

Stock code: 5225

EASTTECH

Eastech Holding Limited

2020 Annual Report

Notice to Readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Annual Report is available at Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>
Company website: <https://eastech.com>

Issued on 07 May 2021

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Name : Eastech (Huiyang) Co., Ltd.
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Name : Eastech Electronics (Huiyang) Co., Ltd. (Shenzhen Branch)
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Name : SinoPac Securities Corporation
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V. Name, firm name, address, website and telephone number of the certified accountants for the latest financial report:

Name : Deloitte Touche Tohmatsu
Partners-in-Charge : Shih, Chin-Chuan & Liu, Shu-Lin
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VI. Name of the overseas stock exchange on which securities are traded and methods to inquire about the overseas securities information: Not applicable.

VII. Company website: <https://eastech.com>

LIST OF DIRECTORS

| Title | Name | Nationality | Qualification |
|-----------------------------|---|-------------|---|
| Chairman | Representative of Eastech Electronics (Taiwan) Inc.: Liou Jenq Lin (Note 1) | Taiwan | Master of Electronic Engineering and MBA from University of Southern California, U.S. IBM Senior Engineer Advisor, U.S. Xerox Senior Engineer Advisor, U.S. |
| Director | Pai Chin Chang | Taiwan | Executive Master of Business Administration from Hong Long International Business College President of Eastech Holding Limited |
| Director | Chang Tung I | Taiwan | MBA from California State University, U.S. Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd. |
| Independent Director | Shiau Fung Shyung | Taiwan | PHD of Economics from Chinese Culture University Master of Economics from Yale University, U.S. Master of Agricultural Economics from National Chung Hsing University Dean of College of Commerce of Tamkang University Vice Council for Economic Construction Committee, Executive Yuan, R.O.C. (Taiwan) |
| Independent Director | Chang Shan Juh | Taiwan | Master of Electronic Engineering from University of Southern California, U.S. Director of Planning Division of Tatung Company Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University Director of Personnel Management and Development of Tatung Company |
| Independent Director | Chen Ko Hung | Taiwan | MBA of National Chengchi University (NCCU) Bachelor of Accounting, NCCU Chief Financial Officer of Ampire Co., Ltd Senior Manager of Finance Department of UniLite Corporation Senior Manager of Finance Department of Princeton Technology Corporation |

| Title | Name | Nationality | Qualification |
|-----------------------------|---|--------------------|---|
| Independent Director | Jeng Shih Rong (Note 2) | Taiwan | Bachelor of Law, National Chung Hsing University Chief Secretary of the Legislative Yuan, Republic of China |
| Director | Representative of Eastech Electronics (Taiwan) Inc.: Kwok King Lam Keenan Ken (Note 3) | Hong Kong | Master of Finance and Management from University of Michigan, U.S. Deputy Managing Director of Hifi Orient Thai Public Company Limited |

Note 1: Eastech Electronics (Taiwan) Inc. was elected as a director of the Company at the regular general meeting on 12 June 2020, and appointed Mr. Liou Jenq Lin as the representative. On 23 June 2020, the Board of Directors unanimously elected Mr. Liou Jenq Lin, the representative of Eastech Electronics (Taiwan) Inc. as the chairman of the Board of Directors.

Note 2: Mr. Jeng Shih Rong was elected as an independent director of the Company at the regular general meeting on 12 June 2020.

Note 3: Kwok King Lam Keenan Ken, a director, retired from office after a full re-election of directors on 12 June 2020.

EASTECH HOLDING LIMITED

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I. LETTER TO SHAREHOLDERS

Dear Shareholders

In 2020, the European and American markets with the greatest consumption power were severely disrupted by the COVID-19 epidemic, and audio-visual and audio products are non-rigid demands that require personal experience in physical stores. Save for the Sound Bars, which is sold and grew along with the sales of TVs, other types of the products are either reduced in quantity or depressed in unit prices. Furthermore, brand customers reduced the launch of new generation/upgraded products to stimulate consumption by lowering the selling price and thereby require factories to reduce the gross profit of receiving orders during such difficult time.

In terms of short- and medium-term strategy, the Company will decentralize R&D to Taiwan by setting up a research and development center there, absorb engineering and technical talents who are unwilling to work overseas due to the epidemic, and cooperate with Taiwan's local ICT industry manufacturers in IoT acoustic applications to build a dual-core research and development integration system with Shenzhen/Huizhou research and development center so as to achieve a dual production base, a dual-core in research and development and a diversified operational blueprint.

I. 2020 Business Report

(I) Implementation Results of Business Plan

Unit: NT\$'000

| Item \ Year | 2020 | 2019 | Increase (Decrease) | Changes (%) |
|----------------------|-----------|------------|------------------------|-------------|
| Net Sales | 8,941,255 | 10,530,374 | (1,589,119) | -15.1% |
| Gross Profit | 516,223 | 1,490,451 | (974,228) | -65.4% |
| Net Operating Profit | (605,086) | 357,885 | (962,971) | -269.1% |
| Profit Before Tax | (681,058) | 379,981 | (1,061,039) | -279.2% |
| Profit After Tax | (676,356) | 308,155 | (984,511) | -319.5% |

(II) **Implementation of budget:** No financial forecast has been prepared by the Company for 2020.

(III) Analysis on Financial Income and Expenditure and Profitability

| Item | | 2020 | 2019 |
|-------------------------|---|---------|--------|
| Financial Structure (%) | Debt to asset ratio | 81.5% | 64.7% |
| | Long-term capital to fixed assets ratio | 154.7% | 285.7% |
| Solvency (%) | Current ratio | 100.4% | 127.6% |
| | Quick ratio | 66.8% | 101.7% |
| Profitability (%) | Return on assets | -11.2% | 6.6% |
| | Return on equity of shareholders | -44.3% | 17.3% |
| | Net profit ratio | -7.6% | 2.9% |
| | Earnings per share (NT\$) | (11.09) | 5.04 |

(IV) Research and Development

1. In 2020, 9 new patents were approved and 9 patents were under review.
2. The research and development cost in 2020 was NT\$253,964 thousand, representing a decrease of NT\$36,925 thousand as compared to the research and development cost of NT\$290,889 thousand in 2019, accounting for approximately 2.84% of net sales from operation.

The Company has engineering teams in the professional fields of acoustics, electronics, hardware, software and systems. It has the most advanced acoustic equipment for research and development in Huiyang, China and Videbæk, Denmark, which integrates and complements with research and development equipment for software and electronic in Shenzhen and Huiyang, China.

The Company's core business focuses on acoustics, audio IoT, audio systems and speaker units in the mass consumer market, as well as professional and automotive speaker applications, and utilizes modern equipment and proprietary patents to provide world-class research and development, manufacturing and testing technologies.

II. Business Plan for 2021

(I) Operating Strategy

In 2021, WFH (Work from home) will emerge in the context of the post-epidemic norm, where consumption, work and entertainment patterns are changed; the Company will strengthen the integration of electronics, software and acoustics. The expansion of the Taiwan Research and Development Center will put TWS (True Wireless Stereo) as the main focus to cooperate with ICT industry manufacturers in IoT acoustic applications to build a dual production base, a dual-core in research and development and a diversified operational blueprint. The focus is on optimizing the allocation of production resources, with a cautiously optimistic outlook on operations.

(II) Sales Forecast and its basis

The Company has used the new models developed by brand customers every year and the market forecasts of the clients of developed models as the basis for sales forecast for the following year. The Company estimates that the total sales volume in 2021 will increase significantly as compared to 2020.

(III) Important Production and Sales Policies

1. Marketing Policy

The coexistence of the epidemic and life continues, as well as the rise of WFH crisis are also turning points, the Company's product line is aligning with the changes, the Company will adopt the following policies:

- (1) Strengthen our sales teams in key global markets such as the US, Europe, Japan and Korea, and work with brand customers to develop new markets, new industries and new applications. Flatten the sales team and global network, maintain strategic partnership with existing major customers, and strengthen the depth and breadth of cooperation.
- (2) With the sales performance of existing mainland brand customers, we are establishing strategic cooperative relationship with Chinese IT leading and potential local Chinese international brands.
- (3) Pay close attention to the market, follow the trend of developing new technologies, new products and new applications, to provide customers with one-stop shopping service and comprehensive acoustic solution service from OEM, ODM to JDM and other flexible business models.
- (4) The Company will devote more business resources in TWS, conference headsets and speakers to expand its market share and product mix.

2. Production Policy

In 2021, with the aim of increasing profitability, the Company will improve yields, reduce manufacturing costs and take the following measures:

- (1) In terms of the Vietnam factories, we will invest in integrated wood dust equipment and environmental-friendly systems with intelligent security. Production lines will be fully computerized to introduce the MES system so as to manage the production capacity. The introduction of automatic production line for micro speaker units will be used for the production lines of earphone and mobile phone speaker units.
- (2) Enhance NPI capabilities and implement NPI management processes in response to the development strategy of earphone products.

- (3) Strengthen the production line with automated equipment to enhance the production efficiency and yield of earphone so as to undertake more production lines for TWS.
- (4) Optimize the management of suppliers, establish a supplier management teams and increase the proportion of inspection exemptions on the basis of quality assurance.
- (5) Comprehensively implement SAP4 HANA system to systemically manage data from order requirements to factory RUN MRP, production planning, vendor delivery and inventory management so as to improve efficiency and reduce human errors.
- (6) Establish an automation team to strengthen the stability of the tooling and enhance the tooling functioning.

3. Research and Development Policy

The Company's 2021 research and development focus is as follows:

- (1) Develop wireless speaker system with partners and multi-room function system, including “conference speakers” and other certified products for online conference system.
- (2) Continue the research and development of differentiated Active-Echo-Cancellation and high-quality voice control system products (GVA).
- (3) Develop and further expand the GVA modules and SoCs embedded in TV Sound Bars to provide a turn-key solution for a variety of packages.
- (4) Expand the development of the Dolby Atmos System and DTS; we will also develop MPEG-H audio for Soundbar and audio system application.
- (5) Make innovation in the development of voice control products, especially in the field of IoT and AI, to gain expertise in the mobility and gesture and face recognition technologies for the next wave of product innovation.
- (6) Strengthen and develop new products of its own brand, PUNKTKILDE™ series sensors.

- (7) Continue to establish long-term goals in respect of environmental protection, energy saving and reduction in carbon emission, and recycling or natural decomposition of raw materials and packaging materials with suppliers and others. It can help to achieve our commitment to CSR practices.

(IV) Future Development Strategy of the Company

1. Strengthening the sales teams in important global markets such as China, the United States, Europe, Japan and South Korea, and cooperating with brand customers to develop new markets and new products, introduce new technologies and enhance new applications.
2. With the Company's digital transformation and consolidation and synergy, the CE surface, IT backbones and the existing all-round acoustic products sales performance have provided the Company more strength and confidence to develop renowned brand customers equivalent to China's domestic IT industry BATJ.
3. The Company is optimistic that the related products of IoT (Internet of Things) and VAC (Voice Activation Control) will lead the future and be the main stream. The corporate growth of the Company in the future will be originated from businesses relating to Internet of Things, wireless Bluetooth and voice control.

(V) Impact of the External Competitive Environment, Regulatory Environment and Overall Business Environment

1. The Company is affected by the external competitive environment:
 - (1) With the general trend of miniaturization and personalization of audio/video products, the proportion of traditional speakers has gradually declined in line with the market trend while the production of electronic speakers and audio products with AI speakers, Sound Bars and wireless speakers is still the growing momentum.
 - (2) In recent years, several IT giants have crossed the border to join in competition, due to the miniaturization and electronicization of electroacoustic products, IT companies have been competing for market share, increasing the difficulty of companies in securing orders or making them sacrifice some gross profit to retain customers.

- (3) The emergence of China's red supply chain, supported by government subsidies, formed unfair competition and also caused low-cost bidding and unprofitable output in the industry.
- (4) For the mainstream consumption of audio-visual products, tighter regulation and low price come first, and reflected in the trend of price decline, resulting in a significant drop in the value of production and sales.
- (5) The increase in the price of raw materials is mainly due to the shortage and the rise in prices brought by the insufficient supply of electronic components shared with the computer industry, which are required for WFH remote office in 2020.

2. The Company is affected by the regulatory environment:

- (1) The Company operates in accordance with local laws and regulations. In recent years, mainland China has actively encouraged industrial upgrading and promoted environmental protection, energy conservation and waste reduction, and introduced various preferential policies and incentives. The Company actively strives to adapt to these policies and be qualified for the incentives.
- (2) The tightening in regulatory efforts in foreign exchange balance and write-off and customs tariffs in the mainland, and the increase in related taxes and fees.
- (3) To comply with the environmental regulations in mainland China, strictly control the waste gas emission, waste water discharge, and use of environment-friendly materials will affect the material costs and operating expenses.
- (4) The factory site in Vietnam is located in Cong Hoa Industrial Park, Chi Linh Town, Hai Duong Province, Vietnam. The annual adjustment of wage costs is higher than that in China, which will increase the Company's personnel costs.

3. The Company is affected by the overall business environment:

- (1) The impact of the US-China trade war:
 - (a) In addition to providing services and products, the Company is aligning with the fragmentation trend of customer's supply chain, building

a second production base outside of China is a necessary condition for receiving orders and quotation competitiveness.

- (b) The local supply chain in Vietnam is incomplete, and the adjustment of production resources does not take the advantage as the first mover. It is still awaiting the repositioning, optimization of configuration and process improvement of the two factories.

(2) Impact of the COVID-19:

- (a) Since the beginning of the epidemic, the Company has continued to make internal reforms and accelerated digital transformation. Through digitalization, various departments of the enterprise and the internal process of the Company have been digitalized and unified, enhancing the efficient cooperation between different units.
- (b) The Company has resumed work at all costs at the beginning of the epidemic in 2020. Although the epidemic continues, market wins and losses will be virtuously eliminated as long as it is still in place. Manufacturers that survive will face retaliatory growth of short-term loss but long-term gain.

Opportunities always coexist with challenges, crises may become turning points. The responsibility of the Company's management will be more arduous and challenges will come from more directions. We will overcome the difficulties and changes in current and future markets and industries, strive to develop new applications, new technologies and new customers with potential, replace price competition with differentiation, and seek for better operational efficiency.

Eastech Electronics (Taiwan) Inc.
Representative Liou Jenq Lin
Chairman

II. COMPANY PROFILE

1. Date of incorporation: 1 February 2011

2. Description of the Company and the Group:

(a) Description of the Company and the Group

Eastech Holding Limited (hereinafter as the “Company”). As the principal subsidiaries of the Company are located in Hong Kong and Mainland China with over 30 years of history, the Company is restricted by registration limits of the abovementioned region and cannot be listed in Taiwan directly, therefore, the Company reorganized the upper-level investment structure of Eastern Asia Technology (HK) Limited, and set up the Company as the holding company in the Cayman Islands in February 2011, in order to be compliant with the regulations of Taiwan Stock Exchange in respect of primary listing application of foreign companies in Taiwan.

In order to seize the opportunity in developing high-end speakers, the Company acquired Scan-Speak A/S, a renowned premium loudspeaker manufacturer in Denmark in April 2014 in preparation of entering into the industry of premium speakers and car speakers. Moreover, in view of the industry development trend of close ties between speaker systems and 3C electronic appliances, as well as to expand the scope of business of the Group, the Company acquired ETT, an AV electronics and audio OEM manufacturer, in January 2015, thus entered into the audio appliances industry which completes the strategic layout of our acoustics business, as well as becoming one of the few audio market players that hold both horizontal integrated designs and vertical manufacturing bases.

The Company is principally engaged in the manufacturing and sales of speaker systems and earphone products; design, manufacturing and sales of high-end/smart speakers and audio/video electronic home entertainment systems; research and development of system architecture/new product concepts/state-of-the-art products/sound and acoustics advance technology.

In January 2019, the Company set up a subsidiary in Vietnam and established its secondary overseas production base as a backup base for optimizing product mix and multinational production allocation in preparation for the impact of the US-China trade war.

In July 2020, the Company set up EASTECH Innovations (TW) Inc., a research and development design center principally engaged in the research and development of TWS (True Wireless Stereo) earphones and acoustic products.

(b) **Group structure:** please refer to page 249 of this annual report.

(c) **Risk analysis:** please refer to pages 239 to 248 of this annual report.

3. History of the Company and the Group

| Date | Important Events |
|------|---|
| 1971 | Establishment of Eastern Asia Woods Industrial Corp., the predecessor of EASTECH. |
| 1972 | Cooperated with Japanese to obtain their technology and support for the production of speaker boxes for sales to Japan. |
| 1977 | Became OEM of speakers who produced products for internationally renowned brands, and the product portfolio transformed from speaker boxes to speaker systems. |
| 1983 | Became a leader in speaker products. A design and R&D centre was set up to focus on improvement in product quality and R&D capability. |
| 1986 | Commenced direct export sales and taking up of orders from international brands. |
| 1988 | Eastern Asia Technology (HK) Limited (“EAH”) was set up to engage in the trading, manufacturing and investment of speaker systems. |
| 1989 | Production plant was relocated to Malaysia and Huizhou and Shenzhen, China. |
| 1990 | Vertical integration was carried out to extend its production to speaker units. |
| 1991 | Resources were integrated and EAH was acting as operating hub. Group Engineering Centre (GEC) was set up to provide technical support to production and sales department. |
| 1995 | EAHY was set up to principally engage in the production of speakers and parts. ESHY was established to specialize in the manufacturing of speaker units. |
| 1996 | First phase of Huiyang plant completed, in which speaker unit assembly department was set up and part of the production capacity in Malaysia was transferred thereto. |
| 1997 | Plastic department was set up and successfully developed stereo system and Dolby virtual surround sound system for home theater. |
| 1998 | Production of speaker systems in Shenzhen was transferred to Huiyang |

| Date | Important Events |
|------|--|
| | plant, enabling Huiyang plant to become one of the few plants in the world which can conduct one-stop production of speaker systems. |
| 2002 | ERP (SAP) system was introduced to enhance management efficiency. EAHZ was established to principally produce various speaker products. |
| 2003 | EAHY and ESHY were awarded “Best Financial Report of Foreign-Invested Company” by the Ministry of Finance of Huiyang City, Guang Dong Province. Participated in an exhibition of consumer electronic appliance in Las Vegas in January and was honored “Innovative Design and Engineering” award for its speaker systems for flat panel home theater, flat speaker systems for Notebook and plat speaker systems. |
| 2008 | Earphones department was set up and EAHZ commenced production of earphones products. |
| 2011 | The Company was incorporated in Cayman Islands. Reorganization of the structure of the Group completed. Audit Committee and Remuneration Committee were set up. |
| 2012 | The Company was formally listed on Taiwan Stock Exchange on 5 November 2012. The Company conducted capital increase by cash through issue of 6,750 thousand ordinary shares with carrying amount of NT\$10 per share, totaling NT\$67,500 thousand. The paid-in share capital after the capital increase was NT\$607,500 thousand |
| 2013 | EAHY and EAHZ were approved and recognized as “New and High Technological Enterprises”. Shenzhen MaliMaliBox Trading Corporation Limited was established to engage in the earphones retailing business. |
| 2014 | Establish Premium Sound Group and acquire Denmark-renowned high-end loudspeaker developer and manufacturer – ScS, which provide faster access to high-end speaker systems including car speakers market. |
| 2015 | In January, acquired ETT, an audio/video electronics OEM manufacturer, entering into the area of audio/video electronic and audio equipment OEM manufacturing. In June, increased capital by issuing 252 thousand shares (employee |

| Date | Important Events |
|------|---|
| | <p>restricted shares), the issued capital was increased to NT\$610,020 thousand as a result.</p> <p>In September, the installation of a car speaker production line was completed and we began to introduce ISO/TS16949 certification.</p> <p>In October, the Company implemented treasury shares for the first time.</p> <p>In November, car speakers were officially shipped, signifying the Company's entering a new business area.</p> |
| 2016 | In August, the zero defect supply chain quality management standard ISO/TS16949 certification has been obtained for car speakers. |
| 2017 | <p>In January, increased capital by issuing 500 thousand shares (employee restricted shares) of NT\$10 each, totaling NT\$615,020 thousand.</p> <p>In June, for the consistency of trademark reputation and company name, the English name of the Company was changed to "Eastech Holding Limited".</p> <p>In October, Eastech Electronics (SG) Pte. Ltd. was established to engage in the research and development of system architecture/ new product concepts/state-of-the-art products/sound and acoustics advance technology.</p> <p>In December, increased capital by issuing 500 thousand shares (employee restricted shares), the issued capital was increased to NT\$619,860 thousand as a result.</p> |
| 2018 | <p>In October, the Company became a supplier of car speakers for a first-tier car manufacturer in mainland China.</p> <p>The Company became an OEM of smart speakers for a Chinese brand, which marked the milestone of the largest number of shipment quantity for a single product under one brand.</p> |
| 2019 | <p>In January, the Company set up a sub-subsidary in Vietnam (Eastech (VN) Company Limited.) in Hải Dương Province, northern Vietnam, to engage in the production, assembly and sales of transducer speakers, Bluetooth speakers and earphones.</p> <p>In August, Eastech Microacoustics (HK) Limited was established to engage in the sales of earphones and audio-visual products.</p> |
| 2020 | In July, the Company set up EASTECH Innovations (TW) Inc., a research and development design center principally engaged in the research and development of TWS (True Wireless Stereo) earphones and acoustic |

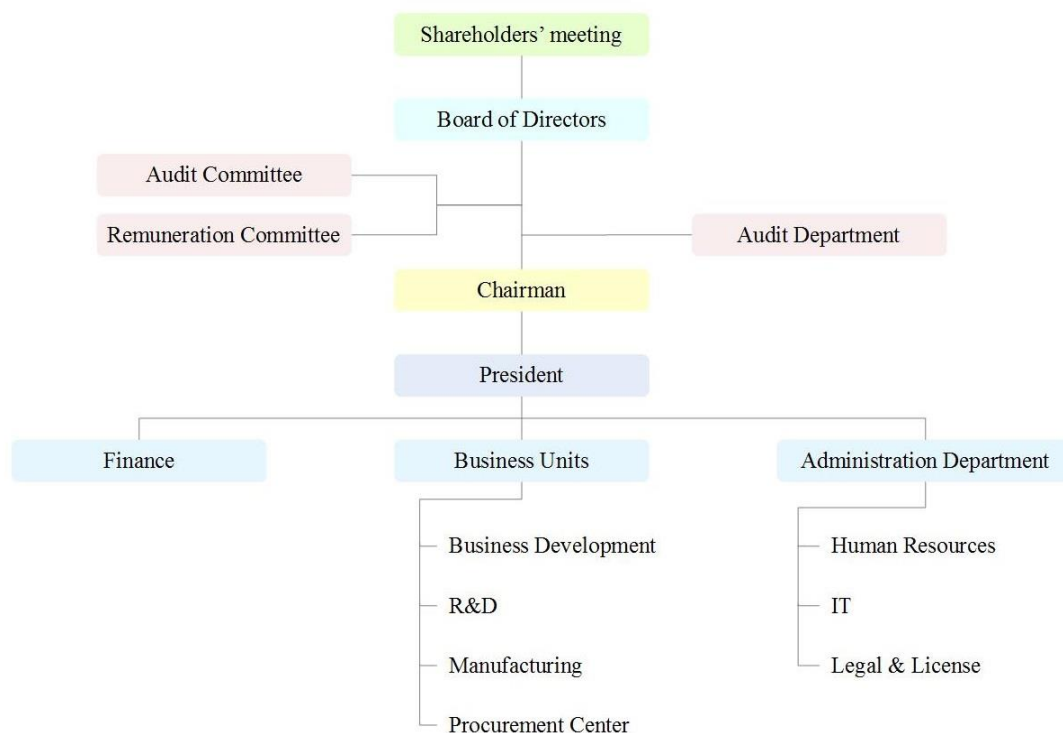
| Date | Important Events |
|------|--|
| | <p>products.</p> <p>In October, Shenzhen MaliMaliBox Trading Corporation Limited renamed into EASTECH Innovations (Shenzhen) Inc., engaged in the import and export trade of audio and earphone products, components and mechanical equipment.</p> |
| 2021 | <p>In February, Eastech Microacoustics (Huiyang) Co., Ltd. renamed into EASTECH (Huizhou) Electronics Co., Ltd., engaged in the production, installation and sales of speaker systems and components, earphones, smart speakers and audio/video electronic home entertainment systems.</p> |

III. CORPORATE GOVERNANCE

(a) Organization

(a) Organization Chart

31 December 2020



(b) Responsibilities of each department

| Department | Main Responsibilities |
|----------------------------|--|
| Board of Directors | Accountable to the shareholders; execute resolutions; determine operation plans and investment proposals based on the scope of authorization granted by the shareholders. |
| Chairman | Formulate strategic operation instructions and objectives and appoint managers for the execution of the instructions and objectives. |
| Audit Committee | Monitor preparation of financial report and internal control on behalf of the Board of Directors to ensure the reliability of the financial report and the legal compliance of all activities. |
| Remuneration Committee | Monitor payroll of all operating teams and the appropriateness of staff remuneration on behalf of the Board of Directors to enable independence between ownership and operating concession. |
| Audit Department | Perform auditing tasks on a regular or irregular basis pursuant to the internal control system, prepare audit report and provide ways of improvement. |
| President | Execute resolutions of the Board of Directors and manage all company affairs. |
| Business Units | Propose and execute the sales, manufacturing, procurement and development for electronics speaker systems (such as smart speakers and Bluetooth speakers), ear-phones and loudspeakers products. |
| Finance Department | Manage fund allocation, financial control and accounting, stock affairs, investment and public relations. |
| Human Resources Department | Manage human resources, legal affairs and information. |

(b) Directors, supervisors, presidents, vice presidents, senior managers and heads of departments and branch offices

(a) Details of directors and supervisors

1. Directors (there is no supervisors in the Company)

13 April 2021

| Title | Nationality | Name | Gender | Date of appointment | Term | Date of first appointment | Shareholdings at appointment | | Current shareholdings | | Current shareholdings of spouse and minor children | | Shares held in other's name | | Major Qualification | Current positions in the Company and other companies | Other officers, directors or supervisors who are spouse or second-degree relatives | | | Remarks |
|----------------------|-------------|--|--------|---------------------|---------|---------------------------|------------------------------|----------------|-----------------------|----------------|--|----------------|-----------------------------|----------------|--|--|--|---------------|--------------|---------|
| | | | | | | | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % | | | Title | Name | Relationship | |
| Chairman | Taiwan | Eastech Electronics (Taiwan) Inc. (Liou Jenq Lin is appointed to perform director's duties) (Note 1) | | 12 June 2020 | 3 years | 30 April 2014 | 453,000 | 0.74 | 453,000 | 0.74 | 0 | 0 | 0 | 0 | N/A | The Company: Nil Director of HT Precision Technologies, Inc. | Nil | Nil | Nil | Nil |
| Chairman | Taiwan | Liou Jenq Lin | Male | 12 June 2020 | 3 years | 24 March 2011 | 1,500,400 | 2.44 | 1,500,000 | 2.44 | 0 | 0 | 0 | 0 | Master of Electronic Engineering and MBA from University of Southern California, U.S. IBM Senior Engineer Advisor, U.S. Xerox Senior Engineer Advisor, U.S.3 | Other companies (Note 2) | President of the Company | Liu Guan Ting | Father-son | Note 3 |
| Director | Taiwan | Pai Chin Chang | Male | 12 June 2020 | 3 years | 24 March 2011 | 266,000 | 0.43 | 284,000 | 0.46 | 0 | 0 | 0 | 0 | Executive Master of Business Administration from Hong Kong International Business College | Director of Eastech Asia Technology (HK) Limited | Nil | Nil | Nil | Nil |
| Director | Taiwan | Chang Tung I | Male | 12 June 2020 | 3 years | 15 December 2011 | 68,000 | 0.11 | 80,000 | 0.13 | 0 | 0 | 0 | 0 | MBA from California State University, U.S. Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd. | Director of Eastech Electronics (Huiyang) Co., Ltd. Director of Eastech Electronics (Taiwan) Inc. Director of EASTECH Innovations (TW) Inc. Director of Scan-Speak AS | Nil | Nil | Nil | Nil |
| Independent Director | Taiwan | Shiau Fung Shyung (Note 4) | Male | 12 June 2020 | 3 years | 12 August 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | PHD of Economic from Chinese Culture University Master of Economic from Yale University, U.S. Master of Agricultural Economic from National Chung Hsing University Dean of College of Commerce of Tamkang University Vice Council for Economic Construction Committee, Executive Yuan, R.O.C. (Taiwan) | The Company: Nil Professor of Tamkang University Other companies: (Note 4) | Nil | Nil | Nil | Nil |
| Independent Director | Taiwan | Chang Shan Juh | Male | 12 June 2020 | 3 years | 24 March 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Electronic Engineering from University of Southern California, U.S. Head of Planning Department of Tatung Company Head of Human Resources Development Department on Tatung Company Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University | The Company: Nil Human Resources Officer of Tatung University | Nil | Nil | Nil | Nil |
| Independent Director | Taiwan | Chen Ko Hung | Male | 12 June 2020 | 3 years | 24 March 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | MBA of National Chengchi University (NCCU) Bachelor of Accounting, NCCU Senior Manager of Finance Department of UniLite Corporation Senior Manager of Finance Department of Princeton Technology Corporation | The Company: Nil Chief Financial Officer of Ampire Co., Ltd. | Nil | Nil | Nil | Nil |

| Title | Nationality | Name | Gender | Date of appointment | Term | Date of first appointment | Shareholdings at appointment | | Current shareholdings | | Current shareholdings of spouse and minor children | | Shares held in other's name | | Major Qualification | Current positions in the Company and other companies | Other officers, directors or supervisors who are spouse or second-degree relatives | | | Remarks |
|----------------------|-------------|--|--------|---------------------|---------|---------------------------|------------------------------|----------------|-----------------------|----------------|--|----------------|-----------------------------|----------------|---|--|--|------|--------------|---------|
| | | | | | | | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % | | | Title | Name | Relationship | |
| Independent Director | Taiwan | Jeng Shih Rong (Note 5) | Male | 12 June 2020 | 3 years | 12 June 2020 | 55,000 | 0.09 | 55,000 | 0.09 | 0 | 0 | 0 | 0 | Bachelor of Law, National Chung Hsing University Chief Secretary of Legislative Yuan, Republic of China (Taiwan) | The Company: Nil | Nil | Nil | Nil | Nil |
| Director | Hong Kong | Representative of Eastech Electronics (Taiwan) Inc. Kwok King Lam Keenan Ken (Note 6) | Male | 8 June 2017 | 3 years | 24 March 2011 | 1,512,000 | 2.46 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Finance and Management, University of Michigan | The Company: Nil | Nil | Nil | Nil | Nil |

Note 1: Eastech Electronics (Taiwan) Inc. was elected as a director of the Company at the regular general meeting on 12 June 2020, and appointed Mr. Liou Jenq Lin as the representative. On 23 June 2020, the Board of Directors unanimously elected Mr. Liou Jenq Lin, the representative of Eastech Electronics (Taiwan) Inc. as the chairman of the Board of Directors.

Note 2: Director of Eastech Electronics (HK) Limited, Eastech Electronics (Huiyang) Co., Ltd., Eastech Systems (Huiyang) Co., Ltd., Eastech (Huiyang) Co., Ltd., Eastech (Huizhou) Electronics Co., Ltd., EASTECH Innovations (Shenzhen) Inc., Scan-Speak A/S, etc.

Note 3: The Chairman and the President (the chief executive) of the Company shall be the same person, each a spouse or a relative, and shall state the relevant information on the reason(s), reasonableness, necessity and corresponding measures (for example, increasing the number of independent directors, having more than half of the directors who are not concurrently an employee or manager, etc.) for such acts:

- (1) The Chairman of the Company is served by Mr. Liou Jenq Lin, representative of Eastech Electronics (Taiwan) Inc.; in response to the Company's management and succession echelon's experience and job adjustments in the organization, broaden their work horizons and structure, the appointment of Mr. Liu Guan Ting as the President of the Company was passed by the Board of Directors on 23 June 2020; the Chairman and the President of the Company are first relatives. On 15 March 2021, Mr. Liu Guan Ting has resigned as the President of the Company.
- (2) The Company's specific measures in enhancing the functions of the Board of Directors and strengthening supervision: (i) 1 independent director has been added to the re-election of directors in 2020; (ii) an Audit Committee has been established, members of the committee are expertise in financial accounting, law and other fields, and are able to effectively supervise; (iii) more than half of the directors of the board members do not concurrently serve as employees or managers; (iv) arrange board members to participate in professional director course on an annual basis to enhance the operational capabilities of the Board of Directors.

Note 4: Independent director of Wayi International Digital Entertainment Co., Ltd., CMC Magnetics, and Transtouch Technology Inc.. Supervisor of Zhong Hua Cheng Co., Ltd..

Note 5: Mr. Jeng Shih Rong was elected as an independent director of the Company at the regular general meeting on 12 June 2020.

Note 6: Director, Kwok King Lam Keenan Ken resigned after the full re-election of directors on 12 June 2020.

2. Substantial shareholders of corporate director

(1) Substantial shareholders of corporate shareholder

31 March 2021

| Name of corporate shareholder | Substantial shareholders of corporate shareholder |
|-----------------------------------|---|
| Eastech Electronics (Taiwan) Inc. | Eastern Asia Technology (HK) Limited (99.98%) |
| | Chen ○ Song (0.0053%) |
| | Li ○ Li (0.0034%) |
| | Peng ○ Zong (0.0024%) |
| | Tsai ○ Xian (0.0018%) |
| | Wang ○ Yu (0.0014%) |
| | Cheng ○ Zhi (0.0009%) |
| | Lin ○ Qi (0.0007%) |
| | Lu ○ Bang (0.0007%) |
| | Fan ○ Hao (0.0004%) |
| | Tsai ○ Qi (0.0003%) |

(2) Substantial shareholders of corporate which substantial shareholder is corporate

31 March 2021

| Corporate Name | Substantial Shareholders |
|--------------------------------------|--------------------------------|
| Eastern Asia Technology (HK) Limited | Eastech Holding Limited (100%) |

3. Directors, supervisors and their professional knowledge and independence:

31 March 2021

| Name | Qualification | Possesses over five years of work experience and the following professional qualifications | | | Meeting the independence requirements (Note) | | | | | | | | | | | | Number of other public companies in which the person serves as an independent director |
|-----------------------------------|---------------|--|---|--|--|---|---|---|---|---|---|---|---|----|----|----|--|
| | | Holding a post of lecturer or above in public and private colleges and universities in business, legal, finance, accounting or other fields necessary for the Company's business | Judges, prosecutors, lawyers, accountants or other specialized professional and technical staff passing national examinations with certificates which are required for the Company's business | Work experience in business, legal, finance, accounting or other fields necessary for the Company's business | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Liou Jenq Lin | | | | ✓ | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Pai Chin Chang | | | | ✓ | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Chang Tung I | | | | ✓ | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Shiau Fung Shyung | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 |
| Chang Shan Juh | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Chen Ko Hung | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Jeng Shih Rong (Note 1) | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Kwok King Lam Keenan Ken (Note 2) | | | | ✓ | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |

Note: For director or supervisor, who fulfils the following conditions during the two years prior to election and their tenure of office, please tick the box under the respective condition codes.

- (1) Not being an employee of the Company or its affiliates.
- (2) Not being a director nor supervisor of the Company's affiliates (except for independent directors of the Company and its parent company, subsidiaries or subsidiaries under the same parent company in accordance with the law or local national laws and regulations act concurrently as an independent director).
- (3) Each of the persons and his/her spouse/minor children, either in their own name or in other's name, is not a natural person shareholder who holds more than one percent of the Company's total issued shares or is one of the top ten shareholders of the Company.

- (4) Not being a spouse, a relative within two degrees of kinship or a lineal blood relative within three degrees of kinship of the managers listed in (1) or persons listed in (2) and (3).
- (5) Not being a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a director, supervisor or employee of the top five corporate shareholders or appoint a representative to act as a director or supervisor of the Company in accordance with Item 1 or Item 2 in Article 27 of the Company Law (except for independent directors of the Company and its parent company or subsidiaries under the same parent company in accordance with the law or local national laws and regulations act concurrently as an independent director).
- (6) Not being the directors, supervisors or employees of other companies controlled by the same person who have more than half of the shares that are not on the Board of Directors of the Company (except for independent directors of the Company and its parent company or subsidiaries under the same parent company in accordance with the law or local national laws and regulations act concurrently as an independent director).
- (7) Not being a director, supervisor or manager of companies or institutions of the same person or spouse with the Company's chairman, general manager or equivalent (except for independent directors of the Company and its parent company or subsidiaries under the same parent company in accordance with the law or local national laws and regulations act concurrently as an independent director).
- (8) Not being a director, supervisor or manager of specific companies or institutions which have financial or business dealings with the Company, or a shareholder holding more than 5% of such companies or institutions (except for specific companies or institution hold more than 20% but not exceeding 50% of the Company's issued shares and independent directors of the Company and its parent company or subsidiaries under the same parent company in accordance with the law or local national laws and regulations act concurrently as an independent director).
- (9) Not being a professional in commerce, law, finance, accounting, etc., a sole proprietor, partner of a partnership, owner, director, supervisor, manager of a company or institution who provides auditing service to the Company or its affiliates or having received remuneration not exceeding NT\$500,000 in the past 2 years, except being a member of the Remuneration Committee, public acquisition review committee or mergers and acquisition special committee who performs duties in accordance with the Securities Trading Law or Enterprise Mergers and Acquisition Law.
- (10) There is no relationship of spouse or within two degrees of kinship with other directors.
- (11) None of the events stipulated in Article 30 of the Company Law exists.
- (12) No representative of the government or corporate is elected as provided in Article 27 of the Company Law.

Note 1: Mr. Jeng Shih Rong was elected as an independent director of the Company at the regular general meeting on 12 June 2020.

Note 2: Director, Kwok King Lam Keenan Ken resigned after the full re-election of directors on 12 June 2020.

(b) Details of president, vice presidents, senior managers, head of departments and branch offices

13 April 2021

| Title | Nationality | Name | Gender | Date of appointment | Shareholdings | | Shareholdings of spouse and minor children | | Shares held in other's name | | Major Qualification | Current positions in other companies | Managers who are spouse or second-degree relatives | | | Remarks |
|-------------------------|-------------|----------------|--------|---------------------------|---------------|----------------|--|----------------|-----------------------------|----------------|--|---|--|------|--------------|---------|
| | | | | | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % | | | Title | Name | Relationship | |
| President | Taiwan | Pai Chin Chang | Male | 24 March 2011 (Note 1) | 284,000 | 0.46 | 0 | 0 | 0 | 0 | Executive Master of Business Administrative from Hong Kong International Business College President of Eastech Holding Limited | Chairman and President of Eastern Asia Technology (HK) Limited | Nil | Nil | Nil | Nil |
| Vice President | Taiwan | Chang Po Chao | Male | 1 December 2011 | 9,000 | 0.01 | 0 | 0 | 0 | 0 | Bachelor's Degree of International Trading from National Chengchi University Vice President, Public Relations and Spokesman of Eastech Holding Limited | Head of Corporate Governance of the Company Director of Eastech Electronics (Taiwan) Inc. Director of Eastech Acoustics Co., Ltd. | Nil | Nil | Nil | Nil |
| Chief Financial Officer | Hong Kong | Lam Pui Man | Female | 24 March 2011 | 8,000 | 0.01 | 0 | 0 | 0 | 0 | Master of Finance from Chinese University of Hong Kong BBS from The Hong Kong University of Science and Technology Fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants Senior Manager of Finance Department of EATL Group CPA Audit Accountants of Arthur Andersen Chief Financial Officer of | Supervisor of Eastech Electronics (Taiwan) Inc. Director of Eastech Electronics (HK) Limited Director of EASTECH Innovations (Shenzhen) Inc. Supervisor of Eastech Acoustics Co., Ltd. Director of Eastech Microacoustics (HK) Limited Eastech (Huiyang) Co., Ltd. | Nil | Nil | Nil | Nil |

| Title | Nationality | Name | Gender | Date of appointment | Shareholdings | | Shareholdings of spouse and minor children | | Shares held in other's name | | Major Qualification | Current positions in other companies | Managers who are spouse or second-degree relatives | | | Remarks |
|---------------------|-------------|---------------|--------|------------------------|---------------|----------------|--|----------------|-----------------------------|----------------|--|--------------------------------------|--|---------------|--------------|---------|
| | | | | | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % | | | Title | Name | Relationship | |
| | | | | | | | | | | | Eastech Holding Limited | | | | | |
| Chief Audit Officer | Taiwan | Ko Chun Ming | Male | 6 August 2020 (Note 2) | 0 | 0 | 0 | 0 | 0 | 0 | Master of International Finance, National Taipei University Chief Audit Officer of Eastech Holding Limited | Nil | Nil | Nil | Nil | Nil |
| President | Taiwan | Liu Guan Ting | Male | 23 June 2020 (Note 3) | 0 | 0 | 0 | 0 | 0 | 0 | Master of International Business Management, Thunderbird School of Global Management, USA Bachelor of Engineering, Cornell University College of Engineering | Nil | Chairman | Liou Jeng Lin | Father-son | Note 3 |
| Chief Audit Officer | Hong Kong | Tang Kai Tak | Male | 24 March 2011 (Note 4) | 0 | 0 | 0 | 0 | 0 | 0 | Master of Applied Finance from Macquarie University, Australia Fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants Chief Audit Officer of EATL Group Audit Officer of Schick International Ltd and Wing Lung Bank Chief Audit Officer of Eastech Holding Limited | Nil | Nil | Nil | Nil | Nil |

Case One: Appointed to serve EASTECH on 24 March 2011, re-designated to serve as the President of Eastern Asia Technology (HK) Limited, a subsidiary on 23 June 2020, and serve as the President of the Company on 15 March 2021.

Case Two: Mr. Ko Chun Ming was appointed as the Chief Audit Officer of the Company by the Board of Directors on 6 August 2020.

Case Three: The Chairman and the President (the chief executive) of the Company shall be the same person, each a spouse or a relative, and shall state the relevant information on the reason(s), reasonableness, necessity and corresponding measures (for example, increasing the number of independent directors, having more than half of the directors who are not concurrently an employee or manager, etc.) for such acts:

- (1) The Chairman of the Company is served by Mr. Liou Jenq Lin, representative of Eastech Electronics (Taiwan) Inc.; in response to the Company's management and succession echelon's experience and job adjustments in the organization, broaden their work horizons and structure, the appointment of Mr. Liu Guan Ting as the President of the Company was passed by the Board of Directors on 23 June 2020; the Chairman and the President of the Company are first relatives. On 15 March 2021, Mr. Liu Guan Ting has resigned as the President of the Company.
- (2) The Company's specific measures in enhancing the functions of the Board of Directors and strengthening supervision: (i) 1 independent director has been added to the re-election of directors in 2020; (ii) an Audit Committee has been established, members of the committee are expertise in financial accounting, law and other fields, and are able to effectively supervise; (iii) more than half of the directors of the board members do not concurrently serve as employees or managers; (iv) arrange board members to participate in professional director course on an annual basis to enhance the operational capabilities of the Board of Directors.

Case Four: Resigned on 6 August 2020.

(c) Remunerations of directors, supervisors, presidents and vice presidents

1. Remunerations paid to directors, supervisors, presidents and vice presidents for the latest year (2020)

(1) Remunerations of general directors and independent directors

Unit: NT\$'000

| Title | Name | Remunerations of Directors | | | | | | | | Percentage of aggregate of A, B, C, and D to net profit after tax | | Remunerations of concurrent employments | | | | | | | | Percentage of aggregate of A, B, C, D, E, F and G to net profit after tax | | Any remunerations from companies other than subsidiaries for investment business |
|----------|---|----------------------------|---|-----------------------------|---|-----------------------------|---|---------------------------------------|---|---|---|---|---|-----------------------------|---|------------------------|-----------|---|---|---|-------|--|
| | | Salary (A) | | Post-employment pension (B) | | Directors' Remuneration (C) | | Fee incurred for duty performance (D) | | | | Salary, bonus and special bonus (E) | | Post-employment pension (F) | | Staff Remuneration (G) | | | | | | |
| | | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | | All companies contained in the financial statements | | | | |
| By cash | By shares | | | | | | | | | | | | | | | By cash | By shares | | | | | |
| Chairman | Representative of Eastech Electronics (Taiwan) Inc. Liou Jeng Lin (Note 3) | - | - | - | - | - | - | 130 | 130 | 130 | 130 | - | 21,621 | - | 173 | - | - | - | - | 0.02% | 3.24% | - |
| Director | Pai Chin Chang | | | | | | | | | | | | | | | | | | | | | |
| Director | Chang Tung I | | | | | | | | | | | | | | | | | | | | | |
| Director | Representative of Eastech Electronics (Taiwan) Inc. Kwok King Lam Keenan Ken (Note 4) | | | | | | | | | | | | | | | | | | | | | |

| Title | Name | Remunerations of Directors | | | | | | | | Percentage of aggregate of A, B, C, and D to net profit after tax | | Remunerations of concurrent employments | | | | | | | | Percentage of aggregate of A, B, C, D, E, F and G to net profit after tax | | Any remunerations from companies other than subsidiaries for investment business | |
|---|--|----------------------------|---|-----------------------------|---|-----------------------------|---|---------------------------------------|---|---|---|---|---|-----------------------------|---|------------------------|-----------|---|---|---|---|--|--|
| | | Salary (A) | | Post-employment pension (B) | | Directors' Remuneration (C) | | Fee incurred for duty performance (D) | | | | Salary, bonus and special bonus (E) | | Post-employment pension (F) | | Staff Remuneration (G) | | | | | | | |
| | | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | | All companies contained in the financial statements | | The Company | All companies contained in the financial statements | | |
| By cash | By shares | | | | | | | | | | | | | | | By cash | By shares | | | | | | |
| Independent Director | Chang Shan Juh | - | - | - | - | - | - | 150 | 150 | 150 | 150 | - | - | - | - | - | - | - | - | 0.02% | 0.02% | - | |
| Independent Director | Chen Ko Hung | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Shiau Fung Shyung | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Jeng Shih Rong (Note 5) | | | | | | | | | | | | | | | | | | | | | | |
| Chairman | Representative of Eastech Electronics (Taiwan) Inc.: Liou Jeng Lin (Note 3) | - | - | - | - | - | - | 20 | 20 | 20 | 20 | - | 3,433 | - | - | - | - | - | - | 0.00% | 0.51% | - | |
| <div>1. Please state the remuneration policy, system, standards and structure of independent directors' remuneration, and describe the relationship with the amount of remuneration according to the responsibilities, risks, time invested and other factors: The remuneration of the Company's independent directors is determined by the Remuneration Committee in accordance with Article 117 of the Company's Articles of Association, and the pre-tax interest before deducting the distribution of employees and directors' remuneration for the current year is not more than 2%. At the discretion of the independent Directors, to consider the value of the Company's operation and contribution, to consider the proposed amount of the remuneration and the principle of the payment, and to submit the proposal to the Board of Directors for approval after the resolution has been submitted.</div> <div>2. In addition to the disclosures in the above table, the directors of the company in the most recent year have received remuneration for providing services to all companies in the financial report (such as serving as consultants that belong to non-employees): Nil</div> | | | | | | | | | | | | | | | | | | | | | | | |

Note 1: In accordance with the Company's Articles of Association, the remuneration of directors for 2020 was approved by the Remuneration Committee and the Board of Directors on 26 February 2021.

Note 2: In accordance with the Company's Articles of Association, the remuneration of staff for 2020 was approved by the Remuneration Committee and the Board of Directors on 26 February 2021.

Note 3: Eastech Electronics (Taiwan) Inc. was elected as a director of the Company at the regular general meeting on 12 June 2020, and appointed Mr. Liou Jenq Lin as the representative. On 23 June 2020, the Board of Directors unanimously elected Mr. Liou Jenq Lin, the representative of Eastech Electronics (Taiwan) Inc. as the chairman of the Board of Directors. The remuneration from January to May 2020 will be disclosed separately, and the remuneration from June to December 2020 will be disclosed collectively.

Note 4: Director, Kwok King Lam Keenan Ken resigned after the full re-election of directors on 12 June 2020.

Note 5: Mr. Jeng Shih Rong was elected as an independent director of the Company at the regular general meeting on 12 June 2020.

