

# **Eastech Holding Limited and Subsidiaries**

## **Consolidated Financial Statements for the Nine Months Ended September 30, 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 sheet of Eastech Holding Limited ("Eastech") and subsidiaries (collectively, the "Group") as of September 30, 2021 and the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 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 September 30, 2021, and its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the 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 Yung-Ming Chiu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 5, 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)

|  | September 30, 2021<br>(Reviewed) |               | December 31, 2020<br>(Audited) |               |
|--|----------------------------------|---------------|--------------------------------|---------------|
|  | Amount                           | %             | Amount                         | %             |
| <b>ASSETS</b>  |                                  |               |                                |               |
| <b>CURRENT ASSETS</b>  |                                  |               |                                |               |
| Cash and cash equivalents (Note 6)   | \$ 741,401                       | 11.30         | \$ 1,109,289                   | 17.32         |
| Financial assets at fair value through profit or loss (Note 7)                         | 3,140                            | 0.05          | 260                            | -             |
| Notes and accounts receivable, net (Notes 8, 19 and 23)                                | 2,334,440                        | 35.59         | 1,943,005                      | 30.35         |
| Inventories (Notes 10 and 23)  | 1,066,728                        | 16.27         | 1,233,314                      | 19.26         |
| Restricted assets (Notes 6 and 23)   | 12,022                           | 0.18          | 21,047                         | 0.33          |
| Non-current assets held for sale (Notes 4 and 11)                                      | 423,675                          | 6.46          | -                              | -             |
| Income tax refund recoverable  | 991                              | 0.02          | 4                              | -             |
| Other receivables and prepayments (Note 9)   | 590,966                          | 9.01          | 486,386                        | 7.60          |
| Total current assets   | 5,173,363                        | 78.88         | 4,793,305                      | 74.86         |
| <b>NON-CURRENT ASSETS</b>  |                                  |               |                                |               |
| Financial assets at fair value through profit or loss - non-current (Note 7)           | 83,496                           | 1.27          | 83,496                         | 1.31          |
| Property, plant and equipment (Notes 12 and 23)  | 1,012,768                        | 15.44         | 1,052,738                      | 16.44         |
| Right-of-use assets (Note 13)  | 74,092                           | 1.13          | 185,875                        | 2.90          |
| Intangible assets (Notes 14 and 23)  | 208,795                          | 3.18          | 275,206                        | 4.30          |
| Deferred tax assets (Note 4)   | 6,133                            | 0.10          | 12,154                         | 0.19          |
| Total non-current assets   | 1,385,284                        | 21.12         | 1,609,469                      | 25.14         |
| <b>TOTAL</b>   | <b>\$ 6,558,647</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)   | \$ 1,393,319                     | 21.24         | \$ 1,142,073                   | 17.84         |
| Notes and accounts payable (Note 16)   | 2,420,484                        | 36.91         | 3,016,480                      | 47.11         |
| Lease liabilities - current (Note 13)  | 20,997                           | 0.32          | 22,524                         | 0.35          |
| Current tax liabilities (Note 4)   | 24,425                           | 0.37          | 2,449                          | 0.04          |
| Other payables (Note 16)   | 963,249                          | 14.69         | 590,169                        | 9.22          |
| Liabilities directly associated with non-current assets held for sale (Notes 4 and 11) | 281,444                          | 4.29          | -                              | -             |
| Total current liabilities  | 5,103,918                        | 77.82         | 4,773,695                      | 74.56         |
| <b>NON-CURRENT LIABILITIES</b>   |                                  |               |                                |               |
| Lease liabilities - non-current (Note 13)  | 10,983                           | 0.17          | 60,551                         | 0.94          |
| Long-term bank borrowings (Note 15)  | 251,465                          | 3.84          | 269,795                        | 4.21          |
| Deferred tax liabilities (Note 4)  | 13,186                           | 0.20          | 109,263                        | 1.71          |
| Other payable - non-current  | 6,109                            | 0.09          | 7,689                          | 0.12          |
| Total non-current liabilities  | 281,743                          | 4.30          | 447,298                        | 6.98          |
| Total liabilities  | 5,385,661                        | 82.12         | 5,220,993                      | 81.54         |
| <b>EQUITY (Note 18)</b>  |                                  |               |                                |               |
| Share capital - common stock   | 614,180                          | 9.36          | 614,550                        | 9.60          |
| Capital surplus  | 746,202                          | 11.38         | 779,951                        | 12.18         |
| Treasury shares  | (24,019)                         | (0.37)        | (24,019)                       | (0.37)        |
| Exchange differences on translating the financial statements of foreign operations     | (80,530)                         | (1.23)        | (186,751)                      | (2.92)        |
| Employee unearned benefits   | (349)                            | -             | (2,490)                        | (0.04)        |
| Unrealized losses on financial assets at fair value through other comprehensive income | (29,950)                         | (0.46)        | (29,950)                       | (0.47)        |
| Retained earnings  |                                  |               |                                |               |
| Legal reserve  | 5,898                            | 0.09          | 65,002                         | 1.02          |
| Unappropriated earnings (accumulated deficit)  | 8,518                            | 0.13          | (34,512)                       | (0.54)        |
| Equity directly associated with non-current assets held for sale (Notes 4 and 11)      | (66,964)                         | (1.02)        | -                              | -             |
| Total equity   | 1,172,986                        | 17.88         | 1,181,781                      | 18.46         |
| <b>TOTAL</b>   | <b>\$ 6,558,647</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, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

