows:

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of common share	\$ 714,815	\$ 714,815
Treasury share transactions	1,348	1,348
Cash dividend received from treasury stock	5,044	5,044
<u>May not be used for any purpose</u>		
Arising from employee restricted shares	27,487	28,421
Arising from employee stock options	<u>14,386</u>	<u>10,334</u>
	<u>\$ 763,080</u>	<u>\$ 759,962</u>

d. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining net profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The remaining net profit in a fiscal year could be distributed by the Company, subject to the following requirements:

The dividends/bonus distribution to the shareholders under this clause shall not be less than 10% of the remaining net profit for the period, and the cash dividend shall not be less than 50% of the total dividends/bonus distribution and the remaining distribution may be in shares dividends. However, if the Company only distributes cash dividend, it can be resolved by special resolution of the board of the directors. For information about the accrual basis of the employees' and directors' remuneration and the actual appropriations, please refer to Note 18 (d) for details.

The appropriations of earnings for 2019 were proposed by the board of directors on February 27, 2020. Details of the dividend per share of the earnings appropriations for 2019 of the Company were as follows:

	2019
Ordinary share dividend - cash	NT\$0.51 per share, totaling NT\$31,343 thousand

The appropriations of earnings for 2018 were approved in the shareholders' meeting on June 10, 2019. Details of the dividend per share of the earnings appropriations for 2018 of the Company were as follows:

	2018
Ordinary share dividend - cash	NT\$1.3 per share, totaling NT\$80,000 thousand

Legal reserve

The old articles of the Company stipulated that 10% of the consolidated net profit of shall be allocated to the legal reserve. However, according to the Articles of the Company revised in June 2013, the Company is not required to allocate 10% of the legal reserve. Legal reserve is used to offset loss.

Subsidiaries in China shall appropriate reserve fund (recognized under legal reserves) and provide employees' award and benefit fund (recognized under liabilities items) from the profit after tax in accordance to Section 58 of the "Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises", subject to a proportion of no less than 10% of the profit after tax. No appropriation shall be made when the accumulated amount reaches 50% of the registered capital. The provision in respect of employees' award and benefit fund shall be determined by the Company upon passing of directors' resolution; however, it has not yet been approved as of March 31, 2020.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals ETT's paid-in capital. Legal reserve may be used to offset deficit. If ETT has no deficit and the legal reserve has exceeded 25% of ETT's paid-in capital, the excess may be transferred to capital or distributed in cash.

e. Share-based payment arrangements

1) Information on restricted shares plan for employees

Information on restricted shares plan for employees was as below:

Approved Date	Grant Shares (Thousand)	Grant Date	Issued Date	Issued Shares (Thousand)	Issued Price	Fair Value
2015/05/12	252	2015/06/02	2015/06/02	252	\$ -	NT\$60.60
2016/05/11	500	2016/12/20	2016/12/20	500	-	31.45
2017/06/08	500	2017/11/20	2017/11/20	500	-	29.5

Note: Restricted shares will be issued one time or multiple times, based on the actual need after the Company reported to competent authority and the regulation and put into effect.

To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period, as follows:

- Remain employed by the Company within one year after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;
- Remain employed by the Company within two years after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;
- Remain employed by the Company within three years after grant date; and performance rating of “A” - 25% of restricted shares will be vested.
- Remain employed by the Company within four years after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;

In addition to the vesting conditions, the limitations are as follows:

- Employees, except for inheritance, should not sell, transfer, pledge, donate or dispose of the shares in any other way.
- The shares should be held in trust.
- Except for the above two restrictions, other rights of restricted shares plan for employees, including but not limited to, dividends, stock options of cash capital and voting rights of shareholders, etc. are the same as the Group’s issued ordinary shares.
- When employees do not reach the vesting conditions of restricted shares plan for employees, the Company will retrieve and cancel the shares.

Information on restricted shares plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Three Months Ended March 31, 2020	For the Years Ended December 31, 2019
Balance at the beginning of the period	326	652
Vested	-	(224)
Forfeited	<u>(46)</u>	<u>(102)</u>
Balance at the end of the period	<u>280</u>	<u>326</u>

Information on the costs of restricted shares plans for employees was as follows:

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
The costs of restricted shares plans for employees	<u>\$640</u>	<u>\$2,261</u>

2) Employee stock options

Grant Date	Issued Shares	Vesting Date	Exercisable Price
2018.09.28	1,200 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	Remark
2019.06.10	1,200 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	Remark

Remark: The exercise price of the employee stock options is equal to the closing price on the grant date. After the options are granted, upon the occurrence of certain events relating to the change in the number of common shares of the Company and distribute cash dividend, the exercise price shall be adjusted in accordance with the regulated formula.

The Company granted the employee stock options for the qualified employees of the Company or any of its subsidiaries. The options become exercisable after the three years from the grant date by subscribing new shares.