Remuneration Ranking

| Ranking of remuneration payable to each director of the Company | Name of directors | | | |
|---|--|--|--|--|
| | Aggregate of four items of remunerations (A+B+C+D) | | Aggregate of four items of remunerations (A+B+C+D) | |
| | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements |
| Below NT\$1,000,000 | Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang Chang Tung I Representative of Eastech Electronics (Taiwan) Inc.: Kwok King Lam Keenan Ken Independent directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong | Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang Chang Tung I Representative of Eastech Electronics (Taiwan) Inc.: Kwok King Lam Keenan Ken Independent directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong | Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang Chang Tung I Representative of Eastech Electronics (Taiwan) Inc.: Kwok King Lam Keenan Ken Independent directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong | Representative of Eastech Electronics (Taiwan) Inc.: Kwok King Lam Keenan Ken Independent directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong |
| NT\$1,000,000 (inclusive) – NT\$2,000,000 (not inclusive) | Nil | Nil | Nil | Nil |
| NT\$2,000,000 (inclusive) – NT\$3,500,000 (not inclusive) | Nil | Nil | Nil | Nil |
| NT\$3,500,000 (inclusive) – NT\$5,000,000 (not inclusive) | Nil | Nil | Nil | Nil |
| NT\$5,000,000 (inclusive) – NT\$10,000,000 (not inclusive) | Nil | Nil | Nil | Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang Chang Tung I |
| NT\$10,000,000 (inclusive) – NT\$15,000,000 (not inclusive) | Nil | Nil | Nil | Nil |
| NT\$15,000,000 (inclusive) – NT\$30,000,000 (not inclusive) | Nil | Nil | Nil | Nil |
| NT\$30,000,000 (inclusive) – NT\$50,000,000 (not inclusive) | Nil | Nil | Nil | Nil |
| NT\$50,000,000 (inclusive) – NT\$100,000,000 (not inclusive) | Nil | Nil | Nil | Nil |
| Above NT\$100,000,000 | Nil | Nil | Nil | Nil |
| Total | 8 persons | 8 persons | 8 persons | 8 persons |

(2) Remunerations of supervisors: Not applicable as the Company does not have any supervisors.

(3) Remuneration of the chairman, president and vice presidents

Unit: NT\$'000

| Title | Name | Salary (A) | | Post-employment pension (B) | | Bonus and special bonus (C) | | Employee remuneration amount (D) (Note 1) | | | | Percentage of aggregate of A, B, C and D to net profit after tax (%) | | Remunerations from companies other than subsidiaries or parent company for investment business |
|---------------------------------------|--|---------------|---|--------------------------------|---|--------------------------------|---|---|-----------|---|-----------|--|---|--|
| | | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | All companies contained in the financial statements | The Company | | All companies contained in the financial statements | | The Company | All companies contained in the financial statements | |
| | | | | | | | | By cash | By shares | By cash | By shares | | | |
| Chairman (administrative position) | Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin (Note 2) | - | 19,000 | - | 333 | - | 2,896 | - | - | - | - | - | 3.29% | - |
| President | Pai Chin Chang (Note 3) | | | | | | | | | | | | | |
| President | Liu Guan Ting (Note 4) | | | | | | | | | | | | | |
| Vice President | Chang Po Chao | | | | | | | | | | | | | |

Note 1: In accordance with the Company's Articles of Association, the remuneration of staff for 2020 was approved for no distribution by the Remuneration Committee and the Board of Directors on 26 February 2021.

Note 2: Eastech Electronics (Taiwan) Inc. was elected as a director of the Company at the regular general meeting on 12 June 2020, and appointed Mr. Liou Jenq Lin as the representative. On 23 June 2020, the Board of Directors unanimously elected Mr. Liou Jenq Lin, the representative of Eastech Electronics (Taiwan) Inc. as the chairman of the Board of Directors.

Note 3: Re-designated as the President of Eastern Asia Technology (HK) Limited on 23 June 2020, and served as the President of the Company since 15 March 2021.

Note 4: Served as the President of the Company since 23 June 2020, and resigned on 15 March 2021.

Remuneration Ranking

| Ranking of remuneration payable to the chairman, each president and vice president of the Company | Name of chairman, president and vice president | |
|--|--|--|
| | The Company | All companies contained in the financial statements |
| Below NT\$1,000,000 | Nil | Nil |
| NT\$1,000,000 (inclusive) – NT\$2,000,000 (not inclusive) | Nil | Nil |
| NT\$2,000,000 (inclusive) – NT\$3,500,000 (not inclusive) | Nil | Liu Guan Ting Chang Po Chao |
| NT\$3,500,000 (inclusive) – NT\$5,000,000 (not inclusive) | Nil | Nil |
| NT\$5,000,000 (inclusive) – NT\$10,000,000 (not inclusive) | Nil | Representative of EasTech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang |
| NT\$10,000,000 (inclusive) – NT\$15,000,000 (not inclusive) | Nil | Nil |
| NT\$15,000,000 (inclusive) – NT\$30,000,000 (not inclusive) | Nil | Nil |
| NT\$30,000,000 (inclusive) – NT\$50,000,000 (not inclusive) | Nil | Nil |
| NT\$50,000,000 (inclusive) – NT\$100,000,000 (not inclusive) | Nil | Nil |
| Above NT\$100,000,000 | Nil | Nil |
| Total | 0 persons | 4 persons |

(4) Name of managers who have been awarded staff remuneration and the distribution of staff remuneration

Unit: NT\$'000

| | Title | Name | By Shares | By Cash | Total | Percentage of total amount to net profit tax (%) |
|----------|-------------------------|-------------------------|-----------|---------|-------|--|
| Managers | President | Pai Chin Chang (Note 2) | - | - | - | - |
| | Vice President | Chang Po Chao | | | | |
| | Chief Financial Officer | Lam Pui Man | | | | |
| | Chief Audit Officer | Ko Chun Ming (Note 3) | | | | |
| | President | Liu Guan Ting (Note 4) | | | | |
| | Chief Audit Officer | Tang Kai Tak (Note 5) | | | | |

Note 1: In accordance with the Company's Articles of Association, the remuneration of staff for 2020 was approved for no distribution by the Remuneration Committee and the Board of Directors on 26 February 2021.

Note 2: Re-designated as the President of Eastern Asia Technology (HK) Limited on 23 June 2020, and served as the President of the Company since 15 March 2021.

Note 3: Mr. Ko Chun Ming was appointed as the Chief Audit Officer of the Company by the Board of Directors on 6 August 2020.

Note 4: Served as the President of the Company since 23 June 2020, and resigned on 15 March 2021.

Note 5: Resigned on 6 August 2020.

2. Analysis on the percentage of total remunerations of directors, supervisors, chairman, president and vice presidents of the Company and all companies contained in the financial statements for the latest two years to net profit after tax, and descriptions on the remuneration policies, standards and packages and the procedure of determination of remunerations and its relationship with operating results

(1) Percentage of total remunerations of directors, chairman, president and vice presidents of the Company and all companies contained in the financial statements to consolidated net profit.

Unit: NT\$'000

| Year | 2019 | | | | 2020 | | | |
|--|-------------|--------------------------|---|--------------------------|-------------|--------------------------|---|--------------------------|
| Item | The Company | | All companies contained in the financial statements | | The Company | | All companies contained in the financial statements | |
| | Amount | Net profit after tax (%) | Amount | Net profit after tax (%) | Amount | Net profit after tax (%) | Amount | Net profit after tax (%) |
| Directors (directors' remuneration) | 8,005 | 2.60% | 8,005 | 2.60% | 300 | 0.04% | 300 | 0.04% |
| Chairman, President and Vice President | - | 0.00% | 20,978 | 6.81% | - | 0.00% | 22,229 | 3.29% |

- (2) Descriptions on the remuneration policies, standards and packages and the procedure of determination of remunerations and its relationship with operating results.

- ① The policies, standards and combinations of remuneration, and procedures for determining remuneration.

Remuneration of directors of the Company is determined by the Remuneration Committee of the Company in accordance with Article 117 of the Company's Articles of Association with reference to the operating results of the Company and their contribution to the Company, subject to a limit of 2% of the profit before tax and remunerations of employees and directors for the year. At the discretion of the independent Directors, to consider the value of the Company's operation and contribution, to consider the proposed amount of the remuneration and the principle of the payment, and to submit the proposal to the Board of Directors for approval after the resolution has been submitted.

Article 117 of the Articles of Association of the Company provides that the amount of employees' remuneration shall not be less than 1% and not more than 15% of the profit before tax for the current year less the distribution of staff and directors' remuneration. Remuneration of the chairman, president and vice presidents shall be paid according to the scope of their duties and responsibilities for their positions and their contribution to the Company's operational objectives. Determination of the remuneration shall be based on the overall operating performance of the Company, future operating risks and development trend of the industry and individual performance and contribution to the Company's performance.

- ② Relevance to business performance and future risks:

The Company's payment of directors' remuneration has taken into consideration the Company's future operational risks and its positive correlation with operating performance, in order to balance the Company's sustainable operations and risk control.

For the remuneration of the chairman, general manager and deputy general manager, the Company's remuneration for the same position in recent year, and the reasonableness of the correlation between the individual performance and the Company's operating performance and future risks from the achievement of the Company's short-term and long-term business goals and the Company's financial status. It also did not guide managers to engage in behaviors that exceeded the company's risk appetite in pursuit of compensation.

(c) Particulars of Corporate Governance

(1) Board of Directors

1. During the latest year (2020) and as of the date of issue of annual report, 13 board meetings were held. The attendance of the directors is as follows (4 board meetings were held before re-election in 2020, and 9 board meetings were held after the re-election):

| Title | Name | Attendance in person | Attendance by proxy | Attendance rate in person (%) | Remarks |
|----------------------|---|----------------------|---------------------|-------------------------------|--------------------------|
| Chairman | Representative of Eastech Electronics (Taiwan) Inc.: Liou Jenq Lin | 13 | 0 | 100% | Re-elected (Note) |
| Director | Pai Chin Chang | 13 | 0 | 100% | Re-elected (Note) |
| Director | Chang Tung I | 13 | 0 | 100% | Re-elected (Note) |
| Independent Director | Shiau Fung Shyung | 13 | 0 | 100% | Re-elected (Note) |
| Independent Director | Chang Shan Juh | 13 | 0 | 100% | Re-elected (Note) |
| Independent Director | Chen Ko Hung | 13 | 0 | 100% | Re-elected (Note) |
| Independent Director | Jeng Shih Rong | 9 | 0 | 100% | Newly appointed (Note) |
| Director | Representative of Eastech Electronics (Taiwan) Inc.: Kwok King Lam Keenan Ken | 4 | 0 | 100% | Original position (Note) |

Note: The fifth session of re-election of directors was completed at the regular general meeting on 12 June 2020. The term office is from 12 June 2020 to 11 June 2023. On 12 June 2020, Jeng Shih Rong was appointed as an independent director and director, Kwok King Lam Keenan Ken retired after the full re-election of directors.

2. Other disclosure:

- (1) The date of board meeting, session, content of the proposal, the opinions of all independent directors and the Company's response to the opinions of independent directors shall be recorded if any of the following circumstances occurs:

- ① Matters stipulated in Article 14-3 of the Securities and Exchange Law
- ② In addition to the aforementioned matters, other board resolutions that have been objected to or qualified by independent directors with record or written statement:

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-3 of the Securities and Exchange Law | Objections or reservation by independent directors |
|--|--|---|--|
| Fourth session Twenty-first meeting 27 February 2020 | 1. The Company's 2019 employee remuneration and directors' remuneration proposal | Yes | No |
| | 2. Land purchase and factory construction project by sub-subsidiary Danish Scan-Speak | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |
| Fourth session Twenty-second meeting 24 April 2020 | 1. Nomination of candidates for directors and independent directors | Yes | No |
| | 2. Removal of the restriction on the prohibition of competition of the Company's fifth session of new directors and its representatives | Yes | No |
| | 3. Endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 4. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 5. Endorsement and guarantees for Eastech (VN) Company Limited by the Company | Yes | No |
| | 6. Proposed issuance of employee stock option certificates | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | <p>Voting result of first resolution: As Eastech Holdings Limited (Mr. Liou Jenq Lin, the Chairman, concurrently serves as the chairman of Eastech Electronic (Taiwan) Inc. and Mr. Kwok King Lam Keenan Ken, the director, concurrently serves as the legal representative of Eastech Electronic (Taiwan) Inc.), Mr. Pai Chin Chang and Mr. Chang Tung I, the directors are the candidates for directors proposed by the Board of Directors in accordance with the law, they abstained from voting. The number of voters was only 3. After being appointed as the acting chairman and consultation, independent director Mr. Chen Ko Hung, proposed to nominate Eastech Holdings Limited, Mr. Pai Chin Chang and Mr. Chang Tung I as the candidates for the Company's directors.</p> <p>In this case, independent directors, namely Mr. Shiao Fung Shyung, Mr. Chang Shan Jun and Mr. Chen Ko Hung, are the candidates for independent directors proposed by the Board of Directors in accordance with the law,</p> | | |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-3 of the Securities and Exchange Law | Objections or reservation by independent directors |
|--|--|---|--|
| | <p>they abstained from voting. The number of voters was only 4. After consultation, the chairman proposed to nominate Mr. Shiao Fung Shyung, Mr. Chang Shan Jun, Mr. Chen Ko Hung and Mr. Jeng Shih Rong as the candidates for the Company's independent directors.</p> <p>Voting result of the second resolution: As independent directors Mr. Shiao Fung Shyung and Mr. Chen Ko Hung had their own interests in this case, they abstained from voting to avoid conflict of interests. The number of voters was only 5, and all the attending directors and independent directors approved the resolution.</p> <p>Voting result of the third to sixth resolutions: All attending directors and independent directors approved the resolution.</p> | | |
| Fourth session Twenty-third meeting 7 May 2020 | 1. Endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |
| Fourth session Twenty-fourth meeting 19 May 2020 | 1. Proposed issuance of employee stock option certificates for 2019 by the Company | Yes | No |
| | 2. Proposed issuance of the second employee stock operation certificates for 2019 by the Company | Yes | No |
| | 3. Proposal principle of KPI bonus distribution and manager distribution amount for 2019 | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result of the first resolution: All attending directors and independent directors approved the resolution. | | |
| | <p>Voting result of the second resolution: As Mr. Liou Jenq Lin, the Chairman had the interests of first-class relatives and Mr. Chang Tung I, the director concurrently serves as the executive vice president of a subsidiary, had his own interests in this case, they abstained from voting to avoid conflict of interests. The number of voters was only 5. After being appointed as the acting chairman, Mr. Chen Ko Hung, consulted all attending independent directors and directors, and the resolution was passed without exception.</p> <p>Voting result of the third resolution: As Mr. Liou Jenq Lin, the Chairman had the interests of first-class relatives, Mr. Pai Chin Chang, the director concurrently serves as the President of the Company, and Mr. Chang Tung I, the director concurrently serves as the executive vice president of a subsidiary, had their own interests in this case, they abstained from voting</p> | | |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-3 of the Securities and Exchange Law | Objections or reservation by independent directors |
|--|--|---|--|
| | to avoid conflict of interests. The number of voters was only 4. After being appointed as the acting chairman, Mr. Chen Ko Hung, consulted all attending independent directors and directors, and the resolution was passed without exception. | | |
| Fifth session First meeting 23 June 2020 | 1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 3. Proposed appointment and removal of the President of the Company | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | <p>Voting result of the first and second resolutions: All attending directors and independent directors approved the resolution.</p> <p>Voting result of the third resolution: As Mr. Liou Jenq Lin, the Chairman had the interests of first-class relatives in this case, he abstained from voting to avoid conflict of interests. The number of voters was only 6. After being appointed as the acting chairman, Mr. Chang Shan Juh, consulted all attending independent directors and directors, and the resolution was passed without exception.</p> | | |
| Fifth session Second meeting 6 August 2020 | 1. Proposed appointment and removal of the Chief Audit Officer of the Company | Yes | No |
| | 2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 3. Endorsements and guarantees for Eastech (VN) Company Limited by the Company | Yes | No |
| | 4. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 5. Proposed issuance of the second employee stock option certificates for 2019 by the Company | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | <p>Voting result:</p> <p>Voting result of the first resolution: As Mr. Ko Chun Ming, the Chief Audit Officer had his own interests in this case, he abstained from voting to avoid</p> | | |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-3 of the Securities and Exchange Law | Objections or reservation by independent directors |
|---|---|---|--|
| | <p>conflict of interests. After consulting with all attending directors and independent directors by the Chairman, the resolution was passed without exception.</p> <p>Voting result of the second to fifth resolutions: All attending directors and independent directors approved the resolution.</p> | | |
| Fifth session Third meeting 5 November 2020 | 1. Endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 2. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 3. Proposed renewal of the liability insurance for directors, supervisors and managers Proposed renewal of the liability insurance for directors, supervisors and managers | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |
| | | | |
| Fifth session Fourth meeting 14 December 2020 | 1. The resolution in relation to the approval of the pre-sale forward foreign exchange operation, with the total authorized amount not exceeding US\$30,000 thousand | Yes | No |
| | 2. Endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 3. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 4. Endorsements and guarantees for Eastech (VN) Company Limited by the Company | Yes | No |
| | 5. Proposed amendments to the "Internal Control Self-Assessment Procedure" and the "Implementation of Internal Control Systems" of the Company | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-3 of the Securities and Exchange Law | Objections or reservation by independent directors |
|--|---|---|--|
| Fifth session Fifth meeting 22 January 2021 | 1. Proposed capital lending to a wholly-owned subsidiary - Eastern Asia Technology (HK) Limited, with an amount of US\$6,650 thousand | Yes | No |
| | 2. Proposed capital injection in cash to Eastech Electronics (HK) Limited, a subsidiary | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |
| Fifth session Sixth meeting 26 February 2021 | 1. The Company's 2020 employee remuneration and directors' remuneration proposal | Yes | No |
| | 2. Proposed amendments to the internal control system of the Company | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |
| Fifth session Seventh meeting 15 March 2021 | 1. Proposed disposal of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company | Yes | No |
| | 2. Proposed acquisition of right-of-use assets from Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by EASTECH (Huizhou) Electronics Co., Ltd., a subsidiary of the Company | Yes | No |
| | 3. Proposed amendments to the "Endorsement Guarantee Operation Management Measures" of the Company | Yes | No |
| | 4. Latest financial position and counter-measures of the Company | Yes | No |
| | 5. Proposed endorsements and guarantees for Eastech (VN) Company Limited. by the Company | Yes | No |
| | 6. Proposed appointment and removal of the President of the Company | Yes | No |
| | Opinions of independent directors: | | |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-3 of the Securities and Exchange Law | Objections or reservation by independent directors |
|--|--|---|--|
| | <p>Item 1: The Audit Committee has considered this case in detail and it is a material resolution of EASTACH. During the consideration process, we have taken into account the opinions of the Company's internal and external experts, and we are pleased to have the presence of lawyers and accountants from Mainland for explanation. Processes and implications of the 8 questions raised by the Audit Committee have been fully explained by the internal and external experts, professional opinions were also expressed. The Audit Committee fully understood and support such material resolution of the Company.</p> <p>Item 2: The Audit Committee reminded that the lease contract did not specify who the beneficiary would be in the event of an insurance incident during such period. At the audit meeting, Lawyer Mr. Lee explained that we should refer the items of asset, factory or inventory or equipment, and then refer to who the beneficiaries of the insurance contract are. After the meeting, the Company will check the insurance contract for further clarification on this item.</p> | | |
| | The Company's response to the opinions of independent directors: All attending directors and independent directors approved the resolution. | | |
| | Voting result of the first to fifth resolutions: All attending directors and independent directors approved the resolution. | | |
| | Voting result of the sixth resolution: As Mr. Liou Jenq Lin, the Chairman had the interests of first-class relatives, and Mr. Pai Chin Chang, the director had his own interest in this case, they abstained from voting to avoid conflict of interests. The number of voters was only 5. After being appointed as the acting chairman, Mr. Chang Shan Juh consulted all attending independent directors and directors, and the resolution was passed without exception. | | |
| | | | |
| Fifth session Eighth meeting 27 April 2021 | 1. Proposed issuance of employee stock option certificates for 2020 by the Company | Yes | No |
| | 2. Cash capital increase by EASTECH (Huizhou) Electronics Co., Ltd. | Yes | No |
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |
| Fifth session Ninth meeting 7 May 2021 | 1. Sale of business machinery by Eastech Electronics (Huiyang) Co., Ltd. to EASTECH (Huizhou) Electronics Co., Ltd. | Yes | No |
| | 2. Proposed endorsements and guarantees for EASTECH (Huizhou) Co., Ltd. by the Company | Yes | No |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-3 of the Securities and Exchange Law | Objections or reservation by independent directors |
|---------------|---|---|--|
| | Opinions of independent directors: Nil | | |
| | The Company's response to the opinions of independent directors: Nil | | |
| | Voting result: All attending directors and independent directors approved the resolution. | | |

- (2) Details of abstention from voting by directors on proposals with conflict of interests (the name of directors, content of the proposal, reason for abstention and their participation in voting):

Board meeting on 24 April 2020

Case One: The nomination of candidates for directors and independent directors, as in Eastech Electronic (Taiwan) Inc., Mr. Liou Jenq Lin, the director, concurrently serves as the chairman of Eastech Electronic (Taiwan) Inc., Mr. Kwok King Lam Keenan Ken, the director, concurrently serves as the legal representative of Eastech Electronic (Taiwan) Inc., Mr. Pai Chin Chang and Mr. Chang Tung I, the directors are the candidates for directors proposed by the Board of Directors in accordance with the law, they abstained from voting. Save for the aforementioned directors abstained from voting to avoid conflict of interests, the resolution was passed without exception by the remaining directors.

Independent directors, namely Mr. Shiau Fung Shyung, Mr. Chang Shan Jun and Mr. Chen Ko Hung, are the candidates for independent directors proposed by the Board of Directors in accordance with the law, they abstained from voting. Save for the aforementioned directors abstained from voting to avoid conflict of interests, the resolution was passed without exception by the remaining directors.

Case Two: The removal of the restriction on the prohibition of competition of the Company's fifth session of new directors and its representatives, as independent directors Mr. Shiau Fung Shyung and Mr. Chen Ko Hung had their own interests in this case, they abstained from voting to avoid conflict of interests. Save for the aforementioned directors abstained from voting to avoid conflict of interests, the resolution was passed without exception by the remaining directors.

Board meeting on 19 May 2020

Case Two: The proposed issuance of the second employee stock operation certificates for 2019 by the Company, as Mr. Liou Jenq Lin, the Chairman and Mr. Chang Tung I, the director had the interests of first-class relatives and own interests in this case, they abstained from voting to avoid conflict of interests. Save for the aforementioned directors abstained from voting to avoid conflict of interests, the resolution was passed without exception by the remaining directors.

Case Three: The proposal principle of KPI bonus distribution and manager distribution amount for 2019, as Mr. Liou Jenq Lin, the Chairman, Mr. Pai Chin Chang and Mr. Chang Tung I, the directors had the interests of first-class relatives and own interests in this case, they abstained from voting to avoid conflict of interests. Save for the aforementioned directors abstained from voting to avoid conflict of interests, the resolution was passed without exception by the remaining directors.

Board meeting on 23 June 2020

Case Four: The proposed appointment and removal of the President of the Company, as Mr. Liou Jenq Lin, the Chairman had the interests of first-class relatives in this case, he abstained from voting to avoid conflict of interests. Save for the aforementioned directors abstained from voting to avoid conflict of interests, the resolution was passed without exception by the remaining directors.

Board meeting on 15 March 2021

Case Six: The proposed appointment of the President of the Company, as Mr. Liou Jenq Lin, the Chairman and Mr. Pai Chin Chang, the director had the interests of first-class relatives and own interests in this case, they abstained from voting to avoid conflict of interests. Save for the aforementioned directors abstained from voting to avoid conflict of interests, the resolution was passed without exception by the remaining directors.

(3) Appraisal and Implementation of the Board of Directors:

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Content |
|------------------|---|--|---|---|
| Once a year | From 1 January 2020 to 31 December 2020 | Overall Board of Directors, individual Directors and functional Committees | Internal self-evaluation of the Board of Directors, self-evaluation of Directors, internal self-evaluation of functional Committees | <p>I. The performance evaluation of the Board of Directors: at least including the level of participation in the Company's operations, the quality of decisions of the Board of Directors, the composition and structure of the Board of Directors, the selection and continuous education of Directors, internal control and etc.</p> <p>II. Performance evaluation of individual Directors: at least including the mastery of the Company's goals and tasks, the awareness of Directors' responsibilities, the level of participation in the Company's operations, internal relationship management and communication, Directors' professional and continuing education, internal control and etc.</p> <p>III. Performance evaluation of Functional Committees: the level of participation in the Company's operations, the awareness of Functional Committees' responsibilities, the quality of decisions of the Functional Committees, the composition of functional Committees and the selection of members, internal control and etc.</p> <p>IV. Evaluation result: the performance evaluation of the Board of Directors, members of the Board of Directors and functional committees (The Remuneration Committee and the Audit Committee) were all assess as excellent in 2020. The Board of Directors overall has been giving active recommendations, positive inter-actions and effective operation.</p> |

(4) Objectives and performance assessment of the function enhancement of the Board of Directors during the current year and the latest year:

The Company established the Audit Committee on 30 March 2011. In order to enhance information transparency, the auditors of the Company will regularly submit audit reports to independent directors. The Company also fulfilled the requirements of the competent authority and established the Remuneration Committee on 28 September 2011 accordingly. The Audit Committee and the Remuneration Committee are all composed of independent directors.

The Company's articles of association have revised the nomination system for director candidates for election.

The Company pays attention to the interests of investors and interested parties. Major board resolutions will be announced after each board meeting, and the information on further studies, attendance at board meetings and remuneration of directors and independent directors will be disclosed.

In order to implement corporate governance and enhance the functions of the Board of Directors, the Company established a performance target to strengthen the efficiency of the Board of Directors, 1 independent director was added on the re-election of directors in 2020. The “Evaluation Method for the Board of Directors’ Performance” was formulated on 5 November 2020, and the performance evaluation of the Board of Directors, members of the Board of Directors and functional committees (the Remuneration Committee and the Audit Committee) was completed in January 2021, the results of the 2020 evaluation were all excellent and the Board of Directors overall has been giving active recommendations, positive interactions and effective operation.

For better governance of the Company and enhance the function of the Board of Directors, and to set up performance target to improve the operating efficiency of the Board of Directors, the Measures for Performance Assessment of the Board of Directors were formulated on 8 November 2019 and the performance assessment for the Board of Directors, members of the Board and functional committees (the Remuneration Committee and the Audit Committee) was completed in January 2020. The assessment results for 2019 were excellent, showing that the Board of Directors as a whole operates well.

The Company’s “Evaluation Method for the Board’s Performance” has been disclosed on Public Information Observation Post and the Company’s website.

(2) Audit Committee

1. The Company established the Audit Committee on 30 March 2011. According to the organizational procedures of the Audit Committee of the Company, the committee consists of all independent directors, and is responsible for assisting the Board of Directors to supervise the Company’s performance in accounting, auditing and financial reporting processes and the quality and integrity in financial control.

The matters considered by the Audit Committee mainly include

- Financial statements
- Audit and accounting policies and procedures
- Internal control system and related policies and procedures
- Major assets or derivatives transactions
- Loan, endorsement or guarantee of substantial amount
- Offering or issuance of securities
- Compliance
- Whether the managers and the directors have related party transactions and possible conflicts of interest

- Qualification of the certified public accountant and independence assessment
- Appointment and dismissal of internal audit officers
- Performance of the Audit Committee's duties
- Review of financial reports

The Board of Directors has issued the Company's 2020 business report, consolidated financial statements and profit and loss reversal proposals. The consolidated financial statements have been audited by Deloitte Touche Tohmatsu with an audit report. The abovementioned business report, consolidated financial statements and dividend distribution proposal have been reviewed by the Audit Committee and it is considered that there is no disagreement.

- Evaluate the effectiveness of the internal control system

The Audit Committee evaluates the effectiveness of the Company's internal control system policies and procedures (including financial, operational, risk management, information security, outsourcing, compliance, etc.) and reviews the periodic reports of the Company's audit department, certified public accountant and management, including risk management and compliance. With reference to the Internal Control – Integrated Framework issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee considered the Company's risk management and internal control systems to be effective. The Company has adopted the necessary control mechanisms to monitor and correct violations.

During the latest year (2020) and as of the date of issue of annual report, the Audit Committee of the Company held 12 meetings. The attendance of the members is as follows (4 board meetings were held before re-election in 2020, and 9 board meetings were held after the re-election):

| Title | Name | Attendance in person | Attendance by proxy | Attendance rate in person (%) | Remarks |
|----------------------|-------------------|----------------------|---------------------|-------------------------------|-------------------|
| Independent Director | Chen Ko Hung | 12 | 0 | 100% | Re-elected (Note) |
| Independent Director | Shiau Fung Shyung | 12 | 0 | 100% | Re-elected (Note) |
| Independent Director | Chang Shan Juh | 12 | 0 | 100% | Re-elected (Note) |
| Independent Director | Jeng Shih Rong | 9 | 0 | 100% | Re-elected (Note) |

Note: Shiau Fung Shyung, Chang Shan Juh, Chen Ko Hung and Jeng Shih Rong were re-elected as independent directors of the Company at the regular general meeting on 12 June 2020, with term of office from 12 June 2020 to 11 June 2023.

2. Other disclosure

(1) The date of board meeting, session, content of the proposal, the resolution of the Audit Committee and the Company's response to the opinion of the Audit Committee shall be recorded if any of the following circumstances occurs:

① Matters stipulated in Article 14-5 of the Securities and Exchange Law:

② In addition to the aforementioned matters, other resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors:

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-5 of the Securities and Exchange Law | Resolution not approved by the Audit Committee but approved by more than two-thirds of all directors |
|--|--|---|--|
| Fourth session Twenty-first meeting 27 February 2020 | 1. The Company's 2019 business report and consolidated financial statements | Yes | No |
| | 2. The Company's 2019 employee remuneration and directors' remuneration proposal | Yes | No |
| | 3. Proposed issue of the Management's Reports on Internal Control in accordance with Article 24 of the Guidelines for the Establishment of Regulations Governing Establishment of Internal Control Systems by Public Companies | Yes | No |
| | 4. Land purchase and factory construction project by sub-subsidiary Danish Scan-Speak | Yes | No |
| | Resolution of the Audit Committee (27 February 2020): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fourth session Twenty-second meeting 24 April 2020 | 1. Endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 2. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 3. Endorsement and guarantees for Eastech (VN) Company Limited by the Company | Yes | No |
| | 4. Proposed issuance of employee stock option certificates | Yes | No |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-5 of the Securities and Exchange Law | Resolution not approved by the Audit Committee but approved by more than two-thirds of all directors |
|---|--|---|--|
| | Resolution of the Audit Committee (24 April 2020): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fourth session Twenty-third meeting 7 May 2020 | 1. Endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | Resolution of the Audit Committee (7 May 2020): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fourth session Twenty-fourth meeting 23 June 2020 | 1. Endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 2. Endorsements and guarantees for Eastech Electronics (Huiyang) Co., Ltd. by the Company | Yes | No |
| | Resolution of the Audit Committee (23 June 2020): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fifth session Second meeting 6 August 2020 | 1. Proposed appointment and removal of the Chief Audit Officer of the Com- | Yes | No |
| | 2. The Company's consolidated financial statements for the first half of 2020 | Yes | No |
| | 3. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 4. Endorsements and guarantees for Eastech (VN) Company Limited by the Company | Yes | No |
| | 5. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | Resolution of the Audit Committee (6 August 2020): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fifth session Third meeting 5 November 2020 | 1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-5 of the Securities and Exchange Law | Resolution not approved by the Audit Committee but approved by more than two-thirds of all directors |
|---|--|---|--|
| | 2. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 3. Proposed renewal of the liability insurance for directors, supervisors and managers Proposed renewal of the liability insurance for directors, super- | Yes | No |
| | Resolution of the Audit Committee (5 November 2020): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fifth session Fourth meeting 14 December 2020 | 1. The resolution in relation to the approval of the pre-sale forward foreign exchange operation, with the total authorized amount not exceeding US\$30,000 thousand | Yes | No |
| | 2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company | Yes | No |
| | 3. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company | Yes | No |
| | 4. Endorsements and guarantees for Eastech (VN) Company Limited by the Company | Yes | No |
| | 5. Proposed amendments to the "Internal Control Self-Assessment Procedure" and the "Implementation of Internal Control Systems" of the Company | Yes | No |
| | Resolution of the Audit Committee (14 December 2020): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fifth session Fifth meeting 22 January 2021 | 1. Proposed capital lending to a wholly-owned subsidiary - Eastern Asia Technology (HK) Limited, with an amount of US\$6,650 thousand | Yes | No |
| | 2. Proposed capital injection in cash to Eastech Electronics (HK) Limited, a subsidiary | Yes | No |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-5 of the Securities and Exchange Law | Resolution not approved by the Audit Committee but approved by more than two-thirds of all directors |
|--|--|---|--|
| | Resolution of the Audit Committee (22 January 2021): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fifth session Sixth meeting 26 February 2021 | 1. The Company's 2020 annual business report and consolidated financial statements | Yes | No |
| | 2. The Company's 2020 employee remuneration and directors' remuneration proposal | Yes | No |
| | 3. Proposed issue of the Management's Reports on Internal Control in accordance with Article 24 of the Guidelines for the Establishment of Regulations Governing Establishment of Internal Control Systems by Public Companies | Yes | No |
| | 4. Proposed amendments to the internal control system of the Company | Yes | No |
| | Resolution of the Audit Committee (26 February 2021): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fifth session Seventh meeting 15 March 2021 | 1. Proposed disposal of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company | Yes | No |
| | 2. Proposed acquisition of right-of-use assets from Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by EASTECH (Hui-zhou) Electronics Co., Ltd., a subsidiary of the Company | Yes | No |
| | 3. Proposed amendments to the "Endorsement Guarantee Operation Management Measures" of the Company | Yes | No |
| | 4. Latest financial position and counter-measures of the Company | Yes | No |

| Board Meeting | Content of the proposal and follow-up action | Matters stipulated in Article 14-5 of the Securities and Exchange Law | Resolution not approved by the Audit Committee but approved by more than two-thirds of all directors |
|--|---|---|--|
| | 5. Endorsements and guarantees for Eastech (VN) Company Limited by the Company | Yes | No |
| | <p>Resolution result of the Audit Committee (15 March 2021):</p> <p>Item 1: We have considered this case in detail and it is a material resolution of EASTECH. During the consideration process, we have taken into account the opinions of the Company's internal and external experts, lawyers and accountants from Mainland are present for explanation. Processes and implications of the 8 questions raised by the Audit Committee have been fully explained by the internal and external experts, professional opinions were also expressed. The Audit Committee fully understood and support such material resolution of the Company.</p> <p>Item 2: The Audit Committee reminded that the lease contract did not specify who the beneficiary would be in the event of an insurance incident during such period. At the audit meeting, Lawyer Mr. Lee explained that we should refer the items of asset, factory or inventory or equipment, and then refer to who the beneficiaries of the insurance contract are. After the meeting, the Company will check the insurance contract for further clarification on this item.</p> <p>Resolution result of item 1 to 5: All members of the Audit Committee approved the resolution.</p> | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| | | | |
| Fifth session Eighth meeting 27 April 2021 | 1. Cash capital increase by EASTECH (Huizhou) Electronics Co., Ltd. | Yes | No |
| | Resolution of the Audit Committee (27 April 2021): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |
| Fifth session Ninth meeting 7 May 2021 | 1. Sale of business machinery by Eastech Electronics (Huiyang) Co., Ltd. to EASTECH (Huizhou) Electronics Co., Ltd. | Yes | No |
| | 2. Proposed endorsements and guarantees for EASTECH (Huizhou) Co., Ltd. by the Company | Yes | No |
| | Resolution of the Audit Committee (7 May 2021): All members of the Audit Committee approved the resolution. | | |
| | The Company's response to the opinion of the Audit Committee: All attending directors and independent directors approved the resolution. | | |

(2) Details of abstention from voting by independent directors on proposals with conflict of interests (the name of directors, content of the proposal, reason for abstention and their participation in voting): Nil

(3) Communication between independent directors and internal audit officer and accountant (such as subject, mode and results of communication on the Company's financial and business conditions, etc.):

① Modes of communication between independent directors and internal audit officer and accountant

The internal audit officer of the Company regularly submits the audit report to the independent directors at the Audit Committee meeting, and communicates with the members on the results of the audit report and the implementation of the follow-up report.

The Company's certified public accountant regularly communicates with the Audit Committee and reports to the independent directors regarding the financial and overall operation and internal control of the Company and its domestic and overseas subsidiaries, and fully communicates whether there is any significant adjustment to the entry or whether the amendments to laws and regulations affect the account.

② Summary of communication between independent directors and internal audit officer

The major subjects of communication in 2020 are summarized as follows:

| Date | Focus of communication | Communication results |
|-------------------------------------|---|-----------------------|
| 27 February 2020 Audit Committee | 1. Summary report on the internal audit implementation for 2019 2. The Management's Reports on Internal Control for 2019 3. 1 December 2019 to 31 January 2020 internal audit implementation report | No objection |
| 24 April 2020 Audit Committee | 1 February 2020 to 15 April 2020 internal audit implementation report | No objection |
| 7 May 2020 Audit Committee | 16 April 2020 to 28 April 2020 internal audit implementation report | No objection |
| 23 June 2020 Audit Committee | 11 May 2020 to 12 June 2020 internal audit implementation report | No objection |
| 6 August 2020 Audit Committee | 13 June 2020 to 27 July 2020 internal audit implementation report | No objection |
| 5 November 2020 Audit Committee | 28 July 2020 to 28 October 2020 internal audit implementation report | No objection |
| 14 December 2020 | 1. The Company's 2020 audit | No objection |

| Date | Focus of communication | Communication results |
|-------------------------------------|--|-----------------------|
| Audit Committee | plan 2. 29 October 2020 to 27 November 2020 internal audit implementation report | |
| 22 January 2021 Audit Committee | 28 November 2020 to 14 January 2021 internal audit implementation report | No objection |
| 26 February 2021 Audit Committee | 1. Internal audit implementation summary report of 2020 2. “Statement of Internal Control System” for 2020 3. 14 January 2021 to 18 February 2021 internal audit implementation report | No objection |
| 15 March 2021 Audit Committee | Internal audit implementation report | No objection |
| 27 April 2021 Audit Committee | 19 February 2021 to 19 April 2021 internal audit implementation report | No objection |
| 7 May 2021 Audit Committee | 20 April 2021 to 29 April 2021 internal audit implementation report | No objection |

③ Summary of communication between independent directors and accountant

The major subjects of communication in 2020 are summarized as follows:

| Date | Focus of communication | Communication results |
|-------------------------------------|--|--|
| 27 February 2020 Audit Committee | Submission of the consolidated financial report for 2019 The certified public accountant attended the Audit Committee, communicated with the independent directors to explain the matters to be reviewed on the Company’s 2019 consolidated financial report and the key audit matters (KAM), and communicated to explain the questions of independent directors. | The consolidated financial report for the year was approved by the Audit Committee and submitted to the Board of Directors for approval on 27 February 2020; and was reported to be completed on 27 March 2020. |
| 6 August 2020 Audit Committee | The certified public accountant attended the Audit Committee, communicated with the independent directors to explain the addition disclosure of the impact assessment of the COVID-19 and other important matters in the Company’s consolidated financial report of the first half of | In accordance with the order of the competent authority, the impact assessment of the COVID-19 epidemic has been additionally disclosed in the consolidated financial report of the first half of 2020, and has been appropriately disclosed in the notes to the financial report. |

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| | 2020. | |
| 5 November 2020 Audit Committee | The certified public accountant attended the Audit Committee, communicated with the independent directors to explain that there were no disguised financial activities by the Company. | In accordance with the order of the competent authority, reported that the Company had no disguised financial activities during the board meeting in the third quarter of 2020. |
| 14 December 2020 Audit Committee | The certified public accountant attended the Audit Committee, communicated with the independent directors to explain the matters to be reviewed on the Company's 2020 consolidated financial report and the key audit matters (KAM), and communicated to explain the questions of independent directors. | The certified public accountant has been in full communication with the Audit Committee on the matters to be reviewed on the Company's 2020 consolidated financial report and the key audit matters (KAM). |
| 22 January 2021 Audit Committee | The certified public accountant attended the Audit Committee, and communicated to explain the questions of independent directors. | The certified public accountant has been in full communication with the Audit Committee. |
| 26 February 2021 Audit Committee | Submission of the consolidated financial report for 2020 The certified public accountant attended the Audit Committee, communicated with the independent directors to explain the matters to be reviewed on the Company's 2020 consolidated financial report and the key audit matters (KAM), and communicated to explain the questions of independent directors. | The consolidated financial report for the year was approved by the Audit Committee and submitted to the Board of Directors for approval on 26 February 2021; and was reported to be completed on 26 March 2021. |
| 15 March 2021 Audit Committee | Submission of the proposed of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company. The certified public accountant attended the Audit Committee, and communicated to explain the questions of independent directors. | The disposal of equity interests was approved by the Audit Committee on 15 March 2021; and was reported to be completed on 15 March 2021. |

(3) The Company's corporate governance implementation, its discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons

| Assessment item | Implementation status | | | The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons |
|--|-----------------------|----|---|--|
| | Yes | No | Description | |
| 1. Does the company establish and disclose its code of practice for corporate governance in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies? | Yes | | The Company has established the Code of Practice for Corporate Governance and disclosed it on the Company's website and the Market Observation Post. | No substantial discrepancy |
| 2. Equity structure and shareholder rights (1) Has the Company set internal operating procedures to deal with shareholder proposals, queries, disputes and litigation matters, and does it implement these in accordance with its procedures? | Yes | | (1) The Company has appointed SinoPac Securities Stock Transfer Agency Department, a professional stock agency, to handle the share transfer matters, and has a spokesperson, an agent spokesperson and an email address (ir@eastech.com) to properly handle related issues such as shareholder suggestions, queries, etc., and handle legal matters with assistance from the legal department. | No substantial discrepancy |
| (2) Does the Company have a list of de facto controllers of the Company and those who ultimately control the major shareholders of the Company? | Yes | | (2) The Company reports the shareholding changes of its insiders (directors, managers and substantial shareholders holding more than 10% of the shares) to the Market Observation Post on a monthly basis according to law. | No substantial discrepancy |
| (3) How does the Company establish and implement its risk management mechanism and firewalls involving related entities? | Yes | | (3) The Company has established the Procedures for Trading with Related Parties, Specific Companies and Group Companies, which clearly defines the business, operation and financial transactions with related entities, and has fulfilled risk control and firewall mechanisms. | No substantial discrepancy |
| (4) Has the Company set internal standards to prohibit insiders from using undisclosed information to trade securities on the market? | Yes | | (4) The Company has established the Rule Governing the Prevention of Insider Trading, which prohibits insiders from using undisclosed information to trade securities on the market. | No substantial discrepancy |

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|---|------------|--|-----------------------------------|
| <p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors set and implement a diversity policy?</p> | <p>Yes</p> | <p>(1) The Company has established the Code of Practice for Corporate Governance with a diversified approach. The Company's articles of association have stipulated a nomination system for election of directors to ensure the diversity and independence of its members.</p> <p>The Company completed the re-election of 7 directors of the fifth session of the Board of Directors at the regular general meeting on 12 June 2020, and voluntarily to have more than one independent director as required by the law. 57% of our directors are independent directors and 29% of which are employees of the Company. One director is aged over 70, four aged 60-69 and two aged 50-59. The nationality of seven directors is Taiwan. The Company places emphasis on diversity and independent of its Board of Directors, with the proportion of independent directors reaching over 50%.</p> <p>The Company comprises of seven directors. Mr. Liou Jeng Lin, a director who has been immersed in the acoustic industry for decades, has created and operated the acoustic enterprise layout to date. He is good at arranging enterprise development plans and strategic future development directions, with Mr. Pai Chin Chang, a director, who is strong in production and quality management and technology-based, which every product is like a treasure and he have been involved in every stage of factory building and transformation. Chief Financial Officer Mr. Chang Tung I who is a director with a strong background in financial planning and has the ability to operate many listed companies. The aforesaid three directors who are management staff form the Three Musketeers for the Company's operation. Four independent directors have the background of "administration" and "education". Mr. Shiau Fung Shyung served as the Vice Council for Economic Construction Committee, and has a master's degree in economics from the Yale University</p> | <p>No substantial discrepancy</p> |
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| | | | and served as the dean and an honorary professor of College of Commerce of an university. Independent director Mr. Chen Ko Hung who is a chief financial officer of a TPEX listed company, has a chief financial officer's vision, can provide financial early warning and advise on the legal aspects of investment and finance. Independent director Chang Shan Juh who concurrently serves as the chairman and member of the Remuneration Committee, is an expertise in human resources, has the experience of manpower supervision including large listed groups and universities and facilitating industry-university cooperation with related universities, which makes progress for both teaching and learning. Independent director Jeng Shih Rong, with a professional background in law and having served as the secretary of the Legislative House for decades, he has extensive experience in public service and clear legal reasoning, and hopes to draw on his practical experience in the public sector to provide mentor-like supervision and advice on corporate governance and legal compliance. The diversity of the seven directors will be greatly beneficial the Company's future development. | |
| (2) Has the Company voluntarily established other functional committees besides the Remuneration Committee and the Audit Committee required by law? | Yes | | (2) The Company has established an Audit Committee and a Remuneration Committee. Other functional committees will be established according to the actual needs of the Company. | No substantial discrepancy |
| (3) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform regular evaluation every year, and reported the results of performance to the Board of Directors and applied to the reference of the remuneration and renewal nomination of individual directors? | Yes | | (3) The Company has established the "Board Performance Evaluation Method" to regularly perform performance evaluation of the Board of Directors after the end of each year. The Company completed the performance evaluation of the Board of Directors, members of the Board and functional committees (the Remuneration Committee and the Audit Committee) in January, which were all assess as excellent in 2020. The Board of Directors overall has | No substantial discrepancy |

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|--|-----|--|---|----------------------------|
| | | | been giving active recommendations, positive interactions and effective operation. It has been reported to the Board of Directors on 26 February 2021. | |
| (4) Does the Company regularly evaluate the independence of the certified public accountant? | Yes | | (4) The Company regularly reviews the independence of the certified public accountant every year, and submitted the results to the meeting of the audit committee and the board of directors on 7 May 2021 for consideration and approval. All directors approved that Shih Chin-Chuan and Liu Shu-Lin, accountants from Deloitte Touche Tohmatsu fulfilled the Company's independence and competence standards (please refer to page 60 of the annual report) on the basis of the Evaluation Standards for the Independence of CPAs formulated by the Company and the Statement of Independence CPA issued by the accountants. | No substantial discrepancy |
| 4. Does the TWSE/TPEX listed company have a qualified and appropriate number of corporate governance personnel, and appoint a corporate governance supervisor to be in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting directors and supervisors to follow laws, convening board/shareholder meetings in compliance with the law, and producing meeting minutes of board/shareholders' meetings)? | Yes | | In order to implement corporate governance and as approved by the board of directors on 26 April 2019, the Company designated Mr. Chang Po Chao, the vice president, to act as chief supervisor for corporate governance related matters and shall be reported to by the personnel of the stock affairs department. Vice President Chang Po Chao has over 20 years of management experience in finance, stock affairs or meetings of listed companies. The main duties of corporate governance personnel are to handle matters related to board meetings and shareholders' meetings according to law, to prepare minutes of board meetings and shareholders' meetings, to assist the directors in taking office and continuous learning and to provide the information and regulations required for the independent directors and directors to perform their duties in order to assist the directors in complying with laws and regulations. Please refer to pages 88 for the continuing education of the chief supervisor for corporate governance in 2020. | |
| 5. Does the Company establish communication channels and | Yes | | The Company has set up sections for stakeholders on the | No substantial discrepancy |

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| dedicate section for stakeholders (including but not limited to shareholders, employees, clients and suppliers) on its website to properly respond to important issues of corporate social responsibility concerns? | | | Company's website (https://eastechnology.com), including employee section, customer section, investor section, section for partners (suppliers), etc., and sets up communication windows and mailboxes for each category of stakeholders to properly respond to material corporate social responsibility issues of concern to each category of stakeholders. | |
| 6. Has the Company appointed a professional agent for stock affairs for holding shareholders' meetings? | Yes | | The Company appointed the Stock Transfer Agency Department of SinoPac Securities Corporation for handling the shareholders' meeting | No substantial discrepancy |
| 7. Disclosure of information (1) Does the Company set up website to disclose financial operations and corporate governance information? | Yes | | (1) The Company has set up a website in Chinese and English (website: https://eastechnology.com) and has successively updated information disclosure on financial business and corporate governance. | |
| (2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information? | Yes | | (2) The Company's Chinese and English websites disclose information about financial business and corporate governance. The Company designates personnel to be responsible for the collection and disclosure of corporate information; and the spokesperson will co-ordinate the external statements and other matters. The briefings and audio-visual materials of the Company's investor conference have been placed on the Market Observation Post and the Company's website available for shareholders and investors. | |
| (3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarterly financial reports and the monthly operating situation within the prescribed time limit? | Yes | | (3) The Company has announced the 2020 consolidated financial report on 26 February 2021, and announced and declared the first, second, and third quarterly financial reports and the monthly operating situation before the prescribed deadline. | No substantial discrepancy |
| 8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, investor relations, supplier | Yes | | 1. Interests and rights of employees: In addition to complying with relevant laws and regulations, the Company has also produced a Staff Handbook to regulate the rights and obligations between employees | No substantial discrepancy |