|   | For the Three Months Ended September 30 |               |                  |               | For the Nine Months Ended September 30 |               |                     |               |
|---|---|---------------|------------------|---------------|--|---------------|---------------------|---------------|
|   | 2021                                    |               | 2020             |               | 2021                                   |               | 2020                |               |
|   | Amount                                  | %             | Amount           | %             | Amount                                 | %             | Amount              | %             |
| NET REVENUE (Note 19)   | \$ 2,775,992                            | 100.00        | \$ 3,255,473     | 100.00        | \$ 7,189,201                           | 100.00        | \$ 6,309,822        | 100.00        |
| COST OF REVENUE (Note 10)   | <u>2,522,487</u>                        | <u>90.87</u>  | <u>3,000,533</u> | <u>92.17</u>  | <u>6,554,077</u>                       | <u>91.17</u>  | <u>5,903,442</u>    | <u>93.56</u>  |
| GROSS PROFIT  | <u>253,505</u>                          | <u>9.13</u>   | <u>254,940</u>   | <u>7.83</u>   | <u>635,124</u>                         | <u>8.83</u>   | <u>406,380</u>      | <u>6.44</u>   |
| OPERATING EXPENSES  |   |               |                  |               |  |               |                     |               |
| Selling and distribution  | 46,190                                  | 1.66          | 39,261           | 1.21          | 124,869                                | 1.74          | 114,175             | 1.81          |
| General and administrative<br>(Note 8)  | <u>171,755</u>                          | <u>6.19</u>   | <u>208,857</u>   | <u>6.41</u>   | <u>578,266</u>                         | <u>8.04</u>   | <u>658,337</u>      | <u>10.43</u>  |
| Total operating expenses  | <u>217,945</u>                          | <u>7.85</u>   | <u>248,118</u>   | <u>7.62</u>   | <u>703,135</u>                         | <u>9.78</u>   | <u>772,512</u>      | <u>12.24</u>  |
| PROFIT (LOSS) FROM OPERATIONS   | <u>35,560</u>                           | <u>1.28</u>   | <u>6,822</u>     | <u>0.21</u>   | <u>(68,011)</u>                        | <u>(0.95)</u> | <u>(366,132)</u>    | <u>(5.80)</u> |
| NON-OPERATING INCOME AND EXPENSES   |   |               |                  |               |  |               |                     |               |
| Other income (Notes 4 and 19)   | 33,116                                  | 1.19          | 18,693           | 0.57          | 105,666                                | 1.47          | 50,161              | 0.80          |
| Foreign exchange gain (loss),<br>net (Note 25)  | 10,743                                  | 0.39          | (48,445)         | (1.49)        | (2,634)                                | (0.03)        | (54,925)            | (0.87)        |
