

# **Eastech Holding Limited and Subsidiaries**

## **Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020 and Independent Auditors' Review Report**

### *Notice to Readers*

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

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Eastech Holding Limited

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Eastech Holding Limited ("Eastech") and its subsidiaries (collectively, the "Group") as of March 31, 2021 and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended March 31, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Accounting Standards 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2021 and 2020 in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 7, 2021

*Notice to Readers*

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 669,308	11.30	\$ 1,109,289	17.32
Financial assets at fair value through profit or loss (Note 7)	310	0.01	260	-
Notes and accounts receivable, net (Notes 8, 19 and 23)	1,454,364	24.55	1,943,005	30.35
Inventories (Notes 10 and 23)	833,081	14.06	1,233,314	19.26
Non-current assets held for sale (Notes 4 and 11)	1,542,286	26.04	-	-
Restricted assets (Notes 6 and 23)	14,022	0.24	21,047	0.33
Income tax refund recoverable	637	0.01	4	-
Other receivables and prepayments (Note 9)	316,898	5.35	486,386	7.60
Total current assets	4,830,906	81.56	4,793,305	74.86
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 12 and 23)	742,107	12.53	1,052,738	16.44
Financial assets at fair value through profit or loss - non-current (Note 7)	83,496	1.41	83,496	1.31
Right-of-use assets (Note 13)	78,263	1.32	185,875	2.90
Intangible assets (Notes 14 and 23)	182,719	3.08	275,206	4.30
Deferred tax assets (Note 4)	5,853	0.10	12,154	0.19
Total non-current assets	1,092,438	18.44	1,609,469	25.14
<b>TOTAL</b>	<b>\$ 5,923,344</b>	<b>100.00</b>	<b>\$ 6,402,774</b>	<b>100.00</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term bank borrowings (Note 15)	\$ 1,145,975	19.34	\$ 1,142,073	17.84
Financial liabilities at fair value through profit or loss (Note 7)	7,527	0.13	-	-
Notes and accounts payable (Note 16)	1,083,433	18.29	3,016,480	47.11
Lease liabilities - current (Note 13)	17,328	0.29	22,524	0.35
Liabilities directly associated with non-current assets held for sale (Notes 4 and 11)	1,666,875	28.14	-	-
Current tax liabilities (Note 4)	5,143	0.09	2,449	0.04
Other payables (Note 16)	530,108	8.95	590,169	9.22
Total current liabilities	4,456,389	75.23	4,773,695	74.56
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Note 13)	17,399	0.30	60,551	0.94
Long-term bank borrowings (Note 15)	324,766	5.48	269,795	4.21
Deferred tax liabilities (Note 4)	68,339	1.15	109,263	1.71
Other payable - non-current	7,500	0.13	7,689	0.12
Total non-current liabilities	418,004	7.06	447,298	6.98
Total liabilities	4,874,393	82.29	5,220,993	81.54
<b>EQUITY (Note 18)</b>				
Share capital - common stock	614,180	10.37	614,550	9.60
Capital surplus	777,156	13.12	779,951	12.18
Treasury shares	(24,019)	(0.41)	(24,019)	(0.37)
Exchange differences on translating foreign operations	(57,731)	(0.97)	(186,751)	(2.92)
Employee unearned benefits	(1,747)	(0.03)	(2,490)	(0.04)
Unrealized losses on financial assets at fair value through other comprehensive income	(29,950)	(0.51)	(29,950)	(0.47)
Retained earnings				
Legal reserve	5,898	0.10	65,002	1.02
Unappropriated earnings	(179,545)	(3.03)	(34,512)	(0.54)
Equity directly associated with non-current assets held for sale (Notes 4 and 11)	(55,291)	(0.93)	-	-
Total equity	1,048,951	17.71	1,181,781	18.46
<b>TOTAL</b>	<b>\$ 5,923,344</b>	<b>100.00</b>	<b>\$ 6,402,774</b>	<b>100.00</b>

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

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Note 19)	\$ 1,908,528	100.00	\$ 1,158,099	100.00
COST OF REVENUE (Note 10)	<u>1,805,180</u>	<u>94.59</u>	<u>1,140,787</u>	<u>98.51</u>
GROSS PROFIT	<u>103,348</u>	<u>5.41</u>	<u>17,312</u>	<u>1.49</u>
OPERATING EXPENSES				
Selling and distribution	41,703	2.19	47,734	4.12
General and administrative	<u>187,675</u>	<u>9.83</u>	<u>237,956</u>	<u>20.55</u>
Total operating expenses	<u>229,378</u>	<u>12.02</u>	<u>285,690</u>	<u>24.67</u>
LOSS FROM OPERATIONS	<u>(126,030)</u>	<u>(6.61)</u>	<u>(268,378)</u>	<u>(23.18)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 19)	20,151	1.06	25,141	2.17
Foreign exchange loss, net (Note 25)	(11,816)	(0.62)	(12,873)	(1.11)
Finance costs (Note 19)	(9,276)	(0.49)	(5,861)	(0.50)
Other losses (Note 19)	<u>(15,504)</u>	<u>(0.81)</u>	<u>(191)</u>	<u>(0.02)</u>
Total non-operating income and expense	<u>(16,445)</u>	<u>(0.86)</u>	<u>6,216</u>	<u>0.54</u>
LOSS BEFORE INCOME TAX	(142,475)	(7.47)	(262,162)	(22.64)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 20)	<u>(2,558)</u>	<u>(0.13)</u>	<u>874</u>	<u>0.08</u>
NET LOSS FOR THE PERIOD	<u>(145,033)</u>	<u>(7.60)</u>	<u>(261,288)</u>	<u>(22.56)</u>
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>14,625</u>	<u>0.77</u>	<u>(10,302)</u>	<u>(0.89)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (130,408)</u>	<u>(6.83)</u>	<u>\$ (271,590)</u>	<u>(23.45)</u>

(Continued)

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

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	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
LOSS PER SHARE (Note 20)				
Basic loss per share after income tax	<u>\$(2.38)</u>		<u>\$(4.28)</u>	
Diluted loss per share after income tax	<u>\$(2.38)</u>		<u>\$(4.28)</u>	

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

(Concluded)