The Group did not issue any employee stock options during the three months ended March 31, 2020. Information on employee stock options is as follows:

Employee Stock Options	For the Three Months Ended March 31, 2020		For the Year Ended December 31, 2019	
	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
Balance at the beginning of period	5,877	\$ 30.03	1,200	\$ 23.95
Granted	-		4,747	33.05
Write-off	-		(70)	-
Balance at end period	<u>5,877</u>	30.03	<u>5,877</u>	30.03
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	NA		<u>\$ 8.86</u>	

Information about outstanding options was as follows:

Grant Date	March 31, 2020		December 31, 2019	
	Range of Exercise price (NT\$)	Weighted-average Remaining Contractual life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
2018.09.28	\$ 23.00	2.50	\$ 23.00	2.75
2019.06.10	31.70	3.21	31.70	3.46

Employee stock options granted on June 10, 2019 and September 28, 2018 were priced using the black-scholes pricing model and the inputs to the model were as follows:

	June 10, 2019	September 28, 2018
Grant-date share price (NT\$)	33.05	23.95
Exercise price (NT\$)	33.05	23.95
Expected volatility	35.61%	31.81%
Expected life (in years)	3.5 years	3.5 years
Expected dividend yield	-	-
Risk-free interest rate	0.56%	0.66%

Expected volatility was based on the historical share price volatility over the past 2 years.

The costs of employee stock options were as follows:

	Number of Shares (In Thousands)	
	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Balance at the end of the period	<u>\$ 4,052</u>	<u>\$ 582</u>

f. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Company's presentation currency (i.e. Hong Kong dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. When all or a part of the foreign operations are disposed, exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

In addition, according to the requirements of the regulatory authority, the consolidated financial statements of the Company shall present amounts in New Taiwan dollars.

2) Unrealized gain or loss on financial assets at FVTOCI

Unrealized gains or losses on financial assets at FVTOCI represent the cumulative gains and losses arising on the revaluation of financial assets at FVTOCI that have been recognized in other comprehensive income. The cumulative unrealized gains or losses will not be reclassified to profit or loss on disposal of the equity investments.

3) Unearned employee benefit

In the meetings of shareholders held on May 12, 2015, May 11, 2016 and June 8, 2017, the shareholders approved the restricted shares plans for employees respectively. Refer to Note 17(e) for the information of restricted shares issued.

18. CONSOLIDATED NET (LOSS) PROFIT

In addition to the disclosures made in other notes, the consolidated net (loss) profit shall include:

a. Net revenue

1) Contract information

a) Revenue from the sale of goods

The Group sells audio system related products and recognizes revenue at which time the goods are delivered to the customer's specific location. The Group does not provide any after-sales services, such as warranty, right to return, etc. The quotation of products is based on the current market price of the raw materials, the labor input and direct costs, and the expected profit. The term of sales of products is fixed price, not volatile. Since payment term granted to customers are usually less than 180 days, there is no significant financing component from contracts with customers.

b) Revenue from project service (recognized under non-operating income)

Please refer to the remark in Note 15 (b).

2) Contract balances

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Notes and accounts receivable, net (Note 8)	\$ 992,067	\$ 1,679,588

3) Disaggregation of revenue from customer contracts

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Home audio	\$ 587,316	\$ 1,443,148
Personal audio	261,306	470,207
Transducer speaker	80,944	107,502
Others	<u>228,533</u>	<u>189,108</u>
	<u>\$ 1,158,099</u>	<u>\$ 2,209,965</u>

b. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Depreciation of property, plant and equipment	\$ 38,451	\$ 41,814
Amortization of other intangible assets	14,685	16,252
Depreciation right-of-use assets	<u>7,782</u>	<u>7,841</u>
	<u>\$ 60,918</u>	<u>\$ 65,907</u>

c. Remuneration of directors and key management personnel and employee benefits expense

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Remuneration of directors and key management		
Short-term benefits	\$ 39,548	\$ 40,554
Post-employment benefits	1,015	1,013
Share-based payments	4,331	2,138
Employee benefits		
Short-term benefits	332,434	366,202
Post-employment benefits	14,602	19,875
Share-based payments	<u>361</u>	<u>705</u>
	<u>\$ 392,291</u>	<u>\$ 430,487</u>

d. Employees' compensation and remuneration of directors and supervisors

Under the Company's Article of Incorporation, the Company should distribute employees' remuneration at the rates no less than 1% and no higher than 15% and directors' remuneration at the rates no higher than 2%, respectively, of net profit before income tax, employees' and directors' remuneration.

Due to deficit in the first quarter of 2020, the group did not accrue employees' compensation and remuneration of directors and supervisors according to the above policy.

For the three months ended March 31, 2019, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Three Months Ended March 31, 2019
Employees' compensation	5%
Remuneration of directors and supervisors	2%

Amount

	For the Three Months Ended March 31, 2019
Employees' compensation	\$ <u>1,868</u>
Remuneration of directors and supervisors	\$ <u>746</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2019 and 2018 that were resolved by the board of directors on February 27, 2020 and February 22, 2019, respectively, are as shown below:

	2019
Directors and supervisors - cash	NT\$ 7,720 thousand
Employees' compensation - cash	8,255 thousand
	2018
Directors and supervisors - cash	NT\$ 6,867 thousand
Employees' compensation - cash	22,000 thousand

There is no significant difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Other income