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| <p>relations, stakeholder rights, continuing education of directors and supervisors, execution of risk management policies and risk assessment standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?</p> | | | <p>and the Company. If there is violation of the rules, the heads of various departments will hold a meeting to discuss. Employees can also directly express their opinions through the suggestion box and other proper channels.</p> <p>2. Care for employees:</p> <p>Human resources are the Company's greatest asset. In order to provide employees with a comfortable and pleasant working environment, the following measures can help employees to make progress for the Company and promote the healthy development of the Company's human resources.</p> <p>1. Staff welfare initiatives:</p> <p>The Company provides various regular welfare initiatives for its staff, procures insurance for employees according to local laws and regulations, provides a humane promotion system and transfer system, organizes entertainment activities, subsidizes the tuition for the children of factory workers attending Xiu De Chinese – Anglo Kindergarten, and provides nutritious and hygienic food in staff canteens.</p> <p>2. Various staff education and training:</p> <p>On the day of registration, new recruits are briefed by the HR department on HR rules and welfare system and other issues. The content of pre-employment training focuses on helping new recruits to get familiar with the work environment and get used to the situation as soon as possible.</p> <p>Programmed education and training enable all employees to develop their skills at work. From time to time, the Company as a whole or each department participates in educational training courses orga-</p> | |
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| | | | <p>nized by training institutions at home and abroad.</p> <p>3. Retirement system: Implemented in accordance with the local labor law.</p> <p>3. Investor relations: The Company holds a shareholders' meeting every year, giving shareholders adequate opportunity and time to ask questions and submit proposals; investor conferences are held for two-way communication between investors and analysts and the Company's management team; the Company's spokesperson is responsible for establishing a two-way communication channel between the Company and investors. The Company also makes announcements on relevant information in accordance with the regulations of the competent authority to immediately provide information that may affect the decision of investors.</p> <p>4. Supplier relations: Adhering to the principle of integrity, the Company focuses on the stability and quality of supplies from the suppliers. Procurement is prudently evaluated beforehand and handled in accordance with relevant operational regulations. Both parties perform their duties and obligations according to the contract. If third-party manufacturers encounter any technical obstacle, the Company also provides technical assistance for the manufacturer when necessary, and maintains a positive and stable partnership with suppliers.</p> <p>5. Stakeholder rights: The Company sets up sections for stakeholders on the Company's website (https://eastech.com), including employee section, customer section, investor section, and section for partners (suppliers), etc., and sets up commu-</p> | |
|--|--|--|---|--|

| | | | | |
|--|--|--|---|--|
| | | | <p>nication windows for each category of stakeholders to properly respond to issues of concern of stakeholders.</p> <p>6. Continuing education of directors: All directors of the Company possess relevant professional knowledge and have taken training courses on securities law in compliance with regulations in order to enhance their professional skills and strengthen the implementation of corporate governance. Please see pages 83 to 86 for details of directors' training.</p> <p>7. Execution of risk management policies and risk assessment standards: The Company has formulated various internal regulations according to law and established a risk management mechanism to timely identify, respond to, report and monitor major risks affecting current and future operations through regular and non-scheduled risk identification operations and raise employees' risk awareness to ensure sustainable operations of the Company.</p> <p>8. Execution of customer policies: The Company upholds the principle of integrity, attaches importance to customer rights, provides quality services, and establishes long-term cooperative relationships with customers.</p> <p>9. Liability insurance for the Company's directors and supervisors: In 2020, the Company has procured liability insurance for its directors and managers for an insurance period from 20 November 2020 to 20 November 2021. The insured amount, coverage and insurance rate were submitted to the meeting of audit committee and the board of directors on 5 November 2020, which was announced on</p> | |
|--|--|--|---|--|

| | | | | |
|--|-----|--|---|----------------------------|
| | | | the Market Observation Post. | |
| 9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. (Those which are not related to companies under review are not required to fill in) | Yes | | <p>The Company actively promotes its corporate governance performance, and has completed the following major improvement projects in 2020:</p> <p>Specific measures to enhance the functions of the Board of Directors and strengthen supervision:</p> <p>(i) 1 independent director was added during the re-election of directors in 2020</p> <p>(ii) more than half of the directors of the members of the Board are not concurrently serve as employees or managers.</p> | No substantial discrepancy |

Note 1: Board diversity and its implementation

| Core of diversity Name of director | National- ity | Operational judgement capabilities | Accounting and financial analysis skills | Management capabilities | Crisis manage- ment capa- bilities | Industrial knowledge | Interna- tional market perspec- tive | Leader- ship skills | Deci- si- on-making capacity | Legal |
|---------------------------------------|------------------|--|---|----------------------------|---|-------------------------|--|---------------------------|---------------------------------------|-------|
| Liou Jenq Lin | Taiwan | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Pai Chin Chang | Taiwan | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Chang Tung I | Taiwan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shiau Fung Shyung | Taiwan | ✓ | ✓ | | | ✓ | ✓ | | ✓ | |
| Chang Shan Juh | Taiwan | ✓ | | | ✓ | | ✓ | ✓ | ✓ | |
| Chen Ko Hung | Taiwan | ✓ | ✓ | | ✓ | | | ✓ | ✓ | |
| Jeng Shih Rong | Taiwan | ✓ | | | ✓ | | | ✓ | ✓ | ✓ |

Assessment of the independence of accountant

- (1) The content of the assessment (as defined in Article 47 of the Certified Public Accountant Law and the Gazette No. 10 of the Code of Ethics for Professional Accountants):

| Assessment item | Assessment result | Meeting the independent requirements |
|---|-------------------|--------------------------------------|
| 1. As of the latest certification, Shih Chin-Chuan and Liu Shu-Lin have not served as accountants for the same client for seven consecutive years. | Yes | Yes |
| 2. No material financial interest with the client. | Yes | Yes |
| 3. Avoid any inappropriate relationship with the client. | Yes | Yes |
| 4. Accountants should ensure that their assistants are honest, impartial and independent. | Yes | Yes |
| 5. Accountants shall not audit and attest the financial statements of the organization they served within the two years prior to the practice. | Yes | Yes |
| 6. The name of accountant shall not be used for others. | Yes | Yes |
| 7. No shareholding in the Company and its affiliates. | Yes | Yes |
| 8. There is no money lending with the Company and its affiliates, except those under the normal business of the financial industry. | Yes | Yes |
| 9. There is no relationship of co-investment or sharing of benefits with the Company and its affiliates. | Yes | Yes |
| 10. No concurrent position held in the Company and its affiliates with a fixed salary. | Yes | Yes |
| 11. Not involved in the management functions in making decisions of the Company and its affiliates. | Yes | Yes |
| 12. No concurrent businesses that may cause him/her to lose independence. | Yes | Yes |
| 13. Those who have relationship of spouse, immediate family members and in-laws or within two degrees of kinship with the Company's management shall not attest the financial statements. | Yes | Yes |
| 14. No commissions related to business were received. | Yes | Yes |
| 15. To date, there has been no disciplinary action or damage to the principle of independence. | Yes | Yes |

(2) Work performance and plans

- | |
|---|
| <ol style="list-style-type: none">1. Completed the audit and attestation of the Company's 2020 consolidated financial statements on schedule.2. Provided the Company with financial and tax consulting services from time to time. |
|---|

(3) Assessment result

| |
|---|
| The two accountants, Shih Chin-Chuan and Liu Shu-Lin, are independent from the Company and provided timely and appropriate financial and tax consulting and audit and attestation services for the Company. |
|---|

(4) Composition, responsibilities and operation of the remuneration committee (if established by the Company)

1. Information on the members of the remuneration committee

| Position (Note 1) | Qualification Name | Possesses over five years of work experience and the following professional qualifications | Meeting the independence requirements (Note 2) | | | | | | | | | | | | Number of other public companies in which the person serves as a member of the remuneration committee | Remarks |
|----------------------|---------------------------|--|---|--|---|---|---|---|---|---|---|---|---|----|---|---------|
| | | Holding a post of lecturer or above in public and private colleges and universities in business, legal, finance, accounting or other fields necessary for the Company's business | Judges, prosecutors, lawyers, accountants or other specialized professional and technical staff passing national examinations with certificates which are required for the Company's business | Work experience in business, legal, finance, accounting or other fields necessary for the Company's business | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Director | Chang Shan Juh | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director | Shiau Fung Shyung | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 | |
| Independent Director | Chen Ko Hung | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director | Jeng Shih Rong | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |

Note 1: For the position, please fill in as a director, independent director or others.

Note 2: For members who fulfil the following conditions during the two years before the election and the term of office, please tick the box under the respective condition codes.

- (1) Not being an employee of the Company or its affiliates.
- (2) Not being a director nor supervisor of the Company or its affiliates (except for independent directors assigned by the Company or its parent company or subsidiaries or subsidiaries under the same parent company in accordance with this law or location national laws and regulations are mutually concurrent).
- (3) Each of the persons and his/her spouse/minor children, either in their own name or in other's name, is not a natural person shareholder who holds more than one per-

cent of the Company's total issued shares or is one of the top ten shareholders of the Company.

- (4) Not being a manager listed in (1) and a spouse, a relative within two degrees of kinship or a lineal blood relative within three degrees of kinship of the persons listed in (2) and (3).
- (5) Not being a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or the top five corporate shareholders, or a representative appointed to act as a director or supervisor of the company in accordance with Article 27 (1) or (2) of the Company Act (except for independent directors assigned by the Company or its parent company or subsidiaries or subsidiaries under the same parent company in accordance with this law or location national laws and regulations are mutually concurrent).
- (6) Not being a director, supervisor or employee of other companies who are controlled by the same person or more than half of the shares of the company are controlled by the same person (except for independent directors assigned by the Company or its parent company or subsidiaries or subsidiaries under the same parent company in accordance with this law or location national laws and regulations are mutually concurrent).
- (7) Not being a director, supervisor or employee of other companies or organizations who are not the same person or spouse with the company's chairman, general manager or equivalent (except for independent directors assigned by the Company or its parent company or subsidiaries or subsidiaries under the same parent company in accordance with this law or location national laws and regulations are mutually concurrent).
- (8) Not being a director, supervisor or manager of specific companies or institutions which have financial or business dealings with the Company, or a shareholder holding more than 5% of such companies or institutions(except for a particular company or institution holds more than 20% but not exceeding 50% of the company's issued shares and independent directors assigned by the Company or its parent company or subsidiaries or subsidiaries under the same parent company in accordance with this law or location national laws and regulations are mutually concurrent).
- (9) Not being a professional, business owner of sole proprietorship, partnership, company or institution, partner, director, supervisor or manager who provides business, legal, financial, accounting and other services or consulting for the Company or its affiliates, or their spouses. However, members of the remuneration committee, public takeovers review Committee, or special committee for mergers and acquisitions performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Business Mergers and Acquisitions Act are not limited to this.
- (10) None of the events stipulated in Article 30 of the Company Law exists.

2. Duties of the remuneration committee

- Establish policies, systems, standards and structures for director performance evaluation and the remuneration of directors and managers, and review them regularly;
- Regularly evaluate and recommend the remuneration of directors and managers; and
- Other matters required by the Listing Act

3. Operation of the remuneration committee

(1) The Company's remuneration committee comprises three independent directors.

(2) The term of office of the current session: 23 June 2020 to 11 June 2023. During the latest year (2020) and as of the date of issue of annual report, the remuneration committee held 7 meetings. The attendance of the members is as follows (3 meetings were held before re-election in 2020, and 4 meetings were held after the re-election):

| Title | Name | Attendance in person | Attendance by proxy | Attendance rate in person (%) | Remarks |
|----------|-------------------|----------------------|---------------------|-------------------------------|--------------------|
| Convener | Chang Shan Juh | 7 | 0 | 100 | Re-election (Note) |
| Member | Shiau Fung Shyung | 7 | 0 | 100 | Re-election (Note) |
| Member | Chen Ko Hung | 7 | 0 | 100 | Re-election (Note) |
| Member | Jeng Shih Rong | 4 | 0 | 100 | Re-election (Note) |

Note: The Board of Directors of the Company resolved to appoint Shiau Fung Shyung, Chang Shan Juh, Chen Ko Hung and Jeng Shih Rong as members of the remuneration committee on 23 June 2020, with term of office from 23 June 2020 to 11 June 2023.

(3) Other disclosure:

- ① If the board of directors does not adopt or amend the recommendations of the remuneration committee, the date of board meeting, session, content of the proposal, the resolution of the board of directors and the Company's response to the opinion of the remuneration committee shall be recorded (if the remuneration approved by the board of directors is better than the recommendation of the remuneration committee, the difference and the reasons therefor should be stated): No such situation.
- ② If any resolution of the remuneration committee is objected to or qualified by committee member(s) with a record or written statement, the date of remuneration committee meeting, session, content of the proposal, the

opinions of all members and the response to the members' objection shall be recorded: No such situation.

| Remuneration committee | Content of the proposal | Resolution | The Company's response to the opinion of the remuneration committee |
|---|--|---|---|
| Third session Fourteenth meeting 27 February 2020 | 1. The Company's 2019 employee remuneration and directors' remuneration proposal | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| | 2. Amendments to the second employee stock operation and subscription method for 2019 by the Company | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| Third session Fifteenth meeting 24 April 2020 | 1. Proposed issuance of employee stock option certificates by the Company | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| | 2. Amendments to the second employee stock operation and subscription method for 2019 by the Company | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| Third session Sixteenth meeting 19 May 2020 | 1. Proposed issuance of employee stock option certificates for 2019 by the Company | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| | 2. Proposed issuance of the second employee stock operation certificates for 2019 by the Company | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| | 3. Proposal principle of KPI bonus distribution and manager distribution amount for 2019 | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| Fourth session First meeting | 1. Proposed issuance of | All committee members | Submitted to the board of directors and approved |

| Remuneration committee | Content of the proposal | Resolution | The Company's response to the opinion of the remuneration committee |
|--|--|---|---|
| 6 August 2020 | the second employee stock operation certificates for 2019 by the Company | approved the resolution | by all attending directors and independent directors |
| Fourth session Second meeting 14 December 2020 | The 2021 work plan of the Remuneration Committee of the Company | All committee members approved the resolution | All committee members approved the resolution |
| Fourth session Third meeting 26 February 2021 | 1. The Company's 2020 employee remuneration and directors' remuneration proposal | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |
| Fourth session Fourth meeting 27 April 2021 | 1. Proposed issuance of employee stock option certificates for 2020 by the Company | All committee members approved the resolution | Submitted to the board of directors and approved by all attending directors and independent directors |

(5) Fulfillment of social responsibilities and the reasons and difference with the TPEx Listed Companies' code of practice on corporate social responsibilities

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| 1. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? | Yes | | 1. The Company adheres to the concept of integrity management and the principle of materiality while pursuing the sustainable operation and profit of the Company, it fulfill its corporate social responsibility pays attention to the rights and interests of stakeholders, focuses on environmental, social and corporate governance issues, and incorporates it into the Company management policies and operation activities to achieve the goal of sustainable operation. | No substantial discrepancy |
| 2. Does the Company have a dedicated (or ad-hoc) CSR department led by senior management and with the board's authorization reports to the board of directors? | Yes | | 2. The Company and its subsidiaries spare no effort in education and environmental protection with an attitude of being responsible to the Company, the place of business and the society. Although the Company has not set up a dedicated (or ad-hoc) CSR department, such department may be set up as needed in the future. | No substantial discrepancy |
| 3. Environmental issues (1) Does the Company establish an appropriate environmental management system according to its industrial characteristics? | Yes | | (1) The Company's production plants are located in mainland China and Vietnam, abide by the laws, regulations and other relevant regulations on environment, safety and health of local countries and regions, and improve the environment, safety and health management in accord- | No substantial discrepancy |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|--|-----------------------|----|---|---|
| | Yes | No | Description | |
| | | | ance with the relevant regulations of brand customers. In terms of environmental engineering, the Company has gradually improved environmental protection facilities, built solid waste recycling plants in accordance with environmental standards, and stored them separately. Improving sewage pipes to ensure that sewage enters the sewage tank for treatment and meets discharge standards. | |
| (2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? | Yes | | (2) The Company complies with international regulatory requirements on environmental protection, such as RoHS, WEEE, HF, etc. It introduces green supply chain management and uses materials with low environmental impact. It also strives to improve the utilization efficiency of all resources in adherence to 3R (reduce, reuse and recycle) principle. It successfully uses recyclable wood chips to manufacture speaker housings with special casting processes. | No substantial discrepancy |
| (3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to address climate-related issue? | Yes | | (3) With the impact of the greenhouse effect, temperature rising as a result of global warming and intensifying extreme climates, more costs must be invested in natural disaster prevention and operational energy acquisition in the future. The Company implements green supply chain management to achieve the goal of enterprise energy conservation manage- | No substantial discrepancy |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|---|-----------------------|----|--|---|
| | Yes | No | Description | |
| | | | <p>ment.</p> <p>The Company actively promotes energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management policies and other measures, such as strengthening the factory environment, updating environmental protection projects for wastewater and exhaust emission systems, and preventing water pollution and air pollution, which complies with relevant environmental protection emission standards.</p> | |
| (4) Does the Company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management? | Yes | | <p>(4) In order to continuously promote energy saving, carbon reduction and greenhouse gas reduction, the Company has formulated the following measures to reduce the impact of climate change on its operational activities:</p> <ol style="list-style-type: none"> 1. For the lighting equipment of the Company's Taiwan office, traditional fluorescent lamps were replaced with LED lighting. 2. Multi-party video conferencing equipment was set for the Company and its subsidiaries to reduce the number of business trips. | No substantial discrepancy |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| | | | <p>3. Staff quarters are provided in the factory, and shuttle buses are provided for employees to reduce the fuel consumption and exhaust emissions generated by employee commuting.</p> <p>4. Each factory is dedicated to greening the environment in addition to energy saving and carbon reduction in operation.</p> <p>5. Lighting improvement and energy conservation for air compressor system were implemented in each factory to reduce carbon emissions and greenhouse gas in accordance with environmental protection policies.</p> <p>6. The factories in Vietnam promote environmental protection and safe production, including a central vacuum system for the woodworking workshops, dust-free air supply for the earphone, speaker and spraying workshops, and an environmental protection system for the factory's sewage treatment system.</p> | |
| <p>4. Social issues</p> <p>(1) Does the Company set policies and procedures in compliance with relevant regulations and the International</p> | Yes | | (1) The Company complies with all relevant labor laws and regulations of the local competent authority to protect the rights and interests of employees. | No substantial discrepancy |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|--|-----------------------|----|---|---|
| | Yes | No | Description | |
| Bill of Human Rights? | | | | |
| (2) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacations and other benefits), and appropriately reflect operating performance or results in employee remuneration? | Yes | | <p>(2) The Company formulates various remuneration and welfare measures for employees in accordance with various labor-related laws and regulations of the local competent authority, and provides market-competitive welfare measures to motivate employees.</p> <p>Article 117 of the Company's Articles of Association stipulates that if the Company makes a profit in the year, it should allocate 1 to 15% of the profit as employees' remuneration and share the surplus result with them.</p> | No substantial discrepancy |
| (2) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? | Yes | | <p>(3) The Company regularly tests and maintains fire safety equipment and sets up access control to enhance the safety of the working environment. It also sets up the Employee Health Management Procedures and regularly conducts fire drills and employee health checks to raise employees' awareness on safety and health. The implementation work is as follows:</p> <p>(1) In 2020, the factories in Vietnam promote environmental protection and safe production, including a central vacuum system for the wood-working workshops, dust-free air supply for the earphone, speaker and spraying workshops, an environmental protection system for the factory's</p> | No substantial discrepancy |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|-----------------|-----------------------|----|--|---|
| | Yes | No | Description | |
| | | | <p>sewage treatment system and other projects, at a total cost of approximately NT\$17.89 million.</p> <p>(2) In cooperation with medical institutions near the factory, we provide annual health check, psychological consultation and emergency medical treatment for employees. First aid equipment is installed in the factory.</p> <p>(3) Two fire drills are conducted in winter and summer every year. In 2020, over 4,572 employees participated in fire and safety training.</p> <p>(4) Work environment inspections are conducted at least once per year. In 2020, the number of work-related injuries (excluding traffic accidents) has decreased as compared with the previous year.</p> <p>(5) Employee health checkups are conducted every year to raise employees' awareness on their own health management and disease prevention and for early detection and treatment for diseases.</p> <p>(6) Regular training on first aid and CPR are organized for relevant staff members to be able to perform first aid when necessary.</p> <p>(7) Regular promotions of labor safety and health</p> | |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Description | |
| | | | education are carried out. | |
| (4) Has the Company established effective career development training plans for its staff? | Yes | | (4) The Company designs various career development programmes according to each function in combination with the Company's future development strategies and objectives. | No substantial discrepancy |
| (5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the Company followed relevant regulations and international standards, and formulated relevant consumer protection policies and procedures for appeal? | Yes | | <p>(5) The Company has followed the relevant regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services.</p> <p>The Company has established new customer processing procedures, customer data processing procedures, etc., to maintain smooth communication channels with customers and accept customer audits. In response to customer complaints, properly determine the problem and attribution, and regularly assess customer satisfaction to ensure the best service to customers.</p> <p>On the basis of protecting the intellectual property rights of customers, in addition to the confidentiality agreements regulated by brand customers, the company also regularly warns and promotes the importance of confidentiality to relevant R&D personnel.</p> | No substantial discrepancy |
| (6) Has the Company formulated supplier management poli- | Yes | | (6) The Company has set up a supplier management pro- | No substantial discrepancy |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|---|-----------------------|----|--|---|
| | Yes | No | Description | |
| cies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation? | | | <p>gram.</p> <p>The Company's procurement department is responsible for handling supplier management. To ensure that the supplier's quality system management and source management of raw materials comply with regulations, the suppliers are also required to comply with relevant local laws and regulations when operating the Company's business. We also require suppliers to follow the RBA (Responsible Business Alliance) human rights, environment and ethical code of conduct.</p> <p>Establish a good communication mechanism with suppliers, deal with related matters of communication with suppliers, and proactively promote social responsibility views and environmental safety and health management policies to suppliers, including green supply chain, product hazardous substance restriction regulations, environmental protection related laws and regulations And customer product quality requirements, etc., to maintain good cooperative relations with suppliers.</p> <p>The Company's requirements for suppliers are not limited to quality and service. Before cooperating with us, the supplier must sign and comply with the Company's integrity management policy. If the supplier is involved</p> | |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Description | |
| | | | in violation of the Company's integrity management policy, the Company will also terminate the business contacts. At the same time, the implementation status is realized. The Company's auditors conduct annual inventory inspections of the suppliers' social and environmental responsibilities to assess whether the new suppliers are required by laws, regulations, customers and other relevant regulations. If they do not meet the requirements, the supplier will be assisted to improve within the specified time and reached the standard. | |
| 5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing corporate social responsibility reports and other reports that disclose the Company's non-financial information? Do the aforesaid reports obtain the confirmation or assurance opinion of the third-party verification unit? | Yes | | 5. The Company continues to practice corporate social responsibility, and has established a "Corporate Social Responsibility Zone" on the website to expose relevant information such as environmental protection, education subsidies and social welfare, and expose corporate social responsibility-related information in annual reports or public statements. In the future, we will prepare a corporate social responsibility report depending on the Company's development status. | No substantial discrepancy |
| 6. If the Company has established its own corporate social responsibility code of practice according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, describe the differences between its operation and the code of practice: Not applicable | | | | |
| 7. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility: | | | | |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|---|-----------------------|----|-------------|---|
| | Yes | No | Description | |
| <p>(1) Environmental protection:</p> <ul style="list-style-type: none">● The Company adheres to the principles of 3R (reduce, reuse and recycle) and makes effective use of all resources. It successfully uses recyclable wood chips to manufacture speaker housings with special casting processes.● For product development, the Company also complies with the environmental protection policies of the EU, the United States and other countries to develop green products, making the Company a green partner of international renowned companies.● In 2020, the factories in Vietnam promote environmental protection and safe production, including a central vacuum system for the woodworking workshops, dust-free air supply for the earphone, speaker and spraying workshops, an environmental protection system for the factory's sewage treatment system and other projects, at a total cost of approximately NT\$17.89 million. | | | | |
| <p>(2) Education subsidy:</p> <p>In October 2004, a director of the Company’s subsidiary established Xiu De Chinese – Anglo Kindergarten in Huiyang New Market. The kindergarten provides a quality education platform for the children of our employees and children in the surrounding communities. As part of the Company's employee benefits policy, the children of our employees are entitled to tuition subsidy and manpower and material support.</p> | | | | |
| <p>(3) Social welfare</p> <p>In October 2004, a director of the Company’s subsidiary established Xiu De Chinese – Anglo Kindergarten in Huiyang New Market. The kindergarten provides a good environment and quality education for the children of the surrounding communities and adopts the advanced education and teaching concepts of Hong Kong, Taiwan and the United States. It was awarded as a grade I kindergarten in Huizhou in March 2011, one of the four outstanding kindergartens in Huiyang in 2018, and repeatedly awarded the title of “Advanced Education Unit” in the district and county from 2019 to 2020, enrolling approximately 350 children per term and providing a quality education platform for the children of the surrounding communities</p> <p>While pursuing robust development, Eastech Group spares no effort to contribute to society and make donations to certain social welfare groups to support social welfare from time to time.</p> | | | | |

| Assessment item | Implementation status | | | The discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons |
|--|-----------------------|----|-------------|---|
| | Yes | No | Description | |
| <p>In order to fulfill the responsibility of environmental protection and caring for the safety and health of our colleagues, and for the responsibility of pollution prevention management and social responsibility of environmental protection, the Company obtained ISO14001 environmental management system certification in September 2010 and the certificate was renewed in September 2019.</p> <p>The Company obtained the ISO9001 quality management system certification in July 2016 and the certificate was renewed in July 2019.</p> | | | | |

(6) Implementation of ethical management policy and the reasons and differences with the TPEX listed companies' integrity management code

| Assessment Item | Implementation Status | | | The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons |
|--|-----------------------|----|--|--|
| | Yes | No | Description | |
| <p>1. Establishment of corporate conduct and ethics policy and implementation measures</p> <p>(1) Does the Company formulate the integrity management policy approved by the board of directors, have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the board of directors and the management team?</p> | Yes | | (1) The Company has established Procedures for Ethical Management and Guidelines for Conduct and Code of Ethical Conduct, addressing its corporate conduct and ethics policy and measures which are approved by the board of directors and issued to each supplier in order to make its suppliers and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management. The board and the management team also rigorously and thoroughly implement such policies, and will not participate in matters related to their own interests as appropriate. | No substantial discrepancy |
| <p>(2) Does the Company establish appropriate compliance measures for the business activities prescribed in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities with higher risk of unethical conduct?</p> | Yes | | (2) Procedures for Ethical Management and Guidelines for Conduct of the Company explicitly prohibit providing or accepting improper benefits, handling procedures for facilitating payments, and also standardize the procedures for handling political contributions and charitable donations or sponsorships. All have taken preventive measures and carried out education and publicity, planning and reporting system to ensure the effectiveness of | No substantial discrepancy |

| Assessment Item | Implementation Status | | | The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons |
|--|-----------------------|----|--|--|
| | Yes | No | Description | |
| | | | the implementation of the system, in order to implement the integrity management policy. | |
| (3) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies? | Yes | | (3) Procedures for Ethical Management and Guidelines for Conduct of the Company explicitly prohibits unethical conduct, Codes of Ethical Conduct also requires the prevention of obtaining personal gain, fair trade, compliance with rules and regulations, encouraging reporting on illegal or unethical activities, etc., and in case of violation, the violator will be punished in accordance with relevant provisions. | No substantial discrepancy |
| 2. Ethic management practice (1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? | Yes | | (1) Before developing a commercial relationship with another party, the Company evaluates the legality and ethical management policy of the party, and avoids business dealing with parties that have a record of involvement in unethical conduct; when entering into a contract with another party, the contract terms shall include compliance of ethical management policy. | No substantial discrepancy |
| (2) Does the Company set up a unit which is dedicated to or tasked with promoting the Company's ethical standards and | Yes | | (2) The human resources department of the Company is responsible for formulating and supervising the implemen- | No substantial discrepancy |

| Assessment Item | Implementation Status | | | The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Description | |
| reports directly to the board with periodical (at least once a year) updates on its integrity management policies and plans to prevent dishonest behaviors and supervision on relevant matters? | | | tation of integrity management policies and preventive measures to ensure the implementation of integrity management policies, which reports to the board the implementation results of integrity management on an annual basis, and assists the board of directors in evaluating the effective operation of the integrity prevention measures established. On 5 November 2020, the board of directors has completed the integrity management policy and the plan to prevent dishonesty behavior, and supervised the implementation. | |
| (3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly? | Yes | | (3) Procedures for Ethical Management and Guidelines for Conduct and Codes of Ethical Conduct of the Company stipulate the policy of avoiding conflict of interest, and complaint channels are established for handling cases in respect of violation of laws or code of ethics and business conduct. | No substantial discrepancy |
| (4) To implement relevant policies on ethical conducts, does the Company establish effective accounting and internal control systems that are audited by internal auditors in accordance with the results of the assessment of the risk of dishonesty, the relevant audit plan will be drawn up and the compliance with the plan to prevent dishonesty will be checked or entrusting accountants CPA to | Yes | | (4) The Company implements ethical management, and has established effective accounting and internal control systems, which are audited by internal auditors in accordance with the results of the assessment of the risk of dishonesty, the relevant audit plan will be drawn up and the compliance with the plan to prevent dishonesty will be checked, and | No substantial discrepancy |

| Assessment Item | Implementation Status | | | The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons |
|--|-----------------------|----|---|--|
| | Yes | No | Description | |
| perform the audit? | | | the audit report is submitted to the board. | |
| (5) Does the Company provide internal and external ethical conduct training programs on a regular basis? | Yes | | (5) In 2020, the Company provided internal and external ethical conduct training programs (including relevant programs such as compliance with regulations of ethical management, analysis of important practical cases on corporate governance, a seminar on corporate governance and corporate integrity for directors and supervisors, a summit on "Corporate Governance 3.0 - A Blueprint for Sustainable Development" for listed companies, and a course on corporate governance and board operations for corporate governance practitioners) for a total of 104 people with a total of 212 man-hours. | No substantial discrepancy |
| 3. Implementation of whistleblowing procedures (1) Does the company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and designate responsible individuals to handle the concerns reported? | Yes | | (1) Procedures for Reporting of Illegal and Unethical Behavior or Unethical Conduct stipulate the whistleblowing and reward system, and complaint channels and communicating mailbox were established for internal and external personnel to report, and responsible personnel were designated to handle the concerns reported. | No substantial discrepancy |
| (2) Does the Company establish standard operation pro- | Yes | | (2) The Company established the standard procedure, | No substantial discrepancy |

| Assessment Item | Implementation Status | | | The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons |
|--|-----------------------|----|---|--|
| | Yes | No | Description | |
| cedures for investigating the concerns reported, follow-up measures to be taken after the completion of investigation and ensuring such concerns are handled in a confidential manner? | | | follow-up measures to be taken after the completion of investigation and relevant confidentiality system for investigating the concerns received, and records of procedures and results of investigation will be stored. If violation of regulations is confirmed, report will be submitted to the management team immediately, and the violator will be punished depending on the seriousness. | |
| (3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her reporting concerns? | Yes | | (3) The Company keeps the personal information of the whistleblower confidential, and adopts proper measures to protect the whistleblower from retaliation for his/her concerns reported. | No substantial discrepancy |
| 4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System? | Yes | | (1) Procedures for Ethical Management and Guidelines of the Company and relevant governance information are disclosed on the website of the Company ("Investors" page) (website: https://easotech.com). | No substantial discrepancy |
| 5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, describe any discrepancy between the policies and their implementation: | | | | |

| Assessment Item | Implementation Status | | | The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the underlying reasons |
|--|-----------------------|----|-------------|--|
| | Yes | No | Description | |
| The Company has established Procedures for Ethical Management and Guidelines for Conduct, and complies with it. There is no discrepancy between the Procedures for Ethical Management and Guidelines for Conduct and its implementation. | | | | |
| 6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review the Company’s corporate conduct and ethics policy) | | | | |
| <div>(1) The Company established Procedures for Ethical Management and Guidelines for Conduct, and issued to each supplier to indicate the Company’s determination of ethical management.</div> <div>(2) Rules of Procedure of the Board of Director of the Company require that if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and shall further abstain from discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.</div> <div>(3) The Company has established Procedures for Insider Trading Prevention, all personnel of the Company may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.</div> | | | | |

(7) If company has established Corporate Governance Code and relevant regulations, disclosure of means to access:

The Company established “Corporate Governance Code”, “Procedures for Ethical Management and Guidelines for Conduct”, “Codes of Ethical Conduct”, relevant regulations, etc., please refer to the website of the Company at <https://eastech.com> or Market Observation Post System.

(8) Other important information that is able to enhance the governance of the company:

1. The Company established “Verification and Disclosure of Material Information of Companies”, pursuant to which, each division of the Company shall handle the public disclosure of information prudently and ensure the accuracy and truthfulness of the information; information with obligation of confidentiality and shall not be divulged before the formal disclosure.

2. Director’s training in 2020

| Title | Name | Date | | Holder | Course name | Training hours |
|-----------------------------------|---------------|------------------|------------------|---|--|----------------|
| | | Since | Up to | | | |
| Corporate Director Representative | Liou Jenq Lin | 22 October 2020 | 22 October 2020 | Legal Foundation, Securities & Futures Institute of ROC | Principles and Applications of Artificial Intelligence | 3 |
| | | 26 November 2020 | 26 November 2020 | Legal Foundation, Securities & Futures Institute of ROC | 5G Key Technology and Application Opportunities | 3 |

| Title | Name | Date | | Holder | Course name | Training hours |
|----------------------|-------------------|------------------|------------------|---|--|----------------|
| | | Since | Up to | | | |
| Director | Pai Chin Chang | 11 August 2020 | 11 August 2020 | Legal foundation, Taiwan Academy of Banking and Finance | Responsibilities of Directors and Supervisors and Analysis on Key Contents | 3 |
| | | 12 August 2020 | 12 August 2020 | Legal Foundation, Securities & Futures Institute of ROC | Corporate Mergers and Acquisitions (M&A) Practices with a Focus on Hostile M&A | 3 |
| Director | Chang Tung I | 23 June 2020 | 23 June 2020 | Legal foundation, Taiwan Academy of Banking and Finance | Explanation of Important Practical Jurisprudence on Corporate Governance | 3 |
| | | 30 June 2020 | 30 June 2020 | Legal Foundation, Securities & Futures Institute of ROC | Director and Supervisor Related Party Transactions Analysis and Case Studies | 3 |
| Independent Director | Shiau Fung Shyung | 6 August 2020 | 6 August 2020 | Taiwan Corporate Governance Association | How can Corporations Strengthen their Strategy Execution | 3 |
| | | 11 November 2020 | 11 November 2020 | Taiwan Corporate Governance Association | Securities Malpractice Cases and Liability of Directors and | 3 |

| Title | Name | Date | | Holder | Course name | Training hours |
|----------------------|----------------|-----------------|-----------------|---|---|----------------|
| | | Since | Up to | | | |
| | | | | | Supervisors | |
| Independent Director | Chang Shan Juh | 7 July 2020 | 7 July 2020 | Legal Foundation, Securities & Futures Institute of ROC | How Corporations Respond to the Newly Amended Labour Laws - A Practical Exercise | 3 |
| | | 9 July 2020 | 9 July 2020 | Legal Foundation, Securities & Futures Institute of ROC | A Case Study of Fraud in Corporate Financial Statements | 3 |
| Independent Director | Chen Ko Hung | 26 August 2020 | 26 August 2020 | Taiwan Stock Exchange Securities Counter Trading Center | Briefing Session for Insiders on Shareholding in the Listed Company | 3 |
| | | 16 October 2020 | 16 October 2020 | Taiwan Stock Exchange Securities Counter Trading Center | 2020 Corporate Governance and Corporate Integrity Directors' and Supervisors' Conference | 3 |
| | | 26 October 2020 | 27 October 2020 | Legal Foundation, Accounting Research and Development Foundation of the ROC | The Programme for the Continuous Development of Principal Accounting Officers of Issuers, Securities Firms, and | 12 |

| Title | Name | Date | | Holder | Course name | Training hours |
|----------------------|----------------|-------------------|-------------------|---|---|----------------|
| | | Since | Up to | | | |
| | | | | | Securities Exchanges | |
| Independent Director | Jeng Shih Rong | 28 July 2020 | 28 July 2020 | Legal Foundation, Securities & Futures Institute of ROC | Practical Workshop for Directors and Supervisors (including Independent) and Heads of Corporate Governance - Taipei Class | 3 |
| | | 21 September 2020 | 21 September 2020 | Taiwan Stock Exchange Securities Counter Trading Center | The "Corporate Governance 3.0 - A Blueprint for Sustainable Development" Summit for Listed Companies | 3 |
| | | 16 October 2020 | 16 October 2020 | Taiwan Stock Exchange Securities Counter Trading Center | 2020 Corporate Governance and Corporate Integrity Directors' and Supervisors' Conference | 3 |

3. Manager's training in 2020

| Title | Name | Date | | Holder | Course name | Training hours |
|-------------------------|-------------|----------------|----------------|--|--|----------------|
| | | Since | Up to | | | |
| Chief Financial Officer | Lam Pui Man | 17 July 2020 | 17 July 2020 | The Hong Kong Institute of Certified Public Accountants (HKICPA) | New OECD guidance on transfer pricing | 1.5 |
| | | 18 July 2020 | 18 July 2020 | The Hong Kong Institute of Certified Public Accountants (HKICPA) | Annual taxation conference 2020 | 4 |
| | | 1 August 2020 | 1 August 2020 | The Hong Kong Institute of Certified Public Accountants (HKICPA) | Annual Accounting update "Taking stock and moving forward" | 3.5 |
| | | 27 August 2020 | 27 August 2020 | ACCA Hong Kong | Amendments to IFRS 16: Covid-19 related rent concession | 1.5 |
| | | 2 October 2020 | 2 October 2020 | The Hong Kong Institute of Certified Public Accountants (HKICPA) | Introduction to Business Analysis Planning | 2.5 |

| Title | Name | Date | | Holder | Course name | Training hours |
|------------------------------|---------------|-----------------|-----------------|---|---|----------------|
| | | Since | Up to | | | |
| Audit Manger | Ko Chun Ming | 22 July 2020 | 24 July 2020 | The Institute of Internal Auditors-Chinese Taiwan | Vocational Training Course for New Internal Auditors of Corporations | 18 |
| Head of Corporate Governance | Chang Po Chao | 7 February 2020 | 7 February 2020 | Taiwan Corporate Governance Association | Corporate Governance and Board Operations Perspectives of Corporate Governance Officers | 3 |
| | | 10 March 2020 | 10 March 2020 | Taiwan Corporate Governance Association | Strategies for dealing with corporate change | 3 |

4. The Company's personnel relating to financial information transparency and their relevant licenses by competent authorities:

| Department | Licenses | Number of personnel |
|--------------------|--|---------------------|
| Finance department | Hong Kong Public Accountants | 3 |
| | Hong Kong Chartered Secretaries | 1 |
| Audit department | International Certified Internal Auditor | 1 |

(9) Matters to be disclosed relating to the implementation of internal control:

1. Management's Report on Internal Control

Eastech Holding Limited
Management's Report on Internal Control

Date: 26 February 2021

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2020:

1. The Company's Board of Directors and managers are responsible for establishing, implementing, and maintaining an adequate internal control system. And the Company has established such system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes in environment and situation due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each criterion includes several items. For the aforesaid items, please refer to the requirement of the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the criteria of the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, in 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on 26 February 2021, with none of the seven attending directors expressing dissenting opinions, and they all affirmed the content of this Statement.

Eastech Holding Limited
Chairman: Representative of Eastech Electronics (Taiwan) Inc.:
Liou Jenq Lin
President: Liu Guan Ting

2. If a CPA has been engaged to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: Nil

- (10) For the latest year and up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, or any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies. If the result of the sanctions imposed may have a significant impact on shareholders' equity or the price of securities, the content of sanctions and the state of any efforts to make improvements shall be listed: Nil

- (11) Material resolutions of a general meeting or a board of directors' meeting during the most recent fiscal year and up to the date of publication of the annual report:

1. Material resolutions of general meeting of the Company in 2020:

| Date | Material resolutions | Implementation |
|--------------|---|---|
| 12 June 2020 | Matters for approval 1. The Company's 2019 business report and consolidated financial statements | Has complied with the resolution. |
| | 2. Resolution on the Distribution of the Company's Surplus for 2019 | Determined 22 March 2020 as the ex-dividend date, and 17 April 2020 as the cash dividend payment date. The cash dividend paid for ordinary shares was NT\$0.51 per share. |
| | Matters for discussion 1. Proposed Amendment to the Articles of Association | It was announced on the website of the Company and the Company is operating in accordance with the new Memorandum and Article of Association. |
| | 2. Proposed amendments to the "Rules of Procedure for General Meetings" of the Company | It was announced on the website of the Company and the Company is operating in accordance with the new Procedures for Obtaining or Disposing of Assets. |
| | Matters for election 1. Resolution on the election of the fifth session of the board of directors of the Company | The list of elected directors is as follows: Three directors: Eastech Electronics (Taiwan), Pai Chin Chang and Chang Tung I Four independent directors: Shiau Fung Shyung, Chang Shan Juh, Chen Ko Hung |

| Date | Material resolutions | Implementation |
|------|---|---|
| | | and Jeng Shih Rong |
| | <p>Other resolutions</p> <p>1. Resolution on the removal of the restriction on the prohibition of competition of the Company's fifth session of new directors and their representatives</p> | It was approved in accordance with the law and implemented to release a new independent director of the Company from engaging in acts for himself/herself or others in the same or similar line of business as the Company during his/her term of office as a director. |

2. Material resolutions of Board of Directors' meeting of the Company during 2020 and up to the date of publication of the annual report:

| Date | Material resolution |
|------------------|---|
| 27 February 2020 | <ol style="list-style-type: none"> 2019 Business Report and Consolidated Financial Statements of the Company Resolution on the Distribution of Employees' and Directors' Remuneration for 2019 Resolution on the Distribution of the Company's Cash Dividend for 2019 Determination of the ex-dividend date for the year 2020 Resolution on the election of the fifth session of the board of directors of the Company The Company proposed to issue the Management's Report on Internal Control pursuant to the requirements under Article 24 of the Regulations Governing Establishment of Internal Control Systems by Public Companies Resolution on the proposed amendments to the issuance of second employee stock option certificates for 2019 by the Company and subscription measures Resolution on the recovery and cancellation of the Restricted Shares of employees and the reduction of capital by the Company Resolution on the renewal of the China Trust's short-term facility Submission of the Cayman Annual Declaration and Economic Substance Report Matters related to the convening of the general meeting by the Board of Directors of the Company for 2020 The Land Purchas and Construction Project by sub-subsidiary Danish Scan-Speak |

| Date | Material resolution |
|---------------|---|
| 24 April 2020 | <ol style="list-style-type: none"> 1. Resolution on the nomination of candidates for directors and independent directors 2. Resolution on the removal of the restriction on the prohibition of competition of the Company's fifth session of new directors and their representatives 3. Proposed Amendment to the Articles of Association 4. Proposed amendments to the "Rules of Procedure for General Meetings" of the Company 5. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company 6. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company 7. Resolution on the Endorsement Guarantee of the Company for Eastech (VN) Company Limited 8. Resolution on the proposed issuance of employee stock option certificates by the Company 9. Amendments to the second employee stock operation and subscription method for 2019 by the Company 10. If epidemic prevention is required, it is necessary for the Company to change the venue of the 2020 annual general meeting 11. Proposed increase of matters for convening a general meeting of the Company for the year 2020 |
| 7 May 2020 | <ol style="list-style-type: none"> 1. 2020 First Quarter Consolidated Financial Statements of the Company 2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited 3. Resolution on the recovery and cancellation of the Restricted Shares of employees and reduction of capital by the Company 4. Regular evaluation for the independence of the certified public accountants by the Company |
| 19 May 2020 | <ol style="list-style-type: none"> 1. Proposed issuance of employee stock option certificates for 2019 by the Company 2. Proposed issuance of the second employee stock operation certificates for 2019 by the Company 3. Proposal principle of KPI bonus distribution and manager distribution amount for 2019 |

| Date | Material resolution |
|------------------|--|
| 23 June 2020 | <ol style="list-style-type: none"> 1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company 2. Proposed endorsements and guarantees for Eastech Electronics (Huiyang) Co., Ltd. by the Company 3. Proposed appointment of members of the fourth session of the Audit Committee and Remuneration Committee of the Company 4. Proposed appointment and removal of the President of the Company |
| 6 August 2020 | <ol style="list-style-type: none"> 1. Proposed appointment and removal of the Chief Audit Officer of the Company 2. The Company's consolidated financial statements for the first half of 2020 3. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company 4. Endorsements and guarantees for Eastech (VN) Company Limited by the Company 5. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company 6. Proposed issuance of the second employee stock operation certificates for 2019 by the Company |
| 15 November 2020 | <ol style="list-style-type: none"> 1. Whether the Company had any disguised capital loans and circumstances related to financing as of 30 September 2020 2. 2020 First Third Consolidated Financial Statements of the Company 3. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company 4. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company 5. Proposed renewal of the liability insurance for directors, supervisors and managers Proposed renewal of the liability insurance for directors, supervisors and managers |

| Date | Material resolution |
|------------------|--|
| 14 December 2020 | <ol style="list-style-type: none"> 1. Proposed approval for the operating plan of the Company for the year 2021 2. Preparation of budgetary of the Company for the year 2021 3. Proposed approval for the audit plan of the Company for the year 2021 4. The resolution in relation to the approval of the pre-sale forward foreign exchange operation, with the total authorized amount not exceeding US\$30,000 thousand 5. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company 6. Endorsements and guarantees for Eastech Electronics (HK) Limited by the Company 7. Endorsements and guarantees for Eastech (VN) Company Limited by the Company 8. Proposed amendments to the “Internal Control Self-Assessment Procedure” and the “Implementation of Internal Control Systems” of the Company 9. Resolution on the renewal of the China Trust’s short-term facility |
| 22 January 2021 | <ol style="list-style-type: none"> 1. Proposed application for a short-term credit line of US\$8,000 thousands from EnTie Bank by the Company 2. Proposed capital lending to a wholly-owned subsidiary - Eastern Asia Technology (HK) Limited, with an amount of US\$6,650 thousand 3. Proposed capital injection in cash to Eastech Electronics (HK) Limited, a subsidiary 4. Proposed amendments to the Rules of Procedure of the Board of Director of the Company 5. Proposed amendments to the Organizational Procedures of the Audit Committee of the Company 6. Proposed amendments to the Organizational Procedures of the Remuneration and Nomination Committee |
| 26 February 2021 | <ol style="list-style-type: none"> 1. Whether the Company had any disguised capital loans and circumstances related to financing as of 31 December 2020 2. The Company’s 2020 annual business report and consolidated financial statements 3. The 2020 Deficit Compensation Proposal 4. The Company’s 2020 employee remuneration and directors’ remuneration proposal |

| Date | Material resolution |
|---------------|--|
| | <ol style="list-style-type: none"> 5. Proposed issue of the Management’s Reports on Internal Control in accordance with Article 24 of the Guidelines for the Establishment of Regulations Governing Establishment of Internal Control Systems by Public Companies 6. Proposed amendments to the internal control system of the Company 7. Resolution on the recovery and cancellation of the Restricted Shares of employees and the reduction of capital by the Company 8. Submission of the Cayman Annual Declaration and Economic Substance Report 9. Matters related to the convening of the general meeting by the Board of Directors of the Company for 2021 |
| 15 March 2021 | <ol style="list-style-type: none"> 1. Proposed disposal of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company 2. Proposed acquisition of right-of-use assets from Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by EASTECH (Huizhou) Electronics Co., Ltd., a subsidiary of the Company 3. Proposed amendments to the “Endorsement Guarantee Operation Management Measures” of the Company 4. Latest financial position and countermeasures of the Company 5. Endorsements and guarantees for Eastech (VN) Company Limited by the Company 6. Proposed appointment and removal of the President of the Company |
| 27 April 2021 | <ol style="list-style-type: none"> 1. Proposed amendments to the “Organizational Procedures of the Audit Committee” of the Company 2. Proposed issuance of employee stock option certificates for 2020 by the Company 3. Proposed increase of matters for convening a general meeting of the Company for the year 2021 4. Sale of business machinery by Eastech (Huiyang) Co., Ltd. to EASTECH (Huizhou) Electronics Co., Ltd. 5. Sale of inventory by Eastech (Huiyang) Co., Ltd. to Eastech Systems (Huiyang) Co., Ltd. 6. Sale of inventory by Eastech Electronics (Huiyang) Co., Ltd. to EASTECH (Huizhou) Electronics Co., Ltd. 7. Sale of inventory by Eastech Systems (Huiyang) Co., Ltd. to |

| Date | Material resolution |
|------------|--|
| | EASTECH (Huizhou) Electronics Co., Ltd. 8. Cash capital increase by EASTECH (Huizhou) Electronics Co., Ltd. |
| 7 May 2021 | 1. Whether the Company had any disguised financing facilities as of 31 March 2021 2. 2021 First Quarter Consolidated Financial Statements of the Company 3. The resolution in relation to the approval of the disposal of marketable securities by Eastech Electronics (HK) Limited, with the total authorized amount not exceeding NT\$100,618 thousands 4. Sale of business machinery by Eastech Electronics (Huiyang) Co., Ltd. to EASTECH (Huizhou) Electronics Co., Ltd. 5. Sale of business machinery by Eastech (Huiyang) Co., Ltd. to Eastech Systems (Huiyang) Co., Ltd. 6. Regular evaluation for the independence of the certified public accountants by the Company 7. Proposed endorsements and guarantees for EASTECH (Huizhou) Co., Ltd. by the Company |

(12) Where, during the latest year and up to the date of publication of the annual report, a director or the audit committee has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: Nil

(13) A summary of resignations and dismissals, during the latest year and up to the date of publication of the annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, head of corporate governance and principal research and development officer:

Table of summary of resignations and dismissals of parties concerned of the Company

31 March 2021

| Title | Name | On-Board Date | Date of Resignation or Dismissal | Reason of Resignation or Dismissal |
|---------------------|---------------|---------------|----------------------------------|------------------------------------|
| Chief Audit Officer | Tang Kai Tak | 24 March 2011 | 6 August 2020 | Resignation |
| President | Liu Guan Ting | 23 June 2020 | 15 March 2021 | Resignation |

Note: Parties concerned refer to Chairman, President, Head of Accounting Finance, Internal Audit, Corporate Governance and Research and Development of the Company.