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

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

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings		Equity Directly Associated with Non-current Assets Held for Sale	Total Equity
							Legal Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2020	\$ 615,040	\$ 759,962	\$ (24,019)	\$ (178,006)	\$ (8,801)	\$ (29,950)	\$ 56,989	\$ 681,200	\$ -	\$ 1,872,415
Appropriation of 2019 earnings										
Cash dividends	-	-	-	-	-	-	-	(31,343)	-	(31,343)
Cancellation of restricted shares for employees	(460)	(934)	-	-	1,394	-	-	-	-	-
Provision for restricted shares plan for employees	-	-	-	-	640	-	-	-	-	640
Provision for compensation costs of employee stock options	-	4,052	-	-	-	-	-	-	-	4,052
Net loss for the three months ended March 31, 2020	-	-	-	-	-	-	-	(261,288)	-	(261,288)
Other comprehensive loss for the three months ended March 31, 2020	-	-	-	(10,302)	-	-	-	-	-	(10,302)
Total comprehensive loss for the three months ended March 31, 2020	-	-	-	(10,302)	-	-	-	(261,288)	-	(271,590)
BALANCE AT MARCH 31, 2020	<u>\$ 614,580</u>	<u>\$ 763,080</u>	<u>\$ (24,019)</u>	<u>\$ (188,308)</u>	<u>\$ (6,767)</u>	<u>\$ (29,950)</u>	<u>\$ 56,989</u>	<u>\$ 388,569</u>	<u>\$ -</u>	<u>\$ 1,574,174</u>
BALANCE AT JANUARY 1, 2021	\$ 614,550	\$ 779,951	\$ (24,019)	\$ (186,751)	\$ (2,490)	\$ (29,950)	\$ 65,002	\$ (34,512)	\$ -	\$ 1,181,781
Reclassification of the equity directly associated with non-current assets held for sale	-	-	-	114,395	-	-	(59,104)	-	(55,291)	-
Cancellation of restricted shares for employees	(370)	(780)	-	-	1,150	-	-	-	-	-
Reversal of restricted shares plan for employees	-	-	-	-	(407)	-	-	-	-	(407)
Reversal of compensation costs of employee stock options	-	(2,015)	-	-	-	-	-	-	-	(2,015)
Net loss for the three months ended March 31, 2021	-	-	-	-	-	-	-	(145,033)	-	(145,033)
Other comprehensive income for the three months ended March 31, 2021	-	-	-	14,625	-	-	-	-	-	14,625
Total comprehensive loss for the three months ended March 31, 2021	-	-	-	14,625	-	-	-	(145,033)	-	(130,408)
BALANCE AT MARCH 31, 2021	<u>\$ 614,180</u>	<u>\$ 777,156</u>	<u>\$ (24,019)</u>	<u>\$ (57,731)</u>	<u>\$ (1,747)</u>	<u>\$ (29,950)</u>	<u>\$ 5,898</u>	<u>\$ (179,545)</u>	<u>\$ (55,291)</u>	<u>\$ 1,048,951</u>

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

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (142,475)	\$ (262,162)
Adjustments for:		
Amortization - other intangible assets	18,570	14,685
Allowance for inventories provision and inventories write-off	10,541	4,684
Depreciation expenses of property, plant and equipment	45,104	38,451
Depreciation expenses of right-of-use assets	8,032	7,782
Loss on disposal of property, plant and equipment	2,469	46
Loss on written off other intangible assets	396	-
Interest expense	9,276	5,861
Interest income	(1,156)	(873)
(Reversal of) provision for compensation costs of employees restricted shares	(407)	640
(Reversal of) provision for compensation costs of employee stock options	(2,015)	4,052
Provision for impairment loss on bad debt	1,176	47,108
Loss on fair value changes of financial instruments at fair value through profit or loss	<u>12,645</u>	<u>79</u>
Operating cash flows before working capital changes	(37,844)	(139,647)
Changes in operating assets and liabilities		
Notes and accounts receivable	273,380	640,413
Other receivables and prepayments	94,586	(41,728)
Inventories	(79,209)	(337,732)
Notes and accounts payable and other payables	<u>(580,492)</u>	<u>(280,232)</u>
Cash used in operations	(329,579)	(158,926)
Interest paid	(9,276)	(5,861)
Interest received	1,156	873
Income tax (paid) refund	<u>(2,582)</u>	<u>3,440</u>
Net cash used in operating activities	<u>(340,281)</u>	<u>(160,474)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for acquiring property, plant and equipment	(48,713)	(23,136)
Increase in other intangible assets	(26,820)	(16,198)
Decrease (increase) in restricted assets	7,025	(688)
Proceeds from disposal of property, plant and equipment	<u>285</u>	<u>1,346</u>
Net cash used in investing activities	<u>(68,223)</u>	<u>(38,676)</u>

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# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	\$ 1,097,177	\$ 1,142,206
Repayments of bank borrowings	(892,078)	(942,902)
Repayments of the principal portion of lease liabilities	<u>(7,016)</u>	<u>(6,725)</u>
Net cash generated from financing activities	<u>198,083</u>	<u>192,579</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>17,090</u>	<u>(1,895)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(193,331)	(8,466)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,109,289</u>	<u>1,400,462</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 915,958</u>	<u>\$ 1,391,996</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:		
Cash and bank deposits	\$ 683,330	\$ 1,421,864
Cash and bank deposits included in non-current assets held for sale	246,650	-
Pledge deposits	<u>(14,022)</u>	<u>(29,868)</u>
Cash and cash equivalents	<u>\$ 915,958</u>	<u>\$ 1,391,996</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 THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. GENERAL INFORMATION**

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

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

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

In order to maximize the allocation and to diffuse the risk of cost inflation and tariff on the current main production base, EAH established a wholly-owned subsidiary - Eastech (VN) Company Limited in Vietnam, as second production base, with the registered capital of US\$8.5 million as of March 31, 2021.

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 May 7, 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, 2021. Except for the following, whenever applied, the initial application of the amendments to the IFRSs issued into effect would not have any material impact on the Group’s consolidated financial statements for the three months ended March 31, 2021.

#### b. 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

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			March 31, 2021	December 31, 2020	
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 (Huizhou) Co., Ltd. (Formerly known as Eastech Microacoustic (Huiyang) Co., Ltd. ("EAHZ"))	Production, assembly and sales of speaker systems and accessories, headphones, smart speaker and AV electronics home entertainment systems	100.00	100.00	"

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			March 31, 2021	December 31, 2020	
EAH	Eastech (SZ) Co., Ltd. (Formerly known as Shenzhen MaliMaliBox 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.
EAH	Eastech Microacoustics (HK) Limited ("EMH")	Sales of headphones and AV products	100.00	100.00	EMH was established by EAH on August 30, 2019.
EAH	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of smart speaker and AV electronics home entertainment systems	99.98	99.98	As mentioned in Note 1, EAH acquired ETT 99.98% ownership interest in January 2015, and thereby acquired its 100% owned subsidiaries, ETH and ETHY.
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speaker and AV electronics home entertainment systems	34.78	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")	Technology research and product design	100.00	-	ETW was established by EAH on July 2, 2020
EAH	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speaker and AV electronics home entertainment	65.22	-	Note 2

(Concluded)

Note 1: On March 15, 2021, the board of directors approved the disposal of EAHY & ETHY.

Note 2: On January 22, 2021, ETH made a cash capital increase of HK\$40,000 thousand (equivalent to NT\$143,680 thousand), which was fully subscribed by EAH, with a shareholding ratio of 65.22%. The shareholding ratio of ETT was reduced to 34.78%, the overall shareholding was still 100.00%.

c. Other significant accounting policies

Except for the following, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2020.

1) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

## 2) Taxation

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

## 3) Explanatory about the seasonality of interim operations

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

## d. Basis of preparation

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates and assumptions have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2020.

## 6. CASH AND CASH EQUIVALENTS

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Cash on hand	\$ 600	\$ 729
Cash at bank	668,708	1,108,560
Fixed deposits	<u>14,022</u>	<u>21,047</u>
	683,330	1,130,336
Less: Pledged deposits	<u>(14,022)</u>	<u>(21,047)</u>
	<u>\$ 669,308</u>	<u>\$ 1,109,289</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 23), and is recognized under restricted assets.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2021 (Reviewed)	December 31, 2020 (Audited)
<u>Financial assets - current</u>		
Non-derivative financial assets		
Foreign-listed stocks	\$ <u>310</u>	\$ <u>260</u>
<u>Financial assets non - current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets	\$ <u>83,496</u>	\$ <u>83,496</u>
Domestic unlisted stocks		
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u>7,527</u>	\$ <u>-</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2021</u>			
Buy	USD/RMB	2021.06.25	US\$11,000/RMB71,403
Sell	USD/RMB	2021.07.13-2021.12.13	US\$17,000/RMB111,287

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

The aforementioned outstanding foreign exchange forward contracts include financial liabilities at fair value through profit or loss which were reclassified to liabilities directly associated with non-current assets held to sale.