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Government grants revenue	\$ 16,573	\$ -
Project service revenue	5,536	6,331
Interest income	873	1,409
Scrap income	820	801
Rent revenue	449	459
Others	<u>890</u>	<u>1,126</u>
	<u>\$ 25,141</u>	<u>\$ 10,126</u>

f. Other losses

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Losses on fair value change of financial instruments at FVTPL	\$ 79	\$ 2,881
Losses on disposal and written off property, plant and equipment	46	1,609
Others	<u>66</u>	<u>129</u>
	<u>\$ 191</u>	<u>\$ 4,619</u>

g. Finance costs

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Interest expense arising from bank borrowings	\$ 5,032	\$ 8,450
Interest on lease liabilities	<u>829</u>	<u>946</u>
	<u>\$ 5,861</u>	<u>\$ 9,396</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax (benefit) expense are as follows:

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Current tax		
In respect of the current year	\$ (370)	\$ 17,088
Deferred tax		
In respect of the current year	<u>(504)</u>	<u>(6,350)</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (874)</u>	<u>\$ 10,738</u>

The Group uses the estimated effective annual interest rate and calculating the income tax expense of each interim period. Therefore, the Group is unable to disclose the difference between the accounting income and the taxable income.

The Company was incorporated in accordance with the International Business Companies Order issued by the government of the Cayman Islands and is exempted from income tax charged by the government of the Cayman Islands.

Profits Tax bill of Hong Kong was amended in April 2018. The tax rates were changed from single tax rate to a two-tiered tax rate. The applicable tax rates are as follows:

The first HK\$2 million of assessable profits is 8.5%; over HK\$2 million of assessable profits is 16.5%.

Effective from January 1, 2008, subsidiaries in the PRC shall be subject to an applicable tax rate of 25% upon implementation of new Enterprise Income Tax Law. In addition, EAHY and EMHY obtained the innovation and high technology enterprise certificates issued by local tax authorities in July 2013. Therefore, EAHY and EMHY are subject to the applicable preferential income tax rate in the next three years. Their enterprise income tax rate has been reduced from 25% to 15%. EAHY and EMHY obtained the proof of review. Therefore, EAHY and EMHY are still subject to the applicable preferential income tax rate from 2018 to 2020.

In accordance with Enterprise Income Tax Law of the PRC with effective from 2008 as well as the interpretations and implementation of some clauses in the arrangement between the Mainland of China and Hong Kong Special Administrative Region on the avoidance of double taxation, if the foreign enterprise allocates dividend to the Hong Kong Company, 5% levy tax is imposed on the earnings distribution when it meets certain conditions.

The local tax rates for the subsidiaries in Denmark and Singapore are 22% and 17%, respectively.

The local tax rate for the subsidiary in Vietnam is 20%. EAVN can enjoy the income tax exemption for the first two years after making profit and proceed with fifty percent reduction for the four subsequent years.

The local tax rate for the subsidiaries in Taiwan was 20%.

b. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong, Singapore, Vietnam and Denmark. The aforementioned tax authorities will not take the initiative to send a tax returns assessment to enterprises. When there are tax disputes, they issued a tax payment notice to enterprises and reserve the right to propose additional taxes. The tax authorities have assessed income tax returns of ETT up to 2018.

20. (LOSS) EARNINGS PER SHARE

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Basic (loss) earnings per share	<u>\$ (4.28)</u>	<u>\$ 0.39</u>
Diluted (loss) earnings per share	NA	<u>\$ 0.39</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net (loss) profit for the period is as follows:

	For the Three Months Ended March 31	
	2020	2019
(Loss) profit for the period attributable to owners of the Company	<u>\$ (261,288)</u>	<u>\$ 23,926</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Three Months Ended March 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	<u>61,035</u>	61,144
Effect of potentially dilutive ordinary shares		
Employee stock options	NA	<u>50</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	NA	<u>61,194</u>

The restricted shares plan for employees are entitled to vote and to receive dividends after granted. In additions, if employees resign in the vesting period, they are not required to return restricted shares and dividends. Therefore, the restricted shares are considered as the outstanding shares at the issuance date, and there is no dilutive effect on earnings per share.

Since the Group was in a deficit for the three months ended March 31, 2020 which has an anti-diluted effect, calculation for diluted loss per share is not applicable.

21. TRANSACTIONS WITH RELATED PARTIES

Balance transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below:

Remuneration of Key Management Personnel

The remuneration of directors and key management was determined by the remuneration committee based on the performance of individuals and market trends. Please refer to Note 18 (c) for details.

22. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings. Part of loan guarantees is provided by the Chairman of the Company.

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Other intangible assets	\$ 21,941	\$ 22,596
Accounts receivable with recourse	9,154	13,391
Machineries and office equipment	22,442	22,616
Inventories and other assets	63,015	62,777
Pledge deposits (recognized under restricted assets)	<u>29,868</u>	<u>29,178</u>
	<u>\$ 146,420</u>	<u>\$ 150,558</u>

23. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil for the three months ended March 31, 2020. The status of litigation in the current phase please refers to Note 24 (a) of the consolidated financial statements for the year ended December 31, 2019.

b. Financial guarantees within the Group refer to Table 2 of Note 26.

c. As of March 31, 2020, the commitments that EAVN has contracted for the plant construction were approximately \$146,608 thousand.

24. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's capital risk management policy is consistent as consolidated financial statements for the year ended December 31, 2019. In addition, the Group is not subject to any externally imposed capital requirements.

b. Fair value of financial instruments

1) Fair value of financial instruments not measured at fair value

If a non-derivative instrument has short maturity, its future amount receivable and payable approximate its carrying amount, and its carrying amount provides a reasonable basis for estimation of fair value, then the fair value of which shall be estimated based on its carrying amount as shown in the balance sheet. Hence, the carrying amounts of the following financial instruments approximate their fair values:

Cash and cash equivalents, notes and accounts receivable, net, other financial assets, notes and accounts payable, other payables and bank borrowings approach other fair values.

2) Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

March 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 83	\$ -	\$ -	\$ 83
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>83,496</u>	<u>83,496</u>
	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,579</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 162	\$ -	\$ -	\$ 162
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>83,496</u>	<u>83,496</u>
	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,658</u>

3) Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2020: No movement.

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL		Total
	Embedded Derivatives Instruments	Equity Instruments	
Balance at January 1, 2019	\$ 14,833	\$ 83,496	\$ 98,329
Recognized in profit or loss	(15,785)	-	(15,785)
Effect of foreign currency exchange differences	<u>952</u>	<u>-</u>	<u>952</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,496</u>
Recognized in other gains and losses - unrealized	<u>\$ 15,785</u>	<u>\$ -</u>	<u>\$ 15,785</u>

4) Valuation techniques and inputs applied for Level 3 fair value measurement

- The fair values of equity investments at FVTPL are originally determined by using the income approach. However, it is difficult to obtain important operation financial information and forecasts of the investment target in this period. Therefore, the market approach is using instead. Fair values 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. The main assumptions are Price-Earnings (P/E) ratio of comparable listed companies and Price-Book (P/B) ratio of comparable listed companies and give different weights as the basis for estimate. The estimate has also adjusted the discount for lack of marketability.

The significant unobservable inputs as of December 31, 2019 are as follows:

<u>Significant Unobservable Inputs</u>	<u>Relationship Between Inputs and Fair Value</u>
P/E is 14.61; P/B is 1.87	The higher the ratios, the higher the fair value estimates
Discount rate for lack of marketability is 30%	The higher the discount rate for lack of marketability, the lower the fair value estimates

If the inputs to the valuation model change so as to reflect reasonably possible alternative assumptions while all the other variables remain constant, the fair value changes as follows:

If discount rate for lack of marketability increases by 5%, the fair value will decrease by NT\$6,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by NT\$6,000 thousand.

Since the Group's portfolio of financial instruments measured at Level 3 fair value on a recurring basis is not much and the amount is also not significant, secondly, the business model of the Group is not aimed at investment earnings, the Group will perform Level 3 fair value on a recurring basis measurement in the end of the year based on the Group's valuation policy. Unless, the underlying investment has significant operating and financial changes in the reporting period, the Group will perform additional and timely fair value valuation and measurement. After understanding the operating status of the underlying investment has not significant change in the first quarter of 2020. According to the Group's valuation policy, the Group doesn't have to perform fair value assessments and expect the fair value as of March 31, 2020 is minor difference with the fair value as of December 31, 2019.

c. Categories of financial instruments

	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ 83	\$ 162
Mandatorily at FVTPL	83,496	83,496
Financial assets at amortized cost (Note 1)	<u>2,513,183</u>	<u>3,209,088</u>
	<u>\$ 2,596,762</u>	<u>\$ 3,292,746</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	<u>\$ 3,172,264</u>	<u>\$ 3,221,125</u>

Note 1: The balance includes financial assets at amortized cost, which comprise cash and cash equivalents (including pledged deposits), notes and accounts receivable, other receivables and refundable deposits, etc.

Note 2: The balances include financial liabilities at amortized cost, which comprise bank borrowings, notes and accounts payable, other payables, etc.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash in bank, notes and accounts receivable, other financial assets, bank borrowings and financial liabilities etc. Details of the aforementioned financial instruments have been disclosed in the consolidated financial statements.

Set out below are the risks related to the financial instruments, policies to mitigate the risks, how the management monitor the risks in order to adopt timely, appropriate and effective measures.

e. Financial risk information

Based on the internal report containing analysis of exposure of and amount involved in risks by financial units, the Group monitors and manages financial risks relating to the enterprise as a whole, the domestic and international financial market and the operations of the Group. These risks include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Financial units of the Group constantly report to the management. Management will then monitor the risks and execute policies according to its duties and responsibilities so as to mitigate exposure.

There is no change on the Group's type of exposure and its management and measurement thereof.

1) Market risk

The Group's financial instrument transaction is exposed to foreign exchange risk and interest rate risk (refer to (2) and (3) below).

2) Foreign exchange risk

The Group has foreign currency-denominated transactions that are exposed to the risk caused by fluctuation of exchange rates in the market. To monitor the risk, the responsible team of the Group reviews constantly the portion of assets and liabilities that are exposed to the risk and makes appropriate adjustment so as to control any risk arising from fluctuation of exchange rates.

Since the principal currency of the Group is the US dollar, thus the Group is exposed to risk of exchange rate fluctuation. Fortunately, the risk is mitigated as the majority of receivables and payables and bank borrowings are denominated in US dollar.