| Finance costs (Note 19)   | (9,608)                                 | (0.35)        | (6,819)          | (0.21)        | (27,849)                               | (0.39)        | (20,030)            | (0.32)        |
| Other losses (Note 19)  | <u>-</u>                                | <u>-</u>      | <u>(496)</u>     | <u>(0.01)</u> | <u>(24,967)</u>                        | <u>(0.35)</u> | <u>(1,209)</u>      | <u>(0.02)</u> |
| Total non-operating<br>income and expense   | <u>34,251</u>                           | <u>1.23</u>   | <u>(37,067)</u>  | <u>(1.14)</u> | <u>50,216</u>                          | <u>0.70</u>   | <u>(26,003)</u>     | <u>(0.41)</u> |
| PROFIT (LOSS) BEFORE INCOME TAX   | 69,811                                  | 2.51          | (30,245)         | (0.93)        | (17,795)                               | (0.25)        | (392,135)           | (6.21)        |
| INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 20)   | <u>49,072</u>                           | <u>1.77</u>   | <u>(663)</u>     | <u>(0.02)</u> | <u>26,313</u>                          | <u>0.37</u>   | <u>9,559</u>        | <u>0.15</u>   |
| NET PROFIT (LOSS) FOR THE PERIOD  | <u>118,883</u>                          | <u>4.28</u>   | <u>(30,908)</u>  | <u>(0.95)</u> | <u>8,518</u>                           | <u>0.12</u>   | <u>(382,576)</u>    | <u>(6.06)</u> |
| OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)  |   |               |                  |               |  |               |                     |               |
| Items that may be reclassified<br>subsequently to profit or loss:<br>Exchange differences on<br>translating foreign<br>operations | <u>(11,948)</u>                         | <u>(0.43)</u> | <u>33,053</u>    | <u>1.02</u>   | <u>(19,847)</u>                        | <u>(0.28)</u> | <u>(11,252)</u>     | <u>(0.18)</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD  | <u>\$ 106,935</u>                       | <u>3.85</u>   | <u>\$ 2,145</u>  | <u>0.07</u>   | <u>\$ (11,329)</u>                     | <u>(0.16)</u> | <u>\$ (393,828)</u> | <u>(6.24)</u> |
| EARNINGS (LOSS) PER SHARE (Note 21)   |   |               |                  |               |  |               |                     |               |
| Basic earnings (loss) per share<br>after income tax   | <u>\$ 1.95</u>                          |               | <u>\$ (0.51)</u> |               | <u>\$ 0.14</u>                         |               | <u>\$ (6.27)</u>    |               |
| Diluted earnings (loss) per share<br>after income tax   | <u>\$ 1.95</u>                          |               | <u>\$ (0.51)</u> |               | <u>\$ 0.14</u>                         |               | <u>\$ (6.27)</u>    |               |