(d) Information on the accountant's fees

(1) Information on audit fees paid to auditors

Table of range on audit fees paid to auditors

| Accounting Firm | Name of CPA | | Audit Period | Remarks |
|-------------------|-----------------|-------------|--------------|---------|
| Deloitte & Touche | Shih Chin-Chuan | Liu Shu-Lin | 2020 | Nil |

Unit: NT\$'000

| Item | | Audit fees | Non-audit fees | Total |
|--------------|----------------------------|------------|----------------|-------|
| Amount range | | | | |
| 1 | Lower than 2,000 | | 200 | 200 |
| 2 | 2,000 (inclusive) – 4,000 | | | |
| 3 | 4,000 (inclusive) – 6,000 | 4,820 | | 4,820 |
| 4 | 6,000 (inclusive) – 8,000 | | | |
| 5 | 8,000 (inclusive) – 10,000 | | | |
| 6 | 10,000 (inclusive) above | | | |

(2) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them, the amounts of both audit and non-audit fees and the details of the non-audit services shall be disclosed.

Unit: NT\$,000

| Auditors | Name of CPA | Audit fees | Non-audit fees | | | | | CPA's Audit Period | Remarks |
|-------------------|---------------------------------|------------|----------------|----------------------|----------------|--------|-----------|--------------------|---|
| | | | System Design | Company Registration | Human Resource | Others | Sub-total | | |
| Deloitte & Touche | Shih Chin-Chuan and Liu Shu-Lin | 4,820 | | | | 200 | 5,020 | 2020 | Authentication of major subsidiaries, issuance of employee stock option certificates, and recovery and cancellation of issued Restricted Shares for Employees and reduce the capital, and the translation fee for the English financial statements. |

(3) When the Company changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year imme-

diately preceding the amount of the audit fees before and after the change and the reason shall be disclosed: Not applicable

(4) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: The audit fees decreased by 13.3% of NT\$740 thousands compared to the previous year, mainly due to the improvement in the quality of the Company's accounts and the reduction in the cost of the accountants' work.

(5) Information on the change of accountant: Nil

(6) The chairman, general manager, manager of financial or accounting affairs of the Company who has held a post in the certified public accountant firm or its affiliates in the latest year: Nil

(7) Movements of shareholdings and pledge thereof held by directors, supervisors, managers and shareholders (whose shareholdings representing over 10% of total shares) for the latest year and as of the date of issue of annual report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship with the Company, directors, supervisors, and shareholders with shareholdings representing over 10% of total shares, and the number of shares transferred or pledged:

(1) Movements of shareholdings and pledge thereof held by directors, supervisors, managers and substantial shareholders

Unit: share

| Title | Name | 2020 | | As of 13 April 2021 | |
|---|-----------------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged |
| Chairman | Eastech Electronics (Taiwan) Inc. | 0 | 0 | 0 | 0 |
| Representative of Eastech Electronics (Taiwan) Inc. | Liou Jenq Lin (Note 1) | (400) | 0 | 0 | 0 |
| Director and President | Pai Chin Chang (Note 2) | 18,000 | 0 | 0 | 0 |
| Director | Chang Tung I | (685,000) | 0 | 0 | 0 |
| Independent Director | Shiau Fung Shyung | 0 | 0 | 0 | 0 |
| Independent Director | Chang Shan Juh | 0 | 0 | 0 | 0 |
| Independent Director | Chen Ko Hung | 0 | 0 | 0 | 0 |

| Title | Name | 2020 | | As of 13 April 2021 | |
|--|--|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged |
| Independent Director | Jeng Shih Rong (Note 3) | 0 | 0 | 0 | 0 |
| Legal representative of Eastech Electronic (Taiwan) Inc. | Kwok King Lam Keenan Ken (Note 4) | 0 | 0 | - | - |
| Vice President | Chang Po Chao | 1,000 | 0 | 0 | 0 |
| Chief Financial Officer | Lam Pui Man | 0 | 0 | 0 | 0 |
| Chief Audit Officer | Ko Chun Ming (Note 5) | 0 | 0 | 0 | 0 |
| President | Liu Guan Ting (Note 6) | 0 | 0 | 0 | 0 |
| Chief Audit Officer | Tang Kai Tak (Note 7) | (3,000) | 0 | - | - |
| Substantial shareholder | Taishin International Bank Co., Ltd. is entrusted to manage the investment account for Above Vantage Limited | 0 | 0 | 0 | 0 |

Note 1: Eastech Electronics (Taiwan) Inc. was elected as a director of the Company at the regular general meeting on 12 June 2020, and appointed Mr. Liou Jenq Lin as the representative. On 23 June 2020, the Board of Directors unanimously elected Mr. Liou Jenq Lin, the representative of Eastech Electronics (Taiwan) Inc. as the chairman of the Board of Directors.

Note 2: Re-designated as the President of Eastern Asia Technology (HK) Limited on 23 June 2020, and served as the President of the Company since 15 March 2021.

Note 3: Elected as an independent director of the Company at the regular general meeting on 12 June 2020.

Note 4: Retired from office after a full re-election of directors on 12 June 2020.

Note 5: Appointed as the Chief Audit Officer by the Board of Directors on 6 August 2020.

Note 6: Resigned on 15 March 2021.

Note 7: Resigned on 6 August 2020.

(2) Information on the counterparty of a share transfer or share pledge which is a related party: Nil

(8) Details of shareholdings of top ten shareholders, their relationship as related parties or as spouse or second degree relatives

13 April 2021; Unit: share

| Name | Shareholdings | | Spouse and minor shareholding | | Total shareholdings in the names of other persons | | For those who are related to the top ten shareholders or are spouses or within the second degree of kinship, their name and relationship | | Remarks |
|---|---------------|----------------|-------------------------------|----------------|---|----------------|--|--------------|---------|
| | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % | Name | Relationship | |
| Taishin International Bank is entrusted to manage the investment account for Above Vantage | 27,956,600 | 45.52 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Taipei Fubon Bank Co., Ltd. is entrusted to manage the investment account for New Advantage Holdings Ltd. | 2,256,000 | 3.67 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Wu Shu-Jhen | 2,082,000 | 3.39 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Liou Jenq Lin | 1,500,000 | 2.44 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Jiang Ji Ru | 1,454,000 | 2.37 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Kwok King Lam Keenan Ken | 1,331,000 | 2.17 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Tsai Ji Tze | 1,092,000 | 1.78 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Wang Guo-Liang | 957,000 | 1.56 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| Huang Guo-Dong | 707,000 | 1.15 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |
| HSBC is entrusted to manage the investment account for Core Pacific Yamaichi International (H.K.) Limited | 662,000 | 1.08 | 0 | 0 | 0 | 0 | Nil | Nil | Nil |

(9) The number of shares held by the Company, the Company's directors, supervisors, managers and entities directly or indirectly controlled by the Company in the same investee, and the combined proportion of shares in aggregate:

Consolidated Shareholding Percentage

31 December 2020; Unit: share; %

| Investees (Note) | Investment of the Company | | Investment of the directors, supervisors, managers and directly or indirectly controlled entities | | Consolidated Investment | |
|---------------------|---------------------------|----------------|--|----------------|-------------------------|----------------|
| | No. of shares | Shareholding % | No. of shares | Shareholding % | No. of shares | Shareholding % |
| N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Note: The investees are all wholly-owned by the Company.

IV. CAPITAL OVERVIEW

1. Capital and shares

(1) Source of the Company's share capital

i. Source of the Company's share capital

13 April 2021; Unit: thousand shares; Unit: NT\$'000

| Month / Year | Issue Price | Authorized Share Capital | | Paid-in Share Capital | | Remark | | |
|---------------|-------------|--------------------------|-----------|-----------------------|---------|---|--------------------------------|--------|
| | | No. of shares | Amount | No. of shares | Amount | Source of Share Capital | Paid by assets other than cash | Others |
| February 2011 | NT\$10 | 80,000 | 800,000 | 100 | 1,000 | Initial capital | - | - |
| March 2011 | NT\$10 | 80,000 | 800,000 | 53,900 | 539,000 | Issuance of new shares | Note 1 | - |
| November 2012 | NT\$60 | 80,000 | 800,000 | 6,750 | 67,500 | Increase of capital by cash | - | Note 2 |
| June 2015 | NT\$0 | 80,000 | 800,000 | 252 | 2,520 | Issuance of restricted shares for employees | - | Note 3 |
| December 2016 | NT\$0 | 80,000 | 800,000 | 500 | 5,000 | Issuance of restricted shares for employees | - | Note 4 |
| December 2017 | NT\$0 | 80,000 | 800,000 | 500 | 5,000 | Issuance of restricted shares for employees | - | Note 5 |
| June 2019 | NT\$10 | 120,000 | 1,200,000 | - | - | - | - | Note 6 |

Note 1: To comply with the listing requirements of Taiwan, the Company was incorporated in Cayman Islands in February 2011. Pursuant to the resolutions passed at the general meeting held on 30 March 2011, additional 53,900,000 new shares were issued to DJR, a substantial shareholder of the Company, 100% equity of EAH were acquired from EATL at a consideration of HK\$293,887,883 and reorganization of the shareholding structure of the Group was completed. After the reorganization, the Company directly held 100% equity interests in EAH, and indirectly held 100% equity interests in EAHY, EAHZ and ESHY.

Note 2: Approved by Letters 1010032948 and 1010038983 issued by Financial Supervisory Commission on 31 July 2012 and 4 September 2012.

Note 3: Approved by the Letter 1030024812 issued by Financial Supervisory Commission on 1 July 2014.

Note 4: Approved by the Letter 1050024865 issued by Financial Supervisory Commission on 29 June 2016.

Note 5: Approved by the Letter 1060027567 issued by Financial Supervisory Commission on 25 July 2017.

Note 6: On 10 June 2019, the shareholders' general meeting resolved to pass the amendments to the Articles of Association to increase the authorized capital to NT\$1,200,00 thousand, divided into 120,000 thousand shares with the nominal value of NT\$10 per share.

13 April 2021; Unit: Shares

| Type of shares | Authorized Share Capital | | | Remark |
|-----------------|-----------------------------|-----------------|-------------|--------|
| | Issued shares (Note) | Unissued shares | Total | |
| Ordinary shares | 61,418,000 listed shares | 58,582,000 | 120,000,000 | |

Note: Including 93,000 restricted shares not yet available to the public.

2. Relevant details to be disclosed under the reporting system: Not applicable

(2) Shareholding Structure

13 April 2021

| Shareholding Structure Amount | Government Authority | Financial Institution | Other Legal Entity | Individual | Foreign Entity and Individual | Chine Entity and Individual | Total |
|-------------------------------------|-------------------------|--------------------------|-----------------------|------------|----------------------------------|--------------------------------|------------|
| No. of person | 0 | 2 | 15 | 2,377 | 38 | 1 | 2,433 |
| No. of shares | 0 | 21,000 | 1,796,000 | 24,898,247 | 34,604,753 | 98,000 | 61,418,000 |
| Shareholding % | 0 | 0.03 | 2.93 | 40.54 | 56.34 | 0.16 | 100 |

(3) Shareholding Distribution

1. Ordinary Shares

13 April 2021; Unit: Shares

| Ranking of Shareholdings | No. of shareholders | No. of shares held | Shareholding (%) |
|--------------------------|------------------------|--------------------|------------------|
| 1 to 999 | 136 | 12,356 | 0.02 |
| 1,000 to 5,000 | 1,718 | 3,596,255 | 5.86 |
| 5,001 to 10,000 | 265 | 2,136,518 | 3.48 |
| 10,001 to 15,000 | 79 | 1,045,000 | 1.70 |
| 15,001 to 20,000 | 56 | 1,020,000 | 1.66 |
| 20,001 to 30,000 | 40 | 1,023,000 | 1.67 |
| 30,001 to 50,000 | 49 | 1,897,407 | 3.09 |
| 50,001 to 100,000 | 45 | 3,194,864 | 5.20 |
| 100,001 to 200,000 | 21 | 3,129,000 | 5.09 |
| 200,001 to 400,000 | 12 | 3,389,000 | 5.52 |
| 400,001 to 600,000 | 2 | 977,000 | 1.59 |
| 600,001 to 800,000 | 2 | 1,369,000 | 2.23 |
| 800,001 to 1,000,000 | 1 | 957,000 | 1.56 |
| 1,000,001 and above | 7 | 37,671,600 | 61.34 |
| Total | 2,433 | 61,418,000 | 100 |

2. Preferred shares: Nil

(4) List of substantial shareholders:

Name of shareholders holding more than 5% of total shares or top ten shareholders, their shareholdings and proportion if there are less than ten shareholders

13 April 2021

| Shares Name of substantial shareholders | No. of shares held | Shareholding (%) |
|---|--------------------|------------------|
| Taishin International Bank is entrusted to manage the investment account for Above Vantage | 27,956,600 | 45.52 |
| Taipei Fubon Bank Co., Ltd. is entrusted to manage the investment account for Above Vantage | 2,256,000 | 3.67 |
| Wu Shu-Jhen | 2,082,000 | 3.39 |
| Liou Jenq Lin | 1,500,000 | 2.44 |
| Jiang Ji Ru | 1,454,000 | 2.37 |
| Kwok King Lam Keenan Ken | 1,331,000 | 2.17 |
| Tsai Ji Tze | 1,092,000 | 1.78 |
| Wang Guo-Liang | 957,000 | 1.56 |
| Huang Guo-Dong | 707,000 | 1.15 |
| HSBC is entrusted to manage the investment account for Core Pacific Yamaichi International (H.K.) Limited | 662,000 | 1.08 |

(5) Market price, net assets, earnings and dividends per share and the relevant information

Unit: NT\$; thousand Shares

| Item | | Year | 2019 | 2020 | For the period ended 31 March 2021 |
|---|--------------------------------|-------------------------------------|------------------------|------------------------|------------------------------------|
| Market price per share | Highest | | 68.00 | 56.40 | 28.00 |
| | Lowest | | 25.00 | 19.00 | 21.80 |
| | Average | | 43.14 | 29.19 | 25.32 |
| Net assets per share (Notes 1 & 2) | Before distribution | | 30.65 | 30.64 | 17.20 |
| | After distribution | | 30.14 | 30.64 | - |
| Earnings (loss) per share (Notes 1 & 2) | Weighted average no. of shares | | 61,087 thousand shares | 61,011 thousand shares | 60,989 thousand shares |
| | Earnings (losses) per share | | 5.04 | (11.09) | (2.38) |
| Dividend per share | Cash dividend (Notes 2 & 3) | | 0.51 | - | - |
| | Stock Dividend Distribution | Retained shares distribution | - | - | - |
| | | Capital reserve shares distribution | - | - | - |
| | Accumulated unpaid dividend | | - | - | - |
| Analysis of return on investment | Price-Earnings Ratio (Note 4) | | 8.56 | (2.63) | - |
| | Price-Dividend Ratio (Note 5) | | 84.59 | N/A | - |
| | Cash Dividend Yield (Note 6) | | 1.18% | N/A | - |

Note 1: The net assets and earnings per share for 2019 and 2020 were calculated based on the audited consolidated financial statements. The net assets and earnings per share for the period ended 31 March 2021 were calculated based on the reviewed consolidated financial statements.

Note 2: The net assets, earnings and dividend per share for 2019 and 2020 were calculated based on the weighted average number of shares of 61,087 thousand shares and 61,011 thousand shares. As of 31 March 2021, the net assets and earnings per share were calculated based on the weighted average number of shares of 60,989 thousand shares.

Note 3: The above information is based on the profits distribution proposed at the Annual General Meeting in the following year.

Note 4: Price-Earnings Ratio = average closing price per share for the year / earnings per share.

Note 5: Price-Dividend Ratio = average closing price per share for the year / cash dividend per share.

Note 6: Cash Dividend Yield = cash dividend per share / average closing price per share for the year.

(6) Dividend Policy and its Implementation

1. Dividend Policy

Pursuant to the resolution passed by the shareholders at the general meeting on 12 June 2020, the Articles of Association of the Company were amended as follows:

If the Company has earnings for the current period after the close of a fiscal year, it shall set aside 1% to 15% of such earnings as employees' compensation, and set aside no more than 2% of such earnings as directors' compensation. If the Company has accumulated losses, it shall first set aside the losses and distribute the employees' compensation and directors' compensation from the remaining earnings as set forth in the preceding paragraph. The distribution of the employees' compensation can be made in cash or stock to the employees of eligible domestic or foreign controlled or subordinate companies or of this Company and its subsidiaries. The distribution of the employees' compensation and directors' compensation shall be approved by majority of the directors at the Board attended by at least two third directors.

The Company may distribute earnings according to the distribution plan proposed by the Board and approved by an Ordinary Resolution, unless provided otherwise in the Articles. The Board shall set aside out of the earnings of the Company for each financial year in the following orders: (1) payment of tax for the relevant financial year; (2) an offset of its losses in previous years that have not been previously offset; and (3) special capital reserve, if it is required in accordance with the Applicable Listing Rules or as required by the competent authorities.

Subject to the aforesaid, if there is any remaining earnings for each fiscal year (the "Remaining Earnings"), such Remaining Earnings plus all accumulative and undistributed profits from previous years shall be the distributable profits of the Company. The business of the Company is in a mature industry, and the Board may consider factors of financial conditions, business and operation, etc. of the Company, to propose distribute plan relating to shareholders dividends/bonus distribution after the shareholders' approval. The dividends/bonus distribution to the Shareholders under this clause shall not be less than 10% of the Remaining Earnings.

With the attendance of more than two-thirds of the directors by the board of directors of the Company and the attendance of more than half of the directors by

special resolution, the dividend and all or any of the dividends to be distributed by way of cash shall be reported to the shareholders in general meeting. The cash dividend shall not be less than 50% of the total dividends/bonus distribution and the remaining distribution may be in stock dividends.

2. Status of the confirmed dividend distribution is as follows:

As the Company had a net loss for the year 2020, the Board of Directors resolved that there would be no dividend available for distribution for the year.

(7) The effect of the proposed stock dividend distribution at the general meeting on the Company's business performance and earnings per share: No applicable

(8) Staff and Directors Remuneration

1. The percentage or range of remuneration for staff and directors set out in the Articles of Association:

In accordance with Article 117 of the Articles of Association of the Company

If the Company has earnings for the current period after the close of a fiscal year, it shall set aside 1% to 15% of such earnings as employees' compensation, and set aside no more than 2% of such earnings as directors' compensation. If the Company has accumulated losses, it shall first set aside the losses and distribute the employees' compensation and directors' compensation from the remaining earnings as set forth in the preceding paragraph. The distribution of the employees' compensation can be made in cash or stock to the employees of eligible domestic or foreign controlled or subordinate companies or of this Company and its subsidiaries. The distribution of the employees' compensation and directors' compensation shall be approved by majority of the directors at the Board attended by at least two third directors.

2. The accounting treatment in respect of any difference between actual distribution amount and the estimated amount of calculation basis of staff and directors' remuneration and the number of bonus shares.

On 26 February 2021, the Board of Directors resolved that no staff remuneration will be distributed, and is therefore not applicable.

3. The distribution of remuneration approved by the Board:

- (1) The remuneration of staff and directors shall be paid in cash or stock. In case there is difference between the amounts paid and the estimated amount recognized for the year, the shortfall, reasons and handling method should be disclosed.

Due to the loss before tax for the year 2020, the Board of Directors resolved that no staff and directors' remuneration will be distributed, and is therefore not applicable.

- (2) The amount of staff remuneration paid in stock and as a percentage of the net profit after tax of the individual or separate financial statement for the current period and the aggregated staff remuneration: Nil

4. The actual distribution of staff and directors' remuneration for the previous year (including number of shares distributed, the amount and the share price) and, in case of difference between the amount paid and the staff and directors' remuneration recognized, the shortfall, reasons and handling method:

Under the 2019 dividend distribution proposal of the Company and in accordance with the Articles of Association, cash dividend of NT\$31,343 thousand (NT\$0.51 per share) was distributed to shareholders, remuneration of approximately NT\$8,255 thousand was paid to staff and remuneration of approximately NT\$7,720 thousand was distributed to directors. Such distribution was approved by resolution at the general meeting held on 12 June 2020. There is no difference from the distribution amount proposed by the Board.

(9) Information on repurchase of the Company's shares: Nil

2. Corporate Bonds (including overseas corporate bonds): Nil

3. Preferred shares: Nil

4. Global depositary receipts: Nil

5. Employee Stock Options

(1) Outstanding employee stock options and the impact on shareholders' interests

7 May 2021

| Type of Employee Stock Options | First Employee Stock Options | First Employee Stock Options | Second Employee Stock Options |
|--|--|--|--|
| Effective date | 19 September 2018 | 19 September 2018 | 23 May 2019 |
| Date of issuance (application) | 28 September 2018 | 10 June 2019 | 10 June 2019 |
| Unit of issuance | 1,200 units | 400 units | 4,347 units |
| Number of shares subscribed as a percentage of total no. of shares in issue (%) | 1.95% | 0.65% | 7.07% |
| Subscription period | 28 September 2018 to 27 September 2022 | 10 June 2019 to 9 June 2023 | 10 June 2019 to 9 June 2023 |
| Way of performance | Issuance of new shares | Issuance of new shares | Issuance of new shares |
| Restriction period and ratio (%) of subscription | 100% of stock options shall be exercisable upon 3 years from expiry | 100% of stock options shall be exercisable upon 3 years from expiry | 100% of stock options shall be exercisable upon 3 years from expiry |
| No. of shares acquired | 0 | 0 | 0 |
| Subscription amount | 0 | 0 | 0 |
| No. of shares not yet acquired | 930,000 shares | 400,000 shares | 3,182,000 shares |
| Subscription price per share not yet acquired | NT\$23.00 | NT\$31.70 | NT\$31.70 |
| No. of shares not yet acquired as a percentage of total no. of issued shares (%) | 1.51% | 0.65% | 5.18% |
| Impact on shareholders' interests | Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measures and the dilution of these original shareholders' equity will not be material. | Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measures and the dilution of these original shareholders' equity will not be material. | Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measures and the dilution of these original shareholders' equity will not be material. |

| Type of Employee Stock Options | Second Employee Stock Options | Third Employee Stock Options | Third Employee Stock Options | Fourth Employee Stock Options |
|--|--|--|--|--|
| Effective date | 23 May 2019 | 25 September 2019 | 25 September 2019 | 7 May 2020 |
| Date of issuance (application) | 19 May 2020 | 19 May 2020 | 6 August 2020 | 27 April 2021 |
| Unit of issuance | 203 units | 2,557 units | 82 units | 219 units |
| Number of shares subscribed as a percentage of total no. of shares in issue (%) | 0.33% | 4.16% | 0.13% | 0.36% |
| Subscription period | 19 May 2020 to 18 May 2024 | 19 May 2020 to 18 May 2024 | 6 August 2020 to 5 August 2024 | 27 April 2021 to 26 April 2025 |
| Way of performance | Issuance of new shares | Issuance of new shares | Issuance of new shares | Issuance of new shares |
| Restriction period and ratio (%) of subscription | 100% of stock options shall be exercisable upon 3 years from expiry | 100% of stock options shall be exercisable upon 3 years from expiry | 100% of stock options shall be exercisable upon 3 years from expiry | 100% of stock options shall be exercisable upon 3 years from expiry |
| No. of shares acquired | 0 | 0 | 0 | 0 |
| Subscription amount | 0 | 0 | 0 | 0 |
| No. of shares not yet acquired | 203,000 shares | 2,217,000 shares | 82,000 shares | 219,000 shares |
| Subscription price per share not yet acquired | NT\$25.30 | NT\$25.30 | NT\$25.45 | NT\$21.65 |
| No. of shares not yet acquired as a percentage of total no. of issued shares (%) | 0.33% | 3.61% | 0.13% | 0.36% |
| Impact on shareholders' interests | Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measures and the dilution of these original shareholders' equity will not be material. | Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measures and the dilution of these original shareholders' equity will not be material. | Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measures and the dilution of these original shareholders' equity will not be material. | Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measures and the dilution of these original shareholders' equity will not be material. |

(2) The name of the management and the top ten employees who obtained the employee stock options, acquisition and subscription

7 May 2021; Unit: thousand shares

| | Position | Name | No. of shares acquired | No. of shares obtained as a percentage of total no. of shares in issue (Note 1) | Exercised | | | | Not Exercised | | | |
|----------|-----------------------|----------------|------------------------|---|------------------------|--------------------------|---------------------------|---|------------------------|--------------------------|---------------------------|---|
| | | | | | No. of shares acquired | Price of shares acquired | Amount of shares acquired | No. of shares obtained as a percentage of total no. of shares in issue (Note 1) | No. of shares acquired | Price of shares acquired | Amount of shares acquired | No. of shares obtained as a percentage of total no. of shares in issue (Note 1) |
| Managers | Director (Note 2) | Pai Chin Chang | 971 | 1.58% | 0 | 0 | 0 | 0 | 971 | NT\$23.00 ~NT\$31.70 | 28,529 | 1.58% |
| | Director (Note 3) | Chang Tung I | | | | | | | | | | |
| Staff | Staff of subsidiaries | (Note 4) | 4,636 | 7.55% | 0 | 0 | 0 | 0 | 4,636 | NT\$23.00 ~NT\$31.70 | 130,914 | 7.55% |

Note 1: Re-designated as the President of a subsidiary on 23 June 2020, and served as the President of the Company since 15 March 2021.

Note 2: Being the vice executive president of Eastech Electronics (Taiwan) Inc., a subsidiary.

Note 3: Staff other than the management of the Company: Heng Chai Lon, Lee Kheng Wee, Sou Eng Hwa, Lin Hsuan Yu, Kim Haeng Seon, Hsu Chih Hsian, Chan Hoi Lung, Chen Chia Jung, Teng Chiou Shiang, Low Weng Seet (in the order of number of strokes in their Chinese surname)

6. Restricted Shares for Employees

(1) Restricted shares for employees that did not satisfy all vesting conditions and impact on shareholders' interests:

7 May 2021

| Type of Restricted Shares for Employees | Restricted Shares for Employees in 2017 |
|---|--|
| Effective date | 25 July 2017 |
| Date of issuance | 20 November 2017 |
| No. of issued restricted shares for employees | 500,000 shares |
| Issue price | NT\$0 |
| No. of issued restricted shares for employees as a percentage of total no. of issued shares | 0.81% |
| Vesting conditions of restricted shares for employees | Employees who work in the combined company for one year upon the granting of stocks awards and whose performance meets the specified requirements will be taken as fulfilling the vesting conditions in the following percentages: 1 year: 25%; 2 years: 25%; 3 years: 25%; 4 years: 25% |
| Restricted rights of restricted shares for employees | <ol style="list-style-type: none"> Before the vesting conditions are satisfied, the employees shall not sell, pledge, transfer, donate, create or otherwise dispose of the restricted shares for employees. Before the vesting conditions are satisfied, the restricted shares for employees may still participate in share distribution, dividend distribution, cash injection and voting rights, being the same as the issued ordinary shares of the Company. Upon the issuance of restricted shares for employees, the employees of the combined company shall immediately deliver them to be kept in trust or for custody and shall not require the trustee or the custodian bank to return the restricted shares for employees for any reason in any manner unless the conditions are satisfied. |
| Custody of restricted shares for employees | Stocks of the R.O.C. staff are kept by custody and those of employees with other nationalities are kept by the engaged custodian bank. |
| Measures for the staff who were granted or subscribed for new stocks but did not satisfy the vesting conditions | If the restricted shares for employees do not satisfy the vesting conditions, the Company will recover the stocks from the employees at nil consideration and commence the cancellation procedures in accordance with the terms agreed in the issuance measures. |
| No. of restricted shares for employees recovered or repurchased | 121,000 shares |
| No. of restricted shares for employees upon release of restrictions | 286,000 shares |
| No. of restricted shares for employees still subject to restrictions | 93,000 shares |
| No. of restricted shares for employees still subject to restrictions as a percentage of total no. of shares (%) | 0.15% |
| Impact on shareholders' interests | The dilution ratio is low and has proposed no significant impact on shareholders' interests. |

(2) Names of the management and the top ten employees who obtained the restricted shares for employees and details

7 May 2021; Unit: thousand shares

| | Position | Name | No. of the restricted shares for employees obtained | No. of the restricted shares for employees obtained to total no. of shares in issue ratio (Note 1) | Number of restricted shares for employees unrestricted | | | | Number of restricted shares for employees not yet unrestricted | | | |
|----------|-----------------------|----------------|---|--|--|----------------|--------------------|--|--|----------------|--------------------|--|
| | | | | | No. of shares unrestricted | Issuance price | Amount of issuance | No. of the restricted shares for employees unrestricted to total no. of shares in issue ratio (Note 1) | No. of shares unrestricted | Issuance price | Amount of issuance | No. of the restricted shares for employees unrestricted to total no. of shares in issue ratio (Note 1) |
| Managers | Director (Note 2) | Pai Chin Chang | 100 | 0.16% | 75 | 0 | 0 | 0.12% | 25 | 0 | 0 | 0.04% |
| | Director (Note 3) | Chang Tung I | | | | | | | | | | |
| Staff | Staff of subsidiaries | (Note 4) | 265 | 0.43% | 197 | 0 | 0 | 0.32% | 68 | 0 | 0 | 0.11% |

Note 1: Information on the management and the top ten employees of the new restricted shares for employees of 2017

Note 2: Re-designated as the President of a subsidiary on 23 June 2020, and served as the President of the Company since 15 March 2021.

Note 3: Being the vice executive president of Eastech Electronics (Taiwan) Inc., a subsidiary.

Note 4: Staff other than the management of the Company (the top ten staff): Heng Chai Lon, Lee Kheng Wee, Lin Ji Xiong, Ang Joo Suah, Ma Yiu Pun, Kek Yeh Huar, Choi Sung Su, Chan Hoi Lung, Chan Kuan Wai, Teng Chiou Shiang, Luo Jiong (in the order of number of strokes in their Chinese surname)

7. Mergers and Acquisitions

- (1) Mergers and acquisitions in progress:** Not applicable
- (2) Split in progress:** Not applicable

8. Issuance of new shares due to acquisition of shares of another company: Nil

9. Implementation of the fund utilization plan: Nil

V. OPERATIONAL HIGHLIGHTS

1. Business Activities

(1) Scope

1. Principal Business

The Company is principally engaged in the design, manufacturing and sales of high-end/smart speakers, speaker systems, audio/video electronic home entertainment systems and earphones; research and development of system architecture, new product concepts, state-of-the-art products and sound and acoustic advance technology.

2. Key Products and Proportion to Turnover

Unit: NT\$'000

| Item \ Year | 2019 | | 2020 | |
|--------------------|------------|-------|-----------|-------|
| | Amount | % | Amount | % |
| Home Audio | 6,344,560 | 60.25 | 5,225,236 | 58.44 |
| Personal Audio | 2,499,905 | 23.74 | 2,032,349 | 22.73 |
| Transducer Speaker | 449,237 | 4.27 | 369,571 | 4.13 |
| Others | 1,236,672 | 11.74 | 1,314,099 | 14.7 |
| Total | 10,530,374 | 100 | 8,941,255 | 100 |

Note: Others include CKD (speaker units, plastic parts, semi products) and molds.

3. Existing Products (Services) of the Company

| | |
|--------------------|---|
| Home Audio | Home theater, Sound Bars |
| Personal Audio | Portable wireless speakers, AI music center and earphones |
| Transducer Speaker | Premium transducers, automotive transducers |
| Others | Molds, acoustic kits |

4. New products developed

(1) Home Audio

Dolby Atmos Sound Bars, Sound Bars with wireless surround, GVA/Alexa speaker system.

(2) Personal Audio

Premium Bluetooth®, Airplay 2 & Wi-Fi speaker, VUI GVA AI speaker, TWS (True Wireless Stereo) speaker/earphone, etc.

(3) Transducer Speaker

Electronic speaker, 2-way acoustic suspension ultra-thin speaker, PUNKTKILDE™ high-efficiency speaker.

(2) Industry Overview

1. Current Industry Status and Development

(1) Home Audio

In the era of high quality sound system, with hardware devices including LED TV, Smart TV and Blu-Ray Player being popularized and the consumers' access to diversified audio and video information through the OTT type and digitalized TV in recent years, Dolby Digital surround sound effect of the home theater and Sound Bars are perfectly demonstrated. Digital audio technology enhances the quality of audio and video effect of the home systems, which stimulates the consumers' demand on premium audio and video devices and thus the home theater and Sound Bars.

(2) Personal Audio

Wireless and electronic personal audio systems will be on the trend and voice recognition will be the primary interactive interface for IoT devices, smart home devices and AI service applications in future. As much more information is accumulated using virtual personal assistants (VPA), IoT and other similar devices will become smarter. AI, Deep Learning and Machine Learning require a huge ecosystem to provide and accumulate mass data while wireless speakers play an important role. The growth of home acoustics products will be mainly driven by wireless audio. Voice control has become the largest selling point in recent years and will experience leapfrog growth in the coming years.

Earphone, an inevitable component in output end of mobile audio/video players, mainly comprises of four parts: head band holder, ear piece, cable and plug and speaker (left and right audio units). In recent years, with the rapid development of tablets and smart phones, earphones as one of the portable auxiliary equipment is becoming the main concern of consumers and the demand for the design and quality of which is getting higher.

① Classification based on the presence or absence of wires

Classification of True Wireless Stereo and in-ear/earbud Bluetooth® earphones

Apple's iPhone 12 launched in 2020 has eliminated the wired earphone that comes with it, and the Samsung's Galaxy S21, the flagship product of the Android platform, followed such approach at its launch in January this year, further boosting the rapid growth of global TWS penetration.

② Classification based on design and function

It can be divided into four types: circumaural, in-ear, supra-aural and canal.

Circumaural: Circumaural headphones usually cover our ears with a soft pad, making a closed structure between our ears and earphones. The sounding unit of the earphones is generally larger than that of other types, so the music sound field and dynamic performance are relatively better as well.

In-ear: The sounding unit of in-ear earphones is placed outside of the ear hole. It becomes the main accessory of portable players as it is small in size, light in weight, produced in simple procedures with low cost. However, sound insulation to the outside world is limited by this structure and the music sound field and resolution are insufficient, thus triggering the development of the canal earphone.

Supra-aural: Supra-aural earphone is smaller in size compared with circumaural earphone and has the advantages of the in-ear and circumaural earphones. Its sounding unit is placed close to our auricles, which is a common design applied in portable earphones.

Canal: Canal earphone, which is evolved from the improvement of hearing aids, has become one of the popular earphone models in recent years. It has the same appearance and lightness features with the in-ear earphones and its sounding unit can extend into our ear canal with a distance even closer to our eardrum as compared with in-ear earphones so that it has excellent sound insulation (up to 32 decibels).

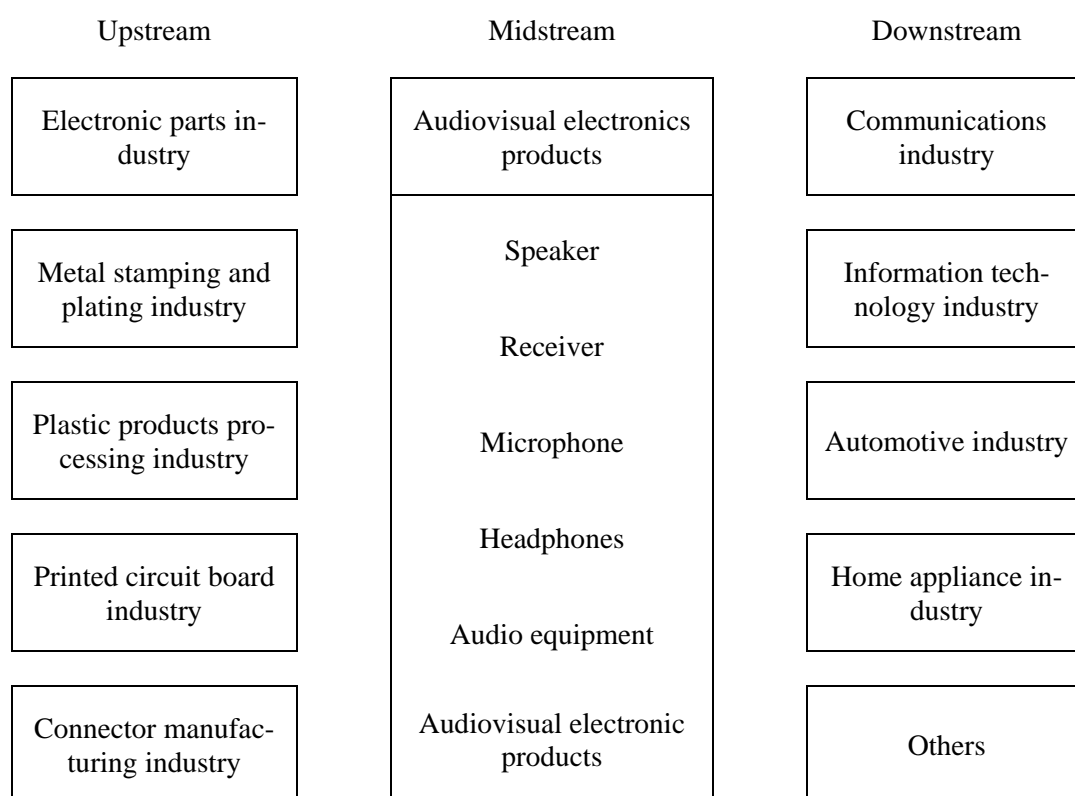
With the increasing demand on tablet computers, smart phones and various digital audio and video products, new products are continuously launched and digital technology is applied to digital audio, headphone amplifiers and wireless transmissions. The increasing demand on portable audio devices will surely further stimulate the development of the headphones market. Due to the strong demand on the downstream market, global headphones sales are facing good operating conditions and it is expected the market demand will grow rapidly in the coming five years.

In the development of the earphone industry, the earphone products will also be designed and produced with the concept of energy-saving and using new recyclable materials. The new energy-saving and environmental-friendly technology will be more widely applied in the production and manufacture process of audio-visual products, which fulfills to the public's awareness of environmental protection. Anti-noise technology in wireless headphone will become more and more mature. The

sound quality of wireless headphone can rival that of wired headphone and will substitute for it in future.

2. Relationship between the upstream, midstream and downstream industries

In the industrial supply chain of the audio-visual electronic products manufacturing industry, upstream manufacturers of plastic injection, metal stamping, wire processing and electronic parts provide relevant components which are tested by electro-acoustic manufacturers in terms of assembly nature and then sold to the downstream industry for use through the electro-acoustic manufacturers' or their agents' distribution channels. The downstream and product end-use industries include the communications, information technology, automotive and home appliance industries. The speaker systems and headphones produced by the Company are mainly used in downstream end-use products such as home theaters, audio combinations, computers/tablets, game consoles, digital music players and smart phones.



Source: Taiwan Industry Economics Services

3. Development Trend and Competition of Products

(1) Development Trend of Products

① Speaker Systems and Audio/Video Systems

Over the past decades, the industry reached breakthrough in terms of use of materials and prototyping technology and the development was relatively slow. In recent years, the rapid evolvement of digitalization and networking, and the popularity of portable electronic consumer products namely LCD TV, notebook, tablet computer and smart phones have drastically changed the demand of consumer for audio and video entertainment. To cater for the consumers' demand for audio/video experience, the whole speaker industry is under considerable transformation. Different kinds of speaker systems are unveiled in line with the transformation of the downstream electronic consumer products. As such, the life cycle of product is diminished, the technologies of speaker products and electronic digital system integrate, and the industry is developing towards multi-functions, wireless and miniature in size.

In the past, audio products have been supplied by Driver and Loader. Recently, however, it has been gradually shifted to the mode of supply by wireless transmission or by download. The size of main-unit is thus greatly reduced. This trend has enabled the shift to product unification of main unit and speakers from the separate installation of main unit and speakers. The size of sound products is reduced and the popularity among customers is greatly enhanced. The smart speakers with voice as an interface and with connection with the Cloud become household intelligent assistant. This type of product will grow at a high speed.

The manufacturers are committed to developing more evolved acoustic technology and creating high-quality audio and video experiences for home entertainment. TV is equipped with single-unit surround sound and high-end Bluetooth speakers, which offers high resolution sound quality player, LDAC Bluetooth transmission technology and Multi-room smart wireless music streaming functions as well as advantages such as online music streaming services. With acoustic technology, the sound quality and real sense of music when it is created and recorded can be demonstrated. Together with the housing design and sound quality at home, users can enjoy the audio equipment with the highest quality, which further enhances their wireless music-listening experience.

② Earphones

As reported by Bloomberg, Apple has disrupted the earphone market with the AirPods. Since the launch of the AirPods, Apple has demonstrated its brand influence by moving beyond mobile phones and into TWS products, which it has never been involved in before. This also allows the earphone industry to quickly leap from wired designs to wireless Bluetooth, active noise reduction and other sensory changes, and in doing so, Apple confirmed its strong position in the TWS market, accounting for 32% of global earphone shipments in 2020. In 2020, the COVID-19 pandemic was a crucial development. Under the impact of the pandemic, earphones have gone from being used simply for listening to music to being an important accessory for online classes, video games and video conferences, directly increasing the demand for earphone products. Apple has carved out a niche for itself in the TWS market, rounding out its ecosystem of portable accessories with a pair of truly wireless Bluetooth earphones and using its own powerful chip technology to enhance the performance and experience. Secondly, Apple's biggest impact on the traditional earphone market is the smart voice assistant and noise cancellation features built into compact TWS earphones, a digital integration and technology capability that earphone brands lacked in the past, and the creation of a whole new market of what IDC calls "hearables", which the latter estimates at 267 million units shipped per year and a market size of US\$35 billion.

With the launch of Apple's AirPods Max, IDC believes that the market will put more pressure on time-honored audiophile brands such as Bang & Olufsen and Master & Dynamic, etc. However, in the audiophile industry in the past, there was little to no pressure from market competition. Besides, AirPods Max also brings other consumer high-end earphone brands such as Sony, Jabra and Bosch a rare opportunity to expand the high-end earphone market.

According to data from IDC, after AirPods entered the TWS market, the ASP of TWS products dropped from US\$110 to US\$45. In the Indian market alone, shipments of the hearables exploded by 258%. Such a scene is very likely to be repeated in the high-end earphone market.

(2) Competition

① Speaker Systems and Audio/Video Electronics Systems

Ever since its invention, the principle of speaker has no significant change. It is structurally comprised of three sections: vibration system, magnetic loop and main body. Over its long history, the speaker manufacturing industry has reached a mature development stage. There is a complete supporting system for raw materials and it is a labour intensive industry. Product competitiveness depends on the manufacturing technology and cost. Overall, it is not difficult to enter into the industry and thus there are numerous vendors and many small plants. A relatively significant investment has to be injected to plants, machineries and equipment, capital injection is therefore a barrier of entrance for small vendors. New players have less advantage in terms of production technology, research and development, which also hinders their competitiveness. Competition of the industry has two opposite extremes. While large-scaled vendors have mature technology and expanded equipment to easily reach scale of economy, it is hard for the small vendors or new players to keep abreast of their development. Besides, the OEM order taking nature of the industry results in intense price competition and vendors need to obtain higher margin by cost control, product differentiation and value adding. Under such vigorous competition, “the bigger one gets bigger” becomes a development norm of the industry. Only big vendors with high management efficiency and continuous new innovations can stand firm amid intense competition and strengthen their position as long-term suppliers in the market.

Recently, since the cross-industry large IT electronics companies have joined the market which leads to keen competition in the industry, growth in sales and gross profit of the Company are under pressure.

Due to its convenience and the wireless transmission technology of mobile devices, Bluetooth wireless speakers have gradually become the mainstream audio products in recent years. In addition, hardware player systems such as DVD and Blu-ray disc players are being replaced by emerging media including cloud or online video (YouTube)/music, resulting in a trade-off effect.

② Earphones

The demand on earphones has been growing along with the popular trend of smartphone and functional innovation. Such huge opportunities also bring massive competition in the market. The Company is a late entrant to the TWS manufacturing field, as TWS has fewer plastic parts to manufacture in-house (smaller product size) and its gross margin is lower than that of the audio system group.

(3) Technology, Research and Development (“R&D”)

1. Technical level and R&D of the business operated

In the manufacturing industry of audio-visual electronic products, R&D and product innovation capabilities are the key factors to success for the Company in competing with its peers in the world. The Company has cultivated its own R&D unit for many years, which has formed a complete work division flow and integration system, comprising functions of acoustic and electronic R&D, structural development, software/hardware engineering capabilities. In the meantime, the Company has developed the speaker unit development technology for more than 20 years. In the 2019 CES, the Company successfully launched the “PUNKTKILDE™”, which is a new brand of quality sensors. This product line is a series of sensors designed by Scan-Speak and produced by Easotech, which introduces the Danish design, a functionalistic design style, to more customers around the world by providing superior sound quality and economies of scale. Coupled with its advanced wood carving technique of loudspeaker and plastic injection technology as well as the electronic technologies of sound devices, we can provide customers with high standards of R&D design with international standard audition studio and cutting-edge speaker development technology by using Klippel® and installing world-leading design tools such as COMSOL. Since being able to cater for the new product development of international manufacturers, the Company obtained ISO9001 and ISO14001 international quality assurance systems in 2006 and obtained TS16949 certification in 2016. In addition, the key components of the speaker systems are mainly made in its own factory to ensure the stability of product quality and delivery guarantee.

Technology of earphones are further enhanced together with electro-acoustic software and upgraded electro-acoustic equipment, which becomes a High Resolution technology and is applied in developing the touch Bluetooth® headphones and Voice

enabled earphones equipped with DSP and CVC noise reduction technology. Hence, it ranks amongst the top R&D technologies.