## 8. NOTES AND ACCOUNTS RECEIVABLE

	March 31, 2021 (Reviewed)	December 31, 2020 (Audited)
Notes receivable	\$ 24,612	\$ 12,019
Accounts receivable	1,475,026	1,977,863
Less: Allowance for impairment loss	<u>(45,274)</u>	<u>(46,877)</u>
	<u>\$ 1,454,364</u>	<u>\$ 1,943,005</u>

The Group's average credit period of sales of goods was 83 days (75 days in 2020). No interest was charged on notes and accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

March 31, 2021

	<b>Not Past Due</b>	<b>1 to 180 Days</b>	<b>181 to 365 Days</b>	<b>Over one year</b>	<b>Total</b>
Gross carrying amount	\$ 1,314,774	\$ 139,590	\$ -	\$ 45,274	\$ 1,499,638
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,274)</u>	<u>(45,274)</u>
Amortized cost	<u>\$ 1,314,774</u>	<u>\$ 139,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,454,364</u>

December 31, 2020

	<b>Not Past Due</b>	<b>1 to 180 Days</b>	<b>181 to 365 Days</b>	<b>Over one year</b>	<b>Total</b>
Gross carrying amount	\$ 1,901,619	\$ 41,386	\$ 559	\$ 46,318	\$ 1,989,882
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(559)</u>	<u>(46,318)</u>	<u>(46,877)</u>
Amortized cost	<u>\$ 1,901,619</u>	<u>\$ 41,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,943,005</u>



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

	<b>For the Three Months Ended March 31, 2021 (Reviewed)</b>	<b>For the Year Ended December 31, 2020 (Audited)</b>
Balance at the beginning of the period	\$ 46,877	\$ 15,548
Add: Impairment losses recognized	1,176	49,054
Less: Amounts recovered	(1,716)	(3,178)
Less: Amounts written off	-	(12,328)
Less: Amounts reclassified to non-current assets held for sale	(1,751)	-
Effect of foreign currency exchange differences	<u>688</u>	<u>(2,219)</u>
Balance at the end of the period	<u>\$ 45,274</u>	<u>\$ 46,877</u>

The notes and accounts receivable (with recourse) pledged as collateral for bank borrowings are set out in Notes 23 and 25 (h).

## 9. OTHER RECEIVABLES AND PREPAYMENTS

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Other receivables	\$ 123,135	\$ 166,663
Allowance for impairment loss	<u>(68,353)</u>	<u>(71,090)</u>
Other receivables, net	54,782	95,573
Prepayments for purchases	83,291	100,981
Prepayments	17,537	15,983
Prepayments for purchases of equipment and mold	3,787	20,265
Value-added tax recoverable and refundable	138,956	232,944
Guarantee deposits	<u>18,545</u>	<u>20,640</u>
	<u>\$ 316,898</u>	<u>\$ 486,386</u>

Other receivables of the Group mainly consist of the followings:

- a. Other receivables relating to litigations (including guarantee deposits) as described in Note 24 (a) were as follows:

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Other receivables (including security deposits)	\$ 75,934	\$ 80,728
Less: Allowance for impairment loss	<u>(68,353)</u>	<u>(71,090)</u>
	<u>\$ 7,581</u>	<u>\$ 9,638</u>

- b. As of March 31, 2021 and December 31, 2020, the amounts of temporary payments as described in Note 16 (b) were \$34,197 thousand and \$63,494 thousand, respectively.

## 10. INVENTORIES

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Raw materials	\$ 496,498	\$ 672,412
Work-in-process	277,261	277,487
Finished goods	32,077	152,939
Goods in transit	<u>27,245</u>	<u>130,476</u>
	<u>\$ 833,081</u>	<u>\$ 1,233,314</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2021 and 2020 was \$1,805,180 thousand and \$1,140,787 thousand, respectively, which included \$10,541 thousand and \$4,684 thousand, allowance for inventories provision and inventories write-off, respectively.

The inventories pledged as collateral for bank borrowing are set out in Note 23.

## 11. NON-CURRENT ASSETS HELD FOR SALE

	<b>March 31, 2021 (Reviewed)</b>
Assets associated with EAHY	\$ 430,641
Assets associated with ETHY	<u>1,111,645</u>
	<u>\$ 1,542,286</u>
Liabilities directly associated with non-current assets held for sale	<u>\$ 1,666,875</u>
Equities directly associated with non-current assets held for sale	<u>\$ (55,291)</u>

On March 15, 2021, the board of directors of the company approved the Equity Transfer Agreement between EAH and Shangnanfei Trading (Shenzhen) Co., Ltd., the non-related party, to dispose 100% equity of EAHY and ETHY, and it is expected to be completed the disposal procedures within 12 months. Assets for sale related to EAHY and ETHY have been reclassified as non-current assets for sale and disclosed separately in the consolidated balance sheet. The main categories of assets and liabilities for sale are as follows:

	<b>March 31, 2021 (Reviewed)</b>
Cash and cash equivalents	\$ 246,650
Notes and accounts receivable, net	214,086
Inventories	468,900
Other receivables	74,902
Property, plant and equipment	324,052
Right-of-use assets	112,091
Intangible assets	96,317
Deferred tax assets	<u>5,288</u>
Total held for sale assets	<u>\$ 1,542,286</u>

	<b>March 31, 2021 (Reviewed)</b>
Short-term borrowings	\$ 160,401
Financial liabilities at fair value through profit or loss	5,325
Accounts payable and other payables	1,412,756
Lease liabilities	52,649
Current tax liabilities	165
Deferred tax liabilities	<u>35,579</u>
Liabilities directly associated with non-current assets held for sale	<u>\$ 1,666,875</u>
Equities directly associated with non-current assets held for sale	<u>\$ (55,291)</u>

The net proceeds from the disposal is expected to exceed the carrying amount of the related net assets, and accordingly, no impairment loss should be recognized while classifying the assets to non-current assets held for sale.