As of the reporting period, the carrying amounts of the significant foreign currency-denominated assets and liabilities that are expected to be exposed to exchange rates fluctuation were as follows:

	Assets	
	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
USD	\$ 1,225,039	\$ 1,703,561
HKD	<u>19,194</u>	<u>1,752</u>
	<u>\$ 1,244,233</u>	<u>\$ 1,705,313</u>

	Liabilities	
	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
USD	\$ 1,118,106	\$ 880,001
HKD	<u>54,679</u>	<u>73,121</u>
	<u>\$ 1,172,785</u>	<u>\$ 953,122</u>

The following table details the Company's sensitivity to a 5% increase and decrease in the foreign currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with currency strengthen 5% against the relevant currency. For a 5% weakening of currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit would be negative.

	Currency USD Impact	
	For the Three Months Ended March 31, 2020	For the Year Ended December 31, 2019
Profit or loss	<u>\$ 5,347</u>	<u>\$ 41,178</u>

	Currency H.K. Dollars Impact	
	For the Three Months Ended March 31, 2020	For the Year Ended December 31, 2019
Profit or loss	<u>\$ 1,774</u>	<u>\$ 3,566</u>

The management considers that the sensitivity analysis is unrepresentative of the inherent foreign exchange rate risk as the year end exposure does not reflect the exposure during the period.

3) Interest rate risk

Management of interest rate risk

The Group is subject to interest rate risk arising from bank deposits and borrowings bearing floating interest rate. The current policy of the Group is to maintain borrowings bearing floating interest rate so as to mitigate risk arising from interest rate fluctuation. There is no financial instrument held for hedging purpose. Management of the Group reviews interest rate risk periodically and will implement measures when necessary to address significant interest rate risk for proper monitoring in light of any change in market interest rate.

Sensitivity analysis of interest rate

The following sensitivity analysis is prepared based on the exposure to interest rate of non-derivative instrument at the end of the reporting period.

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the three months ended March 31, 2020 and for the years ended December 31, 2019 would have been decreased by NT\$3,001 thousand and NT\$4,060 thousand, respectively.

4) Credit risk

The Group is exposed to credit risk in the event of the counterparties' failure to perform their obligations under the contracts. The credit risk of the Group is assessed based on the contracts with positive fair values as at the end of the reporting period. Counterparties of the Group are creditworthy financial institutes and corporate entities, and the extent of credit risk that may arise from the counterparties and their creditworthiness are reviewed annually by a special team. Therefore, it is expected that the credit risk is insignificant.

The accounts receivables of the Group concentrate in certain clients who are mainly internationally renowned brands of media players and are not connected. Credit assessments on the financial status of the clients have been conducted. Therefore, it is expected that the credit risk from accounts receivables is minimal.

The maximum exposure of the Group to credit risk is the net amount of carrying amount less amount required to be offset and impairment loss required to be recognized under relevant rules (i.e. carrying amount of financial assets), without taking into account any security and other credit enhancement. The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

5) Liquidity risk

Appropriate management structure addressing liquidity risk is formulated by the management to monitor short, medium and long term financing and solvency. As such, the Group is not exposed to any liquidity risk attributable to failure to perform obligation under the contract due to inability to finance funds.

The table below analyzes the remaining unexpired maturity of non-derivative financial liabilities with fixed term of repayment based on the undiscounted cash flow of the financial liabilities on the earliest date that repayment shall be made on demand, and the interest and principal are included in the analysis. In respect of the interest cash flow payable at floating rates, the undiscounted interests are estimated based on yield curve as at the end of the reporting period. Maturities of contracts are estimated on the earliest date of repayment on demand. When the amount payable or receivable is not fixed, disclosure of such amount is determined based on the estimated interest rate derived from the yield curve on the balance sheet date.

	March 31, 2020				
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 1,751,750	\$ -	\$ -	\$ 1,751,750
Other payables	-	567,685	4,744	-	572,429
<u>Interest bearing liabilities</u>					
Lease liabilities	3.73%-4.63%	25,113	18,290	29,564	72,967
Bank borrowings	1.71%	767,416	39,815	-	807,231

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 25,113</u>	<u>\$ 18,290</u>	<u>\$ 7,190</u>	<u>\$ 7,765</u>	<u>\$ 8,387</u>	<u>\$ 6,222</u>
	December 31, 2019					
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total	
<u>Non-interest bearing liabilities</u>						
Notes and accounts payable	-	\$ 2,060,438	\$ -	\$ -	\$ 2,060,438	
Other payables	-	541,023	2,951	-	543,974	
<u>Interest bearing liabilities</u>						
Lease liabilities	3.73%-4.63%	26,010	23,095	47,462	96,567	
Bank borrowings	3.15%	575,733	51,971	-	627,704	

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 26,010</u>	<u>\$ 23,095</u>	<u>\$ 7,223</u>	<u>\$ 7,805</u>	<u>\$ 8,430</u>	<u>\$ 24,004</u>

f. Financial facilities

Bank borrowings

	Liabilities	
	March 31, 2020 (Reviewed)	December 31, 2019 (Audited)
Secured borrowings		
Amount unused	<u>\$ 1,102,609</u>	<u>\$ 1,252,492</u>
Unsecured borrowings		
Amount unused	<u>\$ 119,756</u>	<u>\$ 161,226</u>

g. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

March 31, 2020

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 29,873	HKD	30.20	\$ 902,148
USD	6,801	NTD	30.20	205,389
USD	3,001	RMB	30.20	90,622
USD	70	DKK	30.20	2,113
USD	<u>820</u>	VND	30.20	<u>24,767</u>
	<u>\$ 40,565</u>			<u>\$ 1,225,039</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 22,939	HKD	30.20	\$ 692,760
USD	11,591	RMB	30.20	350,036
USD	1,955	NTD	30.20	59,030
USD	83	DKK	30.20	2,513
USD	<u>456</u>	VND	30.20	<u>13,767</u>
	<u>\$ 37,024</u>			<u>\$ 1,118,106</u>
HKD	<u>\$ 14,041</u>	RMB	3.8941	<u>\$ 54,679</u>