2. R&D Personnel and their Qualification (and Experience)

Unit: No. of individual

| No. of individual / Year | | 2019 | 2020 | As of 31 March 2021 |
|-----------------------------------|--------------------------|------|------|---------------------|
| Education Background Distribution | Doctoral | 1 | 0 | 0 |
| | Postgraduate | 8 | 13 | 13 |
| | Degree/Professional | 181 | 227 | 201 |
| | Senior High School | 83 | 55 | 53 |
| | Below Senior High School | 21 | 11 | 11 |

3. R&D expenses per year for the past two years

Unit: NT\$'000

| Year | 2019 | 2020 |
|---|------------|-----------|
| R&D Expenses (A) | 290,889 | 253,964 |
| Net Revenues (B) | 10,530,374 | 8,941,255 |
| The Proportion of R&D Expenses % = (A)/(B) | 2.76 | 2.84 |

4. Results of Research and Development

The major results of research and development of the past two years and as of the recent period:

| Year | Name of Product | Efficiency Description |
|------|---|---|
| 2019 | Symmetrical dual suspension structure speaker | 1. The symmetrical dual suspension structure is formed by symmetrically setting folding rings and elastic waves, so as to lower the height and size of the speaker. |
| | | 2. The suspension structure can provide better centering support for coil vibration, reduce coil scratching, and im- |

| Year | Name of Product | Efficiency Description |
|------|--|--|
| | Compact • Big coil • Point audio source • Co-axial speaker | <p>prove the power endurance of the speaker.</p> <ol style="list-style-type: none"> 1. Limited by the cone diaphragm and problems with tweeter's fixed structure, existing coaxial speakers are impossible to lower their height. As the tweeter is fixed in front of the diaphragm of the woofer, it is easy to produce a large deviation between the frequency response of the axis and off-axis and lead to problems such as sharp corners and poor airtightness and waterproofing due to the above factors. 2. The product design features a bass composed of a large coil with a built-in elastic wave and a special ring-shaped diaphragm. The large coil of the bass is fixed to the middle and back of the diaphragm body. 3. Design a. above can effectively reduce the height of the coaxial speaker. Design b. can effectively improve the problem of large deviation of frequency response and sharp covering angle between the axis and off-axis. Design c. can achieve true point audio source. Design d can attain enclosure and waterproof. 4. Suitable for high-end Bluetooth® speakers and Sound Bars. |
| | Design and manufacturing of ultra-thin speakers with the use of high carbon fiber mixed pulp | <ol style="list-style-type: none"> 1. This series features an ultra-thin design and its drum paper is made with the combination of carbon fiber and mixed pulp (composition ratio: 50% carbon fiber + pulp), which is the first in the industry. 2. The high carbon fiber hybrid material lets the drum paper have the characteristics of high rigidity and light weight. It can also absorb shock and reduce noise due to its high internal resistance, which makes it stand out from the competition of non-metallic materials. 3. This series of speakers also incorporates various current Eastech patents and technologies. In the selection of materials, high carbon fiber hybrid materials are used to greatly enhance the rigidity of the drum paper carcass and greatly increase the adjustment range of internal |

| Year | Name of Product | Efficiency Description |
|------|--|---|
| | <p>damping; In terms of structural design, the suspension part (drum paper and elastic wave stitched together) adopts the company's patented technology, the integrated structure design of the drum paper carcass and the dust cover.</p> <p><u>Headphones</u></p> <p>Description of subwoofer coaxial tactile vibration headphones</p> | <p><u>Headphones</u></p> <p>The new model is a reverse coaxial single magnet with double magnetic circuits. One coil drives the sound membrane to produce sound, and another coil drives the vibrating piece, thereby converting the sound source of vibration potential energy to vibrate the integrated coaxial speaker. The combination of the front cover and the back cover of the headphone forms an integrated headphone of sound-solid coupling and vibration potential energy transmission.</p> <p>1. The magnetic cover, magnet, and T iron form a magnetic field loop, driving two sets of coils to work.</p> <p>2. As coil 1 is fixed to the voice membrane, when the coil inputs an alternating audio current, the voice coil produces an alternating motion due to an alternating thrust. As a result, Drive the sound membrane vibrates and pushes the air repeatedly to produce sound.</p> <p>3. As coil 2 is fixed to the vibrating piece, when the coil inputs an alternating audio current, the voice coil produce an alternating motion upon receiving an alternating thrust. The vibrating piece vibrates repeatedly and transmits the potential energy of vibration to the front cover of the headphone through 3 positioning columns, thus improving the power of low-frequency haptic vibration brought by the low-frequency vibration (Not limited to several positioning columns to transfer vibration potential energy).</p> <p>4. Digital power amplifier utilizing two independent channels pushes the vibration system of coil 1 and coil 2 respectively.</p> <p>One channel is a digital full-frequency power amplifier of independent channel with a control frequency response range: 20-20KHZ. The vibration system fixed by coil 1 and the sound membrane vibrates repeatedly to push the air for sound production by controlling its output power.</p> <p>Another channel is a digital low frequency power amplifier of independent channel with a control frequency response range: 20-200HZ. The vibration system fixed by coil 2 and the vi-</p> |

| Year | Name of Product | Efficiency Description |
|------|-------------------------------------|--|
| | | brating piece vibrates repeatedly to convert potential energy from vibration by controlling its output power. |
| 2020 | Radial magnetic circuit speaker | <ol style="list-style-type: none"> 1. The high magnetic field is created by setting up a NdFeB magnet structure inside and outside the radial direction, forming a high magnetic gap and even distribution of the magnetic field. 2. The magnetic lines of force are concentrated in the magnetic circuit and magnetic gap, reducing the effect of leakage on other original components. 3. The coil is less likely to leave the gap when oscillating, giving a flatter BL(X) curve and thus less distortion in the loudspeaker. |
| | Ultra-wide Band Loudspeakers | <ol style="list-style-type: none"> 1. The loudspeaker diaphragm and dust cap are designed as a single piece, as opposed to the traditional assembly structure using glue to avoid any deviations in the gluing process that may affect the characteristics of the loudspeaker. 2. The loudspeaker diaphragm has adopted the high strength aluminum-magnesium alloy anodised material, providing a high Young's modulus and stable moulding. 3. The magnetic circuit has adopted copper shorting rings to reduce the high frequency inductive effect of the voice coil. 4. The effective operating band of this type of speaker can be extended to 100~40KHz. |
| | Built-in carbon fiber rod diaphragm | <ol style="list-style-type: none"> 1. Carbon fiber material has the characteristics of low density and high structural strength. In this study, the intensity of the diaphragm is adjusted by implanting carbon rods into the diaphragm during the paper making process. 2. The structural strength of the carbon fiber diaphragm is much higher than that of the ordinary paper-made diaphragms, shifting the diaphragm's split frequency point to higher frequencies and extending the loudspeaker's high frequency response range. |

| Year | Name of Product | Efficiency Description |
|------|--|---|
| | Ultra-Linear Low Distortion Passive Irradiator | <ol style="list-style-type: none"> 1. Adopt two-way symmetrical design and use finite element to simulate structural mechanics optimization. 2. With high-elastic materials, light weight and well damping due to the high-elasticity of material. High power capacity, excellent smoothness and resilience. 3. Through the use of materials and structural optimisation, it is highly resistant to tearing and effectively reduces the distortion of oscillation. |

(4) Long-term and short-term business development plans

1. Short-term business development plan

(1) Research and development strategies and plan

- A. Enhance the R&D on connectivity of voice-controlled and various wireless transmission (e.g. Wi Fi, Bluetooth, 5G, network transmission, etc.) and audio products.
- B. Utilize the self-developed patent high-efficiency speakers, providing audio cavity modules for international brands.
- C. Enhance the R & D of production process of the customized high-end (HI-FI) speakers.
- D. Increase the R&D of high-end earphones such as TWS, High Resolution drive unit and smart sports Bluetooth earphone.
- E. Collaborate with major customers in software technology to provide the latest technology solutions to brand customers and enhance competitiveness.

(2) Production strategies and plans

- A. Understand the market trend, and set the production direction accordingly and clarify the positioning of the factory.
- B. Actively reform and improve the production efficiency and processing technology.
- C. Invest in assembly automation and energy-saving equipment to reduce labour force and energy. Accelerate the automation equipment that enlarges the speaker unit.
- D. Keep improving the production to enhance productivity of the plant. Set up independent production lines according to different categories of customers to meet customer needs. Set annual cost indicators to reduce the costs of material and expenses.
- E. Gradually integrate upwards to increase the added value of the product. Establish a dust-free constant temperature and humidity production line for the production of high-end products.

F. Establish more professional plants and carry out grading transformation of plant areas and plants.

(3) Operating and financial strategies and plans

A. Establish a comprehensive human resources system, use mergers to integrate and cultivate outstanding acoustic talents.

B. Establish a comprehensive quality system and establish an internal knowledge management system in accordance with the requirements of major international clients.

C. Strengthen the international business team, focus on high-end customers of advanced audio and the fast-growing Sound Bars market and smart audio market.

D. In response to the increasing labour costs in Mainland China, the capital expenses in China are focused on the investment in automation equipment.

2. Long Term Development Strategies and Plans

(1) R&D Strategies and Plans

TWS is an explosive product with increasing growth points. The Company actively promotes multiple patent projects and enhances technical cooperation with its existing electronic departments. Coupled with the demand for TWS products from customers of existing traditional audio brands, it is expected that headphones will bring better performance and higher profits for the Company.

Developing light and portable speaker systems is a market trend and the new speakers are equipped with VUI AI Audio Systems while design of speaker driver needs to be improved by using new materials or changing structure in order to enhance audio quality. By making use of the technology of the world-class transducer brand Scan-Speak from its subsidiary in Denmark, PUNKTKILDE™, a high-quality and low-cost transducer is developed and used in a wide range of audio products. This further procures the promotion of speakers in domestic and international markets and thus the speakers can be embedded in those new hardware devices.

The Company collaborates with major customers in software technology to provide the latest technology solutions to brand customers and enhance competitiveness.

Audio unit forms part of home entertainment systems and its outlook has to fit well with the overall furnishing and style of users' decoration. Therefore, we will allocate resources on reaching breakthroughs of sound box materials, so as to satisfy users with refreshing and harmonized designs.

(2) Production Strategies and Plans

- A. Establishing long-term partnership with customers by providing reliable quality products so that they can focus on market development.
- B. Transforming from high labour-intensive production to low labour intensive production and from physical labour to intelligent labour by using automatic equipment and through product transformation.
- C. Strengthening the R&D centres in Shenzhen, Taiwan and Huiyang so as to support the engineering development capabilities of the plants.
- D. The establishment plan of the Vietnamese factory can circumvent the punitive tariffs on Chinese products sold to the United States, which brings great advantages to us for striving to provide customers with low-end and high-volume products and appropriately dividing the quotations in China.

(3) Operational and Financial Strategies and Plans

- A. Promoting the idea of internationalization and strengthening the international management capability, while at the same time recruiting different talents from the world, so as to reach excellent standards in terms of R&D, production, marketing, sales and operation management.
- B. Reinforcing risk control to realize the operation vision of stability, high efficiency and adequate flexibility.
- C. Upholding its target of delivering exquisite audio experience to global consumers, continuing to pay effort on technology improvement and cost effectiveness, in order to provide products and services with maximum market value to branded customers. While expanding the traditional OEM speaker and earphones markets, it actively develops the markets of high-end speaker systems, car speaker systems and electronics speaker systems.

2. Market and Sales Overview

(1) Market Analysis

1. Regions of Major Product Sales (Service Provision)

Unit: NT\$'000

| Regions \ Year | 2019 | | 2020 | |
|----------------|------------|-----------|-----------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| China (Note) | 4,402,166 | 41.81 | 2,629,081 | 29.40 |
| Hong Kong | 215,762 | 2.05 | 174,812 | 1.96 |
| Japan | 517,876 | 4.92 | 1,097,692 | 12.28 |
| Korea | 3,099,426 | 29.43 | 2,747,062 | 30.72 |
| Netherlands | 524,721 | 4.98 | 608,090 | 6.80 |
| Sweden | 542,304 | 5.15 | 369,046 | 4.13 |
| Others | 1,228,119 | 11.66 | 1,315,472 | 14.71 |
| Total | 10,530,374 | 100.00 | 8,941,255 | 100 |

Note: Including indirect export

2. Market Share

The Company primarily engages in the R&D, manufacturing and sales of speaker systems, earphones and AV electronics products, in which, speakers and audio products with electronics and traditional speakers are the major items contributing to the Company's operating income. It is easy to tap into the speaker manufacturing industry; however, it is hard to become a competitive manufacturer that has good performance in terms of technology, quality control, R&D trials and the ability to meet the delivery period as demand by clients, after-sales service and equipment investment. Although there are numerous speaker manufacturers in the PRC, most of them are in lack of technology, quality control supervision, R&D trials and the ability to meet the delivery period as demand by clients. The Company has engaged in the manufacturing of acoustic products for more than 20 years, accumulated considerable experience in every aspect in respect of manufacturing of speakers, and acquired the core technologies for manufacturing of speakers, and established long-term cooperating relationship with branded clients, and became the strategic partner of multiple well-known branded customers for more than ten years. Currently, although there is no relevant statistic data for objectively evaluate the market share of the Company, through estimation with the procurement ratio of the Company products by the international AV electronics branded clients, the market share of the Company in the speaker system market is relatively high, and the Company is the major supplier of speakers and other relevant products for international brands.

3. The future demand and supply and growth of the market

(1) Speaker Systems

In the 1980s, since the PRC focused on manufacturing color TV and exporting speakers, the electro-acoustic industry entered its high-speed growth period. On one hand, the original electro-acoustic enterprises introduced speaker technologies and components, on the other hand, the specialized equipment were produced and product lines are established, which changed the way of operations, expanded the scale of enterprises and raised the consistency of products. As the industry supply chains are improving, the industry is heading towards the professional manufacturing. The Company's production base has been expanded from Huizhou in Mainland China to Hai Duong Province in North Vietnam, with homogenization in China and Vietnam, mutual procurement and division of labor backup, providing more choices for our brand customers.

(2) Earphones

TWS relies on Bluetooth-connected mobile phones for performing music playback, and the total addressable market (TAM), once saturated, will be around 1.3-1.4 billion smartphone units shipped per year. Based on the average price of US\$115 for the AirPods (US\$159) and Xiaomi's True Wireless Bluetooth Headset 2S (US\$70), which are the highest volume devices shipped in 2020, the TWS market could eventually reach US\$149.5-161.0 billion. According to the research centre, the annual growth rate of TWS shipment in 2021 is estimated to be 91.3%, equivalent to approximately 440 million pairs, and the penetration rate will reach 42.4% in 2021 (vs. 23.7% in 2020). Total earphone shipments will grow by approximately 7% in 2021, indicating relatively strong growth for TWS.

4. Competition Niche

(1) Maintaining Friendly Cooperation Relationship with the World's Branded Enterprises

The Company participates in the early development of customers with its outstanding and professional design, from design, development to manufacturing. It has obtained recognition from the world's top five consumer electronics branded enterprises. Apart from the long-term relationship, the excellent customer services and product quality help the Company enhance the relationship with clients from purchase and sale to partnership in new product R&D. With strong relationship over the decades with the branded enterprises, the Company possesses competitive advantage in exploring new clients and competitors are hard to replace the market position of the Company.

(2) Strong R&D Capability

In the recent years, the Company actively participated in the R&D of different fields such as digitalization, network music, new broadcasting method and wireless application so as to cope with the market trend and technology. After many years of development, the Company's R&D department has a team with clear duty allocation and strong capability in the R&D of acoustic, electronic, structural devices and software/hardware, and has built up development foundation for digitalization and wireless broadcasting. Thus, it can swiftly commence design and development upon receipt of the clients' OEM/ODM proposals. The Company set up research and development centers in Taiwan, Shenzhen, Singapore and Huiyang of Guangdong to attract more professionals.

(3) Scale of Economy

Being a large enterprise specializing in the production of speaker systems, the Company has its own R&D, design and production capability, thereby it is able to maintain long-term and stable cooperation relationship with branded enterprises and meet their demand. The Company also enjoys scale of economy in terms of raw material procurement and product manufacturing, and can effectively control cost and maintain profitability amid soaring raw material prices.

(4) Development of Product Line in Conformity with Market Trend

Stereo products are becoming digitalized, multi-functional, networking, intelligent and light in size. To cope with this trend, the Company has the R&D capability of electronic system-integrated speaker systems and will continue to inject resources and explore new product lines so as to keep abreast of music digitalization and networking trend. Beside, in light of the growing concern of environmental protection, the Company has also complied with the environmental protection policies announced by EU and US to produce environmental friendly products, enabling the Company to become green partners with international enterprises.

(5) Vertical integration, high local content rate and professional core production technology

The key components of speaker systems are mainly self-made, to ensure the quality of the products and to meet the delivery period as demand by clients. The Company has experience of over 20 years in R&D of speaker units, along with the solid R&D of speaker woodwork and plastic injection technology, and the R&D of digital speaker systems and the manufacturing technology, together with the audition room with international standards and Klippel®, the top notch R&D technology of speakers, the Company can accommodate the demand of international branded clients for R&D of new products.

5. Favorable and unfavorable factors for long-term development and the responsive measures

(1) Favorable factors for the future development of the Company

- A. Leisure trend becomes more popular, which stimulates the demand of consumers for AV equipment

As player of cloud download and digital TV become more popular, the cost for consumer to acquire AV information decreased and it becomes more convenient. And since leisure trend becomes more popular, consumers' further demand for AV effects such as 4K high resolution, 3D stereo and three-dimensional sound effects, which create a right in the scene feeling, and they would like to create such AV effects at home. Where sound bars system is a leading trend and the demand in the market increased continuously, which is positive for the Company's future development.

- B. The innovation of functions of consumer electronics increases the desire of consumers to purchase

The improvement in technologies leads to the innovative and diverse development of the function of technology products. New electronic products are heading to the direction of integration that a single product could fulfill multiple needs and usage of consumers, which completely change the habit of consumer and consumers are stimulated to purchase new products for their convenience.

- C. The main sales customers are the pioneers of R&D of consumer electronic products

International branded manufacturers play the role of pioneers in respect of the innovation of AV products, and strive to lead the direction of the whole industry through innovation and R&D of AV products. The Company has maintained a long-term close cooperation relationship with branded customers in the world, not only fulfilling the demand of international manufacturers in terms of production technology, the R&D of products was also in line with the trend in the market, which gives the Company a better picture in the market, and is positive for the future development of the Company.

- (2) Unfavorable factors for future development of the Company and the responsive measures

- A. Shortage of labor and increase in labor cost

The production process of the Company still relies on relatively large amount of manpower. Since Mainland China implemented the Labor Contract Law, the basic salary increased every year, coupled with economic restructuring, the end of demographic dividend and the raising awareness of labor rights, the shortage of labor is still severe, which led to the increase in production cost.

Responsive measures:

The Company strived to improve the production procedure, developed into automatic production to increase the production efficiency and reduced the reliance on labor. Through the design of process and the education and training for personnel, the effective utilization of manpower was improved, mainland plants were consolidated to reduce fixed operating costs. Production of certain machines was transferred to the Vietnam plant for comparative benefits.

B. Competitors from different industries reduced the growth of the gross profit margin

In recent years, the development of companies extended as a result of the innovation of products in many traditional industries, for instance, the monitor/TV industry has extended to the AI speaker and consumer electronics assembly factories have also engaged in TWS earphones OEM. For traditional speaker industry, this increased a certain number of competitors. The intensified price reduction of competitors from different industries inhibited the growth of gross profit margin. Recently, both 8"/12" semi-conductors are in short supply, as are ANC/Bluetooth chips, MCUs, power ICs, DSPs and codecs needed for SoundBar and earphones, the challenge of the IC supply chain is the main risk at present.

Responsive measures:

The Company continued to reinforce its advantages in producing good quality sound effect that it takes a relative long time for competitors to copy. Strengthening of R&D, improvement of production technology and effective cost control were all favorable foundation of the Company.

C. Swift changes in consumer electronic products

Following rapid development of the industry, there were keen competitions of product technology and price. MCSync technology, launched by Chinese company Airoha, brought various unbranded TWS headphones to the market. Bluetooth® BLE Audio standard, which will be introduced in the first quarter of 2020, will accelerate the elimination of enterprises lagged behind in technology. Mobile phone supply chain crosses borders to set up a new game of TWS earphones.

Responsive measures:

The sales representatives and R&D staff of the Company paid attention to the demand of the market at all time and cooperated closely with different branded manufacturers to provide the latest analysis for demand and trend of the market, so as to be the first to capture the opportunities, by researching and developing more innovative and advance product technologies and the technologies of appearance design, to lower the risk arising from the change in demand for consumer electronic products.

D. Impacts brought by the United States-China trade war

The products produced by the Company were not included in the products being charged high punitive tariffs under the trade deal signed on 15 January 2020 in the first phase of the trade war. However, in view of the trend of fragmentation of the industry, relying solely on the PRC production base is impractical and having a second production base outside the PRC is already the baseline for taking orders. Either for avoiding the risk of high tariffs transferring to the costs or for improving the setup of production capacity of the production base, it is necessary to establish a second production base outside the PRC.

Responsive measures:

Plant in Hải Dương, a northern province in Vietnam, was completed and started its operation in December 2019. The procurement costs in Vietnam were higher than that of the PRC supply chain because of incomplete local supply chains. Although Vietnam has a lower manpower cost as compared with the PRC, its production efficiency is far not comparable with that of the PRC. Phase II construction has started in advance due to risk diversification or customer designation, in order to enhance the value-added ratio of products made in Vietnam by means of improving self-production rate and routine work mode. As a result, the production base in Vietnam is deemed to be the second production base outside the PRC.

E. Impacts brought by the coronavirus epidemic

The COVID-19 epidemic cast an impact to all industries and markets. In addition to the existing elimination effect formed by the competition of industry technology, disruption of supply chains and the frozen global market demand brought by the epidemic may expedite the shuffle of the acoustic market. Under the circumstance in which the output shipment will decrease in the future, the market may enter a dark period of chaotic and obscure demand, whether an enterprise will be eliminated depends on its business scale and competitiveness.

Responsive measures:

By changing its ways of management and communication, combined with its understanding of globalization, the Company attached more importance to the Vietnam manufacturing base. Only with proactive planning can the Company survive through the worldwide turbulent situation and outperform others.

(2) Major purposes and production process of key products

1. Major purposes of key products

| Key Products | Major Purposes |
|--------------------|---|
| Home Audio | Home theater, Sound Bars |
| Personal Audio | Portable wireless speakers, AI music center and earphones |
| Transducer Speaker | Key components of acoustic products |
| Others | Molds, acoustic kits |

2. The production process of key products

- (1) The production process of speaker systems: paint black plastic on the edges of the horn and woofer → place the horn and woofer → fix the horn → fix the woofer → direct the cables of the horn and woofer → direct the wire → weld the wire → check the phase → stick the back label and staple the mini cable → inject plastic for panels at the four sides → initial assemble → pressure to seal the gap → chamfer → trim the edges → inject plastic to the hole of the column feet at the front panel → check and select plastic sticks → place the plastic sticks → check and place the cloth frame → pressure and fix the cloth frame and plastic sticks → leveling → carry out audio test → tear off the protective film → Q.C. inspection → packaging.
- (2) The production procedure of AV electronics: getting the materials from the production lines → SMT solder paste printing → SMT Pasting → Reflow soldering → AOI inspection → visual inspection → horizontal parts assembling → vertical parts assembling → PCB board connectors → wave soldering → PCB board surface repair → PCB ICT → PCB Function Verification Test → assemble speakers on the top case → assemble the PCB board → cables installation/management → internal check → close the cover/lock the bottom case by screws → Function Verification Test for the semi-finished product → Install wire gauze/foot pad → install left and right cap → install PCB board → tighten the screws to lock the wire gauze → Hi-POT test → main unit decoration → Function Verification Test for the finished product → reposition/ install left decoration cover → main unit cleaning/appearance inspection → apply protective film on the covers → put on stickers/scan the bar code → pack the main unit into plastic bag → pack the main unit/sticking of bar code → fold the corrugated box/seal the box → weigh the main unit → stack the AV electronics/place the AV electronics → delivery.

(3) Transducer speakers

The production procedure of transducer speakers: glue the pole piece → assemble the support with the pole piece by welding → connect the yoke with the magnet → insert the center fixture → support and pole piece input → drying → remove the center fixture → line up the boards → vacuuming → insert baffle and voice coil → coat glue on three points → fit the vibration board → coil washing → coat glue on the gasket → fix the gasket → appearance inspection → line up the boards → remove the voice coil fixture → direct and wrap the cables → eye soldering → remove the cable remains of the eye → cable adjustment → terminal board soldering → remove the cable remains of the terminal board → cable adjustment for the second time → appearance inspection → coat glue on the dust cap → coat glue on the eye → fit the dust cap → drying → magnetization → polarity inspection → Q.C. inspection → appearance inspection → packaging.

(4) Earphones

The production procedure of earphones: pull the cable through the back case → weld the speakers → inspection on the appearance of the welding point → check the phase → inject plastic to the front case (plug in the screws) → assemble the front and back cases → check the resistance → appearance inspection → audio test → electroacoustic test → insert silicon ear cushion → packaging.

(3) Supply of major raw materials

The main raw materials for the products of the Company are speaker units, plastic, wood, etc. Based on the considerations such as quality, yield rate, stability of delivery as well as cost control, the Company chose to maintain long-term cooperation relationship with excellent manufacturers, and there were at least two or more suppliers to provide main raw materials to decentralize the source. The supply of raw materials was in good condition.

In addition, certain component, which does not account for a high BOM ratio, both 8"/12" semi-conductors are in short supply recently as reported, as are ANC/Bluetooth chips, MCUs, power ICs, DSPs and codecs needed for SoundBar and earphones, the challenge of the IC supply chain is the main risk at present, the Company has also been actively seeking a secondary supplier for ICs to mitigate the risk of material shortages.

(4) The name of customers accounting for more than 10% of the total purchase/sales volume in any year of the past two years, their transaction amount and proportion

1. The name of suppliers accounting for more than 10% of the total purchase volume in any year of the past two years, their sales amount and proportion, and the explanation for the movements: The Company has diverse suppliers, for the recent two years and as of the first quarter 2021, the Company did not have purchases from a single supplier accounting for 10% or more of the total purchases.

2. The name of customers accounting for more than 10% of the total sales volume in any year of the past two years, their sales amount and proportion, and the explanation for the movements

Unit: NT\$'000

| | 2019 | | | | 2020 | | | | For the first quarter ended 2021 | | | |
|------|-----------|------------|------------------------------------|------------------------------|-----------|-----------|------------------------------------|------------------------------|----------------------------------|-----------|------------------------------------|------------------------------|
| Item | Company | Amount | Percentage of annual net sales (%) | Relationship with the issuer | Company | Amount | Percentage of annual net sales (%) | Relationship with the issuer | Company | Amount | Percentage of annual net sales (%) | Relationship with the issuer |
| 1 | Company A | 2,899,423 | 27.53 | Nil | Company A | 2,744,832 | 30.70 | Nil | Company A | 399,561 | 20.94 | Nil |
| 2 | Company B | 1,778,638 | 16.89 | Nil | Company B | 1,177,243 | 13.17 | Nil | Company B | 267,556 | 14.02 | Nil |
| 3 | Company C | 924,708 | 8.78 | Nil | Company C | 1,160,908 | 12.98 | Nil | Company C | 333,977 | 17.50 | Nil |
| 4 | Company D | 293,760 | 2.79 | Nil | Company D | 922,067 | 10.31 | Nil | Company D | 131,532 | 6.89 | Nil |
| 5 | Others | 4,633,845 | 44.01 | — | Others | 2,936,205 | 32.84 | — | Others | 775,902 | 40.65 | — |
| | Net sales | 10,530,374 | 100.00 | — | Net sales | 8,941,255 | 100.00 | — | Net sales | 1,908,528 | 100.00 | — |

Explanation for the movements:

- (1) Company A was affected by the COVID-19, which reduced customer market demand and resulted in a decrease in sales orders.
- (2) Company B was affected by the impact of the South American market and the COVID-19, which reduced customer market demand and resulted in a decrease in sales orders.
- (3) The sales of specific products to customers by company C were satisfactory, and the sales order increased as a result of the increased market demand from the customers.
- (4) The sales of specific products to customers by company D were satisfactory, and the sales order increased as a result of the increased market demand from the customers.

(5) Table of production volume and value for the recent two years

Unit: thousand pc/set; NT\$'000

| Quantity and Value Key products | 2019 | | | 2020 | | |
|------------------------------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value |
| Home Audio | 8,794 | 5,824 | 5,636,260 | 6,575 | 4,108 | 3,883,833 |
| Personal Audio | 15,545 | 11,600 | 3,355,656 | 11,575 | 6,386 | 3,384,471 |
| Transducer Speaker | 5,748 | 4,891 | 390,558 | 4,885 | 2,971 | 313,519 |
| Others | 15,699 | 11,008 | 1,039,952 | 19,217 | 11,477 | 824,491 |
| Total | 45,786 | 33,323 | 10,422,426 | 42,252 | 24,942 | 8,406,314 |

Explanation for the movements:

As affected by the COVID-19, customer market demand reduced, revenues decreased as compared to 2019 and capacity utilization decreased while average production capacity in 2020 increased as compared to that of 2019.

(6) Table of sales volume and value for the recent two years

Unit: thousand pc/set; NT\$'000

| Sales quantity and Value Key Products | 2019 | | | | 2020 | | | |
|--|-----------------------|-----------|--------------|-----------|-----------------------|-----------|--------------|-----------|
| | Domestic sales (Note) | | Export sales | | Domestic sales (Note) | | Export sales | |
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Home Audio | 9,561 | 756,825 | 2,556 | 5,587,735 | 5,435 | 240,532 | 1,533 | 4,984,704 |
| Personal Audio | 4,965 | 1,247,040 | 2,583 | 1,252,865 | 3,240 | 848,561 | 2,043 | 1,183,788 |
| Transducer Speaker | 2,803 | 159,305 | 2,144 | 289,932 | 1,174 | 89,451 | 1,367 | 280,120 |
| Others | 29,742 | 322,087 | 4,873 | 914,585 | 19,450 | 230,693 | 17,012 | 1,083,406 |
| Total | 47,071 | 2,485,257 | 12,156 | 8,045,117 | 29,299 | 1,409,237 | 21,955 | 7,532,018 |

Note: Domestic sales refer to the sales to the PRC.

Explanation for the movements:

Sales value in 2020 decreased as compared to that of 2019, mainly due to the impact of COVID-19 leading to a decrease in customer market demand.

3. Number of employees for the recent two years and as of the date of issue of annual report

Unit: Person; %

| Person/Year | | 2019 | 2020 | As of 31 March 2021 |
|----------------------------|--------------------------|-------|-------|---------------------|
| No. of employee | Managerial level (Note) | 52 | 40 | 32 |
| | Production | 1,010 | 1,461 | 1,382 |
| | General | 1,324 | 1,786 | 1,707 |
| | Total | 2,386 | 3,287 | 3,121 |
| Average age | | 44.16 | 43.56 | 44.90 |
| Average year of service | | 7.44 | 7.35 | 8.31 |
| Academic qualification (%) | Doctoral | 0.04 | 0 | 0 |
| | Master | 1.30 | 1.95 | 1.70 |
| | University | 16.26 | 23.03 | 23.68 |
| | Senior high school | 20.49 | 29.27 | 30.92 |
| | Below senior high school | 61.90 | 45.76 | 43.70 |

Note: Managerial personnel refer to supervisors of associate level or above.

4. Environmental Protection Expenditure

Description for the past two years and as of the issue date of this annual report, losses suffered due to pollution (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the provisions of law violated, and the content of the dispositions) , and disclosure of an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. In case the amount cannot be reasonably estimated, explanation of the reason: Nil

Table of environmental protection expenditures of Vietnam factories in 2020

Unit: NT\$

| Environmental Protection Costs | Explanation | Expenditures |
|---|---|--------------|
| Central vacuuming system for woodworking workshops | 1. Includes automatic silo collection system to protect employees from physical injury. 2. Self-contained spark detection and explosion-proof system to prevent fire accidents. 3. Emissions meet local environmental protection requirements in Vietnam | 5,708,000 |
| Dust-free earphones, speakers and spraying workshops Air supply, environmental protection system | The glue odour, solder fume and chemical waste gas generated during the production process are treated by air supply, centralised convulsion and purification to meet environmental protection standards. This effectively protects the health of our employees and meets the local environmental protection requirements of Vietnam. | 11,365,000 |
| Plant sewage treatment system | The cost of treating the wastewater generated by the plant for domestic use and discharging it after meeting the standards. | 819,000 |
| Total | | 17,892,000 |

5. Labor Relations

(1) Employees' benefits, continuous academic development, trainings, pension system and their implementation, and any agreement between employer and employee and measures to safeguard employees' rights:

1. Employee benefit, learning, training, retiring systems and their implementation, and Labor agreements and employee interest protection measures.

(1) Employees' Benefits

Human resources are the most valuable asset of the Company. In order to create a comfortable working environment to ensure concentration of work of the employees, the Company provides benefits according the requirements of local Labor law and set up Labor union which is responsible for the planning and execution of the benefits and facilitates positive development of the human resources of the Company. Currently, the benefits provided by the Company are as follows:

- ① The Company implements employee benefit initiatives regularly and maintains employee insurance in accordance with local laws.
- ② Human-oriented promotion and transfer policies as well as effective bonus incentive scheme.
- ③ Recreational activities are held.
- ④ School fee subsidies for children of factory employees studying in the Xiu De Chinese – Anglo Kindergarten.
- ⑤ Factory canteen provides nutritious and hygienic food for employees.

(2) Continuous Academic Development and Training

Talents are the key to maintain core competitiveness of the Company, and continuous academic development and trainings can help to inspire one's potential, enrich knowledge, lead to effective utilization of human resources, thereby improving the Company's operating results on the whole and achieving the goals of the Company. There are two ways in this regards:

① Orientation Training:

Orientation programme will be provided to new employees before reporting duty, which includes basic knowledge like brief introduction to the Company and the organization, employees' discipline, regulations of the Company, etc.

Introduction is made by personnel department to new employees on the first day of their reporting for duty, which includes employee regulations and benefits.

Pre-employment training aims to help new employees to know the working environment and prepare them for their job.

② On-the-job Training:

The Company will formulate an open programme for the next year by the end of each year, which includes internal and external trainings. For internal trainings, the Company may appoint internal lecturers or external professionals to teach the relevant knowledge; while for the external trainings, the Company will appoint professional institutes like management consultancy company to design the training programme.

(3) Pension System and its Execution

For the subsidiary in Taiwan, With effective from 1 July 2005, pursuant to the implementation of “Labor Standards Act” in Taiwan (hereinafter referred to as “new system”), the years of services after selecting the new system for existing staff or newly employed staff will be shifted to defined contribution plan. The Company will contribute a statutory percentage of payroll costs as the retirement fund on monthly basis and deposit them to Personal Employee Retirement Fund Account. The employees may select to contribute 0~6% of their monthly payroll costs to their Personal Employee Retirement Fund Account. When the employees meet the statutory retirement age, they can apply to get monthly pension or one-time pension with the government.

The Group maintains a Mandatory Provident Fund Scheme (the “MPF Scheme”), according to the Mandatory Provident Fund Schemes Ordinance for its employees of the subsidiaries in Hong Kong. MPF is an employment-based retirement protection system, the Company and the employees are each required to make regular mandatory contributions with a specified percentage of payroll costs to the Personal Employee Retirement Fund Account. Employees are free to make voluntary contributions in addition to mandatory contributions.

To comply with the pension scheme requirements in the PRC, subsidiaries of the Group in PRC are required to contribute a specified percentage of payroll costs to the retirement plans operated by the relevant local authorities of the PRC.

To comply with the pension scheme requirements in Vietnam, the subsidiary of the Group in Vietnam is required to contribute a specified percentage of payroll costs to the retirement plan operated by the relevant local authority of Vietnam.

- (4) Agreement between employer and employee and measures to safeguard employees' rights

In addition to complying with relevant laws and regulations, the Company has prepared the "Employee Handbook" to govern the right and interest of the employee and the Company. Contravening issues or matters will be discussed in meeting convened by department heads. Employees may express their opinion directly through the suggestion box or other proper channels.

- (2) Explanation for the recent year and as of the date of issue of annual report, the losses suffered due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the provisions of law violated, the substance of the legal violations, and the content of the dispositions), and disclosure of an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. In case the amount cannot be reasonably estimated, explanation of the reason:**

The Company is committed to maintaining the harmony between the Company and its employees, and resolve problems by carrying out two-way communication and cooperation. Until now, harmonious labor relations are maintained and no material labor disputes have occurred.

6. Material Contracts:

| Nature | Party | Effective Period | Major Contents | Restriction Clause |
|---------------------------|--|--|---|--------------------|
| Equity Transfer Agreement | Shangnanfei Trading (Shenzhen) Co., Ltd. | From 15 March 2021 To Equity remittance to the Hong Kong account of Eastern Asia Technology (HK) | Disposal of 100% equity interest in Eastech (Huiyang) Co., Ltd. by Eastern Asia Technology (HK) Limited for RMB146,000 thousand | Nil |
| Equity Transfer Agreement | Shangnanfei Trading (Shenzhen) Co., Ltd. | From 15 March 2021 To Equity remittance to the Hong Kong account of Eastech Electronics (HK) | Disposal of 100% equity interest in Eastech Electronics (Huiyang) Co., Ltd. by Eastech Electronics (HK) Limited for RMB219,000 thousand | Nil |

VI. FINANCIAL INFORMATION

1. Latest five-year financial summary

(1) Condensed Balance Sheet and Consolidated Statement of Profit or Loss

1. Condensed Balance Sheet – International Financial Reporting Standards

Unit: NT\$'000

| Item | Year | Financial Information for the last five years | | | | | As of 31 March |
|--|-------------------|---|-----------|-----------|-----------|-----------|----------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Current Assets | | 2,841,601 | 3,437,400 | 3,847,439 | 4,031,248 | 4,793,305 | 4,830,906 |
| Property, Plant and Equipment | | 976,413 | 814,687 | 743,556 | 751,071 | 1,052,738 | 742,107 |
| Intangible Assets | | 211,279 | 248,618 | 260,941 | 245,175 | 275,206 | 182,719 |
| Other Assets | | 198,687 | 189,769 | 175,031 | 277,989 | 281,525 | 167,612 |
| Total Assets | | 4,227,980 | 4,690,474 | 5,026,967 | 5,305,483 | 6,402,774 | 5,923,344 |
| Current Liabilities | Before allocation | 2,431,373 | 2,955,466 | 3,160,334 | 3,080,018 | 4,742,352 | 4,456,389 |
| | After allocation | 2,614,379 | 3,023,733 | 3,203,711 | 3,160,018 | 4,773,695 | 4,456,389 |
| Non-current Liabilities | | 151,920 | 134,692 | 131,089 | 273,050 | 447,298 | 418,004 |
| Total Liabilities | Before allocation | 2,583,293 | 3,090,158 | 3,291,463 | 3,353,068 | 5,189,650 | 4,874,393 |
| | After allocation | 2,766,299 | 3,158,425 | 3,334,800 | 3,433,068 | 5,220,993 | 4,874,393 |
| Interests attributable to the owners of the parent company | | 1,461,681 | 1,532,049 | 1,692,167 | 1,872,415 | 1,181,781 | 1,048,951 |
| Share Capital | | 615,020 | 619,860 | 616,060 | 615,040 | 614,550 | 614,180 |
| Capital Reserve | | 756,922 | 766,834 | 751,962 | 759,962 | 779,951 | 777,156 |
| Retained Earnings | Before allocation | 379,099 | 305,043 | 499,029 | 761,200 | (3,169) | (179,545) |
| | After allocation | 196,093 | 236,776 | 455,652 | 681,200 | (34,512) | (179,545) |
| Other Interests | | (65,683) | (50,750) | (107,488) | (159,768) | (154,189) | (138,821) |
| Stock Inventory | | (40,671) | (40,671) | (24,019) | (24,019) | (24,019) | (24,019) |
| Non-controlling Interests | | — | — | — | — | — | — |
| Total Interests | Before allocation | 1,644,687 | 1,600,316 | 1,735,544 | 1,952,415 | 1,213,124 | 1,048,951 |
| | After allocation | 1,461,681 | 1,532,049 | 1,692,167 | 1,872,415 | 1,181,781 | 1,048,951 |

Sources: Consolidated financial reports for the years of 2016 to 2020 which were audited by the accountant; the consolidated financial report with the financial information as of 31 March 2021 which was reviewed by the auditor.

2. Consolidated Statement of Profit and Loss – International Financial Reporting Standards

Unit: NT\$'000

| Item \ Year | Financial Information for the last five years | | | | | First quarter of 2021 |
|--|---|-----------|-----------|------------|-----------|-----------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Operating Revenue | 6,469,043 | 7,694,273 | 9,213,755 | 10,530,374 | 8,941,255 | 1,908,528 |
| Operating Gross Profit | 1,005,744 | 857,091 | 1,181,675 | 1,490,451 | 516,223 | 103,348 |
| Operating (Loss) Profit (Note 1) | 106,224 | 1,390 | 289,580 | 357,885 | (605,086) | (126,030) |
| Non-operating Income and Expenses | 87,082 | 163,318 | 40,254 | 22,096 | (75,972) | (16,445) |
| Net Profit (Loss) Before Tax | 193,306 | 164,708 | 329,834 | 379,981 | (681,058) | (142,475) |
| Net Profit (Loss) from Continuing Operations during the current period | 133,932 | 124,944 | 247,707 | 308,155 | (676,356) | (145,033) |
| Loss from Discontinued Operations | — | — | — | — | — | — |
| Net Profit (Loss) from during the current period | 133,932 | 124,944 | 247,707 | 308,155 | (676,356) | (145,033) |
| Other Comprehensive Income/(Loss) during the current period (Net amount after tax) | (163,142) | 5,107 | (72,015) | (64,482) | (8,745) | 14,625 |
| Total Comprehensive Profit (Loss) during the period | (29,210) | 130,051 | 175,692 | 243,673 | (685,101) | (130,428) |
| Net Profit (Loss) attributable to owners of the parent company | 133,932 | 124,944 | 247,707 | 308,155 | (676,356) | (145,033) |
| Net Profit attributable to non-controlling interests | — | — | — | — | — | — |
| Total Comprehensive Profit (Loss) attributable to owners of the parent company | (29,210) | 130,051 | 175,692 | 243,673 | (685,101) | (130,408) |
| Total Comprehensive Profit (Loss) attributable to non-controlling interests | — | — | — | — | — | — |
| Earnings (losses) per share (Note 2) | 2.22 | 2.05 | 4.05 | 5.04 | (11.09) | (2.38) |

Sources: Consolidated financial reports for the years of 2016 to 2020 which were audited by the accountant; the consolidated financial report with the financial information as of 31 March 2021 which was reviewed by the auditor.

Note 1: Operating (loss) profit is calculated by operating gross profit—selling and distribution expenses—general and administrative expenses.

Note 2: The calculation of earnings per share for the year 2016 is based on the Company's weighted average number of 60,270 thousand shares. The calculation of earnings per share for the year 2017 is based on the Company's weighted average number of 60,807 thousand shares. The calculation of earnings per share for the year 2018 is based on the Company's weighted average number of 61,237 thousand shares. The calculation of earnings per share for the year 2019 is based on the Company's weighted average number of 61,087 thousand shares. The calculation of earnings per share for the year 2020 is based on the Company's weighted average number of 61,011 thousand shares. The calculation of losses per share for the first quarter of 2021 is based on the Company's weighted average number of 60,989 thousand shares.

(2) Important issues affecting the consistency comparison of the above condensed financial statements such as accounting changes, company mergers or suspension of operations of departments, etc. and their impact on the financial report for the year: Nil

(3) Names of accountants and the audit opinion thereof for the recent five years

1. Names of accountants and the audit opinion thereof for the recent five years

| Year | Accountant | Name of the Firm | Audit Opinion |
|------|----------------------------------|--------------------------|--|
| 2016 | Lai Kwan-Chung, Liu Shu-Lin | Deloitte & Touche Taiwan | Unqualified opinion with emphasizing paragraphs |
| 2017 | Lai Kwan-Chung, Liu Shu-Lin | Deloitte & Touche Taiwan | Unqualified opinion with emphasizing paragraphs |
| 2018 | Shih Chin-Chuan, Liu Shu-Lin, | Deloitte & Touche Taiwan | Unqualified opinion |
| 2019 | Shih Chin-Chuan, Liu Shu-Lin, | Deloitte & Touche Taiwan | Unqualified opinion |
| 2020 | Shih Chin-Chuan, Liu Shu-Lin, | Deloitte & Touche Taiwan | Unqualified opinion |

2. In the last five years, if there was a change of accountants, explanation from the company, the original and succeeding accountants should be given: internal adjustment of the firm.

2. Latest five-year financial analysis

(1) Comprehensive analysis of the latest five-year financial information – International Financial Reporting Standards

| Analysis Item | | Year | Financial Information for the last five years | | | | | As of 31 March 2021 |
|--|--|------|---|---------|--------|--------|----------|---------------------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Financial Structure (%) | Debt to asset ratio | | 65.43 | 67.34 | 66.34 | 64.71 | 81.54 | 82.29 |
| | Long-term capital to property, plant and equipment ratio | | 165.26 | 204.59 | 245.21 | 285.65 | 154.75 | 197.67 |
| Debt repaying ability (%) | Current ratio | | 108.69 | 113.68 | 120.09 | 127.57 | 100.41 | 108.40 |
| | Quick ratio | | 85.48 | 86.71 | 96.68 | 101.73 | 66.85 | 84.29 |
| | Interest cover | | 7.63 | 6.75 | 9.63 | 11.58 | (22.78) | (14.36) |
| Operating ability | Receivables turnover ratio (times) | | 4.92 | 5.46 | 4.87 | 5.55 | 4.85 | 4.38 |
| | Average collection days | | 74.18 | 66.85 | 74.94 | 65.76 | 75.26 | 83.33 |
| | Inventory turnover ratio (times) | | 9.42 | 11.25 | 12.71 | 14.02 | 8.60 | 6.87 |
| | Payables turnover ratio (times) | | 4.15 | 4.75 | 4.74 | 4.77 | 3.32 | 3.52 |
| | Average sales days | | 38.74 | 32.44 | 28.71 | 26.03 | 42.44 | 53.13 |
| | Property, plant and equipment turnover ratio (times) | | 6.63 | 9.44 | 12.39 | 14.02 | 8.49 | 10.29 |
| | Total assets turnover ratio (times) | | 1.42 | 1.73 | 1.90 | 2.04 | 1.53 | 1.24 |
| Profitability | Return on assets (%) | | 3.49 | 3.36 | 5.78 | 6.57 | (11.15) | (9.01) |
| | Return on equity (%) | | 8.56 | 8.35 | 15.37 | 17.29 | (44.29) | (52.01) |
| | Return before tax to paid-in capital ratio (%) | | 31.43 | 26.57 | 53.54 | 61.78 | (110.82) | (92.79) |
| | Net profit margin | | 2.07 | 1.62 | 2.69 | 2.93 | (7.56) | (7.60) |
| | Earnings (losses) per share (NT\$) (Note 2) | | 2.22 | 2.05 | 4.05 | 5.04 | (11.09) | (2.38) |
| Cash Flow | Cash flow ratio (%) | | 24.51 | (7.74) | 12.03 | 45.73 | (9.54) | (7.64) |
| | Cash flow adequacy ratio (%) | | 118.24 | 108.89 | 85.16 | 188.92 | 88.58 | N/A |
| | Cash re-investment ratio (%) | | 17.76 | (11.13) | 11.83 | 43.01 | (16.65) | (19.27) |
| Leverage | Operating Leverage | | 3.16 | 161.58 | 1.78 | 1.72 | 0.57 | 0.43 |
| | Financial Leverage | | 1.38 | (0.05) | 1.15 | 1.11 | 0.95 | 0.93 |
| Please explain the reasons for the changes in various financial ratios in the last two years. (If the increase or decrease does not reach 20%, the analysis is exempted) | | | | | | | | |
| <ol style="list-style-type: none"> In response to operational liquidity needs, notes payable and accounts payable, other payables and bank borrowings increased as compared to the end of 2019, resulting in a significant increase in the debt to assets ratio to 81.54%. In response to the decrease in net equity at the end of 2020 as compared to the end of 2019, as well as the amount of additional acquisitions of property, plant and equipment in 2020 being greater than the amount of depreciation, resulting in an increase in property, plant and equipment at the end of 2020 as compared to the end of 2019. The combination of the above factors resulted in a decrease in long-term capital to property, plant and equipment ratio to 154.75%. As mentioned in 1, the current ratio and quick ratio in 2020 decreased to 100.41 and 66.85 respectively due to the significant increase in current liabilities as compared to the end of 2019 as a result of meeting operation liquidity needs. In addition, due to | | | | | | | | |

the impact of the outbreak of COVID-19 epidemic in 2020, with sales revenue not reaching the economic scale, coupled with the lack of work in the early stage of resumption of work and the provision of employee subsidies as epidemic prevention measures, etc., resulting in an increase in staff costs which has led to an increase in losses, with interest cover increased to negative 22.78.

4. Due to the impact of COVID-19 epidemic in 2020, the global economy and consumer power were weak, resulting in a decline in order intake, a significant decrease in sales cost as compared to 2019, a significant increase in average selling days to 42.44 as compared to 2019, and a decrease in inventory turnover ratio from 14.02 to 8.6. In addition, due to the extension of the average credit period for accounts payable, accounts payable increased significantly as compared to 2019, resulting in a decline in turnover rate of payables from 4.77 times to 3.32 times.
5. As mentioned in 4, the impact of lower sales as compared to same period last year, coupled with the amount of additional acquisitions of property, plant and equipment in 2020 being greater than the amount of depreciation, resulting in an increase in property, plant and equipment at the end of 2020 as compared to the end of last year. The combination of the above factors resulted in a decrease in property, plant and equipment turnover ratio to 8.49 in 2020. In addition, due to the increase in sales revenue in the fourth quarter in 2020 as compared to the same period last year, as well as early preparation of materials for production due to shortage of raw materials, notes receivable, accounts receivable and inventory increased as compared to the end of last year, resulting in an increase in total assets as compared to the end of last year, and a decrease in total assets turnover ratio to 1.53.
6. As mentioned in 3, loss for the current period increased significantly as compared to the same period of last year, resulting in a significant decrease in profitability related ratio for the current period.
7. Mainly due to the significant increase in operating loss in 2020, after deducting adjustments for non-affecting cash flow income and expenditure adjustments and net changes in current assets and liabilities, actual cash flow from operations decreased, resulting a decrease in cash flow from operating activities as compared to last year, a negative cash flow ratio and cash re-investment ratio, and decreases in cash flow adequacy ratio and operating leverage to 88.58% and 0.57, respectively.

Note 1: No calculation of cash flow adequacy ratio in 2020 as net cash flow was only recorded in the first quarter of 2021.

Note 2: The calculation of earnings per share for the year 2016 is based on the Company's weighted average number of 60,270 thousand shares. The calculation of earnings per share for the year 2017 is based on the Company's weighted average number of 60,807 thousand shares. The calculation of earnings per share for the year 2018 is based on the Company's weighted average number of 61,237 thousand shares. The calculation of earnings per share for the year 2019 is based on the Company's weighted average number of 61,087 thousand shares. The calculation of earnings per share for the year 2020 is based on the Company's weighted average number of 61,011 thousand shares. The calculation of earnings losses per share for the first quarter of 2021 is based on the Company's weighted average number of 60,989 thousand shares.