## 12. PROPERTY, PLANT AND EQUIPMENT

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

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Cost	\$ 1,041,003	\$ 2,159,548
Accumulated depreciation and impairment	<u>(298,896)</u>	<u>(1,106,810)</u>
Carrying amount	<u>\$ 742,107</u>	<u>\$ 1,052,738</u>
Land and buildings	\$ 396,660	\$ 296,041
Machinery and office equipment	301,530	701,898
Property under construction	<u>43,917</u>	<u>54,799</u>
Carrying amount	<u>\$ 742,107</u>	<u>\$ 1,052,738</u>

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

	<b>Land and Buildings</b>	<b>Machinery and Office Equipment</b>	<b>Property under Construction</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2020	\$ 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 change	<u>(7,516)</u>	<u>(15,910)</u>	<u>7,691</u>	<u>(15,735)</u>
Balance at December 31, 2020	696,557	1,408,192	54,799	2,159,548
Additions	2,917	32,349	13,447	48,713
Disposals	-	(9,059)	(2,488)	(11,547)

(Continued)

	<b>Land and Buildings</b>	<b>Machinery and Office Equipment</b>	<b>Property under Construction</b>	<b>Total</b>
Reclassified as held for sale assets	(309,495)	(873,407)	(2,098)	(1,185,000)
Reclassification	-	20,414	(20,464)	(50)
Effect of exchange rate change	<u>11,204</u>	<u>17,414</u>	<u>721</u>	<u>29,339</u>
Balance at March 31, 2021	<u>\$ 401,183</u>	<u>\$ 595,903</u>	<u>\$ 43,917</u>	<u>\$ 1,041,003</u>
<b>Accumulated depreciation and impairment</b>				
Balance at January 1, 2020	\$ 359,531	\$ 669,047	\$ -	\$ 1,028,578
Depreciation	38,084	126,516	-	164,600
Disposals	-	(73,453)	-	(73,453)
Effect of exchange rate change	<u>2,901</u>	<u>(15,816)</u>	<u>-</u>	<u>(12,915)</u>
Balance at December 31, 2020	400,516	706,294	-	1,106,810
Depreciation	9,198	35,906	-	45,104
Disposals	-	(8,793)	-	(8,793)
Reclassified as held for sale assets	(410,992)	(449,956)	-	(860,948)
Effect of exchange rate change	<u>5,801</u>	<u>10,922</u>	<u>-</u>	<u>16,723</u>
Balance at March 31, 2021	<u>\$ 4,523</u>	<u>\$ 294,373</u>	<u>\$ -</u>	<u>\$ 298,896</u> (Concluded)

For the shutdown effect from the coronavirus pandemic, the management has conducted an impairment test. Since the sales orders from main customers are still existed and shipments are just deferred, hence, the recoverable amount is still higher than net book value based on the aforementioned test result. No impairment loss is recognized as of December 31, 2020 and March 31, 2021 accordingly.

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

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

- d. Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 23.

### 13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
<u>Carrying amounts</u>		
Land and buildings	\$ 74,836	\$ 183,138
Machinery and office equipment	<u>3,427</u>	<u>2,737</u>
	<u>\$ 78,263</u>	<u>\$ 185,875</u>
	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 11,027</u>	<u>\$ 7,342</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 7,437	\$ 7,155
Machinery and office equipment	<u>595</u>	<u>627</u>
	<u>\$ 8,032</u>	<u>\$ 7,782</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and for the year ended December 31, 2020.

b. Lease liabilities

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
<u>Carrying amounts</u>		
Current	\$ 17,328	\$ 22,524
Non-current	<u>17,399</u>	<u>60,551</u>
	<u>\$ 34,727</u>	<u>\$ 83,075</u>

Range of discount rate for lease liabilities was as follows:

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Land and buildings	2.51%-4.63%	3.73%-4.63%
Machinery and office equipment	2.51%-4.63%	3.73%-4.63%

The aforementioned range of discount rate for lease liabilities include lease liabilities which were reclassified to liabilities directly associated with non-current assets held to sale.

c. Material lease-in activities and terms

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

March 31, 2021 and December 31, 2020

<u>Company Name</u>	<u>Location</u>	<u>Description</u>	<u>Tenure/Unexpired Term</u>
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	Lease for a term of 50 years from December 6, 2000 to December 6, 2050
		1 factory building and 2 dormitories built on a 134,947 sq. ft. land	Lease for a term of 50 years from June 19, 2002 to June 19, 2052
EAVN	B2-4, Cong Hou Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	41,227.5 sq. ft. land (the land use right is recognized under right-of-use assets)	Lease for a term of 40 years from January 2019 to April 2058

On March 31, 2021, the land use rights of EAHY and ETHY have been reclassified as the non-current assets for sale.

d. Other lease information

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Expenses relating to short-term leases	<u>\$ 5,860</u>	<u>\$ 12,914</u>
Total cash outflow for leases	<u>\$ (13,626)</u>	<u>\$ (20,468)</u>

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

#### 14. INTANGIBLE ASSETS

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Goodwill	\$ 113,620	\$ 115,530
Technical knowledge (including capitalized costs of R&D)	63,232	150,754
Customer relationship	<u>5,867</u>	<u>8,922</u>
	<u>\$ 182,719</u>	<u>\$ 275,206</u>

On March 31, 2021, technical knowledge (including capitalized costs of R&D) of ETHY have been reclassified to non-current assets held to sale.

a. Details of goodwill were as follows:

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Related to ScS	\$ 101,492	\$ 103,541
Related to EAHZ	<u>12,128</u>	<u>11,989</u>
	<u>\$ 113,620</u>	<u>\$ 115,530</u>

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

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

The intangible assets pledged as collateral for bank borrowing are set out in Note 23.

## 15. BANK BORROWINGS

a. Short-term bank borrowings

	<u>March 31, 2021 (Reviewed)</u>		<u>December 31, 2020 (Audited)</u>	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Factoring	4.3%-4.54%	\$ 13,327	3.73%-6.45%	\$ 13,134
Bank borrowings	1.2%-4%	1,022,904	1.26%-4%	943,150
Commercial paper	2.14%	20,000	2.14%	30,000
Long-term borrowings due within 1 year	1.39%-3.25%	<u>89,744</u>	1.35%-4.63%	<u>78,025</u>
		<u>1,145,975</u>		<u>1,064,309</u>
<u>Unsecured borrowings</u>				
Bank borrowings	-	<u>-</u>	4.2%	<u>77,764</u>
		<u>\$ 1,145,975</u>		<u>\$ 1,142,073</u>

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

Outstanding short-term commercial paper was as follow:

March 31, 2021

<b>Promissory Institution</b>	<b>Nominal Amount (NT\$)</b>	<b>Carrying Amount (NT\$)</b>	<b>Interest Rate</b>	<b>Collateral</b>	<b>Carrying Amount of Collateral</b>
International Bills Finance Corp.	<u>\$ 20,000</u>	<u>\$ 20,000</u>	2.14%	-	<u>\$ -</u>

December 31, 2020

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

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

b. Long-term bank borrowings

	<b>March 31, 2021 (Reviewed)</b>		<b>December 31, 2020 (Audited)</b>	
	<b>Interest Rate</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Amount</b>
Long-term bank borrowings	1.39%-4.5%	\$ 414,510	1.35%-5.1%	\$ 347,820
Less: Long-term bank borrowings due within 1 year		<u>(89,744)</u>		<u>(78,025)</u>
		<u>\$ 324,766</u>		<u>\$ 269,795</u>

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

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

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Due within 2 to 5 years	<u>\$ 324,766</u>	<u>\$ 269,795</u>

c. The detail of the Group's pledged assets for the aforementioned bank borrowings please refer to Note 23.

## 16. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were from 30 to 120 days. No interest is charged by notes and accounts payable in general. The Group has financial risk management policies to ensure settlement of all payables within payment term.

b. Details of other payables were as follows:

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Accrued salaries	\$ 48,818	\$ 148,987
Temporary receivables (Remark)	341,803	133,705
Other payables	<u>139,487</u>	<u>307,477</u>
	<u>\$ 530,108</u>	<u>\$ 590,169</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.