December 31, 2019

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 51,761	HKD	30.02	\$ 1,553,844
USD	3,713	NTD	30.02	111,477
USD	178	RMB	30.02	5,347
USD	213	DKK	30.02	6,397
USD	<u>883</u>	VDN	30.02	<u>26,496</u>
	<u>\$ 56,748</u>			<u>\$ 1,703,561</u>

(Continued)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 17,337	HKD	30.02	\$ 520,467
USD	10,917	RMB	30.02	327,714
USD	900	NTD	30.02	27,021
USD	<u>160</u>	DKK	30.02	<u>4,799</u>
	<u>\$ 29,314</u>			<u>\$ 880,001</u>
HKD	<u>\$ 18,953</u>	RMB	3.858	<u>\$ 73,121</u> (Concluded)

Note: Exchange rates represent the closing exchange rate of foreign currency into New Taiwan dollars.

Information of foreign exchange gains and losses are as follow:

	For the Three Months Ended March 31	
	2020 (Reviewed)	2019 (Reviewed)
Realized foreign exchange loss	\$ (10,584)	\$ (11,387)
Unrealized foreign exchange loss	<u>(2,289)</u>	<u>(14,700)</u>
	<u>\$ (12,873)</u>	<u>\$ (26,087)</u>

It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

h. Information of transferred financial assets

As of March 31, 2020 and December 31, 2019, the Group entered into several trade receivable factoring agreements with the banks. According to the factoring agreement, the Group received certain percentage of trade receivable in cash from the bank in advance. If the trade receivables are uncollected at maturity, the bank has the right to request the Group to repay the unsettled difference. As the Group has not transferred the significant risks and rewards relating to these trade receivables, the Group continues to recognize the full carrying amount of the receivables and the factoring amount as secured bank borrowings.

As of March 31, 2020 and December 31, 2019, the carrying amount of the trade receivables that have been transferred but have not been derecognized and the related liability recognized please refer to Notes 22 and 14, respectively.

25. SEGMENT INFORMATION

Operating Segments

IFRS 8 requires that operating units shall be identified based on the internal report to the chief decision maker for periodical review for the purpose of resource allocation to each component of the Group and assessment of their performance. Since the Group is engaged in the processing of speaker systems, and AV electronics products (from acquisition of ETT Group's original business units), under the model that the Hong Kong or Taiwan outsources production orders to the subsidiaries in PRC, there is no other segment which has allocated resources or whose performance has been assessed other than processing of speaker systems, headphones and AV electronics products.

Since the Group's speaker systems, headphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the three months ended March 31, 2020 and 2019, the revenue and operating results of the operating segment can be found in the consolidated income statement for the three months ended March 31, 2020 and 2019. The product revenue of the Group please refer to Note 18 (a).

26. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 6)
- 11) Information on investees (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- 3) Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

TABLE 1

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
1	EAH	EAVN	Other receivables from related parties	Yes	\$ 91,080	\$ 90,600	\$ 90,600	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,287,745	\$ 1,287,745

Note: EAH’s lending limits for any borrower are set forth below:

The individual financing amount provided to parent and a subsidiary that EAH holds, directly or indirectly, 100% of the voting shares shall not exceed 100% of the net worth of EAH.

TABLE 2**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

(Formerly Known as Eastern Technologies Holding Limited)

ENDORSEMENTS/GUARANTEES PROVIDED**FOR THE THREE MONTHS ENDED MARCH 31, 2020****(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Eastech	EAH	Subsidiary	\$ 3,148,348	\$ 997,101	\$ 997,101	\$ 60,422	\$ -	63	\$ 3,148,348	Yes	No	No
		ETH	Subsidiary	3,148,348	669,852	669,123	199,240	-	43	3,148,348	Yes	No	No
		EAVN	Subsidiary	3,148,348	273,240	271,800	18,889	-	17	3,148,348	Yes	No	No
		ETHY	Subsidiary	3,148,348	86,156	85,242	42,195	-	5	3,148,348	Yes	No	Yes
1	EAH	ScS	Subsidiary	3,148,348	46,890	46,890	16,947	105,599	3	3,148,348	Yes	No	No

Note 1: Relationship of the guarantee:

The subsidiaries that Company hold, directly or indirectly, more than 50% of common shares.