Note 3: The formulas of the financial analysis in this table are as follows:

1. Financial Structure
 - (1) Debt to asset ratio = total debts / total assets
 - (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / property, plant and equipment
2. Debt repaying ability
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
 - (3) Interest cover = profit before income tax and interest expenses / interest expenses for the current period

3. Operating ability
 - (1) Receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales amount / balance of average receivables for each period (including accounts receivable and notes receivable arising from operation).
 - (2) Average collection days = $365 / \text{receivables turnover ratio}$
 - (3) Inventory turnover ratio = $\text{Sales cost} / \text{average inventory amount}$
 - (4) Payables (including accounts payable and notes payable arising from operation) turnover ratio = $\text{sales cost} / \text{balance of average payables for each period (including accounts payable and notes payable arising from operation)}$
 - (5) Average sales days = $365 / \text{inventory turnover ratio}$
 - (6) Property, plant and equipment turnover ratio = $\text{net sales amount} / \text{average net amount of property, plant and equipment}$
 - (7) Total assets turnover ratio = $\text{net sales amount} / \text{average total assets}$
4. Profitability
 - (1) Return on assets = $(\text{profit or loss after tax} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{average total assets}$
 - (2) Return on equity = $\text{profit or loss after tax} / \text{average total equity}$
 - (3) Profit before tax to paid-in capital ratio = $\text{profit before tax} / \text{paid-in capital}$
 - (4) Net profit margin = $\text{profit or loss after tax} / \text{net sales amount}$
 - (5) Earnings per share = $(\text{profit or loss attributable to the owners of the parent company} - \text{dividends for preferred shares}) / \text{weighted average number of issued shares}$
5. Cash flow
 - (1) Cash flow ratio = $\text{net cash flow from operation} / \text{current liabilities}$
 - (2) Cash flow adequacy ratio = $\text{net cash flow from operation for the latest five years} / \text{latest five years (capital expenses} + \text{amount of increase in inventory} + \text{cash dividends})$
 - (3) Cash re-investment ratio = $(\text{net cash flow from operation} - \text{cash dividends}) / (\text{gross amount of property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$
6. Leverage
 - (1) Operating Leverage = $(\text{net operating income} - \text{costs and expenses from change in operation}) / \text{operating income}$
 - (2) Financial Leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$

Note 4: Special attention should be paid to the following matters when using the calculation formula for earnings per share in the preceding note:

1. Based on the weighted average number of ordinary shares, and not on the number of shares issued at the end of the year.
2. As for capital increase or treasury stock trading, the circulation period should be considered in the calculation of weighted average number of shares.
3. As for transfer of surplus or capital reserve to capital increase, adjustment shall be made according to the proportion of capital increase when calculating earnings per share of the previous year and half year, and there is no need to consider the issue period of the capital increase.
4. If the preferred shares are non-convertible accumulative preferred shares, their dividends for the year (whether paid or not) shall be deducted from the net profit after tax or added to the net loss after tax. If the preferred shares are non-cumulative in nature, when there is net profit after tax, the dividends of preferred shares shall be deducted from the net profit after tax; when it is a loss, no adjustment is needed.

- Note 5: Special attention should be paid to the following matters when making the cash flow analysis:
1. Net cash flow from operation refers to the net cash inflows from operating activities in the cash flow statement.
 2. Capital expenditure refers to the amount of cash outflows of capital investment per year.
 3. The increase in inventory shall only be included when the closing balance is greater than the opening balance. If inventory is reduced at the end of the year, it shall be calculated as nil.
 4. Cash dividends include cash dividends for ordinary shares and preferred shares.
 5. Gross amount of property, plant and equipment refers to the total amount of property, plant and equipment before deducting accumulated depreciation.
- Note 6: The issuer shall classify the operating costs and operating expenses into fixed and variable items according to their nature. If there is any estimation or subjective judgment, attention shall be paid to the reasonableness and consistency shall be maintained.
- Note 7: If the Company's shares are without par value or the par value is not NT\$10, the abovementioned calculation of the ratio of paid-up capital shall be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

(2) Comprehensive analysis of financial information in the past five years – Taiwanese Financial Accounting Standards: Not applicable

3. Audit report of the audit committee on the financial report for the past year

Audit Report of the Audit Committee

The Board of Directors has prepared the Company's 2020 annual business report, consolidated financial statements and deficit compensation proposals. The consolidated financial statements have been audited by Deloitte Taiwan and issued its audit report. The above business report, consolidated financial statements and surplus distribution proposal have been reviewed by the Audit Committee and it is considered that there is no disagreement on them. The report is made in accordance with the relevant provisions of the Securities Exchange Act as above for review.

Eastech Holding Limited

Convener of the Audit Committee: Chen Ko Hung

26 February 2021

4. Consolidated financial report for the past year audited and certified by the accountant:
Please refer to pages 156 to 231

5. The Company's individual financial report for the past year audited and certified by the accountant: Not applicable

6. The impact of financial difficulties (if any) of the Company and its affiliates during the past year and as of the date of issue of annual report on the Company's financial position: Nil

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Eastech Holding Limited

Opinion

We have audited the accompanying consolidated financial statements of Eastech Holding Limited (“Eastech”) and subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 and 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

Revenue Recognition

The Group is the original equipment and design (OEM/ODM) manufacturer of speaker systems, and audio-visual electronics products. Major customers are internationally renowned audio-visual brand enterprises and not related to each other.

Based on the importance of revenue, it is presumed there is a significant risk in revenue recognition because of the pressure from management for achieving the planned results. The main risk is whether revenue occurs. Please refer to Note 4 of the consolidated financial statements for the accounting policy about revenue.

Our key audit procedures performed in respect of the above area included the following:

1. The Group is an OEM/ODM manufacturer, its business model is according to the orders of the brand customers for stock preparation and production. Our focus is whether revenue occurs actually.
2. The tests for internal control include: Whether the sales orders have been supported by a corresponding orders from international brand enterprises, whether the sales orders are approved by the appropriate supervisor, delivery orders are approved by the unit manager.
3. Perform the following analytical procedures:

Analysis for revenue of major customers in the current year compared to prior year.

4. We performed testing over major customer contracts by reviewing the terms and conditions of sale, agreeing the accounting treatment and revenue recognition applied; and assessing if IFRS 15 is complied with.

Impairment on Accounts Receivable

Accounts receivable accounted for significant balance of the Group's balance sheet, which is a significant asset.

The Group's major customers are internationally renowned audio-visual brand enterprises. The related accounts receivable are more concentrated, and the credit period of these international brands are longer. In addition, we are particularly concerned about this risk because the recoverability and impairment of accounts receivable involve management's judgements. Please refer to Notes 4 and 8 in the consolidated financial statement for related accounting policy and relevant disclosure information.

Our key audit procedures performed in respect of the above area included the following:

1. We evaluated the doubtful debt provision for accounts receivable by testing the aging of amounts due at the balance sheet date to understand and quantify the potential risk in overdue balances.
2. For amounts that were past due and not yet recovered we reviewed the client's historic payment record and financial status to assess whether the overall doubtful debt accounts receivable provision is sufficient. In addition, we also tested by vouching cash receipts after the year end date to consider whether an additional provision is required.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS, IAS, IFRIC, and SIC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Chin-Chuan Shih and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2021

Notice to Readers

For the convenience of readers, the accountants' audit report and 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 accountants' audit report and consolidated financial statements shall prevail.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| ASSETS | 2020 | | 2019 | |
|--|---------------------|---------------|---------------------|---------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 1,109,289 | 17.32 | \$ 1,400,462 | 26.40 |
| Financial assets at fair value through profit or loss (Note 7) | 260 | - | 162 | - |
| Notes and accounts receivable, net (Notes 8, 18 and 22) | 1,943,005 | 30.35 | 1,679,588 | 31.66 |
| Inventories (Notes 10 and 22) | 1,233,314 | 19.26 | 652,064 | 12.29 |
| Restricted assets (Notes 6 and 22) | 21,047 | 0.33 | 29,178 | 0.55 |
| Income tax refund recoverable | 4 | - | 3,152 | 0.06 |
| Other receivables and prepayments (Note 9) | <u>486,386</u> | <u>7.60</u> | <u>266,642</u> | <u>5.02</u> |
| Total current assets | <u>4,793,305</u> | <u>74.86</u> | <u>4,031,248</u> | <u>75.98</u> |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment (Notes 11 and 22) | 1,052,738 | 16.44 | 751,071 | 14.16 |
| Financial assets at fair value through profit or loss - non-current (Note 7) | 83,496 | 1.31 | 83,496 | 1.57 |
| Right-of-use assets (Notes 4 and 12) | 185,875 | 2.90 | 181,982 | 3.43 |
| Intangible assets (Notes 13 and 22) | 275,206 | 4.30 | 245,175 | 4.62 |
| Deferred tax assets (Notes 4 and 19) | <u>12,154</u> | <u>0.19</u> | <u>12,511</u> | <u>0.24</u> |
| Total non-current assets | <u>1,609,469</u> | <u>25.14</u> | <u>1,274,235</u> | <u>24.02</u> |
| TOTAL | <u>\$ 6,402,774</u> | <u>100.00</u> | <u>\$ 5,305,483</u> | <u>100.00</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term bank borrowings (Note 14) | \$ 1,142,073 | 17.84 | \$ 513,056 | 9.67 |
| Notes and accounts payable (Note 15) | 3,016,480 | 47.11 | 2,060,438 | 38.83 |
| Lease liabilities - current (Notes 4 and 12) | 22,524 | 0.35 | 24,475 | 0.46 |
| Current tax liabilities (Notes 4 and 19) | 2,449 | 0.04 | 21,026 | 0.40 |
| Other payables (Note 15) | <u>590,169</u> | <u>9.22</u> | <u>541,023</u> | <u>10.20</u> |
| Total current liabilities | <u>4,773,695</u> | <u>74.56</u> | <u>3,160,018</u> | <u>59.56</u> |
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities - non-current (Notes 4 and 12) | 60,551 | 0.94 | 48,256 | 0.91 |
| Long-term bank borrowings (Note 14) | 269,795 | 4.21 | 103,657 | 1.95 |
| Deferred tax liabilities (Notes 4 and 19) | 109,263 | 1.71 | 118,186 | 2.23 |
| Other payables - non-current | <u>7,689</u> | <u>0.12</u> | <u>2,951</u> | <u>0.06</u> |
| Total non-current liabilities | <u>447,298</u> | <u>6.98</u> | <u>273,050</u> | <u>5.15</u> |
| Total liabilities | <u>5,220,993</u> | <u>81.54</u> | <u>3,433,068</u> | <u>64.71</u> |
| EQUITY (Note 17) | | | | |
| Share capital - common stock | 614,550 | 9.60 | 615,040 | 11.59 |
| Capital surplus | 779,951 | 12.18 | 759,962 | 14.32 |
| Treasury shares | (24,019) | (0.37) | (24,019) | (0.45) |
| Exchange differences on translating foreign operations | (186,751) | (2.92) | (178,006) | (3.35) |
| Employee unearned benefit | (2,490) | (0.04) | (8,801) | (0.17) |
| Unrealized losses on financial assets at fair value through other comprehensive income | (29,950) | (0.47) | (29,950) | (0.56) |
| Retained earnings | | | | |
| Legal reserve | 65,002 | 1.02 | 56,989 | 1.07 |
| (Accumulated deficit) unappropriated earnings | <u>(34,512)</u> | <u>(0.54)</u> | <u>681,200</u> | <u>12.84</u> |
| Total equity | <u>1,181,781</u> | <u>18.46</u> | <u>1,872,415</u> | <u>35.29</u> |
| TOTAL | <u>\$ 6,402,774</u> | <u>100.00</u> | <u>\$ 5,305,483</u> | <u>100.00</u> |

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | | 2019 | |
|---|---------------------|---------------|-------------------|---------------|
| | Amount | % | Amount | % |
| NET REVENUE (Note 18) | \$ 8,941,255 | 100.00 | \$ 10,530,374 | 100.00 |
| COST OF REVENUE (Note 10) | <u>8,425,032</u> | <u>94.22</u> | <u>9,039,923</u> | <u>85.85</u> |
| GROSS PROFIT | <u>516,223</u> | <u>5.78</u> | <u>1,490,451</u> | <u>14.15</u> |
| OPERATING EXPENSES | | | | |
| Selling and distribution | 187,699 | 2.10 | 232,793 | 2.21 |
| General and administrative | <u>933,610</u> | <u>10.44</u> | <u>899,773</u> | <u>8.54</u> |
| Total operating expenses | <u>1,121,309</u> | <u>12.54</u> | <u>1,132,566</u> | <u>10.75</u> |
| (LOSS) PROFIT FROM OPERATIONS | <u>(605,086)</u> | <u>(6.76)</u> | <u>357,885</u> | <u>3.40</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Note 18) | 85,285 | 0.95 | 54,972 | 0.52 |
| Foreign exchange (loss) gain, net (Note 24) | (127,082) | (1.42) | 39,915 | 0.38 |
| Finance costs (Note 18) | (28,640) | (0.32) | (35,913) | (0.34) |
| Other losses (Note 18) | <u>(5,535)</u> | <u>(0.06)</u> | <u>(36,878)</u> | <u>(0.35)</u> |
| Total non-operating income and expenses | <u>(75,972)</u> | <u>(0.85)</u> | <u>22,096</u> | <u>0.21</u> |
| (LOSS) PROFIT BEFORE INCOME TAX | (681,058) | (7.61) | 379,981 | 3.61 |
| INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 19) | <u>4,702</u> | <u>0.05</u> | <u>(71,826)</u> | <u>(0.69)</u> |
| NET (LOSS) PROFIT | (676,356) | (7.56) | 308,155 | 2.92 |
| OTHER COMPREHENSIVE (LOSS) INCOME (NET OF INCOME TAX) | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | <u>(8,745)</u> | <u>(0.10)</u> | <u>(64,482)</u> | <u>(0.61)</u> |
| TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR | <u>\$ (685,101)</u> | <u>(7.66)</u> | <u>\$ 243,673</u> | <u>2.31</u> |
| (LOSS) EARNINGS PER SHARE (Note 20) | | | | |
| Basic (loss) earnings per share after income tax | <u>\$(11.09)</u> | | <u>\$5.04</u> | |
| Diluted (loss) earnings per share after income tax | <u>\$(11.09)</u> | | <u>\$4.92</u> | |

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | | | | | | Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income | Retained Earnings | | |
|--|---------------------------------|-------------------|--------------------|---|--------------------------------|---|-------------------|---|---------------------|
| | Share Capital - Common Stock | Capital Surplus | Treasury Shares | Exchange Differ- ences on Translat- ing Foreign Opera- tions | Employee Un- earned Benefit | | Legal Reserve | (Accumulated Def- icit) Unappropri- ated Earnings | Total Equity |
| BALANCE AT JANUARY 1, 2019 | \$ 616,060 | \$ 751,962 | \$ (24,019) | \$ (113,524) | \$ (18,396) | \$ (29,950) | \$ 54,382 | \$ 455,652 | \$ 1,692,167 |
| Appropriation of 2018 earnings | | | | | | | | | |
| Cash dividends | - | - | - | - | - | - | - | (80,000) | (80,000) |
| Cash dividends distributed to the subsidiaries which adjusted to capital surplus | - | 589 | - | - | - | - | - | - | 589 |
| Legal reserve of subsidiaries | - | - | - | - | - | - | 2,607 | (2,607) | - |
| Cancellation of restricted shares for employees | (1,020) | (2,341) | - | - | 3,361 | - | - | - | - |
| Restricted shares plan for employees | - | - | - | - | 6,234 | - | - | - | 6,234 |
| Compensation costs of employee stock options | - | 9,752 | - | - | - | - | - | - | 9,752 |
| Net profit for the year ended December 31, 2019 | - | - | - | - | - | - | - | 308,155 | 308,155 |
| Other comprehensive loss for the year ended December 31, 2019 | <u>-</u> | <u>-</u> | <u>-</u> | <u>(64,482)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(64,482)</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) |
| Cash dividends distributed to the subsidiaries which adjusted to capital surplus | - | 231 | - | - | - | - | - | - | 231 |
| Legal reserve of subsidiaries | - | - | - | - | - | - | 8,013 | (8,013) | - |
| Cancellation of restricted shares for employees | (490) | (998) | - | - | 1,488 | - | - | - | - |
| Restricted shares plan for employees | - | - | - | - | 4,823 | - | - | - | 4,823 |
| Compensation costs of employee stock options | - | 20,756 | - | - | - | - | - | - | 20,756 |
| Cancellation of treasury shares | - | - | - | - | - | - | - | - | - |
| Net loss for the year ended December 31, 2020 | - | - | - | - | - | - | - | (676,356) | (676,356) |
| Other comprehensive loss for the year ended December 31, 2020 | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,745)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,745)</u> |
| BALANCE AT DECEMBER 31, 2020 | <u>\$ 614,550</u> | <u>\$ 779,951</u> | <u>\$ (24,019)</u> | <u>\$ (186,751)</u> | <u>\$ (2,490)</u> | <u>\$ (29,950)</u> | <u>\$ 65,002</u> | <u>\$ (34,512)</u> | <u>\$ 1,181,781</u> |

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss) profit before income tax | \$ (681,058) | \$ 379,981 |
| Adjustments for: | | |
| Amortization - other intangible assets | 65,644 | 66,926 |
| Provision for impairment loss on bad debt | 49,054 | 3,301 |
| Impairment loss recognized on other receivables | - | 12,986 |
| Allowance for inventories provision and inventories write-off | 50,201 | 43,586 |
| Depreciation expenses of property, plant and equipments | 164,600 | 158,418 |
| Depreciation expenses of right-of-use assets | 32,068 | 31,663 |
| Loss on disposal of property, plant and equipment | 5,075 | 10,965 |
| Loss of write-off other intangible assets | (881) | 4,163 |
| Interest expense | 28,640 | 35,913 |
| Interest income | (2,867) | (6,830) |
| Dividend income | (5,574) | (6,688) |
| Compensation of employees restricted shares | 4,823 | 6,234 |
| Lease termination benefit | (248) | - |
| Compensation costs of employee stock options | 20,756 | 9,752 |
| (Gain) loss on fair value changes of financial instruments at fair value through profit or loss | (113) | 25,787 |
| Operating cash flows before working capital changes | (269,880) | 776,157 |
| Changes in operating assets and liabilities | | |
| Notes and accounts receivable | (312,471) | 390,053 |
| Other receivable and prepayments | (219,744) | 12,037 |
| Inventories | (631,451) | (141,076) |
| Notes and accounts payable | 956,042 | 354,491 |
| Other payables | 59,405 | 162,995 |
| Net defined benefit liabilities | - | (5,975) |
| Cash (used in) generated from operations | (418,099) | 1,548,682 |
| Interest paid | (28,640) | (35,913) |
| Interest received | 2,867 | 6,830 |
| Dividend received | 5,574 | 6,688 |
| Income tax paid | (17,225) | (81,240) |
| Net cash (used in) generated from operating activities | (455,523) | 1,445,047 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for acquiring right-of-use assets | - | (49,738) |
| Payments for acquiring property, plant and equipment | (493,581) | (217,404) |
| Decrease (increase) in pledge deposits | 8,133 | (8,634) |
| Proceeds from disposal of property, plant and equipment | 18,399 | 2,182 |
| Increase in other intangible assets | (90,131) | (63,437) |
| Net cash used in investing activities | (557,180) | (337,031) |

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|--|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceed from bank borrowings | \$ 3,237,682 | \$ 2,926,578 |
| Repayments of bank borrowings | (2,408,504) | (3,354,309) |
| Repayments of the principal portion of lease liabilities | (28,111) | (26,886) |
| Cash dividend | (31,343) | (80,000) |
| Cash dividend received from treasury shares | <u>231</u> | <u>589</u> |
| Net cash generated from (used in) financing activities | <u>769,955</u> | <u>(534,028)</u> |
| EFFECT OF EXCHANGE RATE CHANGES | <u>(48,425)</u> | <u>(50,169)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (291,173) | 523,819 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,400,462</u> | <u>876,643</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,109,289</u> | <u>\$ 1,400,462</u> |
| CASH AND CASH EQUIVALENTS AS FOLLOWS: | | |
| Cash and bank deposits | \$ 1,130,336 | \$ 1,429,640 |
| Pledge deposits | <u>(21,047)</u> | <u>(29,178)</u> |
| Cash and cash equivalents | <u>\$ 1,109,289</u> | <u>\$ 1,400,462</u> |

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company is 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 earphones. Through reorganization, 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 and sales expansion, 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\$8.5 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.

In order to develop new technology and design the product, EAH established a wholly-owned subsidiary - EASTECH Innovations (TW) Inc., with registered capital of \$30 million on July 2, 2020.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 26, 2021.

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. The initial application of the amendments to the IFRSs issued into effect have no significant impact on the Group’s consolidated financial statements for the year ended December 31, 2020.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021 |

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the above-mentioned standards and amendments to the interpretation have no significant impact on the financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| 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, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 6) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 7) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the aforementioned 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

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 consideration paid upon obtaining of assets.

c. Classification of current and non-current assets and liabilities

Current assets include cash and cash equivalents, and assets held primarily for the purpose of trading or assets expected to be realized within 1 year after the reporting period; property, plant and equipment, goodwill and other assets that are not classified as current are classified as non-current. Current liabilities include liabilities held primarily for the purpose of trading, and liabilities due to be settled within 1 year after the reporting period, liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and investee companies as to 50% being held or controlled by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

2) Currency of the consolidated financial statements

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 |
|------------------|---|--|----------------------------------|--------|---|
| | | | December 31 | | |
| | | | 2020 | 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 | Eastech (SZ) Co. Ltd. (Formerly known as Shenzhen Mali-MaliBox Trading Corporation Limited (“ESZ”)) | Import and export trading of audio and headphones products, machinery and equipment | 100.00 | 100.00 | ESZ 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 | 100.00 | 100.00 | ESG was established by ETH in October 2017 and was transferred 100% ownership from ETH to EAH in July 2019. |

Sales of speakers and AV

| | | | | | |
|-----|---|---|--------|--------|---|
| | | electronics home entertainment systems, smart speakers and headphones | | | |
| 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. |

(Continued)

| Name of Investor | Name of Investee | Main Business | Percentage of Ownership Interest | | Descriptions |
|------------------|--|---|----------------------------------|--------|---|
| | | | December 31 | | |
| | | | 2020 | 2019 | |
| 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 | ” |
| EAH | EASTECH Innovations (TW) Inc. (“ETW”) | New technology research, product design & development | 100.00 | - | ETW was established by EAH on July 2, 2020. |
| (Concluded) | | | | | |

Note: Eastech Microacoustics (Huiyang) Co., Ltd. has officially changed the company name into Eastech (Huizhou) Co., Ltd. on February 3, 2021.

e. Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Revenue from sale of goods comes from sales of audio system related products, include transducer speaker. Sales of audio system related products are recognized as revenue when the goods are delivered to the customer’s specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables and recognized concurrently.

2) Revenue from rendering of services

Service revenue income is recognized when services are provided.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Land and buildings held for use in production or supply of goods or services, or for administrative purposes, are carried in consolidated balance sheet at cost less accumulated depreciation and accumulated impairment. Major upgrade and improvement are accounted as capital expense, while repair and maintenance are accounted as expenses for the period.

Properties in the course of construction for production, supply or administrative purposes are measured at cost, less any recognized impairment loss.

Machinery and office equipment are measured by cost less accumulated depreciation and accumulated impairment.

Depreciation of these assets (excluded freehold land and properties in the course of construction) is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of the year, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of the year, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the con-

tract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received

n. Retirement benefits

Except for partial employees of ETT adopt defined benefit retirement benefit plans (the plans were settled in 2019), the rest of employees of ETT and employees in Hong Kong and Mainland China adopt defined contribution retirement benefit plans.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Defined benefit costs (including service cost, net interest and remeasurement) recognized under the defined benefit retirement benefit plans are determined by using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit asset are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit asset represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

The Group maintains a Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme, according to the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Pursuant to the MPF Scheme, the contribution will be vested to the employees upon provision of services by the employees and when they are eligible to the benefits, and the cost incurred will be charged as expense.

To comply with the pension scheme requirements in the PRC, subsidiaries of the Group in PRC are required to contribute a specified percentage of payroll costs to the retirement plans operated by the relevant local authorities of the PRC.

o. Share-based payment arrangements

1) Restricted shares for employees granted to employees

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

2) Employee stock options granted to employees

The fair value at the grant date of the employee stock options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee stock options.

At the end of each reporting period, the Group revises its estimate of the number of employee stock options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

p. Taxation

Income tax expense represents the sum of the current income tax and deferred tax.

1) Current income tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting

deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current income tax assets and liabilities on a net basis.

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

q. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, net, other receivables and prepayments, restricted assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset

and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method.

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

r. Foreign currencies

The individual financial statements of each company comprising the Group are measured and presented on the currency prevailing in the primary economic environment where its operations located. For the purpose of the consolidated financial statement, the operating results and financial status of companies comprising the Group shall be translated from functional currency to the presentation currency of the consolidated financial statement - New Taiwan dollars ("NTD").

In the initial recognition of foreign currency transactions, the foreign currency amount shall be translated into the functional currency at the exchange rate between the functional currency and the foreign currency prevailing at the date of transaction. Any exchange difference arising from the actual settlement of foreign currency-denominated assets and liabilities shall be carried at profit and loss for the year.

Subsequently at the end of each reporting period, foreign currency denominated item shall be translated at the closing exchange rate. Foreign currency denominated non-monetary items shall be measured at historical cost and translated at the exchange rate prevailing on the date of transaction.

Gain or loss from foreign currency exchange shall be carried at the profit and loss for the year.

For the purposes of presenting the consolidated financial statements, if the functional currency and the presentation currency (NTD) of subsidiaries are different, the assets and liabilities of which are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Their income and expenses are translated at the average exchange rates for the year, the resulting exchange difference is recognized in other comprehensive income and accumulated in equity. Goodwill arising from acquisition of foreign operations and fair value adjustments to the carrying amount of assets and liabilities resulting from the acquisition of foreign operations are considered as assets and liabilities of such foreign operations, and exchanged based on the closing rate at each balance sheet date, with the exchange difference recognized under other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Cash on hand | \$ 729 | \$ 829 |
| Cash at bank | 1,108,560 | 1,399,633 |
| Fixed deposits | <u>21,047</u> | <u>29,178</u> |
| | 1,130,336 | 1,429,640 |
| Less: Pledged deposits | <u>(21,047)</u> | <u>(29,178)</u> |
| | <u>\$ 1,109,289</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

| | December 31 | |
|---------------------------------------|-------------|-----------|
| | 2020 | 2019 |
| <u>Financial assets - current</u> | | |
| Non-derivative financial assets | | |
| Foreign-listed stocks | \$ 260 | \$ 162 |
| <u>Financial assets non - current</u> | | |
| Non-derivative financial assets | | |
| Domestic unlisted stocks | \$ 83,496 | \$ 83,496 |

8. NOTES AND ACCOUNTS RECEIVABLE

| | December 31 | |
|-------------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Notes receivable | \$ 12,019 | \$ 6,524 |
| Accounts receivable | 1,977,863 | 1,688,612 |
| Less: Allowance for impairment loss | (46,877) | (15,548) |
| | <u>\$ 1,943,005</u> | <u>\$ 1,679,588</u> |

The Group's average credit period of sales of goods was 75 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.

December 31, 2020

| | Not Past Due | 1 to 180 Days | 181 to 365 Days | Over One Year | Total |
|---------------------------------|---------------------|------------------|-----------------|---------------|---------------------|
| Gross carrying amount | \$ 1,901,619 | \$ 41,386 | \$ 559 | \$ 46,318 | \$ 1,989,882 |
| Loss allowance (Life-time ECLs) | - | - | (559) | (46,318) | (46,877) |
| Amortized cost | <u>\$ 1,901,619</u> | <u>\$ 41,386</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,943,005</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 (Life-time ECLs) | - | - | - | (15,548) | (15,548) |
| 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:

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | 2020 | 2019 |
| Balance at the beginning of the period | \$ 15,548 | \$ 12,373 |
| Add: Impairment losses recognized | 49,054 | 3,301 |
| Less: Amounts written off | (12,328) | - |
| Less: Amount recovered | (3,178) | - |
| Effect of foreign currency exchange differences | <u>(2,219)</u> | <u>(126)</u> |
| Balance at the end of the period | <u>\$ 46,877</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

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| Other receivables | \$ 166,663 | \$ 160,177 |
| Allowance for impairment loss | <u>(71,090)</u> | <u>(75,645)</u> |
| Other receivables, net | 95,573 | 84,532 |
| Prepayments for purchases | 100,981 | 20,644 |
| Prepayments | 15,983 | 26,632 |
| Prepayments for purchases equipment and mold | 20,265 | 11,647 |
| Value-added tax recoverable and refundable | 232,944 | 107,859 |
| Guarantee deposits | <u>20,640</u> | <u>15,328</u> |
| | <u>\$ 486,386</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:

| | December 31 | |
|---|--------------------|------------------|
| | 2020 | 2019 |
| Other receivables (including security deposits) | \$ 80,728 | \$ 89,984 |
| Less: Allowance for impairment loss | <u>(71,090)</u> | <u>(75,644)</u> |
| | <u>\$ 9,638</u> | <u>\$ 14,340</u> |

- b. As of December 31, 2020 and 2019, the amounts of temporary payments as described in Note 15(b) were \$63,494 thousand and \$30,181 thousand.

10. INVENTORIES

| | December 31 | |
|------------------|---------------------|-------------------|
| | 2020 | 2019 |
| Raw materials | \$ 672,412 | \$ 303,891 |
| Work-in-process | 277,487 | 228,070 |
| Finished goods | 152,939 | 81,311 |
| Goods in transit | <u>130,476</u> | <u>38,792</u> |
| | <u>\$ 1,233,314</u> | <u>\$ 652,064</u> |

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2020 and 2019 was \$8,425,032 thousand and \$9,039,923 thousand, respectively, which included \$50,201 thousand and \$43,586 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:

| | December 31 | |
|---|---------------------|--------------------|
| | 2020 | 2019 |
| Cost | \$ 2,159,548 | \$ 1,779,649 |
| Accumulated depreciation and impairment | <u>(1,106,810)</u> | <u>(1,028,578)</u> |
| Carrying amount | <u>\$ 1,052,738</u> | <u>\$ 751,071</u> |
| Land and buildings | \$ 296,041 | \$ 92,102 |
| Machineries and office equipment | 701,898 | 551,362 |
| Property under construction | <u>54,799</u> | <u>107,607</u> |
| Carrying amount | <u>\$ 1,052,738</u> | <u>\$ 751,071</u> |

- b. The movements of property, plant and equipment are as follows:

| | Land and Buildings | Machinery Equipment and Office Equip- ment | Property un- der Construc- tion | 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 changes | (21,773) | (74,664) | (2,621) | (99,058) |
| Balance at December 31, 2019 | 451,633 | 1,220,409 | 107,607 | 1,779,649 |
| Additions | 38,845 | 178,995 | 275,741 | 493,581 |
| Disposals | - | (95,009) | (1,918) | (96,927) |
| Reclassification | 213,595 | 119,707 | (334,322) | (1,020) |
| Effect of exchange rate changes | (7,516) | (15,910) | 7,691 | (15,735) |
| Balance at December 31, 2020 | <u>\$ 696,557</u> | <u>\$ 1,408,192</u> | <u>\$ 54,799</u> | <u>\$ 2,159,548</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 changes | (19,848) | (40,886) | - | (60,734) |
| Balance at December 31, 2019 | 359,531 | 669,047 | - | 1,028,578 |
| Depreciation | 38,084 | 126,516 | - | 164,600 |
| Disposals | - | (73,453) | - | (73,453) |
| Effect of exchange rate changes | 2,901 | (15,816) | - | (12,915) |
| Balance at December 31, 2020 | <u>\$ 400,516</u> | <u>\$ 706,294</u> | <u>\$ -</u> | <u>\$ 1,106,810</u> |

The management assessed that there was no indicator of impairment for the years ended December 31, 2020 and 2019.

- c. The depreciation of property, plant and equipment is calculated on a straight-line basis at the following useful lives:

| | |
|---------------------|--|
| Land and buildings | Buildings in Mainland China were 20 years, buildings in Hong Kong and Taiwan were 40 years; buildings in Vietnam were 40 to 55 years; and building improvements were depreciated by 2 to 10 years. |
| Machinery equipment | 5 years or 10 years |
| Office equipment | 1 year to 10 years |

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|----------------------------|-------------------|
| | 2020 | 2019 |
| <u>Carrying amounts</u> | | |
| Land and buildings | \$ 183,138 | \$ 176,747 |
| Machinery and office equipment | <u>2,737</u> | <u>5,235</u> |
| | <u>\$ 185,875</u> | <u>\$ 181,982</u> |
| | For the Years Ended | |
| | December 31 | |
| | 2020 | 2019 |
| Additions to right-of-use assets | <u>\$ 53,211</u> | <u>\$ 54,988</u> |
| Depreciation charge for right-of-use assets | | |
| Land and buildings | \$ 29,561 | \$ 29,091 |
| Machinery and office equipment | <u>2,507</u> | <u>2,572</u> |
| | <u>\$ 32,068</u> | <u>\$ 31,663</u> |

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

b. Lease liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2020 | 2019 |
| <u>Carrying amounts</u> | | |
| Current | \$ 22,524 | \$ 24,475 |
| Non-current | <u>60,551</u> | <u>48,256</u> |
| | <u>\$ 83,075</u> | <u>\$ 72,731</u> |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|--------------------------------|--------------------|-------------|
| | 2020 | 2019 |
| 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 - 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:

December 31, 2020 and 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. | 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. 1 factory building and 2 dormitories built on a 134,947 sq. ft. land. | Lease for a term of 50 years from December 6, 2000 to December 6, 2050. Lease for a term of 50 years from June 19, 2002 to June 19, 2052. |
| EAVN | B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam | 41,227.5 sq. ft. land. | Lease for a term of 40 years from January 2019 to April 2058. |

d. Other lease information

| | For the Years Ended December 31 | |
|--|--|--------------|
| | 2020 | 2019 |
| Expenses relating to short-term leases | \$ 23,267 | \$ 48,571 |
| Total cash outflow for leases | \$ (54,582) | \$ (128,579) |

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

| | December 31 | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| Goodwill | \$ 115,530 | \$ 110,809 |
| Technical knowledge (including capitalized costs of R&D) | 150,754 | 121,045 |
| Customer relationship | <u>8,922</u> | <u>13,321</u> |
| | <u>\$ 275,206</u> | <u>\$ 245,175</u> |

- a. Details of goodwill were as follows:

| | December 31 | |
|-----------------|--------------------|-------------------|
| | 2020 | 2019 |
| Related to ScS | \$ 103,541 | \$ 98,880 |
| Related to EMHY | <u>11,989</u> | <u>11,929</u> |
| | <u>\$ 115,530</u> | <u>\$ 110,809</u> |

The above goodwill represents the excess of the cost of acquisition over the net fair value of the identifiable assets from EMHY's acquisition of earphones production line from Shenzhen Dahua Electronics Co., Ltd. in 2006 and EAH's acquisition of a subsidiary - ScS in 2014.

The recoverable amount of this cash-generating unit was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 7% per annum for the year ended December 31, 2020 and a discount rate of 8% per annum for the year ended December 31, 2019.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the financial budget period. The cash flows beyond that five-year period have been extrapolated using a steady 0% per annum growth rate. Management believed that any reasonably possible change in the key assumptions on which recoverable amount was based would not cause the aggregate carrying amount of the cash-generating unit to exceed its aggregate recoverable amount.

The key assumptions used in the value in use calculations for the leisure goods cash-generating units were as follows:

- 1) Expected sales growth rate: The suppose values assigned to the assumption reflect past experience, which is consistent with management's plans for focusing operations in these markets.
- 2) Net operating profit margin: The suppose values are reflected for expected operating profit margin based on past experience.
- 3) Depreciation and amortization: The suppose values are estimated from equipment capex during budget period and equipment's useful life based on past experience.

There is no impairment of goodwill at December 31, 2020 and 2019.

The movements of goodwill were as follows:

| | 2020 | 2019 |
|---------------------------------|-------------------|-------------------|
| Balance at January 1 | \$ 110,809 | \$ 112,877 |
| Effect of exchange rate changes | <u>4,721</u> | <u>(2,068)</u> |
| Balance at December 31 | <u>\$ 115,530</u> | <u>\$ 110,809</u> |

- b. The movements of other intangible assets (technical knowledge and customer relationships) were as follows:

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Balance at January 1 | \$ 134,366 | \$ 148,064 |
| Additions | 90,131 | 63,437 |
| Amortization | (65,644) | (66,926) |
| Reclassification from property, plant and equipment | (3,620) | - |
| Write-off | 881 | (4,163) |
| Effect of exchange rate changes | <u>3,562</u> | <u>(6,046)</u> |
| Balance at December 31 | <u>\$ 159,676</u> | <u>\$ 134,366</u> |

- c. Intangible assets with limited useful life were amortized on a straight-line basis at the following useful lives:

| | |
|--|------------|
| Technical acknowledge (including capitalized costs of R&D) | 2-15 years |
| Customer relationship | 9 years |

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

14. BANK BORROWINGS

- a. Short-term bank borrowings:

| | December 31 | | | |
|--|---------------|---------------------|---------------|-------------------|
| | 2020 | | 2019 | |
| | Interest Rate | Amount | Interest Rate | Amount |
| <u>Secured borrowings</u> | | | | |
| Factoring | 3.73%-6.45% | \$ 13,134 | 4.07%-7.35% | \$ 10,590 |
| Bank borrowings | 1.26%-4% | 943,150 | 1.75%-4.50% | 450,445 |
| Commercial paper | 2.14% | 30,000 | 1.99% | 10,000 |
| Long-term borrowings due within 1 year | 1.35%-4.63% | <u>78,025</u> | 2.60%-4.63% | <u>39,872</u> |
| | | <u>1,064,309</u> | | <u>510,907</u> |
| <u>Unsecured borrowings</u> | | | | |
| Bank borrowings | 4.2% | <u>77,764</u> | 4.79% | <u>2,149</u> |
| | | <u>\$ 1,142,073</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.

Unexpired commercial paper as following:

December 31, 2020

| Guarantee/Acceptance Agency | Face Value (\$) | Book Value (\$) | Interest Rate | The Name of the Col-lateral | Book Value of the Col-lateral |
|-----------------------------------|------------------|------------------|---------------|-----------------------------|-------------------------------|
| International Bills Finance Corp. | <u>\$ 30,000</u> | <u>\$ 30,000</u> | 2.14% | - | <u>\$ -</u> |

December 31, 2019

| Guarantee/Acceptance Agency | Face Value (\$) | Book Value (\$) | Interest Rate | The Name of the Col-lateral | Book Value of the Col-lateral |
|------------------------------------|------------------------|------------------------|----------------------|------------------------------------|--------------------------------------|
| International Bills Finance Corp. | <u>\$ 10,000</u> | <u>\$ 10,000</u> | 1.99% | - | <u>\$ -</u> |

The commercial paper 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 recognizes interest expense directly at the issuance of commercial paper.

b. Long-term bank borrowings:

| | December 31 | | | |
|---|----------------------|-------------------|----------------------|-------------------|
| | 2020 | | 2019 | |
| | Interest Rate | Amount | Interest Rate | Amount |
| Long-term bank borrowings | 1.35%-5.1% | \$ 347,820 | 2.60%-4.63% | \$ 143,529 |
| Less: Long-term bank borrowings due within 1 year | | <u>(78,025)</u> | | <u>(39,872)</u> |
| | | <u>\$ 269,795</u> | | <u>\$ 103,657</u> |

For acquiring plants and 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:

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Due within 2 to 5 years | <u>\$ 269,795</u> | <u>\$ 103,657</u> |

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

15. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

- 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.
- Details of other payables were as follows:

| | December 31 | |
|--------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Accrued salaries | \$ 148,987 | \$ 260,137 |
| Temporary receivables (remark) | 133,705 | 73,105 |
| Other payable | <u>307,477</u> | <u>207,781</u> |
| | <u>\$ 590,169</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 and ETW 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, Denmark and Vietnam are members of a state-managed retirement benefit plan operated by the government of PRC, Hong Kong, Denmark and Vietnam. 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 December 31, 2020 and 2019 were \$614,550 thousand and \$615,040 thousand, respectively, divided into 61,455 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) | |
|--------------------------------|------------------------------------|---------------|
| | For the Years Ended December 31 | |
| | 2020 | 2019 |
| January 1 | 61,504 | 61,606 |
| Write-off of restricted shares | <u>(49)</u> | <u>(102)</u> |
| December 31 | <u>61,455</u> | <u>61,504</u> |

b. Treasury shares

As of December 31 of 2020 and 2019, the detail of treasury shares are as follow:

| Purpose of Buy-back | Number of Shares (In Thousands 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:

December 31, 2020

| Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|-------------------|---|----------------------------|---------------------|
| ETT | 453 | \$24,019 thousand | \$12,503 thousand |

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 December 31, 2020 and 2019, the capital surplus of the Company are as follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| <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 | 5,275 | 5,044 |
| <u>May not be used for any purpose</u> | | |
| Arising from employee restricted shares | 27,423 | 28,421 |
| Arising from employee share options | <u>31,090</u> | <u>10,334</u> |
| | <u>\$ 779,951</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 and 2018 were approved in the board of directors' and shareholders' meeting on February 27, 2020 and June 10, 2019, respectively. Details of the dividend per share of the earnings appropriations for 2019 and 2018 of the Company were as follows:

| | 2019 |
|--------------------------------|---|
| Ordinary share dividend - cash | NT\$0.51 per share totaling \$31,343 thousand |
| | 2018 |
| Ordinary share dividend - cash | NT\$1.3 per share, totaling \$80,000 thousand |

In the board of directors' meeting on February 26, 2021, the company decided not distribute cash dividends due to the accumulated deficits in 2020; it also proposes making use of capital surplus \$34,512 thousand to cover accumulated deficits. This proposal will be resolved by the shareholders in their meeting to be held on June 11, 2021.

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 at December 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 | \$ - | \$ 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, share 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 Years Ended | |
| | December 31 | |
| | 2020 | 2019 |
| Balance at the beginning of the period | 326 | 652 |
| Vested | - | (224) |
| Forfeited | (49) | (102) |

| | | |
|----------------------------------|------------|------------|
| Balance at the end of the period | <u>277</u> | <u>326</u> |
|----------------------------------|------------|------------|

Information on cost of restricted shares plan for employees the company recognized as follows:

| | For the Years Ended December 31 | |
|--|--|-----------------|
| | 2020 | 2019 |
| Costs of restricted shares plans for employees | <u>\$ 4,823</u> | <u>\$ 6,234</u> |

2) Employee share options

Information on issuance of employees share options was as follow:

| <u>Grant Date</u> | <u>Issued Shares</u> | <u>Vesting Date</u> | <u>Exercisable Price</u> |
|-------------------|--|---------------------------------------|--------------------------|
| 2018.09.28 | 1,200 unit (equivalent to 1,000 outstanding shares per unit) | Within 4 years after the granted date | \$23.95 (Remark) |
| 2019.06.10 | 4,747 unit (equivalent to 1,000 outstanding shares per unit) | Within 4 years after the granted date | \$33.05 (Remark) |
| 2020.05.19 | 2,760 units (equivalent 1,000 outstanding shares per unit) | Within 4 years after the grant date | \$25.30 (Remark) |
| 2020.08.06 | 82 units (equivalent 1,000 outstanding shares per unit) | Within 4 years after the grant date | \$25.45 (Remark) |

Remark: The exercise price of the employee share 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 share 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.

Information on outstanding employee share options was as follows:

| | For the Years Ended December 31 | | | |
|--|--|--|------------------------------|--|
| | 2020 | | 2019 | |
| Employee Share Options | Number of Options | Weighted-a verage Ex- ercise Price (NT\$) | Number of Options | Weighted-a verage Ex- ercise Price (NT\$) |
| Balance at the beginning of period | 5,877 | \$ 30.03 | 1,200 | \$ 23.95 |
| Granted | 2,842 | 25.30 | 4,747 | 33.05 |
| Write-off | <u>-</u> | - | <u>(70)</u> | - |
| Balance at end period | <u>8,719</u> | 28.49 | <u>5,877</u> | 30.03 |
| Options exercisable, end of period | <u>-</u> | | <u>-</u> | |
| Weighted-average fair value of options granted (NT\$) | <u>\$ 7.76</u> | | <u>\$ 8.86</u> | |

As of December 31, 2020 and 2019, the information of outstanding employee share options were as follows:

| Grant Date | December 31 | | | |
|------------|--------------------------------|---|--------------------------------|---|
| | 2020 | | 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 | 1.75 | \$ 23.00 | 2.75 |
| 2019.06.10 | 31.70 | 2.46 | 31.70 | 3.46 |
| 2020.05.19 | 25.30 | 3.38 | - | - |
| 2020.08.06 | 25.45 | 3.58 | - | - |

Employee share options granted on August 6, 2020, May 19, 2020, June 10, 2019 and September 28, 2018 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

| | August 6, 2020 | May 19, 2020 | June 10, 2019 | September 28, 2018 |
|-------------------------------|----------------|--------------|---------------|--------------------|
| Grant-date share price (NT\$) | 25.45 | 25.30 | 33.05 | 23.95 |
| Exercise price (NT\$) | 25.45 | 25.30 | 33.05 | 23.95 |
| Expected volatility | 41.56% | 41.50% | 35.61% | 31.81% |
| Expected life (in years) | 3.5 years | 3.5 years | 3.5 years | 3.5 years |
| Expected dividend yield | - | - | - | - |
| Risk-free interest rate | 0.28% | 0.35% | 0.56% | 0.66% |

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

The compensation costs for the years ended December 31, 2020 and 2019 are recognized at \$20,756 thousand and \$9,752 thousand.

Other equity items

a. 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.

b. 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.

c. 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 PROFIT

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

a. Net revenue

1) Contract information

a) Revenue from 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) Contact balances

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Notes and accounts receivable, net (Note 8) | <u>\$ 1,943,005</u> | <u>\$ 1,679,588</u> |

3) Disaggregation of revenue from customer contracts

| | For the Years Ended December 31 | |
|--------------------|--|----------------------|
| | 2020 | 2019 |
| Home audio | \$ 5,225,236 | \$ 6,344,560 |
| Personal audio | 2,032,349 | 2,499,905 |
| Transducer speaker | 369,571 | 449,237 |
| Others | <u>1,314,099</u> | <u>1,236,672</u> |
| | <u>\$ 8,941,255</u> | <u>\$ 10,530,374</u> |

b. Depreciation and amortization expenses

| | For the Years Ended December 31 | |
|---|--|-------------------|
| | 2020 | 2019 |
| Depreciation of property, plant and equipment | \$ 164,600 | \$ 158,418 |
| Amortization of other intangible assets | 65,644 | 66,926 |
| Depreciation of right-of-use assets | <u>32,068</u> | <u>31,663</u> |
| | <u>\$ 262,312</u> | <u>\$ 257,007</u> |

c. Remuneration of directors and key management and employee benefits expenses

| | For the Years Ended December 31 | |
|--|--|---------------------|
| | 2020 | 2019 |
| Remuneration of directors and key management | | |
| Short-term benefits | \$ 155,168 | \$ 161,333 |
| Post-employment benefits | 3,747 | 3,860 |
| Share-based payments | 21,688 | 12,952 |
| Employee benefits | | |
| Short-term benefits | 1,576,253 | 1,783,562 |
| Post-employment benefits | 57,761 | 75,572 |
| Share-based payments | <u>3,891</u> | <u>3,034</u> |
| | <u>\$ 1,818,508</u> | <u>\$ 2,040,313</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 of 2020, the Group did not accrue employees' compensation and remuneration of directors and supervisors according to the above policy.

For the year of 2019, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

| | 2019 |
|---|-----------------|
| Employees' compensation | 5% |
| Remuneration of directors and supervisors | 2% |
| | 2019 |
| Employees' compensation | <u>\$ 8,255</u> |
| Remuneration of directors and supervisors | <u>\$ 7,720</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.