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

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

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

|   | Share Capital -<br>Common Stock | Capital Surplus   | Treasury Shares    | Exchange<br>Differences on<br>Translating<br>Foreign<br>Operations | Unearned<br>Employee Benefit | Unrealized<br>Losses on<br>Financial Assets<br>at Fair Value<br>Through Other<br>Comprehensive<br>Income | Retained Earnings<br>Legal Reserve | Unappropriated<br>Earnings<br>(Accumulated<br>Deficit) | Equity Directly<br>Associated with<br>Non-current<br>Assets Held for<br>Sale | Total Equity        |
|---|---------------------------------|-------------------|--------------------|--|------------------------------|--|------------------------------------|--|--|---------------------|
| BALANCE AT JANUARY 1, 2020  | \$ 615,040                      | \$ 759,962        | \$ (24,019)        | \$ (178,006)   | \$ (8,801)                   | \$ (29,950)  | \$ 56,989                          | \$ 681,200   | \$ -   | \$ 1,872,415        |
| Appropriation of 2019 earnings  |                                 |                   |                    |  |                              |  |                                    |  |  |                     |
| Cash dividends  | -                               | -                 | -                  | -  | -                            | -  | -                                  | (31,343)   | -  | (31,343)            |
| Cash dividends distributed to the subsidiaries which<br>adjusted to capital surplus         | -                               | 231               | -                  | -  | -                            | -  | -                                  | -  | -  | 231                 |
| Legal reserve of subsidiaries   | -                               | -                 | -                  | -  | -                            | -  | 8,013                              | (8,013)  | -  | -                   |
| Cancellation of restricted shares for employees   | (490)                           | (998)             | -                  | -  | 1,488                        | -  | -                                  | -  | -  | -                   |
| Compensation costs of restricted shares plan for employees                                  | -                               | -                 | -                  | -  | 3,476                        | -  | -                                  | -  | -  | 3,476               |
| Compensation costs of employee stock options  | -                               | 14,867            | -                  | -  | -                            | -  | -                                  | -  | -  | 14,867              |
| Net loss for the nine months ended September 30, 2020                                       | -                               | -                 | -                  | -  | -                            | -  | -                                  | (382,576)  | -  | (382,576)           |
| Other comprehensive loss for the nine months ended<br>September 30, 2020                    | -                               | -                 | -                  | (11,252)   | -                            | -  | -                                  | -  | -  | (11,252)            |
| BALANCE AT SEPTEMBER 30, 2020   | <u>\$ 614,550</u>               | <u>\$ 774,062</u> | <u>\$ (24,019)</u> | <u>\$ (189,258)</u>  | <u>\$ (3,837)</u>            | <u>\$ (29,950)</u>   | <u>\$ 65,002</u>                   | <u>\$ 259,268</u>                                      | <u>\$ -</u>  | <u>\$ 1,465,818</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<br>non-current assets held for sale | -                               | -                 | -                  | 126,068  | -                            | -  | (59,104)                           | -  | (66,964)   | -                   |
| Cancellation of restricted shares for employees   | (370)                           | (780)             | -                  | -  | 1,150                        | -  | -                                  | -  | -  | -                   |
| Compensation costs of restricted shares plan for employees                                  | -                               | -                 | -                  | -  | 991                          | -  | -                                  | -  | -  | 991                 |
| Compensation costs of employee stock options  | -                               | 1,543             | -                  | -  | -                            | -  | -                                  | -  | -  | 1,543               |
| Appropriation of profit or loss   | -                               | (34,512)          | -                  | -  | -                            | -  | -                                  | 34,512   | -  | -                   |
| Net profit for the nine months ended September 30, 2021                                     | -                               | -                 | -                  | -  | -                            | -  | -                                  | 8,518  | -  | 8,518               |
| Other comprehensive loss for the nine months ended<br>September 30, 2021                    | -                               | -                 | -                  | (19,847)   | -                            | -  | -                                  | -  | -  | (19,847)            |
| BALANCE AT SEPTEMBER 30, 2021   | <u>\$ 614,180</u>               | <u>\$ 746,202</u> | <u>\$ (24,019)</u> | <u>\$ (80,530)</u>   | <u>\$ (349)</u>              | <u>\$ (29,950)</u>   | <u>\$ 5,898</u>                    | <u>\$ 8,518</u>  | <u>\$ (66,964)</u>   | <u>\$ 1,172,986</u> |