## 17. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

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

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

## 18. EQUITY

### a. Share capital

The initial setup capital of the Company is NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of March 31, 2021 and December 31, 2020 were NT\$614,180 thousand and NT\$614,550 thousand, respectively, divided into 61,418 thousand shares and 61,455 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:

	<b>(In Thousands of Shares)</b>
<b>Purpose of Buy-back</b>	<b>Number of Shares</b>
January 1, 2020	61,504
Write-off of restricted shares	<u>(49)</u>
December 31, 2020	61,455
Write-off of restricted shares	<u>(37)</u>
March 31, 2021	<u>61,418</u>

b. Treasury shares

As of March 31, 2021 and December 31, 2020, the details of treasury shares are as follows:

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

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

March 31, 2021 (reviewed)

<b>Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Value</b>
ETT	453	<u>\$ 24,019</u>	<u>\$ 10,057</u>

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

c. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to 10% of the Company's capital annually. As of March 31, 2021 and December 31, 2020, the capital surplus of the Company are as follows:

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
<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	5,275
<u>May not be used for any purpose</u>		
Arising from employee restricted shares	26,643	27,423
Arising from employee stock options	<u>29,075</u>	<u>31,090</u>
	<u>\$ 777,156</u>	<u>\$ 779,951</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 19 (d) for details.

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

	<u>2019</u>
Ordinary share dividend - cash	NT\$0.51 per share, totaling NT\$31,343 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 of March 31, 2021.

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:

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

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

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

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

- a) Employees, except for inheritance, should not sell, transfer, pledge, donate or dispose of the shares in any other way.
- b) The shares should be held in trust.
- c) Except for the above two restrictions, other rights of restricted shares plan for employees, including but not limited to, dividends, stock options of cash capital and voting rights of shareholders, etc. are the same as the Group’s issued ordinary shares.
- d) 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:

	<u>Number of Shares (In Thousands)</u>	
	<b>For the Three Months Ended March 31, 2021</b>	<b>For the Years Ended December 31, 2020</b>
Balance at the beginning of the period	130	326
Vested	-	(147)
Forfeited	<u>(37)</u>	<u>(49)</u>
Balance at the end of the period	<u>93</u>	<u>130</u>

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

	<u>For the Three Months Ended March 31</u>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
The costs of restricted shares plans for employees	<u>\$ (407)</u>	<u>\$ 640</u>

2) Employee stock options

<b>Grant Date</b>	<b>Issued Shares</b>	<b>Vesting Date</b>	<b>Exercisable Price</b>
2018.09.28	1,200 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	Remark
2019.06.10	4,747 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	Remark
2020.05.19	2,760 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	Remark
2020.08.06	82 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	Remark

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

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

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

<b>Employee Stock Options</b>	<b>For the Three Months Ended March 31, 2021</b>		<b>For the Year Ended December 31, 2020</b>	
	<b>Number of Options</b>	<b>Weighted-average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted-average Exercise Price (NT\$)</b>
Balance at the beginning of period	8,719	\$ 28.49	5,877	\$ 30.03
Granted	-	-	2,842	25.30
Write-off	<u>(1,705)</u>	29.40	<u>-</u>	-
Balance at end period	<u>7,014</u>	28.27	<u>8,719</u>	28.49
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	NA		7.76	

Information about outstanding options was as follows:

<b>Grant Date</b>	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Range of Exercise price (NT\$)</b>	<b>Weighted-average Remaining Contractual life (Years)</b>	<b>Range of Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (Years)</b>
2018.09.28	\$ 23.00	1.50	\$ 23.00	1.75
2019.06.10	31.70	2.21	31.70	2.46
2020.05.19	25.30	3.13	25.30	3.38
2020.08.06	25.45	3.33	25.45	3.58

Employee stock 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:

	<b>August 6, 2020</b>	<b>May 19, 2020</b>	<b>June 10, 2019</b>	<b>September 28, 2018</b>
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 costs of employee stock options were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
Balance at the end of the period	<u>\$ (2,015)</u>	<u>\$ 4,052</u>

f. Other equity items

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

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Company's presentation currency (i.e. New Taiwan 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.

2) Unrealized gain or loss on financial assets at FVTOCI

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

3) Unearned employee benefit

In the meetings of shareholders held on May 12, 2015, May 11, 2016 and June 8, 2017, the shareholders approved the restricted shares plans for employees respectively. Refer to Note 18(e) for the information of restricted shares issued.

## 19. CONSOLIDATED NET LOSS

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

a. Net revenue

1) Contract information

a) Revenue from the sale of goods

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

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

Please refer to the remark in Note 16 (b).

2) Contract balances

**March 31, 2021**      **December 31,**  
**(Reviewed)**            **2020 (Audited)**

Notes and accounts receivable, net (Note 8)      \$ 1,454,364      \$ 1,943,005

3) Disaggregation of revenue from customer contracts

**For the Three Months Ended**  
**March 31**

	<b>2021</b> <b>(Reviewed)</b>	<b>2020</b> <b>(Reviewed)</b>
Home audio	\$ 1,027,158	\$ 587,316
Personal audio	455,121	261,306
Transducer speaker	108,450	80,944
Others	<u>317,799</u>	<u>228,533</u>
	<u>\$ 1,908,528</u>	<u>\$ 1,158,099</u>

b. Depreciation and amortization expenses

**For the Three Months Ended**  
**March 31**

	<b>2021</b> <b>(Reviewed)</b>	<b>2020</b> <b>(Reviewed)</b>
Depreciation of property, plant and equipment	\$ 45,104	\$ 38,451
Amortization of other intangible assets	18,570	14,685
Depreciation right-of-use assets	<u>8,032</u>	<u>7,782</u>
	<u>\$ 71,706</u>	<u>\$ 60,918</u>

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

**For the Three Months Ended**  
**March 31**

	<b>2021</b> <b>(Reviewed)</b>	<b>2020</b> <b>(Reviewed)</b>
Remuneration of directors and key management		
Short-term benefits	\$ 29,463	\$ 39,548
Post-employment benefits	707	1,015
Share-based payments	(2,560)	4,331
Employee benefits		
Short-term benefits	363,091	332,434
Post-employment benefits	21,597	14,602
Share-based payments	<u>138</u>	<u>361</u>
	<u>\$ 412,436</u>	<u>\$ 392,291</u>



d. Employees' compensation and remuneration of directors and supervisors

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

Due to deficit in the first quarter of 2021, and the year 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:

Amount

	<b>2019</b>
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

	<b>For the Three Months Ended March 31</b>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
Government grants	\$ 3,211	\$ 16,573
Project service revenue	13,480	5,536
Interest income	1,156	873
Scrap income	468	820
Rental revenue	213	449
Gains on disposal of property, plant and equipment	107	-
Net gain on financial instruments at fair value through profit or loss	45	-
Others	<u>1,471</u>	<u>890</u>
	<u>\$ 20,151</u>	<u>\$ 25,141</u>

f. Other losses

	<b>For the Three Months Ended March 31</b>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
Losses on fair value change of financial instruments at FVTPL	\$ 12,690	\$ 79
Losses on disposal and written off property, plant and equipment	2,576	46
Others	<u>238</u>	<u>66</u>
	<u>\$ 15,504</u>	<u>\$ 191</u>

g. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
Interest expense arising from bank borrowings	\$ 8,526	\$ 5,032
Interest on lease liabilities	<u>750</u>	<u>829</u>
	<u>\$ 9,276</u>	<u>\$ 5,861</u>