Note 2: a. The Company's limitations of the endorsements/guarantees are set forth below:

- 1) The total amount of the guarantee provided by the Company to other entities shall not exceed two hundred percent (200%) of the Company's consolidated net worth.
- 2) For the 100% owned subsidiaries, directly or indirectly, the guarantee amounts are not subject to the limit.
- 3) The Company can provide the guarantee for an entity whose voting shares are more than 90% owned directly or indirectly by the Company, and the total amount of the guarantee shall not exceed ten Percent (10%) of the Company's net worth.
- 4) The total amount of the guarantee provided by the Company and its subsidiaries to any individual entity shall not exceed three hundred percent (300%) of the Company's consolidated net worth.

b. EAH's limitation of the endorsements/guarantees are set forth below:

- 1) The total amount of the guarantee provided by EAH to other entities shall not exceed two hundred percent (200%) of the listed parent company's (e.g. the Company's) consolidated net worth.
- 2) For subsidiaries 100% owned, directly or indirectly, by the listed parent company (e.g. the Company), the guarantee amounts are not subject to the limit.

TABLE 3

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

MARKETABLE SECURITIES HELD
MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ETH	<u>Oversea publicly traded stocks</u> Audio Pixels Holdings Limited	-	FVTPL - current	500	<u>\$ 83</u>	-	<u>\$ 83</u>	Note
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	<u>\$ 10,170</u>	1	<u>\$ 10,170</u>	
	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	-	FVTPL - non-current	5,574,114	<u>\$ 83,496</u>	19	<u>\$ 83,496</u>	

Note: The stocks are held by the Company’s subsidiary; hence, the investment is accounted for treasury shares.

TABLE 4**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

(Formerly Known as Eastern Technologies Holding Limited)

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**FOR THE THREE MONTHS ENDED MARCH 31, 2020****(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
EAH	ESHY	Parent and subsidiary	Purchase	\$ 259,450	40	90 days	\$ -	-	\$ (50,182)	(23)	Note
ESHY	EAH	Parent and subsidiary	Sale	(259,450)	(54)	90 days	-	-	50,182	17	Note
EAH	EAHY	Parent and subsidiary	Purchase	268,691	42	90 days	-	-	(92,620)	(42)	Note
EAHY	EAH	Parent and subsidiary	Sale	(268,691)	(93)	90 days	-	-	92,620	64	Note
ETH	ETHY	Parent and subsidiary	Purchase	205,008	96	90 days	-	-	(265,146)	(98)	Note
ETHY	ETH	Parent and subsidiary	Sale	(205,008)	(39)	90 days	-	-	265,146	45	Note
ESHY	ETHY	Fellow subsidiary	Purchase	179,416	37	90 days	-	-	(116,339)	(17)	Note
ETHY	ESHY	Fellow subsidiary	Sale	(179,416)	(34)	90 days	-	-	116,339	20	Note

Note: Intercompany transactions are eliminated in consolidated financial statement.

TABLE 5

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
ETHY	ETH	Parent and subsidiary	\$ 265,146	2.40	\$ -	-	\$ 138,262	\$ -
ETH	ETT	Parent and subsidiary	128,702	2.06	-	-	-	-
ETHY	ESHY	Fellow subsidiary	116,339	5.66	-	-	67,229	-

TABLE 6

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**FOR THE THREE MONTHS ENDED MARCH 31, 2020****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
1	<u>2020 Q1</u>						
	EAH	EAHY	a, b	Dividend income	\$ 90,515	Dividends	8
	EAH	EMHY	a, b	Dividend income	45,258	Dividends	4
	EAH	ESHY	a, b	Dividend income	39,223	Dividends	3
	EAH	EAHY	a, b	Net revenue from sale of goods and purchases	80,581	Credit on transfer pricing policy	7
2	EAHY	EAH	a, b	Net revenue from sale of goods and purchases	268,691	Credit on transfer pricing policy	23
	EAHY	ESHY	c	Net revenue from sale of goods and purchases	11,418	Credit on transfer pricing policy	1
	EAHY	EAH	a, b	Receivables from and payables to related parties	92,620	90 days	2
	EAHY	ESHY	c	Receivables from and payables to related parties	36,500	90 days	1
3	ESHY	ETHY	c	Net revenue from sale of goods and purchases	43,362	Credit on transfer pricing policy	4
	ESHY	EAH	a, b	Receivables from and payables to related parties	50,182	90 days	1
	ESHY	EAH	a, b	Net revenue from sale of goods and purchases	259,450	Credit on transfer pricing policy	22
4	ETHY	ESHY	c	Net revenue from sale of goods and purchases	179,416	Credit on transfer pricing policy	15
	ETHY	ETH	a, b	Net revenue from sale of goods and purchases	205,008	Credit on transfer pricing policy	18
	ETHY	ESHY	c	Receivables from and payables to related parties	116,339	90 days	2
	ETHY	ETH	a, b	Receivables from and payables to related parties	265,146	90 days	5
5	ETH	ETT	a, b	Net revenue from sale of goods and purchases	64,650	Credit on transfer pricing policy	6
	ETH	ETHY	a, b	Net revenue from sale of goods and purchases	7,573	Credit on transfer pricing policy	1
	ETH	ETT	a, b	Receivables from and payables to related parties	128,660	90 days	3
6	EAVN	ESHY	c	Receivables from and payables to related parties	43,984	90 days	1
	EAVN	EAH	a, b	Receivables from and payables to related parties	69,206	90 days	1
7	EMHY	EAH	a, b	Net revenue from sale of goods and purchases	25,434	Credit on transfer pricing policy	2
8	ETT	ETHY	a, b	Net revenue from sale of goods and purchases	16,405	Credit on transfer pricing policy	1
9	MMSZ	EAH	a, b	Net revenue from sale of goods and purchases	12,263	Credit on transfer pricing policy	1
10	ESG	ETH	c	Other revenue	8,648	90 days	1

(Continued)

Note 1: For the disclosure of intercompany transactions within the Group, individual code numbers are assigned to each entity of the Group, which are set forth below:

a. No. 0 represents the parent company.

b. The code number for the subsidiaries is listed below:

No. 1: EAH; No. 2 EAHY; No. 3: ESHY; No. 4: ETHY; No. 5: ETH; No. 6: EAVN; No. 7: EMHY; and No. 8: ETT; No. 9: MMSZ; and No. 10: ESG.