There was no significant difference between the actual amounts of employees' and directors' remuneration paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

Information on the employees' remuneration and directors' remuneration 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 Years Ended December 31 | |
|--|--|------------------|
| | 2020 | 2019 |
| Government grants revenue | \$ 46,402 | \$ - |
| Project service income | 16,416 | 25,617 |
| Interest income | 2,867 | 6,830 |
| Rental revenue | 1,312 | 1,816 |
| Dividend income | 5,574 | 6,688 |
| Scrap income | 2,868 | 3,915 |
| Gains on disposal of property, plant and equipment | 75 | 4 |
| Net gain on financial instruments at fair value through profit or loss | 113 | - |
| Others | <u>9,658</u> | <u>10,102</u> |
| | <u>\$ 85,285</u> | <u>\$ 54,972</u> |

f. Other losses

| | For the Years Ended December 31 | |
|---|--|------------------|
| | 2020 | 2019 |
| Losses on fair value change of financial instruments at FVTPL | \$ - | \$ 25,787 |
| Losses on scrap and disposal of property, plant and equipment | 5,150 | 10,969 |
| Others | <u>385</u> | <u>122</u> |
| | <u>\$ 5,535</u> | <u>\$ 36,878</u> |

g. Finance costs

| | For the Years Ended December 31 | |
|---|--|------------------|
| | 2020 | 2019 |
| Interest expense arising from bank borrowings | \$ 25,436 | \$ 32,534 |
| Interest expense on lease liabilities | <u>3,204</u> | <u>3,379</u> |
| | <u>\$ 28,640</u> | <u>\$ 35,913</u> |

19. INCOME TAXES

- a. Income tax (benefit) expense recognized in profit or loss

| | For the Years Ended December 31 | |
|--|--|------------------|
| | 2020 | 2019 |
| Current tax | | |
| In respect of the current year | \$ 1,655 | \$ 66,549 |
| Adjustments for prior years | (6,664) | (2,556) |
| Deferred tax | | |
| In respect of the current year | <u>307</u> | <u>7,833</u> |
| Income tax (benefit) expenses recognized in profit or loss | <u>\$ (4,702)</u> | <u>\$ 71,826</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

| | For the Years Ended December 31 | |
|--|--|-------------------|
| | 2020 | 2019 |
| (Loss) profit before tax | <u>\$ (681,058)</u> | <u>\$ 379,981</u> |
| Income tax (benefit) expense calculated at the statutory rate (16.5%) | \$ (112,375) | \$ 62,708 |
| Tax-exempt income and non-deductible expenses in determining taxable income | 4,147 | (10,387) |
| Income tax adjustment for prior years | (6,664) | (2,556) |
| Effect on deferred tax assets unrecognized in prior years | 15,199 | 18,725 |
| Effect on unrecognized loss carry forwards | 108,554 | - |
| Effect of different tax rate of foreign operations in other jurisdic- tions | <u>(13,563)</u> | <u>3,336</u> |
| Income tax expense recognized in profit or loss | <u>\$ (4,702)</u> | <u>\$ 71,826</u> |

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.

The local tax rate for the subsidiaries in the PRC is 25%. EAHY, EMHY and ETHY obtained the innovation and high technology enterprise certificates issued by local tax authorities in July 2013 and December 2019, respectively. Therefore, EAHY, EMHY and ETHY are subject to the applicable preferential income tax rate. Their enterprise income tax rate has been reduced from 25% to 15%. EAHY, EMHY and ETHY obtained the proof of review. Therefore, EAHY, EMHY and ETHY are subject to the applicable preferential income tax rate from 2018 to 2020 and 2019 to 2021, respectively.

In accordance with Enterprise Income Tax Law of the PRC 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. Deferred tax assets

| | December 31 | |
|------------------------------------|--------------------|------------------|
| | 2020 | 2019 |
| Allowance of inventories provision | \$ 6,936 | \$ 9,869 |
| Others | <u>5,218</u> | <u>2,642</u> |
| | <u>\$ 12,154</u> | <u>\$ 12,511</u> |

The movements of deferred tax assets are as follows:

| | Allowance of Inventories Provision | Defined Bene- fit Plan | Others | Total |
|---------------------------------|---|-----------------------------------|-----------------|------------------|
| Balance at January 1, 2019 | \$ 4,676 | \$ 2,806 | \$ 3,767 | \$ 11,249 |
| Recognized in profit or loss | 5,555 | (2,832) | (1,075) | 1,648 |
| Effect of exchange rate changes | <u>(362)</u> | <u>26</u> | <u>(50)</u> | <u>(386)</u> |
| Balance at December 31, 2019 | 9,869 | - | 2,642 | 12,511 |
| Reclassification | (3,610) | - | 2,577 | (1,033) |
| Recognized in profit or loss | 666 | - | - | 666 |
| Effect of exchange rate changes | <u>11</u> | <u>-</u> | <u>(1)</u> | <u>10</u> |
| Balance at December 31, 2020 | <u>\$ 6,936</u> | <u>\$ -</u> | <u>\$ 5,218</u> | <u>\$ 12,154</u> |

c. Deferred tax liabilities

| | December 31 | |
|---|--------------------|-------------------|
| | 2020 | 2019 |
| Temporary differences on other intangible assets | \$ 34,085 | \$ 32,237 |
| Temporary differences on inventory and depreciation of property, plant and equipment | 17,685 | 22,550 |
| Unappropriated earnings of subsidiaries | <u>57,493</u> | <u>63,399</u> |
| | <u>\$ 109,263</u> | <u>\$ 118,186</u> |

The movements of deferred tax liabilities are as follows:

| | Temporary Differences on Other Intan- gible Assets | Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment | Unappropriated Earnings of Subsidiaries | Total |
|---------------------------------|---|--|---|-------------------|
| Balance at January 1, 2019 | \$ 32,346 | \$ 28,138 | \$ 57,299 | \$ 117,783 |
| Recognized in profit or loss | (1,213) | (3,091) | 13,785 | 9,481 |
| Decrease | - | (508) | (6,879) | (7,387) |
| Effect of exchange rate changes | <u>1,104</u> | <u>(1,989)</u> | <u>(806)</u> | <u>(1,691)</u> |
| Balance at December 31, 2019 | 32,237 | 22,550 | 63,399 | 118,186 |
| Recognized in profit or loss | (372) | (3,390) | 3,036 | (726) |
| Effect of exchange rate changes | <u>2,220</u> | <u>(1,475)</u> | <u>(8,942)</u> | <u>(8,197)</u> |
| Balance at December 31, 2020 | <u>\$ 34,085</u> | <u>\$ 17,685</u> | <u>\$ 57,493</u> | <u>\$ 109,263</u> |

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| Loss carryforwards | <u>\$ 672,847</u> | <u>\$ 113,734</u> |
| Deductible temporary difference | | |
| Investments in equity instruments at FVTOCI | <u>\$ 29,950</u> | <u>\$ 29,950</u> |

- e. 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

Unit: \$Per Share

| | December 31 | |
|-----------------------------------|-------------------|----------------|
| | 2020 | 2019 |
| Basic (loss) earnings per share | <u>\$ (11.09)</u> | <u>\$ 5.04</u> |
| Diluted (loss) earnings per share | <u>\$ (11.09)</u> | <u>\$ 4.92</u> |

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

Net (Loss) Profit for the Year

| | December 31 | |
|--|---------------------|-------------------|
| | 2020 | 2019 |
| (Loss) profit for the year attributable to owners of the Company | <u>\$ (676,356)</u> | <u>\$ 308,155</u> |

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

| | For the Years Ended December 31 | |
|---|--|---------------|
| | 2020 | 2019 |
| Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share | 61,011 | 61,087 |
| Effect of potentially dilutive ordinary shares | | |
| Employee share options | <u>-</u> | <u>1,501</u> |
| Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share | <u>61,011</u> | <u>62,588</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 (loss) earnings per share.

Due to the deficits in 2020, the employee share option are anti-dilutive and excluded from the computation of diluted earnings per share.

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. PLEDGED ASSETS

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

| | December 31 | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| Other intangible assets | \$ 22,546 | \$ 22,596 |
| Accounts receivable with recourse | 16,686 | 13,391 |
| Machineries and office equipment | 19,513 | 22,616 |
| Inventories and other assets | 62,109 | 62,777 |
| Pledge deposits (recognized under restricted assets - current) | <u>21,047</u> | <u>29,178</u> |
| | <u>\$ 141,901</u> | <u>\$ 150,558</u> |

23. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

In December 2005, EAH entered into an agreement with an independent third party to establish a company in Brazil, Eastern Asia Unicoba Electronics Da Amazonia Ltda. ("EAB"). In 2006, EAH invested approximately HK\$12,600 thousand in a 68% equity interest in EAB. Since 2007, the investment cost was reclassified as other receivable under current assets due to the withdrawal of EAH as a shareholder of EAB. EAH is involved in several legal matters in Brazil where it is the plaintiff as well as defendant. Regarding aforementioned lawsuit related to EAB please see below for further explanation:

1) The legal matters whereby EAH is the plaintiff are:

As of December 31, 2020 and 2019, the amounts sought for legal matters whereby EAH is the plaintiff are Brazilian Currency R\$15,000 thousand and R\$13,700 thousand (approximately NT\$81,200 thousand and NT\$102,200 thousand) (the amount has considered accrued interest from the date of the prosecution and local court's provision such as inflation index, etc.), respectively. Since EAH does not have any assets in Brazil, EAH must provide security deposits to the courts as possible court costs incurred in the litigation.

Since the outcome of litigation is dependent on the Courts' judgements, EAH has recognized related impairment of aforementioned other receivables based on current litigation progress. EAH assessed other receivables relating to litigations and provided an additional impairment loss, totaling NT\$0 thousand and NT\$12,986, respectively.

As of December 31, 2020 and 2019, amounts recorded as other receivables (net of impairment loss) are NT\$9,005 thousand and NT\$11,308 thousand, respectively.

Based on the assessment of the legal opinion obtained and the assessment of the financial background of the defendants as of December 31, 2020 and 2019, EAH considers that the impairment loss taken is reasonable and sufficient.

EAH is required to place bonds (also recorded as other receivables) with the Courts in Brazil to secure payment of court costs. As of December 31, 2020 and 2019, pledged deposit recorded as other receivables (net of impairment loss) are NT\$633 thousand and NT\$3,032 thousand, respectively.

2) The legal matters whereby EAH is the defendant are:

The plaintiff sought partial dissolution of EAB with the withdrawal of EAH from EAB; and the assessment of assets and liabilities of the partners arising from the termination of the partnership. The plaintiff also sought an injunction to prevent or suspend the effects of the shareholders meeting held in November 2006. In June 2008, the judge ordered that an accounting expert examination takes place to verify the reimbursement of the amount equivalent to EAH's equity interest in EAB. As of July 16, 2012, the accounting expert examination report identified when EAH divestment of EAB, EAB's net equity is positive (R\$1,978 thousand, approximately NT\$10,704 thousand). Hence, EAH is not liable for any debt of EAB. In contrast, after consideration of interest and inflation factors, the court ruled that the plaintiff shall pay EAH R\$4,429 thousand (approximately NT\$23,967 thousand) within 90 days from the date of the judgment. The plaintiff has filed an appeal on September 4, 2012. However the court has rejected the appeal on December 28, 2019. In 2020, the court has approved and plans to carry out the enforcement procedures. As of December 31, 2020, however, there has not been any progress. Since the plaintiff's recoverability of any potential awards by the courts is also subject to the availability of assets by the defendants to the litigations, EAH will recognized related income when actual recovery. At current stage, it has no material impact on the Group's financial position.

- b. Financial guarantees within the Group refer to Table 2 of Note 27.
- c. As of December 31, 2020, the commitment that EAVN has contracted for the plant construction were approximately \$109,840 thousand.

24. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return through the optimization of the capital and debt structure balance. The Group's overall strategy remains unchanged in 2020.

The Group regularly review to the appropriate categories of capital structure. The Group manages based on the cost of capital and the risks associated with the various types of capital determine a reasonable proportion of the Group's capital structure.

As of December 31, 2020 and 2019, the cash and cash equivalents, restricted assets - current (pledged deposit) and bank borrowings were as follows:

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Debt (bank borrowing) | \$ (1,411,868) | \$ (616,713) |
| Cash and cash equivalents (including pledged deposit) | <u>1,130,336</u> | <u>1,429,640</u> |
| Net (debt) cash | <u>\$ (281,532)</u> | <u>\$ 812,927</u> |
| Equity | <u>\$ 1,181,781</u> | <u>\$ 1,872,415</u> |
| Debt-equity ratio | <u>24%</u> | <u>N/A</u> |

The Group's 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

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------------|-------------|------------------|------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Foreign-listed stocks | \$ 260 | \$ - | \$ - | \$ 260 |
| Domestic-unlisted stocks | <u>-</u> | <u>-</u> | <u>83,496</u> | <u>83,496</u> |
| | <u>\$ 260</u> | <u>\$ -</u> | <u>\$ 83,496</u> | <u>\$ 83,756</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 years ended December 31, 2020: No change

For the years ended December 31, 2019

| Financial Assets | <u>Financial Assets at FVTPL</u> | | Total |
|--|--|-------------------------|------------------|
| | Embedded Derivatives In- struments | Equity Instru- ments | |
| 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 dif- ferences | <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 | \$ 15,785 | \$ - | \$ 15,785 |
|--|-----------|------|-----------|

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

- a) The fair values of equity investments at FVTPL are determined by using the market approach. 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, 2020 are as follows:

| <u>Significant Unobservable Inputs</u> | <u>Relationship Between Inputs and Fair Value</u> |
|--|--|
| P/E is 18.20; P/B is 2.42 | 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 \$7,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by \$7,000 thousand.

- b) The embedded derivative instruments are the convertible bond of the unlisted company and the call warrant. Since the Group does not expect to exercise the convertible right, the value of the conversion right is determined to be close to zero. Therefore, the substance of the aforementioned investment is closer to regular bonds. The Group, therefore, assessed the fair value of this investment by discounting the recoverable cash flows within the contract term using the market rate of the similar financial investment. As of December 31, 2019, the Group conservatively provided full impairment based on recoverability of the bond from its financial information of investee.

c. Categories of financial instruments

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | | |
| Held for trading | \$ 260 | \$ 162 |
| Mandatorily at FVTPL | 83,496 | 83,496 |
| Amortized cost (Note 1) | <u>3,191,061</u> | <u>3,209,088</u> |
| | <u>\$ 3,274,817</u> | <u>\$ 3,292,746</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (Note 2) | <u>\$ 5,026,206</u> | <u>\$ 3,221,125</u> |

Note 1: The balance includes cash and cash equivalents (including pledged deposits), notes and accounts receivable, other receivables and refundable deposits, etc.

Note 2: The balance includes 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 | |
|-----|---------------------|---------------------|
| | December 31 | |
| | 2020 | 2019 |
| USD | \$ 2,027,751 | \$ 1,703,561 |
| HKD | <u>13,410</u> | <u>1,752</u> |
| | <u>\$ 2,041,161</u> | <u>\$ 1,705,313</u> |

| | Liabilities | |
|-----|---------------------|-------------------|
| | December 31 | |
| | 2020 | 2019 |
| USD | \$ 1,718,380 | \$ 880,001 |
| HKD | <u>61,632</u> | <u>73,121</u> |
| | <u>\$ 1,780,012</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 Years Ended | |
| | December 31 | |
| | 2020 | 2019 |
| Profit or loss | \$ 15,469 | \$ 41,178 |

| | Currency H.K. Dollars Impact | |
|----------------|-------------------------------------|-------------|
| | For the Years Ended | |
| | December 31 | |
| | 2020 | 2019 |
| Profit or loss | \$ (2,411) | \$ (3,566) |

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 years ended 2020 and 2019 would have been decreased by \$1,411 thousand and \$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.

| | December 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 | - | \$ 3,016,480 | \$ - | \$ - | \$ 3,016,480 |
| Other payables | - | 590,169 | 7,689 | - | 597,858 |
| <u>Interest bearing liabilities</u> | | | | | |
| Lease liabilities | 3.73%-4.63% | 27,092 | 37,769 | 46,583 | 111,444 |
| Bank borrowings | 2.68% | 1,172,671 | 281,275 | - | 1,453,946 |

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>\$ 27,092</u> | <u>\$ 37,769</u> | <u>\$ 7,371</u> | <u>\$ 7,961</u> | <u>\$ 8,598</u> | <u>\$ 22,653</u> |

December 31, 2019

| | Effective Interest Rate | On Demand or Within 1 Year | 2 Years to 5 Years | More than 5 Years | Total |
|-------------------------------------|------------------------------------|---------------------------------------|-------------------------------|------------------------------|--------------|
| Non-interest bearing liabilities | | | | | |
| Notes and accounts payable | - | \$ 2,060,438 | \$ - | \$ - | \$ 2,060,438 |
| Other payables | - | 541,023 | 2,951 | - | 543,974 |

Interest bearing liabilities

| | | | | | |
|-------------------|-------------|---------|---------|--------|---------|
| Lease liabilities | 3.73%-4.63% | 26,010 | 23,095 | 47,462 | 96,567 |
| Bank borrowings | 3.15% | 529,240 | 110,578 | - | 639,818 |

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 December 31 | |
|----------------------|------------------------------------|---------------------|
| | 2020 | 2019 |
| Secured borrowings | | |
| Amount unused | <u>\$ 1,080,325</u> | <u>\$ 1,252,492</u> |
| Unsecured borrowings | | |
| Amount unused | <u>\$ -</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:

December 31, 2020

| Unit: Foreign Currencies (In Thousands) | | | | |
|--|---------------------------|----------------------------|-----------------------------|------------------------|
| | Foreign Currencies | Function Currencies | Exchange Rate (Note) | Carrying Amount |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD | \$ 57,275 | HKD | 28.095 | \$ 1,609,147 |
| USD | 14,072 | NTD | 28.095 | 395,346 |
| USD | 256 | RMB | 28.095 | 7,206 |
| USD | 194 | DKK | 28.095 | 5,464 |
| USD | <u>377</u> | VDN | 28.095 | <u>10,588</u> |
| | <u>\$ 72,174</u> | | | <u>\$ 2,027,751</u> |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD | \$ 39,857 | HKD | 28.095 | \$ 1,119,795 |
| USD | 9,273 | RMB | 28.095 | 260,524 |
| USD | 1,547 | NTD | 28.095 | 43,473 |
| USD | 346 | DKK | 28.095 | 9,720 |
| USD | <u>10,139</u> | VDN | 28.095 | <u>284,868</u> |
| | <u>\$ 61,162</u> | | | <u>\$ 1,718,380</u> |
| HKD | <u>\$ 16,998</u> | RMB | 3.6258 | <u>\$ 61,632</u> |

December 31, 2019

Unit: Foreign Currencies (In Thousands)

| | Foreign Currencies | Function Currencies | Exchange Rate (Note) | Carrying Amount |
|------------------------------|---------------------------|----------------------------|-----------------------------|------------------------|
| <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> |
| <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> |

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

Information of foreign exchange gains and losses in 2020 and 2019 are as follow:

| | For the Years Ended December 31 | |
|---|--|------------------|
| | 2020 | 2019 |
| Realized foreign exchange (loss) gain | \$ (120,880) | \$ 2,022 |
| Unrealized foreign exchange (loss) gain | <u>(6,202)</u> | <u>37,893</u> |
| | <u>\$ (127,082)</u> | <u>\$ 39,915</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

In 2020 and 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 December 31, 2020 and 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. OTHERS

The management of the Group assessed that the impact of Covid-19 pandemic did not have a significant impact on the Group's ability to continue operations, asset impairment and financing, but the major consumer markets in Europe and the United States are still not completely free from the adverse effects of the pandemic, and consumption power is slowed down which affects the Group's revenue and profit.

26. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In response to the epidemic of Covid-19 in Vietnam, the Group's subsidiary in Vietnam - EAVN, has suspended the production activity since January 30, 2021 in accordance to the announcement made by the local competent authority. The date of resumption of production has yet to be notified by local competent authority. The Group has informed the customers to adjust delivery schedules, it is expected not to have a significant impact on the Group.

27. SEGMENT INFORMATION

a. 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, earphones and AV electronics products.

Since the Group's speaker systems, earphones 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 years ended December 31, 2020 and 2019, the revenue and operating results of the operating segment can be found in the consolidated income statement for the years from January 1 to December 31, 2020 and 2019. The product revenue of the Group please refer to Note 18(a).

b. Geographic information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

| | Revenue from External Customers | |
|-------------|--|----------------------|
| | For the Years Ended December 31 | |
| | 2020 | 2019 |
| China | \$ 2,629,081 | \$ 4,402,166 |
| Hong Kong | 174,812 | 215,762 |
| Japan | 1,097,692 | 517,876 |
| South Korea | 2,747,062 | 3,099,426 |
| Netherlands | 608,090 | 524,721 |
| Sweden | 369,046 | 542,304 |
| Others | <u>1,315,472</u> | <u>1,228,119</u> |
| | <u>\$ 8,941,255</u> | <u>\$ 10,530,374</u> |
| | Non-current Assets | |
| | December 31 | |
| | 2020 | 2019 |
| China | \$ 783,768 | \$ 810,302 |
| Hong Kong | 23,231 | 15,851 |
| Taiwan | 20,884 | 14,911 |
| Denmark | 189,882 | 187,415 |
| Vietnam | 494,278 | 148,924 |
| Singapore | <u>1,776</u> | <u>825</u> |
| | <u>\$ 1,513,819</u> | <u>\$ 1,178,228</u> |

c. Information of key customers

Customers representing more than 10% of the Group's total income as shown in the consolidated statements of comprehensive income are as follows:

| | For the Years Ended December 31 | | | |
|-----------|--|----------|---------------|----------|
| | 2020 | | 2019 | |
| | Amount | % | Amount | % |
| Company A | \$ 2,744,832 | 31 | \$ 2,899,423 | 28 |
| Company B | 1,177,243 | 13 | 1,778,638 | 17 |
| Company C | 1,160,908 | 13 | 924,708 | 9 |
| Company D | 922,067 | 10 | 293,760 | 3 |

28. 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 and 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 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

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

| No. | Lender | Borrower | Financial State- ment Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Borrow- ing Amount | Interest Rate (%) | Nature of Fi- nancing | Business Trans- action Amount | Reasons for Short-term Fi- nancing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Bor- rower | Aggregate Fi- nancing Limit |
|-----|--------|----------|--|------------------|-----------------------------------|----------------|------------------------------|----------------------|---|----------------------------------|--|----------------------------------|------------|-------|---|--------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | EAH | ETH | Other receivables from related parties | Yes | \$ 199,710 | \$ 196,665 | \$ 112,380 | - | The need for short-term fi- nancing | \$ - | Operating capital | \$ - | - | \$ - | \$ 1,320,489 | \$ 1,320,489 |
| | | EAVN | Other receivables from related parties | Yes | 206,010 | 112,380 | 112,380 | - | The need for short-term fi- nancing | - | Operating capital | - | - | - | 1,320,489 | 1,320,489 |
| | | EASTECH | Other receivables from related parties | Yes | 23,364 | 22,476 | 22,476 | - | The need for short-term fi- nancing | - | Operating capital | - | - | - | 1,320,489 | 1,320,489 |

Note 1: 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.

Note 2: According to the Company’s guidance of financing provided to others, the amount of financing limit is based on the net value of the most recent financial statements reviewed or audited by CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2020 is different from the amounts listed above, the reason is that the financial statements for the year ended December 31, 2020 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the nine months ended September 30, 2020.

TABLE 2**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 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 (Notes 2 and 3) | 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 | a. | \$ 2,363,562 | \$ 1,193,518 | \$ 1,193,538 | \$ 234,655 | \$ - | 100.99 | \$ 2,363,562 | Yes | No | No |
| | | ETH | a. | 2,363,562 | 669,852 | 622,657 | 323,631 | - | 52.69 | 2,363,562 | Yes | No | No |
| | | ETHY | a. | 2,363,562 | 86,742 | 86,404 | 80,788 | - | 7.31 | 2,363,562 | Yes | No | Yes |
| | | EAVN | a. | 2,363,562 | 273,240 | 252,855 | 252,855 | - | 21.40 | 2,363,562 | Yes | No | No |
| 1 | EAH | ScS | a. | 2,363,562 | 49,069 | 48,781 | 6,048 | - | 4.13 | 2,363,562 | Yes | No | No |
| 2 | ETHY | EAH | b. | 2,363,562 | 23,544 | 22,476 | - | - | 1.90 | 2,363,562 | No | Yes | No |
| 3 | ESHY | ESZ | c. | 2,363,562 | 43,371 | 43,202 | - | - | 3.66 | 2,363,562 | No | No | Yes |

Note 1: Relationship of the guarantee:

- Entities that Company hold, directly or indirectly, more than 50% of voting shares.
- Companies hold, directly or indirectly, more than 50% of voting share of entities.
- Entities whose voting shares are more than 90% owned directly or indirectly the Company.

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

- 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.
- 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, ETHY and ESHY's limitation of the endorsements/guarantees are set forth below:

- The total amount of the guarantee provided by EAH, ETHY and ESHY to other entities shall not exceed two hundred percent (200%) of the listed parent company's consolidated net worth.
- 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.

Note 3: According to the Company's guidance of endorsement/guarantees provided, the amount of endorsement/guarantees is based on the net value of the most recent financial statements reviewed or audited by CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2020 is different from the amounts listed above, the reason is that the financial statements for the year ended December 31, 2020 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statements for the nine months ended September 30, 2020.

TABLE 3

EASTECH HOLDING LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 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 | December 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>\$ 260</u> | - | <u>\$ 260</u> | Note |
| ETT | <u>Taiwan publicly traded stocks</u> Eastech Holding Limited | Subsidiary | FVTPL | 453,000 | <u>\$ 12,503</u> | 1 | <u>\$ 12,503</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

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

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Re- ceivable (Payable) | | Note |
|-------|---------------|-----------------------|---------------------|--------------|---------------|---------------|----------------------|------------------|--|---------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Bal- ance | % of Total | |
| EAH | ESHY | Parent and subsidiary | Purchase | \$ 1,408,799 | 30 | 90 days | \$ - | - | \$ (4,470) | (1) | Note |
| ESHY | EAH | Parent and subsidiary | Sale | (1,408,799) | (51) | 90 days | - | - | 4,470 | 1 | Note |
| EAH | EAHY | Parent and subsidiary | Purchase | 1,116,484 | 24 | 90 days | - | - | (206,947) | (41) | Note |
| EAHY | EAH | Parent and subsidiary | Sale | (1,116,484) | (79) | 90 days | - | - | 206,947 | 56 | Note |
| | EAH | Parent and subsidiary | Purchase | 320,157 | 24 | 90 days | - | - | 206,947 | 56 | Note |
| EAH | EAHY | Parent and subsidiary | Sale | (320,157) | (7) | 90 days | - | - | (206,947) | (41) | Note |
| ETT | ETH | Parent and subsidiary | Purchase | 933,967 | 83 | 90 days | - | - | (305,717) | (76) | Note |
| ETH | ETT | Parent and subsidiary | Sale | (933,967) | (30) | 90 days | - | - | 305,717 | 29 | Note |
| | ETHY | Parent and subsidiary | Purchase | 3,077,118 | 96 | 90 days | - | - | (1,046,062) | (89) | Note |
| ETHY | ETH | Parent and subsidiary | Sale | (3,077,118) | (67) | 90 days | - | - | 1,046,062 | 56 | Note |
| EAH | EAVN | Parent and subsidiary | Purchase | 1,205,523 | 26 | 90 days | - | - | 161,668 | 23 | Note |
| EAVN | EAH | Parent and subsidiary | Sale | (1,205,523) | (88) | 90 days | - | - | (161,668) | (19) | Note |
| ESHY | EAHY | Parent and subsidiary | Purchase | 258,527 | 10 | 90 days | - | - | (122,154) | (21) | Note |
| EAHY | ESHY | Parent and subsidiary | Sale | (258,527) | (18) | 90 days | - | - | 122,154 | 33 | Note |
| ESHY | ETHY | Fellow subsidiary | Purchase | 703,088 | 26 | 90 days | - | - | - | - | Note |
| ETHY | ESHY | Fellow subsidiary | Sale | (703,088) | (15) | 90 days | - | - | - | - | Note |
| | ESHY | Fellow subsidiary | Purchase | 500,162 | 11 | 90 days | - | - | (124,057) | (6) | Note |
| ESHY | ETHY | Fellow subsidiary | Sale | (500,162) | (18) | 90 days | - | - | 124,057 | 32 | Note |
| EAVN | ESZ | Fellow subsidiary | Purchase | 415,409 | 31 | 90 days | - | - | (195,824) | (23) | Note |

(Continued)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Re- ceivable (Payable) | | Note |
|-------|---------------|-------------------|---------------------|--------------|---------------|---------------|----------------------|------------------|--|---------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Bal- ance | % of Total | |
| ESZ | EAVN | Fellow subsidiary | Sale | \$ (415,409) | (82) | 90 days | \$ - | - | \$ 195,824 | 89 | Note |
| EAVN | ESHY | Fellow subsidiary | Purchase | 267,461 | 20 | 90 days | - | - | (80,936) | (10) | Note |
| ESHY | EAVN | Fellow subsidiary | Sale | (267,461) | (10) | 90 days | - | - | 80,936 | 21 | Note |
| EAVN | EAH | Fellow subsidiary | Purchase | 580,877 | 43 | 90 days | - | - | - | - | Note |
| EAH | EAVN | Fellow subsidiary | Sale | (580,877) | (12) | 90 days | - | - | - | - | Note |
| EMH | EMHY | Fellow subsidiary | Purchase | 195,945 | 93 | 90 days | - | - | (39,250) | (83) | Note |
| EMHY | EMH | Fellow subsidiary | Sale | (195,945) | (70) | 90 days | - | - | 39,250 | 74 | Note |

Note: Intercompany transactions are eliminated in consolidated financial statement.

(Concluded)

TABLE 5

EASTECH HOLDING LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 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 | | |
| EAHY | EAH | Parent and subsidiary | \$ 206,947 | 3.91 | \$ - | - | \$ 16,587 | \$ - |
| | ESHY | Fellow subsidiary | 122,154 | 2.74 | - | - | 10,374 | - |
| ESHY | ETHY | Fellow subsidiary | 124,057 | 8.06 | - | - | 8,878 | - |
| ETHY | ETH | Parent and subsidiary | 1,046,062 | 4.20 | - | - | 327,404 | - |
| EAH | ETH | Parent and subsidiary | 111,243 | 0.02 | - | - | 6,202 | - |
| ESZ | EAVN | Fellow subsidiary | 195,824 | 4.10 | - | - | - | - |
| ETH | ETT | Parent and subsidiary | 305,717 | 4.36 | - | - | 180,666 | - |
| EAH | EAVN | Parent and subsidiary | 161,668 | 4.52 | - | - | - | - |

TABLE 6

EASTECH HOLDING LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 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 | 2020 EAH | EAHY | a, b | Dividend income | \$ 88,715 | Dividends | 1 |
| | | EAHY | a, b | Net revenue from sale of goods and purchase | 320,157 | Credit on transfer pricing policy | 4 |
| | | EAVN | a, b | Net revenue from sale of goods and purchase | 580,877 | Credit on transfer pricing policy | 6 |
| | | ETH | a, b | Other receivables from and other payables to related parties | 112,380 | Short-term financing, 1 year loan | 2 |
| | | | | | | | |
| 2 | EAHY | EAH | a, b | Net revenue from sale of goods and purchase | 1,116,484 | Credit on transfer pricing policy | 12 |
| | | EAH | a, b | Receivables from and payables to related parties | 206,947 | 90 days | 3 |
| | | ESHY | c | Net revenue from sale of goods and purchase | 258,527 | Credit on transfer pricing policy | 3 |
| | | ESHY | c | Receivables from and payables to related parties | 122,154 | 90 days | 2 |
| 3 | ESHY | EAH | a, b | Net revenue from sale of goods and purchase | 1,408,799 | Credit on transfer pricing policy | 16 |
| | | ETHY | c | Net revenue from sale of goods and purchase | 500,162 | Credit on transfer pricing policy | 6 |
| | | ETHY | c | Receivables from and payables to related parties | 124,057 | 90 days | 2 |
| | | EAVN | c | Receivables from and payables to related parties | 80,936 | 90 days | 1 |
| | | EAVN | c | Net revenue from sale of goods and purchase | 267,461 | Credit on transfer pricing policy | 3 |
| | | | | | | | |
| 4 | ETHY | ESHY | c | Net revenue from sale of goods and purchase | 703,088 | Credit on transfer pricing policy | 8 |
| | | ETH | a, b | Net revenue from sale of goods and purchase | 3,077,118 | Credit on transfer pricing policy | 34 |
| | | ETH | a, b | Receivables from and payables to related parties | 1,046,062 | 90 days | 16 |
| 5 | ETH | ETT | a, b | Net revenue from sale of goods and purchase | 933,967 | Credit on transfer pricing policy | 10 |
| | | ETT | a, b | Receivables from and payables to related parties | 305,717 | 90 days | 5 |
| 6 | EAVN | EAH | a, b | Receivables from and payables to related parties/other receivables from and other payables to related parties | 161,668 | 90 days/short-term financing, 1 year loan | 3 |
| | | EAH | a, b | Net revenue from sale of goods and purchase | 1,205,523 | Credit on transfer pricing policy | 13 |
| | | ETT | c | Net revenue from sale of goods and purchase | 89,181 | Credit on transfer pricing policy | 1 |
| | | ETT | c | Receivables from and payables to related parties | 88,805 | 90 days | 1 |
| | | | | | | | |
| 7 | EMHY | EMH | a, b | Net revenue from sale of goods and purchase | 195,945 | Credit on transfer pricing policy | 2 |
| 8 | ETT | ETHY | a, b | Net revenue from sale of goods and purchase | 69,207 | Credit on transfer pricing policy | 1 |
| 9 | ESZ | EAH | a, b | Net revenue from sale of goods and purchase | 82,765 | Credit on transfer pricing policy | 1 |
| | | EAVN | c | Net revenue from sale of goods and purchase | 415,409 | Credit on transfer pricing policy | 5 |
| | | EAVN | c | Receivables from and payables to related parties | 195,824 | 90 days | 3 |

(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: ESZ.

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**
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

| Investor Com- pany | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2020 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) (Note 1) | Note |
|-----------------------|---------------------|-----------|--|----------------------------|----------------------|-------------------------|--------|--------------------------------|---|---------------------------------------|------|
| | | | | December 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 | \$ 148,884 | \$ - | |
| EAH | ScS | Denmark | Research, development, production and sales of high-end speaker | 225,530 | 225,530 | 1,320,045 | 100.00 | 225,530 | 7,377 | - | |
| | ETT | Taiwan | Design and sales of smart speaker and AV electronics home entertain- ment systems | 431,452 | 497,219 | 6,530,494 | 99.98 | 431,452 | (13,708) | - | |
| | ESG | Singapore | Research and development of system architecture/new product concept/ state-of-the-art products/sound and acoustics advance technology | 1,056 | - | 50,000 | 100.00 | 1,056 | 2,111 | - | |
| | | | Sales of speakers and AV electronics home entertainment systems, smart speakers and headphones | | | | | | | | |
| | EAVN | Vietnam | Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones | 238,206 | 105,749 | - | 100.00 | 238,206 | (25,775) | - | |
| | EMH | Hong Kong | Sales of headphones and AV products | 386 | 386 | 100,000 | 100.00 | 386 | (7,476) | - | |
| | ETW | Taiwan | New technology research, product design and development | 30,000 | - | 3,000,000 | 100.00 | 30,000 | (9,697) | - | |
| ETT | ETH | Hong Kong | Sales of smart speaker and AV electronics home entertainment systems | 349,011 | 349,011 | 40,000,000 | 100.00 | 349,011 | (235,776) | - | |

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 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 December 31, 2020 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 3) | Carrying Amount as of December 31, 2020 (Note 3) | Accumulated Repatriation of Investment Income as of December 31, 2020 |
|------------------|---|---|----------------------------------|---|---------------------|--------|---|-----------------------------------|--|------------------------------------|---|---|
| | | | | | Outward | Inward | | | | | | |
| ESHY | Production and sales of speaker systems | HK\$ 9,000 | c. | \$ - | \$ - | \$ - | \$ - | \$ (33,874) | 100 | (3) | \$ 35,810 | \$ - |
| EAHY | Production, assembly and sales of speaker systems and accessories | US\$ 6,500 | c. | - | - | - | - | (30,123) | 100 | (3) | 148,826 | - |
| EMHY | Production and sales of head-phones | US\$ 2,145 | c. | - | - | - | - | (67,696) | 100 | (3) | 65,655 | - |
| ESZ | Import and export trading of audio and headphones products, machinery and equipment | RMB 2,000 | b. | - | - | - | - | (26,695) | 100 | (3) | 9,753 | - |
| ETHY | Production and sales of smart speaker and AV electronics home entertainment systems | HK\$ 58,000 | c. | - | - | - | - | (224,983) | 100 | (3) | 223,764 | - |

2. Upper Limit on the Amount of Investment in Mainland China:

| Accumulated Outward Remittance for Investment in Mainland China as of December 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****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 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 | 45.49 |

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.

VII. REVIEW AND ANALYSIS OF FINANCIAL POSITION, OPERATING RESULTS AND RISK MANAGEMENT

1. Financial position

(I) The main reasons for and the impact of the significant changes in assets, liabilities and shareholders' equity in the last two years

Unit: NT\$'000; %

| Account Items \ Year | 2019 | 2020 | Differences | |
|--|-----------|-----------|-------------|---------|
| | | | Amount | % |
| Current assets | 4,031,248 | 4,793,305 | 762,057 | 18.90% |
| Fixed assets | 751,071 | 1,052,738 | 301,667 | 40.16% |
| Other assets | 523,164 | 556,731 | 33,567 | 6.42% |
| Total assets | 5,305,483 | 6,402,774 | 1,097,291 | 20.68% |
| Current liabilities | 3,160,018 | 4,773,695 | 1,613,677 | 51.07% |
| Long-term liabilities | 154,864 | 338,035 | 183,171 | 118.28% |
| Other liabilities | 118,186 | 109,263 | (8,923) | -7.55% |
| Total liabilities | 3,433,068 | 5,220,993 | 1,787,925 | 52.08% |
| Share capitals | 615,040 | 614,550 | (490) | -0.08% |
| Capital reserves | 759,962 | 779,951 | 19,989 | 2.63% |
| Treasury shares | (24,019) | (24,019) | — | — |
| Unearned benefit of employees | (8,801) | (2,490) | 6,311 | -71.71% |
| Provision of re-valuation appreciation | — | — | — | N/A |
| Unrealized loss of financial assets measured at fair value through other comprehensive income (loss) | (29,950) | (29,950) | — | — |
| Retained earnings (including statutory surplus reserve) | 738,189 | 30,490 | (707,699) | -95.87% |
| Exchange differences on translation of foreign operations | (178,006) | (186,751) | (8,745) | 4.91% |
| Total shareholder's equity | 1,872,415 | 1,181,781 | (690,634) | -36.88% |
| Description of significant changes: (amount changed over 10% and reached 1% of the total assets of the year) | | | | |
| 1. Increase in current assets: mainly due to the increase in sales revenue in the fourth quarter in 2020 as compared to the same period last year, as well as early preparation of materials for production due to shortage of raw materials, notes receivable, accounts receivable and inventory increased as compared to the end of last year, resulting in an increase in current assets as compared to the end of last year. | | | | |
| 2. Increase in fixed assets: mainly due to the net purchases during the current period, net of constant depreciation and foreign currency exchange differences. | | | | |
| 3. Increase in total assets: due to the simultaneous increase in current assets, fixed assets and other assets, the total assets increased as compared to the end of last year. | | | | |
| 4. Increase in current liabilities: mainly due to extension of the average credit period for accounts payable in 2020, the increase in accounts payable, coupled with the increase in short-term bank borrowing, resulting in an increase in current liabilities as compared to the end of last year. | | | | |
| 5. Increase in long-term liabilities: mainly due to the increase in long-term borrowings as at the end of 2020 as compared to the same period last year, resulting in an increase in long-term borrowings as compared to the end of last year. | | | | |

| Account Items \ Year | 2019 | 2020 | Differences | |
|----------------------|--|------|-------------|---|
| | | | Amount | % |
| 6. | Increase in total liabilities: mainly due to the simultaneous increase in current liabilities and long-term liabilities, resulting in an increase in total liabilities as compared to the end of last year. | | | |
| 7. | Decrease in retained earnings: mainly due to the net loss after taxation arising in 2020 and the distribution of cash dividends of last year. | | | |
| 8. | Decrease in total shareholder’s equity: due to the decrease in retained earnings and the increase in loss from exchange differences on translation of foreign operations, resulting in a decrease in total shareholder’s equity. | | | |

(II) Future plan addressing significant impacts: there is no significant impact on the Company's finance and business.

2. Financial results

1. The main reasons for and the impact of the significant changes in operating income, operating net profit and profit before tax in the last two years.

Unit: NT\$'000; %

| Account Items \ Year | 2019 | 2020 | Differences | |
|--|------------|-----------|-------------|----------|
| | | | Amount | % |
| Operating income | 10,546,696 | 8,975,862 | (1,570,834) | -14.89% |
| Less: Sales returns and allowance | 16,322 | 34,607 | 18,285 | 112.03% |
| Net operating income | 10,530,374 | 8,941,255 | (1,589,119) | -15.09% |
| Operating costs | 9,039,923 | 8,425,032 | (614,891) | -6.80% |
| Operating gross profit | 1,490,451 | 516,223 | (974,228) | -65.36% |
| Operating expenses | 1,132,566 | 1,121,309 | (11,257) | -0.99% |
| Operating net profit (loss) | 357,885 | (605,086) | (962,971) | -269.07% |
| Non-operating income | 94,887 | (41,797) | (136,684) | -144.05% |
| Non-operating expenses and losses | 72,791 | 34,175 | (38,616) | -53.05% |
| Profit (loss) before tax | 379,981 | (681,058) | (1,061,039) | -279.23% |
| Less: income tax expenses (profits) | 71,826 | (4,702) | (76,528) | -106.55% |
| Net profit (loss) after tax | 308,155 | (676,356) | (984,511) | -319.49% |
| <p>Description of significant changes: (amount changed over 10% and reached 1% of the total assets of the year)</p> <ol style="list-style-type: none"> 1. Decrease in net operating income: mainly attributable to the continuous impact of COVID-19 epidemic in 2020 and the weakness in the global economy and consumer power which resulted in a decrease in sales revenue as compared to last year. 2. Decrease in operating gross profit: mainly attributable to the significant decrease in sales revenue as a result of the impact of COVID-19 epidemic, and the increase in the cost of raw materials as a result of the shortages and price increases due to shortages of electronic parts shared by the computer industry. In addition, due to the Vietnam plant was put into operation in an early stage and the impact of the epidemic, the factory's production capacity increased but orders did not increase correspondingly. The two places have not reached economic scale in terms of revenue, coupled with the local supply chain of the Vietnam factory is not yet complete, and most of the raw materials have to be purchased in China and then transported to Vietnam, which increased the cost of materials such as packaging, freight and customs duties. Brand customers have reduced the number of new product launches and lowered prices to stimulate consumption, which in turn has required OEMs to reduce their gross margin on orders. The gross profit of 2020 was severely impacted by a decrease in operating profit as compared to last year. 3. Increase in net operating loss: as mentioned in the 2 above, the decrease in operating profit was greater than the decrease in operating expenses. 4. Decrease in non-operating income: mainly attributable to the increase in government subsidy income for the current period was less than the decrease in project service income for the current period and the increase in exchange loss. | | | | |

| Account Items \ Year | 2019 | 2020 | Differences | |
|---|------|------|-------------|---|
| | | | Amount | % |
| 5. Increase in loss before tax: mainly attributable to the increase in operating net loss and non-operating expense. | | | | |
| 6. Decrease in income tax expenses: mainly attributable to the reversal of over-provision of income tax and increase in deferred income tax benefit for the current period. | | | | |
| 7. Increase in net loss after tax: mainly attributable to the increase in loss before tax being greater than the decrease in income tax expense. | | | | |

2. Expected sales volume and its basis, and its possible future financial impact on the Company and response plan

The company mainly sets the annual output target based on the customer's estimated demand, capacity plan and historical operating performance. The Company will pay attention to the changes in market demand from time to time in order to expand the market share, and enhance the profit of the Company. The Company's future business should be sustainable and it will maintain a good financial position.

3. Cash Flow

- (1) Analysis of changes in cash flow for the recent years

1. Analysis of changes in cash flow for the recent years

Unit: NT\$'000; %

| Items \ Year | 2019 | 2020 | Increase (decrease) amount | Percentage of increase (decrease) (%) |
|----------------------|-----------|-----------|----------------------------|---------------------------------------|
| Operating activities | 1,445,047 | (455,523) | (1,900,570) | N/A |
| Investing activities | (337,031) | (557,180) | (220,149) | -65.32% |
| Financing activities | (534,028) | 769,955 | 1,303,983 | N/A |

Analysis of changes:

- Operating activities: mainly attributable to the increase in loss before tax in 2020 as compared with same period last year, and net of adjustments for income and expenses not affecting cash flows and adjustments for net changes in current assets and liabilities, resulting in a decrease in actual operating cash flow and a decrease in cash flow from operating activities as compared with same period last year.
- Investing activities: mainly attributable to the increase in the acquisition of property, plant and equipment as compared with same period last year, net of the acquisition of additional right-to-use assets (Vietnam land use rights), resulting in an increase in net cash outflow from investing activities.
- Financing activities: mainly attributable to the increase in bank borrowings in 2020 being greater than the repayment of bank borrowings in the current period, resulting in an increase in net cash inflow from financing activities as compared with same period last year.

2. Improvement plan for insufficient liquidity

The Company and its subsidiaries have close relationship with their bankers and have established good financing and credit standing to enrich their working capital. The Company has increased the amount of medium-term bank loan facility to avoid funding long-term investment with short-term loans. Under the growth of revenue and stable profits, the Company has no threat of lacking liquidity or short of funds under reasonable liquidity requirement.

(2) Cash liquidity analysis for the coming year

The Company anticipates that with the carrying amount of cash in 2021 and by utilizing banking facilities, the overall cash requirement for capital expenditures and operation needs could be met, and its cash liquidity will be good in the coming year.

4. The impact of material capital expenditures on financial position for the latest year

The Company's acquisition of fixed assets in 2020 amounted to NT\$493,581 thousand which was regular capital expenditures, mainly for the acquisition of automated machinery and equipment and the upgrading of existing production equipment. The source of funds was self-owned funds, and the aforementioned capital investment is expected to bring relevant cash inflows in the future, so it will not have a significant impact on the financial position of the Company.

5. The equity investment policy for the latest year, the major reasons for its gain or loss, improvement plan and investment plan for the next year

(1) Equity investment policy of the Company

The current investment policy of the Company focuses on the relevant subject matter of the fundamental business without involving investments in other industries. The investment policy was implemented by the relevant implementation departments in accordance with internal control regulations including the methods of "Investment Cycle" and "Management Procedures for Acquisition and Disposal of Assets". These method or procedure have been considered and approved by the Board or / and shareholders.

(2) The major reasons for the gain or loss of the investment and its improvement plan

Unit: NT\$'000

| Investment business \ Item | Gain or (loss) recognized in 2020 | Major reasons for the gain or loss | Improvement plan |
|--|-----------------------------------|--|---|
| Eastern Asia Technology (HK) Limited ("EAH") | 148,844 | In good operating condition | N/A |
| Eastech Systems (Huiyang) Co., Ltd. ("ESHY") | (33,874) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| Eastech (Huiyang) Co., Ltd. ("EAHY") | (30,123) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| EASTECH (Huizhou) Electronics Co., Ltd. ("EAHZ") | (67,696) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| EASTECH Innovations (Shenzhen) Inc. ("ESZ") | (26,695) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| Scan-Speak A/S ("ScS") | 7,377 | In good operating condition | N/A |
| Eastech Electronics (Taiwan) Inc. ("ETT") | (13,708) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| Eastech Electronics (HK) Limited ("ETH") | (235,776) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| Eastech Electronics (Huiyang) Co., Ltd. ("ETHY") | (224,983) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| Eastech (SG) Pte. Ltd. ("ESG") | 2,111 | In good operating condition | N/A |

| Investment business \ Item | Gain or (loss) recognized in 2020 | Major reasons for the gain or loss | Improvement plan |
|---|-----------------------------------|--|---|
| Eastech (VN) Company Limited (“EAVN”) | (25,775) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| Eastech Microacoustics (HK) Limited (“EMH”) | (7,476) | The operation did not reach the scale of economy, which resulting in a loss. | Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability. |
| EASTECH Innovations (TW) Inc. (“ETW”) | (9,697) | Opened in the third quarter of 2020, it is engaged in research and development of new technologies and product design and development. Due to the start of business, the business did not reach the scale of economy, which resulting in a loss. | N/A |

(3) Investment Plan for the Next Year:

The potential investment plan in the following projects for the next year:

- (1) In 2020, the Vietnam factory is almost completed and put into normal production stage. In order to maintain the industry’s cost competitive edge, the Vietnam factory will increase investment in vertical integration. In the coming year, more investment will be made in injection moulding equipment, woodworking equipment and horn manufacturing equipment to support the existing and future production capacity of the Vietnam factory.
- (2) The real-time information management system for production, warehouse, logistics, business and engineering data continues to be optimized to enable managers to make more accurate and faster management decisions.
- (3) In response to the integration and optimization of the Mainland plant, it will undergo a re-organisation of workshops, logistics, warehouses and hardware upgrades, as well as a revamp of environmental facilities to promote green production.
- (4) Lean R&D global structure and division of labour to enhance the core value of R&D in the industry.
- (5) Expand the trading business in Vietnam by establishing a Vietnam import and export trading company.
- (6) Continuing the Company’s smart production initiative, the Company will actively increase the proportion of production automation in China and Vietnam, and integrate information technology to increase efficiency.

6. Analysis and assessment of risks for the latest year and as of the date of issue of the annual report

(1) The impact of interest rates, exchange rate changes, and inflation on the Company's profit and loss and future response measures

1. The impact of interest rates on the Company's profit and loss and future countermeasures

The Company's interest expenses in 2020 was NT\$28.640 million, accounting for about 0.3% of the net operating income, which was a minor ratio and interest rate changes have little effect on the Company.

Countermeasures:

- ① Designate staff to monitor the interest rate from time to time and adjust the use of funds in a timely manner to respond to the financial risks arising from the changes of interest rate.
- ② Evaluate the interest rate of bank borrowings from time to time and maintain a good relationship with the bank to obtain favorable interest rates.
- ③ Refer to the research report and outlook by local and foreign economic institutions and banks to grasp the future trend of interest rate.