## 20. INCOME TAXES

a. Income tax recognized in profit or loss

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

	<b>For the Three Months Ended March 31</b>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
Current tax		
In respect of the current year	\$ 3,438	\$ (370)
Adjustments for prior years	(1)	-
Deferred tax		
In respect of the current year	<u>(879)</u>	<u>(504)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 2,558</u>	<u>\$ (874)</u>

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

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

The local tax rate for the subsidiaries in the PRC is 25%. EAHY, EAHZ and ETHY obtained the innovation and high technology enterprise certificates issued by local tax authorities in July 2013 and December 2019, respectively. Therefore, EAHY, EAHZ and ETHY are subject to the applicable preferential income tax rate. Their enterprise income tax rate has been reduced from 25% to 15%. EAHY, EAHZ and ETHY obtained the proof of review. Therefore, EAHY, EAHZ 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 is 20%.

b. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong, Singapore, Vietnam and Denmark. The aforementioned tax authorities will not take the initiative to send a tax returns assessment to enterprises. When there are tax disputes, they issued a tax payment notice to enterprises and reserve the right to propose additional taxes. The tax authorities have assessed income tax returns of ETT up to 2019.

## 21. LOSS PER SHARE

	<b>For the Three Months Ended March 31</b>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
Basic loss per share	<u>\$ (2.38)</u>	<u>\$ (4.28)</u>
Diluted loss per share	<u>\$ (2.38)</u>	<u>\$ (4.28)</u>

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

Net loss for the period is as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Loss for the period attributable to owners of the Company	<u>\$ (145,033)</u>	<u>\$ (261,288)</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic loss per share	60,989	61,035
Effect of potentially dilutive ordinary shares		
Employee stock options	<u>          -</u>	<u>          -</u>
Weighted average number of ordinary shares used in the computation of diluted loss per share	<u>60,989</u>	<u>61,035</u>

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

Since the Group was in a deficit for the three months ended March 31, 2021 and the year of 2020, which has an anti-diluted effect, calculation for diluted loss per share is not applicable.

## **22. 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 19 (c) for details.

## **23. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

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

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Other intangible assets	\$ 20,027	\$ 22,546
Accounts receivable with recourse	16,764	16,686
Machineries and office equipment	18,676	19,513
Inventories and other assets	62,022	62,109
Pledge deposits (recognized under restricted assets)	<u>14,022</u>	<u>21,047</u>
	<u>\$ 131,511</u>	<u>\$ 141,901</u>

## 24. COMMITMENTS AND CONTINGENT LIABILITIES

### a. Litigation

There is no significant progress regarding EAH's litigation in Brazil for the three months ended March 31, 2021. The status of litigation in the current phase please refers to Note 23 (a) of the consolidated financial statements for the year ended December 31, 2020.

### b. Financial guarantees within the Group refer to Table 2 of Note 28.

### c. As of March 31, 2021, the commitments that EAVN has contracted for the plant construction were approximately \$28,161 thousand.

## 25. DISCLOSURE ON FINANCIAL INSTRUMENTS

### a. Capital risk management

The Group's capital risk management policy is consistent as consolidated financial statements for the year ended December 31, 2020. In addition, the Group is not subject to any externally imposed capital requirements.

### b. Fair value of financial instruments

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

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

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

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

##### Fair value hierarchy

##### March 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 310	\$ -	\$ -	\$ 310
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>83,496</u>	<u>83,496</u>
	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,806</u>
<u>Financial liabilities at FVTPL</u>				
Non-derivative financial liabilities held for trading	<u>\$ -</u>	<u>\$ 7,527</u>	<u>\$ -</u>	<u>\$ 7,527</u>

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>

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

For the three months ended March 31, 2021: No movement.

For the year ended December 31, 2020: No movement.

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

- 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 NT\$7,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by NT\$7,000 thousand.

Since the Group's portfolio of financial instruments measured at Level 3 fair value on a recurring basis is not much and the amount is also not significant, secondly, the business model of the Group is not aimed at investment earnings, the Group will perform Level 3 fair value on a recurring basis measurement in the end of the year based on the Group's valuation policy. Unless, the underlying investment has significant operating and financial changes in the reporting period, the Group will perform additional and timely fair value valuation and measurement. After understanding the operating status of the underlying investment has not significant change in the first three month ended March 31, 2021. According to the Group's valuation policy, the Group doesn't have to perform fair value assessments and expect the fair value as of March 31, 2021 is minor difference with the fair value as of December 31, 2020.

c. Categories of financial instruments

	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ 310	\$ 260
Mandatorily at FVTPL	83,496	83,496
Financial assets at amortized cost (Note 1)	<u>2,212,966</u>	<u>3,191,061</u>
	<u>\$ 2,296,772</u>	<u>\$ 3,274,817</u>
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	\$ 7,527	\$ -
Financial liabilities at amortized cost (Note 2)	<u>3,091,782</u>	<u>5,026,206</u>
	<u>\$ 3,099,309</u>	<u>\$ 5,026,206</u>

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

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

d. Financial risk management objectives and policies

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

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

e. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	<b>Assets</b>	
	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
USD	\$ 1,828,614	\$ 2,027,751
HKD	<u>12,045</u>	<u>13,410</u>
	<u>\$ 1,840,659</u>	<u>\$ 2,041,161</u>
	<b>Liabilities</b>	
	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
USD	\$ 2,025,242	\$ 1,718,380
HKD	<u>332</u>	<u>61,632</u>
	<u>\$ 2,025,574</u>	<u>\$ 1,780,012</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.

	<b>Currency USD Impact</b>	
	<b>For the Three Months Ended March 31, 2021</b>	<b>For the Year Ended December 31, 2020</b>
Profit or loss	\$ (9,831)	\$ 15,469



	<b>Currency H.K. Dollars Impact</b>	
	<b>For the Three Months Ended March 31, 2021</b>	<b>For the Year Ended December 31, 2020</b>
Profit or loss	\$ 586	\$ (2,411)

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

### 3) Interest rate risk

#### Management of interest rate risk

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

#### Sensitivity analysis of interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the three months ended March 31, 2021 and for the years ended December 31, 2020 would have been decreased by NT\$3,940 thousand and NT\$1,411 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.

	<b>March 31, 2021</b>				<b>Total</b>
	<b>Effective Interest Rate</b>	<b>On Demand or Within 1 Year</b>	<b>2 Years to 5 Years</b>	<b>More than 5 Years</b>	
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 2,336,135	\$ -	\$ -	\$ 2,336,135
Other payables	-	690,162	7,500	-	697,662
<u>Interest bearing liabilities</u>					
Lease liabilities	3.73%-4.63%	28,974	34,949	46,775	110,698
Bank borrowings	2.42%	1,338,022	338,607	-	1,676,629

### Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 28,974</u>	<u>\$ 34,949</u>	<u>\$ 7,486</u>	<u>\$ 8,085</u>	<u>\$ 8,731</u>	<u>\$ 22,473</u>

Note: The above amount includes the part that has been reclassified to non-current assets for sale.