Note 2: There are three categories of the related party transactions:

a. Parent company to its subsidiary.

b. Subsidiary to its parent company.

c. Subsidiary to other subsidiary.

Note 3: In calculation the weight percentages of related party transactions over total sales or total assets, the consolidated total asset is used for calculating the balance sheet item, whereas the consolidated sales accumulated sales up to date is used for calculating the net income items.

(Concluded)

TABLE 7

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				March 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount (Note 1)			
The Company	EAH	Hong Kong	Sales of speaker systems and headphones	\$ 1,341,546	\$ 1,341,546	80,000,000	100.00	\$ 1,341,546	\$ 148,735	\$ -	
EAH	ScS	Denmark	Research, development, production and sales of high-end speaker	225,530	225,530	1,320,045	100.00	225,530	(1,310)	-	
	ETT	Taiwan	Design and sales of smart speaker and AV electronics home entertainment systems	497,219	497,219	9,529,966	99.98	497,219	(19,534)	-	
	ESG	Singapore	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology	-	-	100	100.00	-	3,747	-	
	EAVN	Vietnam	Sales of speakers and AV electronics home entertainment systems, smart speakers and headphones	106,738	105,749	-	100.00	106,738	(11,252)	-	
	EMH	Hong Kong	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones	389	386	100,000	100.00	389	67		
ETT	ETH	Hong Kong	Sales of headphones and AV products	349,011	349,011	40,000,000	100.00	349,011	(293,574)	-	
			Sales of smart speaker and AV electronics home entertainment systems								

Note 1: Based on IAS 27: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.

Note 2: Please refer to Table 8 for the information on investments in mainland China.

TABLE 8

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA**FOR THE THREE MONTHS ENDED MARCH 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

1. Information of investee company, main business and products, total amount of paid-in capital, method of investment, remittance of funds, net income of the investee, % of ownership, carrying amount of investments and repatriation of investment income:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of March 31, 2020 (Note 3)	Accumulated Repatriation of Investment Income as of March 31, 2020
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK\$ 9,000	c.	\$ -	\$ -	\$ -	\$ -	\$ (37,645)	100	\$ (3)	\$ 36,145	\$ -
EAHY	Production, assembly and sales of speaker systems and accessories	US\$ 6,500	c.	-	-	-	-	(26,621)	100	(3)	150,219	-
EMHY	Production and sales of headphones	US\$ 2,145	c.	-	-	-	-	(16,700)	100	(3)	66,270	-
MMSZ	Import and export trading of audio and headphones products, machinery and equipment	RMB 2,000	b.	-	-	-	-	(1,481)	100	(3)	9,844	-
ETHY	Production and sales of smart speaker and AV electronics home entertainment systems	HK\$ 58,000	c.	-	-	-	-	(248,428)	100	(3)	225,858	-

2. Upper limit on the amount of investment in mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A (Note 2)	N/A (Note 2)	N/A (Note 2)

(Continued)

3. The significant transactions (including purchases and sales, property transactions, and the rendering or receipt of services) with investee companies in mainland China, either directly or indirectly through a third party: Please see Table 6.
4. The negotiable instrument endorsements or guarantees or pledges with investee companies in mainland China, either directly or indirectly through a third party: None.
5. The financing of funds with investee companies in mainland China, either directly or indirectly through a third party: None.

Note 1: The amounts are represented registered capital.

Note 2: The Method of Investment is divided into 3 types as follows:

- a. Direct investment from the Company.
- b. Indirect investment via the Company's subsidiary in Hong Kong.
- c. The Company was established in the Cayman Islands and is a foreign company listed in Taiwan. The companies located in China (except ETHY) had established before the Company listed in Taiwan, so the main source of investment funds were not come from Taiwan. ETHY is the investee obtained from the acquisition of ETT Group after the listing, and the source of funds for the acquisition of the ETT Group is based on the working capital of the Company.

Note 3:

- a. If the investee company is in preparation, and no investment income and losses are recognized, it should be noted.
- b. Recognized investment income (loss):
 - 1) The basis for investment income (loss) recognition is from the financial statements audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - 2) The basis for investment income (loss) recognition is from the financial statements audited and attested by R.O.C. parent company's CPA.
 - 3) Other. (Based on IAS 27: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.)

(Concluded)

TABLE 9

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taishin International Bank is entrusted to manage the investment account for Above Vantage Limited	27,956,600 shares in common shares	45.48

Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of the Company's stocks completed the process of registration and book-entry delivery in dematerialized form on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company's consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decisions on the trust property. Information on insider equity declaration is available on the Market Observation Post System website.