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

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|  | For the Nine Months Ended<br>September 30 |              |
|--|---|--------------|
|  | 2021                                      | 2020         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |              |
| Loss before income tax   | \$ (17,795)                               | \$ (392,135) |
| Adjustments for:   |   |              |
| Amortization - other intangible assets   | 55,663                                    | 49,410       |
| Impairment loss on bad debt provision  | 32  | 51,144       |
| Gain on lease modifications  | (48)                                      | -            |
| Allowance for inventories provision and inventories write-off                            | 7,423                                     | 9,862        |
| Depreciation expenses of property, plant and equipment                                   | 113,907                                   | 116,572      |
| Depreciation expenses of right-of-use assets   | 22,832                                    | 23,670       |
| Loss on disposal of property, plant and equipment  | 1,732                                     | 1,068        |
| Loss (gain) on written off other intangible assets                                       | 1,257                                     | (891)        |
| Interest expense   | 27,849                                    | 20,030       |
| Interest income  | (1,890)                                   | (2,090)      |
| Dividends income   | -   | (5,574)      |
| Compensation cost of restricted shares plans for employees                               | 991                                       | 3,476        |
| Compensation cost of employees share options   | 1,543                                     | 14,867       |
| Gain on fair value changes of financial instruments at fair value through profit or loss | (5,246)                                   | (71)         |
| Operating cash flows before working capital changes                                      | 208,250                                   | (110,662)    |
| Changes in operating assets and liabilities  |   |              |
| Notes and accounts receivable  | (391,467)                                 | (477,000)    |
| Other receivables and prepayments  | (112,832)                                 | (248,759)    |
| Inventories  | 159,163                                   | (712,265)    |
| Notes and accounts payable   | (595,996)                                 | 1,396,671    |
| Other payables   | 587,364                                   | (30,991)     |
| Cash used in operations  | (145,518)                                 | (183,006)    |
| Interest paid  | (27,849)                                  | (20,030)     |
| Interest received  | 1,890                                     | 2,090        |
| Dividends received   | -   | 5,574        |
| Income tax (paid) refund   | (15,245)                                  | 3,287        |
| Net cash used in operating activities  | (186,722)                                 | (192,085)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |              |
| Payments for acquiring property, plant and equipment                                     | (124,363)                                 | (308,263)    |
| Proceeds from disposal of property, plant and equipment                                  | 2,623                                     | 6,779        |
| Increase in other intangible assets  | (87,235)                                  | (64,462)     |
| Decrease (increase) in restricted assets   | 9,025                                     | (15,313)     |
| Net cash used in investing activities  | (199,950)                                 | (381,259)    |

(Continued)

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|   | For the Nine Months Ended<br>September 30 |                     |
|---|---|---------------------|
|   | 2021                                      | 2020                |
| CASH FLOWS FROM FINANCING ACTIVITIES                        |   |                     |
| Proceeds from bank borrowings                               | \$ 2,798,052                              | \$ 3,142,578        |
| Repayments of bank borrowings                               | (2,553,503)                               | (2,343,943)         |
| Repayments of the principal portion of lease liabilities    | (20,814)                                  | (20,691)            |
| Cash dividends  | -   | (31,343)            |
| Cash dividends received from treasury shares                | -   | 231                 |
| Net cash generated from financing activities                | <u>223,735</u>                            | <u>746,832</u>      |
| EFFECT OF EXCHANGE RATE CHANGES                             | <u>(12,713)</u>                           | <u>(43,932)</u>     |
| NET (DECREASE) INCREASE IN CASH AND CASH<br>EQUIVALENTS     | (175,650)                                 | 129,556             |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>PERIOD | <u>1,109,289</u>                          | <u>1,400,462</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD          | <u>\$ 933,639</u>                         | <u>\$ 1,530,018</u> |

Cash and cash equivalents as follows:

|  | For the Nine Months Ended<br>September 30 |                     |
|--|---|---------------------|
|  | 2021                                      | 2020                |
| Cash and bank deposits                       | \$ 753,423                                | \$ 1,574,512        |
| Included in non-current assets held-for-sale | 192,238                                   | -                   |
| Pledge demand deposits (reserve account)     | (12,022)                                  | (44,494)            |
| Cash and cash equivalents                    | <u>\$ 933,639</u>                         | <u>\$ 1,530,018</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 NINE MONTHS ENDED SEPTEMBER 30, 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 on January 25, 2019.