	<b>December 31, 2020</b>				<b>Total</b>
	<b>Effective Interest Rate</b>	<b>On Demand or Within 1 Year</b>	<b>2 Years to 5 Years</b>	<b>More than 5 Years</b>	
<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

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 27,092</u>	<u>\$ 37,769</u>	<u>\$ 7,331</u>	<u>\$ 7,961</u>	<u>\$ 8,598</u>	<u>\$ 22,653</u>

f. Financial facilities

Bank borrowings

	<b>Liabilities</b>	
	<b>March 31, 2021 (Reviewed)</b>	<b>December 31, 2020 (Audited)</b>
Secured borrowings		
Amount unused	<u>\$ 1,007,648</u>	<u>\$ 1,080,325</u>

g. Significant assets and liabilities denominated in foreign currencies

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

March 31, 2021

**Unit: Foreign Currencies (In Thousands)**

	<b>Foreign Currencies</b>	<b>Function Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount (NT\$)</b>
<u>Financial assets</u>				
Monetary items				
USD	\$ 57,397	HKD	28.605	\$ 1,641,836
USD	6,215	NTD	28.605	177,779
USD	1	RMB	28.605	34
USD	234	DKK	28.605	6,702
USD	<u>79</u>	VND	28.605	<u>2,263</u>
	<u>\$ 63,926</u>			<u>\$ 1,828,614</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 39,128	HKD	28.605	\$ 1,119,256
USD	400	RMB	28.605	11,428
USD	18,260	NTD	28.605	522,331
USD	246	DKK	28.605	7,043
USD	<u>12,766</u>	VND	28.605	<u>365,184</u>
	<u>\$ 70,800</u>			<u>\$ 2,025,242</u>
HKD	<u>\$ 90</u>	RMB	3.6805	<u>\$ 332</u>

December 31, 2020

**Unit: Foreign Currencies (In Thousands)**

	<b>Foreign Currencies</b>	<b>Function Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount (NT\$)</b>
<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>	VND	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>	VND	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>

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

Information of foreign exchange gains and losses are as follow:

	<b>For the Three Months Ended March 31</b>	
	<b>2021 (Reviewed)</b>	<b>2020 (Reviewed)</b>
Realized foreign exchange loss	\$ (49,538)	\$ (10,584)
Unrealized foreign exchange loss	<u>37,722</u>	<u>(2,289)</u>
	<u>\$ (11,816)</u>	<u>\$ (12,873)</u>

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

h. Information of transferred financial assets

As of March 31, 2021 and December 31, 2020, the Group entered into several trade receivable factoring agreements with the banks. According to the factoring agreement, the Group received certain percentage of trade receivable in cash from the bank in advance. If the trade receivables are uncollected at maturity, the bank has the right to request the Group to repay the unsettled difference. As the Group has not transferred the significant risks and rewards relating to these trade receivables, the Group continues to recognize the full carrying amount of the receivables and the factoring amount as secured bank borrowings.

As of March 31, 2021 and December 31, 2020, 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 23 and 15, respectively.

## 26. 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.

## 27. SEGMENT INFORMATION

### Operating Segments

IFRS 8 requires that operating units shall be identified based on the internal report to the chief decision maker for periodical review for the purpose of resource allocation to each component of the Group and assessment of their performance. Since the Group is engaged in the processing of speaker systems, and AV electronics products (from acquisition of ETT Group's original business units), under the model that the Hong Kong or Taiwan outsources production orders to the subsidiaries in PRC, there is no other segment which has allocated resources or whose performance has been assessed other than processing of speaker systems, 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, 2021 and 2020, 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, 2021 and 2020. The product revenue of the Group please refer to Note 19(a).

## 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 (Table 4)
  - 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 5)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
  - 9) Trading in derivative instruments (Table 7)
  - 10) Intercompany relationships and significant intercompany transactions (Table 7)
  - 11) Information on investees (Table 8)
- 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 9)
  - 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 9):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
    - c) The amount of property transactions and the amount of the resultant gains or losses
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
  - 3) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
0	The Company	EAH	Other receivables from related parties	Yes	\$ 190,223	\$ 190,223	\$ 190,223	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 419,580	\$ 419,580
1	EAH	EAVN	Other receivables from related parties	Yes	286,050	286,050	194,428	-	The need for short-term financing	-	Operating capital	-	-	-	1,457,051	1,457,051
		The Company	Other receivables from related parties	Yes	22,884	22,884	-	-	The need for short-term financing	-	Operating capital	-	-	-	1,457,051	1,457,051
		ETH	Other receivables from related parties	Yes	200,235	200,235	114,420	-	The need for short-term financing	-	Operating capital	-	-	-	1,457,051	1,457,051
2	EAHY	ESHY	Other receivables from related parties	Yes	43,706	43,706	43,706	4	The need for short-term financing	-	Operating capital	-	-	-	1,912,362	1,912,362
		ESZ	Other receivables from related parties	Yes	87,412	87,412	87,412	4	The need for short-term financing	-	Operating capital	-	-	-	1,912,362	1,912,362

Note 1: The individual financing amount provided to parent and a subsidiary that company holds, directly or indirectly, 100% of the voting shares shall not exceed 40% of the net worth of the Company.  
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.  
The individual financing amount provided to main listed parent and a subsidiary that EAHY holds, directly or indirectly, 100% of the voting shares shall not exceed 300% of the net worth of EAHY.

Note 2: According to the company's financing provide policy, the amount of fund loan to others is based on the net value of the most recent financial report verified by an accountant. Due to the company, EAH and EAHY's financial reports for the first quarter of 2021 have not been reviewed by accountant, the financing provide limited information announced in March 2021 is different from the above amount, so they are based on the 2020 financial report.

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Eastech	EAH	a	\$ 2,097,902	\$ 1,213,642	\$ 1,213,642	\$ 320,426	\$ -	115.70	\$ 2,097,902	Yes	No	No
		ETH	a	2,097,902	633,343	633,343	266,241	-	60.38	2,097,902	Yes	No	No
		EAVN	a	2,097,902	304,634	304,643	256,033	-	29.04	2,097,902	Yes	No	No
		ETHY	a	2,097,902	87,412	87,412	81,730	-	8.33	2,097,902	Yes	No	Yes
1	EAH	SCS	a	2,097,902	47,937	47,584	4,932	-	4.54	2,097,902	Yes	No	No
		EAVN	a	2,097,902	28,605	28,605	-	-	2.73	2,097,902	Yes	No	No
2	ETHY	EAH	b	2,097,902	22,884	22,884	-	-	2.18	2,097,902	No	Yes	No
3	ESHY	ESZ	c	2,097,902	43,706	43,706	376	-	4.17	2,097,902	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 limitations 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 March 31, 2021 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statements for the year ended December 31, 2020.



**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD  
MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				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>\$ 310</u>	-	<u>\$ 310</u>	
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	<u>\$ 10,057</u>	1	<u>\$ 10,057</u>	Note
	<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.

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
EAH	ETH	Investment accounted for using equity method	ETH	Subsidiary		\$	75,000,000	\$ 143,680		\$	\$	\$	75,000,000	\$ 143,680

Note: On January 22, 2021 ETH made a cash capital increase of HK\$40,000 thousand (equivalent to NT\$143,680 thousand), which was fully subscribed by EAH.