2. The impact of changes in foreign exchange rates on the Company's profit and loss and future countermeasures

The Company's sales and purchases are mostly settled in USD, HKD and RMB. The exchange loss in 2020 was NT\$127.082 million, accounting for about 1.4% of its net operating income; the ratio was minor and the changes in foreign exchange rates has no material impact on the Company.

Countermeasures:

- ① Participate in financial institution forecast, adherence to the principle of holding the same currency as the transaction currency for payment and take the net position to avoid risks, maintain foreign exchange positions according to the future trend of foreign exchange rates to support the needs of the operations of subsidiaries of the Group and reduce the impact of changes in foreign exchange rates to profit or loss of the Company.
- ② Monitor changes in the foreign exchange market, understand the trend of changes in foreign exchange rates, and adjust according to the accidental changes in types of currency of receivables and payables in a timely manner. Under the regulative measures such as the Company's "Handling Procedures for Engaging in Derivative Products Transaction", leverage the ways of forward exchange contract and borrowing debts in foreign currency in a timely manner to reduce the impact of changes in foreign exchange rates to the profit and loss of Company.
- ③ Due to the significant increase in the proportion of RMB procurement by factories in mainland China, in order to increase the development of sales in the domestic market of the PRC, enhance the proportion of RMB income to reduce the RMB needs of working capital of sub-subsidiaries in Mainland China and reduce the needs of exchanging USD and HKD to RMB and reduce its foreign exchange risks.

3. The impact of inflation on the Company's profit and loss and future countermeasures

At present, the world is plagued by the COVID-19, as if it was the severe situation of combining SRAS, financial turmoil and 1929 Great Depression in the United States, the economy is in a depression and highly uncertain stage. The Company's products belong to consumer audio-visual brand customers, which the main sales markets are located in Europe and the United States. With the impact of China's supply chain breakage and double-breakage of market demand, the Company may face the increase in the raw material import cost and human resources cost in the future. Under each subsidiary's cooperation with the local government's anti-epidemic measures, it will not slow down the pace of adjusting the operating constitution. The original intention is to continue to transform and launch products that meet the market trend to enhance the quality and quantity of their products. At the same time, adjustments will be made to the sales strategy, cost structure and trading conditions at any time in the light of the changing market sentiment and international conditions, in order to cope with the changes in freight traffic. As a result of the rapid changes in the overall economic environment, the Company has not had any material immediate impact as a result of the abovementioned tightening crisis.

(2) The major reasons for the policies, profit or loss of high-risk, high-leverage investment, capital loan to others, endorsement guarantee and derivative commodity trading, and future response measures

The Company has formulated "Management Procedures for Acquisition and Disposal of Assets", "Operating Measures for Capital Loan to Others", "Administrative Measures for Endorsement Guarantees", and "Processes for Trading Commodity Derivatives", etc. to act as the basis of compliance for the Company and its subsidiaries to engage in relevant activities.

As of 31 March 2021, the Company did not engage in high-risk, high-leverage investments. In addition, based on the operation of each operating entity's subsidiaries and the Group's financial scheduling flexibility, the Company and its subsidiaries provide capital loans and endorsement guarantees to the 100% of the reinvested subsidiaries (or sub-subsidiaries) to reduce the Group's uneven capital allocation and reduce capital borrowing or idle cost. Actual capital loan of EAH amounted to US\$6.650 million (approximately NT\$190,223 thousand), the actual capital loan of EAH, EAVN and ETH amounted to US\$10,797 million (approximately NT\$308,848 thousand), the actual capital loan of EAHY with ESZ and ESHY amounted to RMB30.000 million (approximately NT\$131,118 thousand), the aforesaid loans and all are dealt in accordance with the relevant operating procedures regulations. Saved as the endorsement guarantees for bank borrowings provided by the Company to the Company's subsidiaries, namely EAH, ETH, ETHY and EAVN, the Company has no

other endorsement guarantees, and EAH, a subsidiary of the Company, has provided endorsement guarantees to ScS, a subsidiary of the Company, for bank borrowings, and ETHY, ESHY and EAH has provided respective endorsement guarantees to EAH, ESZ and EAVN for the business operation needs for supplier credits. The above endorsement guarantees are all carried out in accordance with the relevant operating procedures. Overall, the loans of subsidiaries and the guarantees of the parent company are the same amount while the risk is not doubled, and there is no adverse impact on the consolidated loss.

(3) Future research and development plan and expected research and development expenses

1. The research and development of products is the driving force for the development of the Company, and the focuses of research and development of the Company in 2021 are as follows:
 - (1) Cooperate with partners on the joint research and development of wireless speakers system and multi-room function system. This includes certified products for online meeting systems such as the “Meeting Speakers”.
 - (2) Continue on the research and development of the voice control system products (GVA) with differentiated Active-Echo-Cancellation (AEC) and high sound quality.
 - (3) Development and further expansion of the GVA modules and SoCs of the TV Sound Bars embedded standard to provide multiple choices of turn-key solution.
 - (4) Expand the development of the Dolby Atmos and DTS system. We will also develop MPEG-H audio for Soundbar and audio system applications.
 - (5) Research and development of innovative voice control product; especially in the fields of IoT and AI, to obtain the proprietary technologies in moving in traffic and hand gestures and face recognition technologies for the next phase of product innovation.
 - (6) Enhancement and development of new products under our own brand, the Punktkilde series sensors.
 - (7) Continue to establish long-term goals with suppliers on environmental protection, energy saving and carbon reduction, and recycling or natural decomposition of raw materials and packaging materials, etc., which will be beneficial in fulfilling the green commitment of CSR practice.

2. Research and development plan, intellectual property rights acquisition plan and estimated investment costs

The research and development expenses of the Company in 2020 was NT\$253.964 million, representing approximately 2.84% of the operating income, which decreased NT\$36.925 million when compared with the research and development expenses in 2019 of NT\$290.889 million. In 2021, the research and development expenses required to invest continuously for the sustainable development of the Company and expected to account for 3% - 5% of the revenue amount.

Regarding the Company's intellectual property rights acquisition plan, which is based on the Group's current intellectual property strategy and its corresponding built-up intellectual property management system, which further protects and acquires the intellectual property rights of the Company in a more comprehensive and effective manner. At the same time, the relevant measures are taken in advance to reduce the intellectual property risk that may be encountered in the future. A more detailed description and a list of specific intellectual property rights to be acquired in 2020 are as follows:

- **Intellectual property strategy:**

The intellectual property management strategy of the Group has been focusing on the goal of promoting and enhancing the quality and value of patents from 2019 onwards, including deployment of patent layout, development and application of core patents, and review and compilation of a patent database, etc., to effectively enhance and strengthen the technical energy achievements in the field of acoustic products, innovate business models and expand the industry's market territory.

- **Intellectual property management system:**

- [Patent]**

- Through the implementation of patent proposal management and incentives, we ensure the implementation and executive quality of the Company's intellectual property proposal application. To be precise, in order to build a solid intellectual property portfolio, the Group has been encouraging the shaping of a R&D and innovative culture within the Group by actively establishing a patent committee and a patent proposal management and award system. As resolved by the patent committee, the main axes for patent application and layout in the coming years will be based on I. Monoblock Structure, II. Loudspeaker Acoustics, III. Microphone Acoustic and IV. Mechanism, Materials and Processing.

Besides, in order to encourage the Group's R&D morale and innovation and to enable R&D staff to actively and positively propose patent proposals, with the revision of the patent proposal management and award system and the introduction of the BPM online patent proposal system, allowing patent engineers and R&D staff to efficiently grasp the progress of existing patent proposals, and to conduct FTO search analysis or patent risk warning according to the technical characteristics of the proposals, and thereby effectively examining the layout of patent application protection to strengthen and consolidate the core technology value, market industry position and increase the overall operating revenue of the Group.

[Trademark]

With the increasing globalization of the market, emerging marketing channels and the influence of various business networks, there will be an immeasurable amount of business potential. However, in order to effectively establish an acoustic brand image and innovative business models, a trademark layout and management system will be established.

In recent years, the Group has not only accelerated the development of the Asian market, but also actively expanded overseas layout. In order to prudently establish and protect the Group's brand presence under globalization and to cope with the expansion of marketing, the Group has launched a regional market trademark layout for the trademark of the Group's loudspeaker brands EASTECH and PUNKTKILDE to create business opportunities ahead of schedule and to increase the overall revenue.

Additionally, the BPM online trademark management system will also be established to regularly take stock of the Group's brand trademarks, monitor the exercise of brand rights and adjust the layout dynamically according to the Group's strategies and development trends.

[Business secrets]

Since it is advisable for some of the technology to adopt business secrets to protect its innovation and gradually improve the registration and management system of business secrets, including business secret inventory classification and registration, business secret use control and management and record retention, business secret disclosure control and management and business secret reward, punishment and relief mechanism, etc., to effectively promote the effectiveness of management tracking. At present, it has initially implemented the business secrets protection project for the automation lines in Huiyang factory.

[Copyright]

In order to promote and strengthen the intellectual property concept of respecting copyrights of others within the Group, internally, the Group has not only successively established a publicity and management mechanism and handling team that respects the copyrights of others, such as the promotion of software legalization, etc. to effectively implement respect for the creative use of compliant software of others; externally, the Group has also established a relief mechanism and response team for handling of warning letters related to intellectual rights such as copyrights. Through horizontal coordination and cooperation among departments, the division of labour and responsibilities can be clarified, achieving rapid research and judgment, active response and proper handling.

[Management system]

In addition to the aforesaid BPM online intellectual management mechanism of the Group, the Group also plans to progressively implement the relevant verifications of the Taiwan Intellectual Property Management System (TIPS) or other management systems to effectively utilize and manage the Company's intellectual property.

- **Possible intellectual property risks and countermeasures:**

With regard to the expansion of the Group's research and development base in overseas markets and manufacturing base, the risks of possible imitation or other infringement of intellectual property such as counterfeiting and other intellectual property are achieved through a thematic patent search seminar. This will enable R&D personnel to promptly grasp the emerging trends of R&D innovation in the industry and its development status, as well as the timely preparation of patent applications from various countries. In addition, the Group has designated protection targets for its core research and development manufacturing technologies, thereby promoting the protection of business secrets in its projects, so as to take corresponding measures such as point-to-point and management.

- **Intellectual property list/achievements**

In 2020, a total of ten new patents were approved and 9 of them were under review. In 2019, a total of eight new patents were approved and 16 of them were under review. More specifically, it is mainly based on the Group's business development strategy and corresponds to continuously patent applications and layouts from countries and regions including China, the United States, the European Union and Vietnam.

(4) The impact of important domestic and foreign policies and legal changes on the financial position of the Company and future countermeasures

The company was registered in the Cayman Islands, and its main operating places are Hong Kong and Mainland China. The products are eventually sold all over the world. The major economic activity of Cayman Islands is financial services. Hong Kong, the United States, Japan, Europe and Mainland China are major economies in the world, which have relatively stable economic development and political environment. The speaker systems and earphones developed and sold by the company are consumer goods, which is not a licensed or restricted industry. The implementation of the Company's various businesses are handled in accordance with important domestic and international policies and laws, and we pay attention to the important domestic and international policy development trends and legal changes, and respond to changes in the market environment and take appropriate countermeasures. Therefore, the Company has no significant matters affecting its financial position due to the changes in important policies and laws in the Cayman Islands or Mainland China.

(5) The impact of changes in technologies and industry on the financial position of the Company and future countermeasures

The business of the Company is electronic audio / audio-visual products. While hearing is one of the five senses of humans, the biological demands for sound analogy are irreplaceable. Although the sizes of traditional large speakers and wireless transmission were affected by the smaller speakers as the modern people strive for “efficiency” and “simplicity”, and wired earphones were gradually replaced by wireless Bluetooth earphones. However, both of the large and small speakers are included in the scope of business of the Company. Technologies emerged because of humanity. The Company always follows the trend and keeps abreast with the times to go forward together with our clients by introducing products with new forms, new technologies and new applications, including artificial intelligence smart audio. Therefore, there are no material adverse impact of changes in technologies and industry on the financial position of the Company.

(6) The impact of changes in corporate image on the risk management of the Company and future countermeasures

The Company is a OEM/ODM/JDM manufacturer of speaker system. Since its establishment, it focused on the operation of its main business and providing one-stop full-service acoustic solutions. The Company has the most comprehensive team in audio, structure and speaker development and engineering, and establishes good and long-term relationship with the clients of the brand. The operating results and reputation of the Company are good. Therefore, the Company should have no issue of corporate risk brought by the changes in corporate image.

(7) The expected resultant benefits, potential risks and countermeasures of implementation of mergers and acquisitions

In 2014, the Company acquired Scan-Speak A/S, a Danish famous top-tier transducer manufacturer and entered the field of top-tier speakers and premium audio brand OEM competition, as well as the provision of differentiated products of “Designed in Denmark and Made in China” to provide customers with a variety of customized choices.

In January 2015, the Company acquired ETT, an audio-visual electronic and audio OEM manufacturer, and entered the field of audio manufacturing. It has enabled the Company to acquire more market share in the acoustics industry and became a comprehensive solution provider in the acoustics sector.

The above mergers and acquisitions are conducted based on the industrial layout of the Company. The vertical integrating strategies obtain top-tier transducer brand and technologies and apply in the market of high-end speaker brands. And the expanding strategies included the OEM of audio-visual equipment. The mergers and the core competitiveness of the Company complement each other to diversify its clients and business. Restructuring the enterprise with differentiated products and niche markets to replace price competition.

(8) The expected benefits and potential risks of plant expansion and countermeasures

Due to the impact of Sino-US Trade War, the operating environment in mainland China continues to deteriorate. In addition, the operating environment in Mainland China continues to deteriorate. The Company has established a plant in Hai Duong Province, northern Vietnam for best allocation of production resources. The first-phase project of the Vietnam factory is planned by a mainland plant outsourcing processing plant. The second-phase project operates in a continuous and one-stop manner, and operates independently and concurrently with the mainland plant. The two-track independent operation can optimize the allocation of production resources and strengthen the order taking advantage, while providing customers with diverse choices.

(9) Risks and countermeasures for purchasing or sales concentration

1. The risks and countermeasures of concentration of purchasing:

In 2020, there are no companies which account for over 5% of the purchasing of the Company. The speakers industry has become mature with various upstream supplying plants and sufficient resources, and thus the risk of supply interruption is minor. Overall, there is no risk of over-concentration on purchasing.

2. The risks and countermeasures of concentration of sales of goods:

The company is a professional OEM manufacturer of speaker systems and the recipients of the output are international brand customers or their designated OEM factories. In addition to the close cooperation with brand customers, currently more than 90% of the Company's operating income comes from the revenues of designated manufacturing for customers of international brands. However, as the clients of the Company are international audiovisual brands and the Company is an important supplier of speaker/audio products for the above-mentioned audiovisual electronic brands, major international manufacturers have a considerable degree of dependence on the Company, and due to the quality, delivery and coordination, international manufacturers rarely change the purchasers and the compete with each other for growth, so there should be no risk of sales concentration.

(10) The impacts, risks and countermeasures of a large number of shares transferred or replaced by directors, supervisors or shareholders holding more than 10% of the Shares of the Company: Nil

(11) The impacts, risks and countermeasures of changes in operating rights of the Company: Nil

(12) Litigation or non-litigation events - major litigation, non-litigation or administrative arbitration event which involves the Company and Company's directors, supervisors, general managers, actual responsible person, major shareholders holding more than 10% of the Shares and its subsidiaries with judgment confirmed or still in litigation, and its consequences may have material impact on the interests of shareholders or security prices:

The Company and the Company's directors, general managers, actual responsible person, major shareholders and arbitration with a shareholding of more than 10% and its subsidiaries have no litigation, non-litigation or administrative event which may have material impact on the interests of shareholders or security prices.

(13) Other important risks and countermeasures:

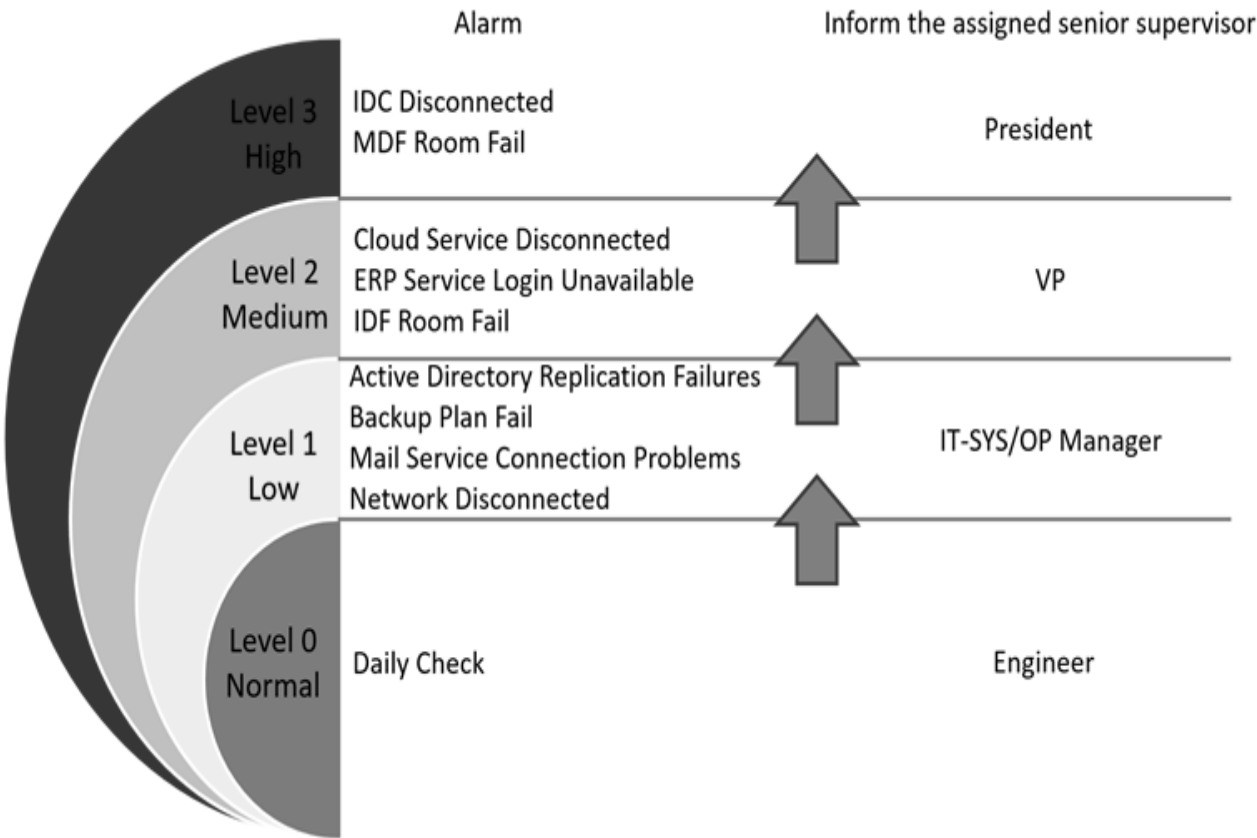
The Company has established an "Information Security Management Policy" and implemented information security management operations.

As a part of customer-centric, and deeply rooted it in orders, production, material management, financial cash flow and fundamental information systems, we have developed a diversified structure and derived four key systems from this structure, which are MES, PLM, SAP, and Mail System, respectively and countermeasures are conducted based on the following methods.

The four key systems have established a data-backup mechanism and kept the backup media in a different place, and also established a daily inspection system for the computer room, and conducted simulation tests and emergency response of the computer room every quarter to ensure the normal operation of critical system and data security. The risk of system disruption caused by natural disasters and human error can be reduced to ensure the expected system recovery target time is met.

In addition to substantial investment in traditional information security, the information and legal departments jointly hold an information security seminar in each fiscal year. In addition to sharing the latest hacking attack methods, it also aims at improving users' information security awareness. A risk management framework with reporting mechanism to upper levels is established for disaster contingency and control. The framework is the basis for IT policies and standards while ensuring continuous compliance and compliance with the latest security measures.

Since 2020, the IT information policy has been transformed into a cloud-based strategic layout that will gradually migrate critical systems to the cloud platform each year, the migration of SAP and Mail System to the cloud platform is now completed, with the characteristics of cloud services that prevent any company from being exposed to the risk of being unmanageable due to natural disasters, thus affecting the IT systems of a single node. It can also reduce APT, DDoS, Zero-day Vulnerability and other attacks from the Internet through the cloud platform. On the other hand, it can also avoid the risk of a single node IT service interruption caused by the shutdown of a specific operating location similar to the impact of the COVID-19 in 2019.



7. Other significant matters: Nil

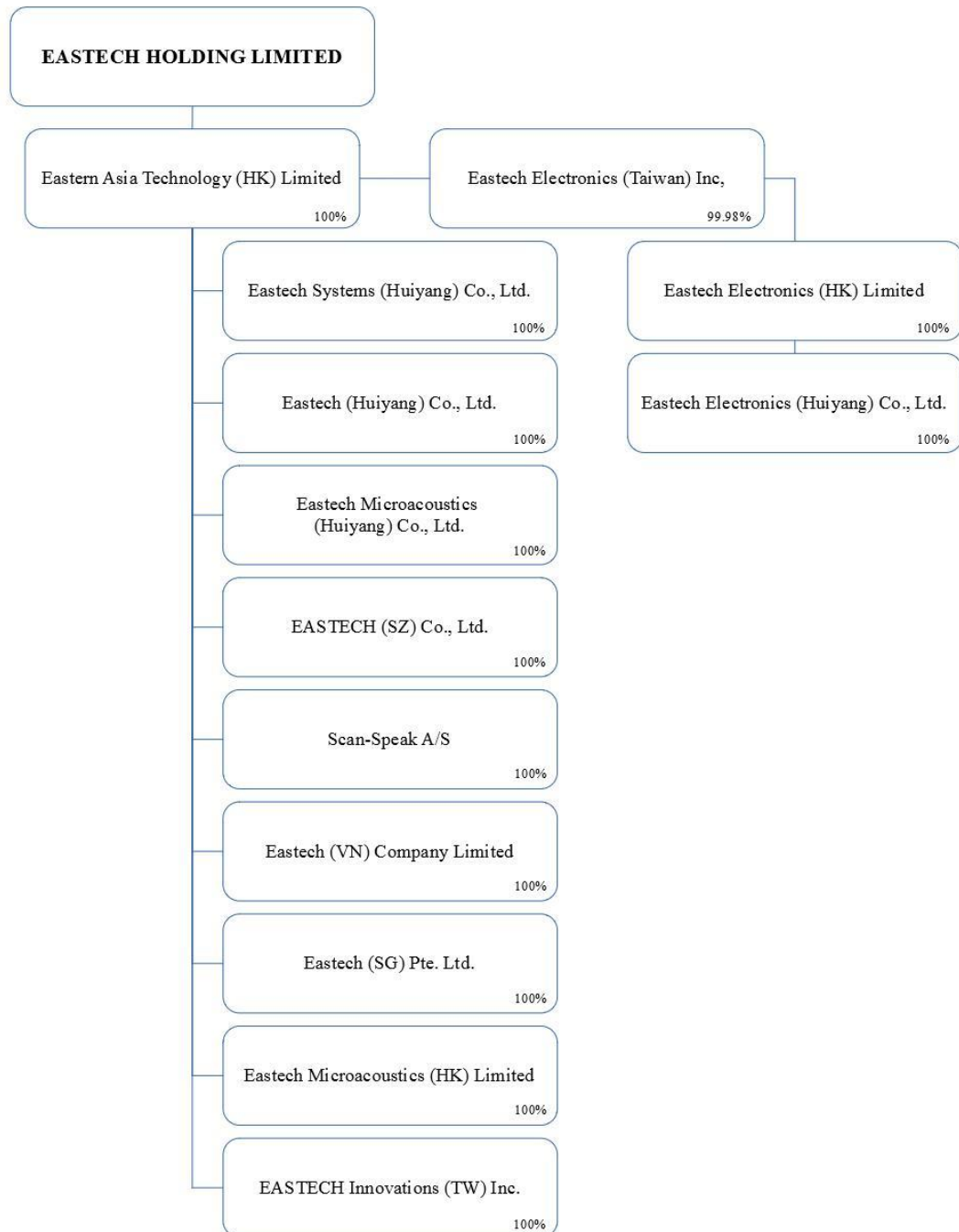
VIII. Special Disclosure

1. Information on affiliates for the latest year

(a) Consolidated business reports of affiliated enterprises

1. Affiliated enterprises diagram

31 December 2020



Note: In February 2021, Eastech Microacoustics (Huiyang) Co., Ltd. renamed into EASTECH (Huizhou) Electronics Co., Ltd. (“EAHZ”).

2. Basic information of each affiliated enterprises

31 December 2020; Unit: dollar

| Company | Date of Establishment | Contact Address | Paid-in capital | Principal Business or Products |
|---------|-----------------------|--|-----------------|---|
| EAH | 12 January 1988 | Unit 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong | HKD 80,000,000 | Sales of speaker systems and earphone products |
| EAHY | 07 August 1995 | Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC | USD 6,500,000 | Production, assembly and sales of speaker systems and components |
| EAHZ | 07 November 2002 | Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC | USD 2,144,900 | Production and sales of earphones |
| ESHY | 06 October 1995 | Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC | HKD 9,000,000 | Production and sales of speaker systems |
| ESZ | 13 November 2013 | 8 Floor, International KeJi Mansion, 3007 Shen Nan Middle Road, Futian District, Shenzhen | RMB 2,000,000 | Import and export of audio systems and earphone products, components and mechanical equipment |
| ScS | August 1983 | N.C. Madsensvej 1, 6920 Videbaek, Denmark | DKK 1,320,045 | Research and development, production and sales of high-end speakers |
| ETT | 04 November 1992 | 8F, No.188, Baoqiao Rd., Xindian Dist., New Taipei City | NTD 65,316,430 | Design and sales of smart speakers and audio/video electronic home entertainment systems |
| ETH | 14 March 1996 | Unit 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong | HKD 40,000,000 | Sales of smart speakers and audio/video electronic home entertainment systems |
| ETHY | 01 January 1997 | Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC | HKD 58,000,000 | Design and sales of smart speakers and audio/video electronic home entertainment systems |
| ESG | 04 October 2017 | 1Pemimpin Drive, #08-06 One Pemimpin, Singapore 576151 | SGD 50,000 | Research and development of system architecture/new product concepts/state-of-the-art products and sound and acoustic advanced technology |
| EAVN | 25 January 2019 | Lot B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam | USD 8,500,000 | Production, assembly and sales of unit speakers/Bluetooth speakers and headphones |
| EMH | 30 August 2019 | Room 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong | HKD 100,000 | Sales of headphones and audiovisual products |
| ETW | 2 July 2020 | One of the 8th Floor, No. 188, Baoqiao Road, Xindian District, New Taipei City | NTD 30,000,000 | New technology development and product design development |

3. Presumption of relationship of control or subordination, information of the shareholders in common: Nil

4. The industries covered by the business of the overall affiliated company

(1) The business operations of the Company and its affiliates include: manufacturing and sales of speaker systems and headphones products; design, manufacturing and sales of high-end/ smart speakers and audio/video electronic home entertainment systems; research and development of system architecture/new product concept/state-of-the-art products and sound and acoustic advanced technology

(2) Details of segregation of functions:

| Company Name | Principal business or production items | Details of segregation of functions |
|--------------|---|---|
| EAH | Investment holding, trading | Holding company, trading of audio products |
| EAHY | Audio products production | Production and sales of audio products to affiliated companies |
| EAHZ | Headphones products production | Production of headphones and sales to the parent |
| ESHY | Audio products production | Audio products production and domestic sales in China |
| ESZ | Import and export of audio products and materials | Audio products and materials import and export business |
| ScS | Transducer manufacturing and processing, sales of self-brand products | Transducer manufacturing and processing, sales of Danish self-brand products |
| ETT | Electronic products procurement, wholesale | Receiving trade orders for audio products, procurement of certain spare parts in Taiwan |
| ETH | Trading of Electronic products | Receiving trade orders and sales of audio products |
| ETHY | Production and sales of electronic products | Domestic sales in China and export sales to affiliated companies of audio products |
| ESG | Development and design of electronic products | Singapore R&D center |
| EAVN | Production of various audio products | Audio products production and its domestic and export sales |
| EMH | Sales of headphones products | Trading of headphones products |
| ETW | Research, development and design on acoustic technology | Taiwan R&D Centre |

5. Operational results of each affiliate enterprise

31 December 2020; Unit: except the amount of capital is denominated in foreign currency, the rest are denominated in NTD thousands

| Company | Amount of capital | Total Assets | Total Liabilities | Net Assets | Operating revenue | Operating profit (loss) | Current profit and loss | Earnings (loss) per share (dollar) |
|---------|-------------------|--------------|-------------------|------------|-------------------|-------------------------|-------------------------|------------------------------------|
| EAH | HKD80,000,000 | 2,099,939 | 779,449 | 1,320,489 | 4,863,543 | (18,088) | 148,884 | 1.86 |
| EAHY | USD 6,500,000 | 1,050,725 | 307,411 | 743,314 | 1,409,872 | (40,269) | (30,123) | N/A |
| EAHZ | USD 2,144,900 | 182,516 | 115,672 | 66,844 | 278,871 | (68,948) | (67,696) | N/A |
| ESHY | HKD 9,000,000 | 712,328 | 607,925 | 104,403 | 2,744,375 | (16,047) | (33,874) | N/A |
| ESZ | RMB 2,000,000 | 283,816 | 300,906 | (17,089) | 506,561 | (6,057) | (26,695) | N/A |
| ScS | DKK1,320,045 | 154,444 | 81,615 | 72,828 | 177,851 | 10,811 | 7,377 | 5.59 |
| ETT | NTD 65,316,430 | 936,889 | 655,751 | 281,138 | 1,147,034 | (41,156) | (13,708) | (1.44) |
| ETH | HKD 40,000,000 | 1,549,291 | 1,618,224 | (68,933) | 3,082,518 | (237,614) | (235,776) | (5.89) |
| ETHY | HKD 58,000,000 | 2,948,328 | 2,584,952 | 363,377 | 4,601,545 | (184,865) | (224,983) | N/A |
| ESG | SGD50,000 | 9,376 | 3,313 | 6,063 | 0 | (25,332) | 2,111 | 42.22 |
| EAVN | USD3,500,000 | 48,217 | 55,050 | (6,833) | 206,869 | (10,167) | (7,476) | N/A |
| EMH | HKD100,000 | 1,384,702 | 1,195,457 | 189,245 | 1,365,348 | (27,526) | (25,775) | (74.76) |
| ETW | NTD30,000,000 | 28,125 | 7,822 | 20,303 | 0 | (9,703) | (9,697) | (3.23) |

Note: Limited company without shares

6. Information of directors, supervisors and general managers of each affiliate enterprise

| Company | Position | Name or representative | Shareholding | |
|---|------------|------------------------|------------------------|--------------------------------|
| | | | No. of shares (shares) | Percentage of Shareholding (%) |
| Eastern Asia Technology (HK) Limited | Directors | Pai Chin Chang | 0 | 0 |
| | Directors | Wong Kar Sue | 0 | 0 |
| Eastech (Huiyang) Co., Ltd. | Directors | Liou Jenq Lin | 0 | 0 |
| | Directors | Lam Pui Man | 0 | 0 |
| EASTECH (Huizhou) Electronics Co., Ltd. | Directors | Low Weng Seet | 0 | 0 |
| | Directors | Liou Jenq Lin | 0 | 0 |
| | Directors | Hui Man Wai | 0 | 0 |
| | Directors | Lin Ji Xiong | 0 | 0 |
| Eastech Systems (Huiyang) Co., Ltd. | Directors | Liou Jenq Lin | 0 | 0 |
| | Directors | Leung Hung Sun | 0 | 0 |
| | Directors | Low Weng Seet | 0 | 0 |
| | Directors | Lam Pui Man | 0 | 0 |
| EASTECH Innovations (Shenzhen) Inc. | Directors | Leung Hung Sun | 0 | 0 |
| | Directors | Lin Ji Xiong | 0 | 0 |
| Scan-Speak A/S | Directors | Liou Jenq Lin | 0 | 0 |
| | Directors | Chang Tung I | 0 | 0 |
| | Directors | Teng Chiou Shiang | 0 | 0 |
| | Directors | Colleen Lois Hallam | 0 | 0 |
| Eastech Electronics (Taiwan) Inc. | Directors | Chang Tung I | 0 | 0 |
| | Directors | Teng Chiou Shiang | 0 | 0 |
| | Directors | Chang Po Chao | 0 | 0 |
| | Supervisor | Lam Pui Man | 0 | 0 |
| Eastech Electronics (HK) Limited | Directors | Liou Jenq Lin | 0 | 0 |
| | Directors | Lam Pui Man | 0 | 0 |
| Eastech Electronics (Huiyang) Co., Ltd. | Directors | Liou Jenq Lin | 0 | 0 |
| | Directors | Chang Tung I | 0 | 0 |
| | Directors | Teng Chiou Shiang | 0 | 0 |
| | Directors | Lee Kheng Wee | 0 | 0 |
| Eastech Microacoustics (HK) Limited | Directors | Lam Pui Man | 0 | 0 |
| | Directors | Teng Chiou Shiang | 0 | 0 |
| EASTECH Innovations (TW) Inc. | Directors | Chang Tung I | 0 | 0 |
| | Directors | Teng Chiou Shiang | 0 | 0 |
| | Directors | Chang Po Chao | 0 | 0 |
| | Supervisor | Lam Pui Man | 0 | 0 |

(b) Consolidated financial statements of affiliated enterprises: same with the consolidated financial statements, please refer to pages 156 to 231.

(c) Declaration on consolidated statement: not applicable.

2. Private placement of securities during the latest year and as of the date of issue of annual report: nil.

3. The Company's shares held or disposed of by subsidiaries during the latest year and as of the date of issue of annual report

Unit: NTD thousands; shares; %

| Subsidiary (note 1) | Paid-in capital | Source of funds | Shareholdin g percentage of the Company | Date of acquisition or disposal | Number of shares acquired and amount | Number of shares disposed of and amount | Investm ent gains or losses | Number of shares held and amount as at the publication date of the annual report (note 2) | Creation of pledge | Endorsement and guarantee amount for subsidiaries by the Company | Loans to subsidiaries by the Company |
|---|--------------------|-------------------------|---|---------------------------------------|--|---|-----------------------------------|---|-----------------------|--|--|
| Eastech Electronics (Taiwan) Inc. | \$65,316 | Self- owned funds | 99.98% | Acquired in February 2013 | 453,000 shares and \$27,617 | 0 | 0 | Number of shares: 453,000 shares Amount: 10,057 | 0 share | 0 | 0 |

Note 1: Acquired in January 2015.

Note 2: Based on the closing price of NTD 22.20 on 31 March 2021.

4. Other required supplementary notes: nil.

5. Matters which have a significant impact on shareholders' equity or securities prices as stipulated in Article 36(3)(ii) of the Securities and Exchange Act during the latest year and as of the date of issue of annual report:

On 15 March 2021, the Board of Directors of the Company resolved and approved the signing of the "Equity Transfer Agreement" between Eastern Asia Technology (HK) Limited, a 100% re-invested subsidiary of the Company and Shangnanfei Trading (Shenzhen) Co., Ltd., a non-related party (the "Purchaser"). It is resolved to sell 100% of the equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. located in Guangdong Province to the Purchaser for a total amount of RMB365 million, with the transaction price of RMB150 million received in advance. The delivery of equity interests is expected to be completed in the fourth quarter of 2021. After the disposal of the equity interests, the Company will leaseback in the factory at the same site, and continue to operate in Mainland China with a leaner production line and at an optimal scale, with no change in orders, customers or operating model.

6. Explanation for significant discrepancy with national regulations on shareholders' rights protection:

| Important matters for shareholders' rights protection | Relevant rules of the Company Act or the Securities and Exchange Act | Provisions under the Articles of Association and explanation for discrepancy |
|---|---|---|
| The convening procedures and way of resolution of the general meeting | | |
| <p>The major contents of the following matters shall be set out in the notice of the reasons for convening the general meeting, and shall not be raised by provisional motion (the major contents of which shall be published on the websites designated by the competent authorities or the company, and the website link shall be set out in the notice):</p> <ol style="list-style-type: none"> (1) Election or dismissal of directors and supervisors; (2) Alteration of the Articles of Association; (3) Reduction of capital; (4) Application for the ceasing of public issue; (5) Dissolution, merger, conversion of shares and demerger of the company; (6) Enter into, amend, or terminate any contract for lease of the company's entire business, or for entrusted business, or for regular joint operation with others; (7) Assignment of the whole or any essential part of its business or assets; (8) Taking up of the whole business or assets of other parties which has great significance on the business operation of the company; (9) Private placement of quoted equity securities; (10) Approval of engagement in competing activities with the company by directors; (11) Distribution of whole or part of the dividends and bonuses by way of issuing new shares; (12) Distribution of statutory surplus reserve and | Article 172 of the Company Act and Article 26-1 and Article 43-6 of the Securities and Exchange Act | There is no concept of supervisor in the Cayman Companies Law, and the Company has established an audit committee, therefore the Articles of Association do not include provisions for supervisors. The rest are all required under the Articles of Association of the Company. |

| Important matters for shareholders' rights protection | Relevant rules of the Company Act or the Securities and Exchange Act | Provisions under the Articles of Association and explanation for discrepancy |
|---|---|--|
| capital reserve arising from share issue at a premium or gift or donation to the original shareholders by way of issuing new shares or cash. | | |
| <p>The following resolutions involve material interests of shareholders, and shall be attended by over two-thirds of the shareholders representing the total shares issued, and the resolutions shall be approved upon over half of the voting rights voted in favor of the resolution. If the attended shareholders' shares do not meet the aforesaid requirement, there shall be over half of the shareholders of the total shares issued to attend, and the resolutions shall be approved upon over two-thirds of the voting rights vote in favor of the resolution:</p> <ol style="list-style-type: none"> 1. The company enters into, amends, or terminates any contract for lease of the company's entire business, for entrusted business, or for regular joint operation with others, transfers the whole or any essential part of its business or assets, accepts the transfer of other party's entire business or assets, which has great significance on the business operation of the company; 2. Alteration of the Articles of Association; 3. Where the alteration of the Articles of Association prejudices the interests of preferred stock shareholders, such alteration shall be subject to resolution at the preferred stock shareholders meeting; 4. Distribution of dividends and bonuses in whole or part by way of issuing new shares; | <ol style="list-style-type: none"> 1. Article 185 of the Company Act 2. Article 277 of the Company Act 3. Article 159 of the Company Act 4. Article 240 of the Company Act 5. Article 316 of the Company Act | <ol style="list-style-type: none"> 1. As provided in the Cayman Companies Law: Special resolution as defined under the Cayman Companies Law refers to: The notice of the reasons for convening the general meeting sets out the special resolution to be considered, and the resolution approved by over two-thirds of shares which are entitled to vote at the general meeting. Pursuant to the Cayman Companies Law, the following matters shall be considered and approved at the general meeting of the company by way of special resolution: (1) requirements for altering the Memorandum with respect to any objectives, powers or other matters specified; (2) requirements for altering or adding to the Articles of Association; (3) reduction of capital of the company; (4) voluntary dissolution for reasons other than not able to repay debts when due; (5) merging with other companies. 2. The Articles of Association of the Company provide that: For the purpose of differentiating from the "special resolution" required by the Cayman Companies Law, and to comply with the relevant requirements under the Company Act of ROC, Article 2(a)(47) of the Company's Articles of Association defines "a special resolution of the Company passed in accordance with the Law, being a resolution passed by a majority of at least two-thirds of such Shareholders at a general |

| Important matters for shareholders' rights protection | Relevant rules of the Company Act or the Securities and Exchange Act | Provisions under the Articles of Association and explanation for discrepancy |
|---|--|---|
| 5. Resolution related to dissolution, merger, or demerger of shares of the company; | | <p>meeting of the Company of which notice has been duly given" as "special resolution"; Article 2(a)(52) defines "a resolution passed by a majority vote of the Shareholders at a general meeting attended by the Shareholders who represent not less than two-thirds of all issued and outstanding Shares entitled to vote" as "type A special (supermajority) resolution"; Article 2(a)(53) defines "a resolution passed by two-thirds majority of the Shareholders at a general meeting attended by the Shareholders who represent at least a majority of all issued and outstanding Shares entitled to vote" as "type B special (supermajority) resolution".</p> <p>A summary of which is as follows:</p> <p>(1) Pursuant to Article 30 and Article 148 of the Articles of Association of the Company, the following matters shall be approved at the general meeting by way of "special resolution": (a) change of company name; (b) change of currency denomination of the share capital; (c) reduction of share capital and capital redemption reserve fund; (d) voluntary dissolution of the Company; (e) issue of securities by private placement; (f) merging with other companies; (g) alteration of Memorandum and Articles of Association.</p> <p>(2) Pursuant to Article 31 of the Articles of Association of the Company, the following matters shall be approved at the general meeting by way of "type A special (supermajority) resolution", if the attended shareholders' shares do not meet the aforesaid requirement, the matters shall be approved by way of "type B special (supermajority) resolution": (a) enter into, amend, or terminate any</p> |

| Important matters for shareholders' rights protection | Relevant rules of the Company Act or the Securities and Exchange Act | Provisions under the Articles of Association and explanation for discrepancy |
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| | | <p>contract for lease of the company's business in whole, for entrusted business, or for regular joint operation with others; (b) transfer the whole or any essential part of its business or assets; (c) take over the transfer of another's whole business or assets, which will have a material effect on the business operation of the company; (d) distribute part or all of its dividends or bonus by way of issuance new shares; (e) effect any Spin-off in accordance with the Taiwan Laws; (f) cease to be a public company in Taiwan and ceased to be listed on a stock market; and (g) offer or issue shares with the rights subject to certain restrictions set by the Company in accordance with the Taiwan Laws to the employees of the Company and/or its subsidiaries.</p> <p>(3) Explanation for discrepancy:</p> <p>As stated by the Cayman lawyer, the Articles of Association of Cayman companies shall comply with the requirements of Cayman Companies Law. In case of contradiction, the requirements of Cayman Companies Law shall prevail. "Special resolution" is a legal term as required by the Cayman Companies Law. Matters considered to be "special resolution" pursuant to the Cayman Companies Law shall be considered by the shareholders by way of "special resolution" in accordance with the Articles of Association, whereas any matters approved without meeting the minimum votes required by the Cayman Companies Law shall be invalid under the Cayman Companies Law. Furthermore, for resolution to be considered by way of "special resolution", the Cayman Companies Law</p> |

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| | | <p>requires companies to specifically indicate the resolution to be considered by way of "special resolution" at the general meeting. To comply with the Cayman Companies Law's relevant requirements related to "special resolution", matters related to "alteration of the Articles of Association", "dissolution" as well as "merger" as required by Article 30 and Article 148 of the Articles of Association of the Company, shall be approved by way of "special resolution" other than "type A special (supermajority) resolution" or "type B special (supermajority) resolution".</p> <p>(4) The impact on the shareholders in Taiwan:</p> <p>Matters required by the Taiwan Laws in relation to the "protection of shareholders' rights" to be approved by way of supermajority resolution (other than alteration of the Articles of Association, dissolution and merger) have been approved by way of type (A) special (supermajority) resolution or type (B) special (supermajority) resolution pursuant to Article 31 of the Articles of Association, which are in accordance with relevant requirements under the Taiwan Laws in relation to the "protection of shareholders' rights".</p> <p>For matters such as "alteration of the Articles of Association", "dissolution" as well as "merger", they shall be handled by way of "special resolution" pursuant to the Cayman Companies Law, which are not able to be amended according to the Taiwan Laws in relation to the "protection of shareholders' rights". However, as the requirement for voting power right in respect of "special resolution" under</p> |

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| | | the Cayman Companies Law (approved upon two-thirds of voting rights vote in favor of the resolution) is principally not lower than the requirements under the Company Act of ROC, therefore, such part of the Articles of Association of the Company shall have no adverse impact on the shareholders. |
| Authorities and responsibilities of directors | | |
| <ol style="list-style-type: none"> 1. The term of office of a director or supervisor shall not exceed three years; but he/she may be eligible for re-election. 2. In the process of electing directors or supervisors at a general meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of more than one candidate. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. | <ol style="list-style-type: none"> 1. Article 195 (1) of the Company Act 2. Article 198 of the Company Act 3. Article 199(1) of the Company Act 4. Article 217(1) of the Company Act 5. Article 227 of the Company Act | There is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors. |
| <ol style="list-style-type: none"> 1. The qualifications, composition, election, dismissal, exercise of powers and matters for compliance of directors, independent directors, members of remuneration committee and audit committee or supervisors shall comply with the requirements under the Securities and Exchange Act of ROC. | Article 14-2, Article 14-4, Article 14-5, Article 14-6 and Article 26-3 of the Securities and Exchange Act | There is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors. |
| <ol style="list-style-type: none"> 1. The transfer of more than half of the company's | Article 197 and Article 227 | There is no concept of supervisor in the Cayman Companies |

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| <p>shares held during the term by directors (excluding independent directors) or supervisors of the company, shall result in their automatic discharge.</p> <p>2. Upon being elected, transfer of more than half of the company's shares held before the taking of office or transfer of more than half of the shares held during the period of suspension of share transfer prior to the general meeting by the directors (excluding independent directors) or supervisors, the election shall be deemed invalid.</p> | <p>of the Company Act and Article 14-2 of the Securities and Exchange Act</p> | <p>Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.</p> |
| <p>1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.</p> <p>2. The term of office of a supervisor shall not exceed three years, and may be eligible for re-election.</p> <p>3. In the event all supervisors of a company are discharged, the board of directors shall, within 60 days, convene a special meeting of shareholders to elect new supervisors.</p> <p>4. Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company, inspect, transcribe or make copies of the accounting books and documents, and request the board of directors or the management to make reports thereon.</p> | <p>Article 216 to Article 222 of the Company Act</p> | <p>There is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.</p> |

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| <ol style="list-style-type: none"> 5. Supervisors shall audit the various statements and records prepared for submission to the general meeting by the board of directors, and shall give a report of their findings and opinions at the meeting of shareholders. 6. In performing auditing business, the supervisors may appoint, on behalf of the company, a practicing lawyer and a certified public accountant to conduct the examination. 7. Supervisors of a company shall attend the meeting of the board of directors to express their opinions. In case the board of directors or any director commits any act when carrying out the business operations of the company in violation of the laws, regulations, the Articles of Association or the resolutions of the general meeting, the supervisors shall forthwith advise, by notice, the board of directors or the director, as the case may be, to cease such act. 8. Supervisors shall each exercise the supervision power independently. 9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company | | |
| <ol style="list-style-type: none"> 1. Shareholder(s) who has/have been continuously holding 1% or more of the total number of the company's shares issued over six months may request the supervisors of the company in writing to institute, for the company, an action against a director of the company, and the Taiwan Taipei | <p>Article 200, Article 214, Article 220 and Article 227 of the Company Act</p> | <p>There is no concept of supervisor in the Cayman Company Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.</p> |

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| <p>District Court shall be the first instance court.</p> <p>2. In case the supervisors fail to institute an action within 30 days after having received the request of shareholders, the shareholders may then institute the action for the company, and the Taiwan Taipei District Court shall be the first instance court.</p> <p>3. Subject to the condition that the board of directors does not or is unable to convene a meeting of shareholders, the supervisors may, for the benefit of the company, call a meeting of shareholders when it is deemed necessary.</p> | | |
| <p>1. A director of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting business operation of the company. If the directors of a company have caused damage to any other person, he/she shall be liable for the damage to such other person. In case the directors of a company do anything for themselves or on behalf of another person in violation of the provisions, the general meeting may, by a resolution, consider the earnings generated from such an act as earnings of the company.</p> <p>2. If a director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage so caused.</p> | <p>Article 8(2) and (3) and Article 23(3) of the Company Act</p> | <p>Although the Company has included the summary of the above requirements in the Articles of Association, according to the opinion of Cayman lawyer, pursuant to the Cayman common law, the Articles of Association aim to standardize the rights and responsibilities between the company and the shareholders, which has no binding effect on third parties. In respect of the violation of loyalty and exercising due care of a good administrator by a director and causing damage to the company, the company may claim for compensation pursuant to Cayman common law or the appointment agreement entered into with the director. However, as required by the Articles of Association, for considering the earnings of third parties as earnings of the company or the director shall be liable jointly with the company for the damage to other person, the above requirements may not be able to be executed under the Cayman common law since the third parties are not bound by the Articles of Association of the company. Moreover, there is no concept of supervisor in the Cayman Companies Law, and as the Company has</p> |

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| 3. Managerial personnel and supervisor of a company, in the course of conducting the business operations, shall be liable for the same damage that the director is liable for. | | established the audit committee, therefore the Articles of Association do not include requirements for supervisors. |
| Where a juristic person acts as a shareholder of a company, its authorized representative may also be elected as a director or supervisor of the company. If there are more than one such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as a director or supervisor of the company. | Article 27(2) of the Company Act | A director of a Cayman company may be a natural person or juristic person, however the juristic person can only be elected as one director, and may authorize representative to conduct the business operations, yet the concept of representatives of juristic person being elected as multiple directors in the Cayman Companies Law. And there is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors. |