In order to expand the sales of headphones, EAH established a wholly-owned subsidiary - Eastech Microacoustics (HK) Limited, with the registered capital of HK\$100 thousand 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 NT\$30 million on July 2, 2020.

In order to expand the sales, EAH established a wholly-owned subsidiary - Eastech Trading (VN) Company Limited, with registered capital of US\$200 thousand on July 6, 2021.

The Company’s and its subsidiaries (collectively as the “Group”) principal places of operation are located in Taiwan, Hong Kong, 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 November 5, 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 nine months ended September 30, 2021.

#### b. Standards and interpretations issued but not yet effective

| New IFRSs  | Effective Date<br>Announced by IASB (Note 1) |
|--|--|
| 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 2)                     |
| Amendments to IAS 8 “Definition of Accounting Estimates”   | January 1, 2023 (Note 3)                     |
| Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”                  | January 1, 2023 (Note 4)                     |

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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  |
|------------------|---|--|----------------------------------|-------------------|---|
|                  |   |  | September 30, 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 Huiyang Dongmei Audio Products Co., Ltd. (“EAHZ”))   | Production, assembly and sales of speaker systems, accessories, headphones, smart speakers and AV electronics home entertainment systems | 100.00                           | 100.00            | “   |
| 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 Trading (VN) Company Limited (“ETV”)  | Sales of speaker systems and headphones  | 100.00                           | -                 | ETV was established by EAH on July 10, 2021   |
| 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. |

(Continued)

| Name of Investor | Name of Investee  | Main Business   | Percentage of Ownership Interest |                   | Descriptions                                |
|------------------|---|---|----------------------------------|-------------------|---|
|                  |   |   | September 30, 2021               | December 31, 2020 |   |
| ETT              | Eastech Electronics (HK) Limited ("ETH")                  | Sales of smart speaker and AV electronics home entertainment systems                | -                                | 100.00            | Note 2                                      |
| EAH              | EASTECH Innovations (TW) Inc. ("ETW")                     | Develop new technology and design the product                                       | 100.00                           | -                 | ETW was established by EAH on July 2, 2020. |
| EAH              | Eastech Electronics (HK) Limited ("ETH")                  | Sales of smart speakers and AV electronics home entertainment systems               | 100.00                           | -                 | Note 2                                      |
| ETH              | Eastech Electronics (Huiyang) Co., Ltd. ("ETHY") (Note 1) | Production and sales of smart speaker and AV electronics home entertainment systems | 100.00                           | 100.00            | 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%. ETT then sold the rest of the shares to EAH in September 2021.

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

|   | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|---|-------------------------------------|-----------------------------------|
| Cash on hand                                    | \$ 2,064                            | \$ 729                            |
| Cash at bank                                    | <u>751,359</u>                      | <u>1,129,607</u>                  |
|   | 753,423                             | 1,130,336                         |
| Less: Pledged demand deposits (reserve account) | <u>(12,022)</u>                     | <u>(21,047)</u>                   |
|   | <u>\$ 741,401</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 demand 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 ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|---|-------------------------------------|-----------------------------------|
| <u>Financial assets - current</u>           |                                     |                                   |
| Derivatives (do not apply hedge accounting) |                                     |                                   |
| Forward exchange contract                   | \$ 2,885                            | \$ -                              |
| Non-derivative financial assets             |                                     |                                   |
| Foreign-listed stocks                       | <u>255</u>                          | <u>260</u>                        |
|   | <u>\$ 3,140</u>                     | <u>\$ 260</u>                     |
| <u>Financial assets - non-current</u>       |                                     |                                   |
| Mandatorily classified as at FVTPL          |                                     |                                   |
| Non-derivative financial assets             |                                     |                                   |
| Domestic unlisted stocks                    | <u>\$ 83,496</u>                    | <u>\$ 83,496</u>                  |