## 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 THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
EAH	EAHY	Parent and subsidiary	Purchase	\$ 235,379	25	90 days	\$ -	-	\$ (43,683)	(8)	Note
EAHY	EAH	Parent and subsidiary	Sale	(235,379)	(74)	90 days	-	-	43,683	13	Note
EAH	EAVN	Parent and subsidiary	Purchase	325,692	35	90 days	-	-	297,587	26	Note
EAVN	EAH	Parent and subsidiary	Sale	(325,692)	(82)	90 days	-	-	(297,587)	(34)	Note
ETH	ETHY	Parent and subsidiary	Purchase	601,840	83	90 days	-	-	(582,634)	(61)	Note
ETHY	ETH	Parent and subsidiary	Sale	(601,840)	(100)	90 days	-	-	582,634	69	Note
EAVN	EAH	Parent and subsidiary	Purchase	201,044	50	90 days	-	-	(297,587)	(34)	Note
EAH	EAVN	Parent and subsidiary	Sale	(201,044)	(20)	90 days	-	-	297,587	26	Note
ETHY	ESHY	Fellow subsidiary	Purchase	131,501	16	90 days	-	-	(100,263)	(9)	Note
ESHY	ETHY	Fellow subsidiary	Sale	(131,501)	(38)	90 days	-	-	100,263	27	Note
EAVN	ESZ	Fellow subsidiary	Purchase	105,243	26	90 days	-	-	(211,055)	(19)	Note
ESZ	EAVN	Fellow subsidiary	Sale	(105,243)	(74)	90 days	-	-	211,055	92	Note

Note: Intercompany transactions are eliminated in consolidated financial statement.

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
ETHY	ETH	Parent and subsidiary	\$ 582,634	2.96	\$ -	-	\$ 12,135	\$ -
ETH	ETT	Parent and subsidiary	143,570	1.11	-	-	12,868	-
EAH	EAVN	Parent and subsidiary	297,587	3.50	194,428	Financing provided	70,706	-
EASTECH	EAH	Parent and subsidiary	193,041	- (Note)	-	-	2,737	-
EAH	ETH	Parent and subsidiary	114,535	- (Note)	-	-	-	-
ESHY	ETHY	Fellow subsidiary	100,263	4.69	-	-	44,799	-
EAHY	ESHY	Fellow subsidiary	159,810	2.09	43,706	Financing provided	37,560	-
ESZ	EAVN	Fellow subsidiary	211,055	2.07	-	-	105,488	-

Note: It is a fund loan and collection and payment, so there is no need to calculate the turnover rate.

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	2021 Q1 The Company	EAH	a, b	Other receivables from and other payables to related parties	\$ 193,041	Short-term financing, 1 year loan	3
1	EAH	EAHY EAHY EAVN ETH	a, b a, b a, b a, b	Dividend income Net revenue from sale of goods and purchase Net revenue from sale of goods and purchase Other receivables from and other payables to related parties	84,313 70,819 201,044 114,535	Dividends Credit on transfer pricing policy Credit on transfer pricing policy Short-term financing, 1 year loan	4 4 11 2
2	EAHY	EAH ESHY EAH ESHY  EAHZ ESZ	a, b c a, b c  c c	Net revenue from sale of goods and purchase Net revenue from sale of goods and purchase Receivables from and payables to related parties Receivables from and payables to related parties/other receivables from and other payables to related parties Receivables from and payables to related parties Receivables from and payables to related parties/other receivables from and other payables to related parties	235,379 73,577 43,683 159,810  35,919 87,910	Credit on transfer pricing policy Credit on transfer pricing policy 90 days 90 days/short-term financing, 1 year loan  90 days 90 days/short-term financing, 1 year loan	12 4 1 3  1 1
3	ESHY	ETHY EAH EAVN ETHY EAVN	c a, b c c c	Net revenue from sale of goods and purchase Net revenue from sale of goods and purchase Net revenue from sale of goods and purchase Receivables from and payables to related parties Receivables from and payables to related parties	131,501 57,448 35,300 100,263 93,664	Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy 90 days 90 days	7 3 2 2
4	ETHY	ESHY ETH EAHZ ETH	c a, b c a, b	Net revenue from sale of goods and purchase Net revenue from sale of goods and purchase Receivables from and payables to related parties Receivables from and payables to related parties	43,454 601,840 30,589 582,634	Credit on transfer pricing policy Credit on transfer pricing policy 90 days 90 days	2 32 1 10
5	ETH	ETT ETT	a, b a, b	Net revenue from sale of goods and purchase Receivables from and payables to related parties	62,356 143,570	Credit on transfer pricing policy 90 days	3 2

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
6	EAVN	EAH	a, b	Net revenue from sale of goods and purchase	\$ 325,692	Credit on transfer pricing policy	17
		ETT	c	Net revenue from sale of goods and purchase	66,418	Credit on transfer pricing policy	3
		EAH	a, b	Receivables from and payables to related parties/other receivables from and other payables to related parties	297,587	90 days/Short-term financing, 1 year loan	5
		ETT	c	Receivables from and payables to related parties	66,687	90 days	1
7	ESZ	EAH	a, b	Net revenue from sale of goods and purchase	35,331	Credit on transfer pricing policy	2
		EAVN	c	Net revenue from sale of goods and purchase	105,243	Credit on transfer pricing policy	6
		EAVN	c	Receivables from and payables to related parties	211,055	90 days	4

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; and No. 7: 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)

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				March 31, 2021	December 31, 2020	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	\$ 117,333	\$ -	
EAH	ScS	Denmark	Research, development, production and sales of high-end speaker	225,530	225,530	1,320,045	100.00	225,530	2,423	-	
	ETT	Taiwan	Design and sales of smart speaker and AV electronics home entertainment systems	431,452	431,452	6,530,494	99.98	431,452	(3,823)	-	
	ESG	Singapore	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology	1,056	1,056	50,000	100.00	1,056	(181)	-	
	EAVN	Vietnam	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones	238,206	238,206	-	100.00	238,206	(19,802)	-	
	EMH	Hong Kong	Sales of headphones and AV products	386	386	100,000	100.00	386	1,235	-	
EAH	ETW	Taiwan	New technology research, product design and development	30,000	30,000	3,000,000	100.00	30,000	(8,496)	-	
	ETH	Hong Kong	Sales of smart speaker and AV electronics home entertainment systems	143,680	-	75,000,000	65.22	143,680	18,665	-	

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.

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

## FOR THE THREE MONTHS ENDED MARCH 31, 2021

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of March 31, 2021 (Note 3)	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK\$ 9,000	c.	\$ -	\$ -	\$ -	\$ -	\$ (5,738)	100.00	\$ -	\$ 35,810	\$ -
EAHY	Production, assembly and sales of speaker systems and accessories	US\$ 6,500	c.	-	-	-	-	(28,440)	100.00	-	148,826	-
EAHZ	Production, assembly and sales of speaker systems and accessories, headphones, smart speaker and AV electronics home entertainment systems	US\$ 2,145	c.	-	-	-	-	(17,223)	100.00	-	65,655	-
ESZ	Import and export trading of audio and headphones products, machinery and equipment	RMB 2,000	b.	-	-	-	-	(4,840)	100.00	-	9,753	-
ETHY	Production and sales of smart speaker and AV electronics home entertainment systems	HK\$ 58,000	c.	-	-	-	-	(93,490)	100.00	-	223,764	-

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

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2021	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)

**EASTECH HOLDING LIMITED AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Taishin International Bank is entrusted to manage the investment account for Above Vantage Limited	27,956,600 shares in common shares	45.51

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.