The unexpired forward foreign exchange contracts that do not apply hedge accounting on the balance sheet date are as below:

September 30, 2021

|                                    | <u>Currencies</u> | <u>Term</u>                           | <u>Amount (In Thousands)</u> |
|------------------------------------|-------------------|---------------------------------------|------------------------------|
| Sales of forward exchange contract | USD to RMB        | October 15, 2021 to December 13, 2021 | USD8,000/RMB52,532           |

The purpose that the Group engages in forward exchange contract is mainly to avoid risks arising from exchange rate fluctuations of foreign assets and liabilities.

## 8. NOTES AND ACCOUNTS RECEIVABLE

|                                     | <b>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|-------------------------------------|--|--|
| Notes receivable                    | \$ 24,045                                    | \$ 12,019                                  |
| Accounts receivable                 | 2,334,155                                    | 1,977,863                                  |
| Less: Allowance for impairment loss | <u>(23,760)</u>                              | <u>(46,877)</u>                            |
|                                     | <u>\$ 2,334,440</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.

September 30, 2021 (reviewed)

|                                   | <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             | \$ 2,177,616        | \$ 161,503           | \$ 19                  | \$ 19,062            | \$ 2,358,200        |
| Loss allowance<br>(Lifetime ECLs) | <u>-</u>            | <u>(7,005)</u>       | <u>(19)</u>            | <u>(16,736)</u>      | <u>(23,760)</u>     |
| Amortized cost                    | <u>\$ 2,177,616</u> | <u>\$ 154,498</u>    | <u>\$ -</u>            | <u>\$ 2,326</u>      | <u>\$ 2,334,440</u> |

December 31, 2020 (audited)

|                                   | <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<br>(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 Nine Months Ended September 30, 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               | 32   | 49,054  |
| Less: Amounts written off                       | -  | (12,328)  |
| Less: Amounts recovered                         | (22,558)   | (3,178)   |
| Effect of foreign currency exchange differences | <u>(591)</u>   | <u>(2,219)</u>  |
| Balance at the end of the period                | <u>\$ 23,760</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

|   | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|---|-------------------------------------|-----------------------------------|
| Other receivables                               | \$ 179,479                          | \$ 166,663                        |
| Allowance for impairment loss                   | <u>(66,161)</u>                     | <u>(71,090)</u>                   |
| Other receivables, net                          | 113,318                             | 95,573                            |
| Prepayments for purchases                       | 134,550                             | 100,981                           |
| Prepayments                                     | 12,155                              | 15,983                            |
| Prepayments for purchases of equipment and mold | 54,124                              | 20,265                            |
| Value-added tax recoverable and refundable      | 262,008                             | 232,944                           |
| Guarantee deposits                              | <u>14,811</u>                       | <u>20,640</u>                     |
|   | <u>\$ 590,966</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:

|   | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|---|-------------------------------------|-----------------------------------|
| Other receivables (including security deposits) | \$ 73,500                           | \$ 80,728                         |
| Less: Allowance for impairment loss             | <u>(66,161)</u>                     | <u>(71,090)</u>                   |
|   | <u>\$ 7,339</u>                     | <u>\$ 9,638</u>                   |

- b. As of September 30, 2021 and December 31, 2020, the amounts of temporary payments as described in Note 16 (b) were \$52,152 thousand and \$63,494 thousand, respectively.

## 10. INVENTORIES

|                  | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|------------------|-------------------------------------|-----------------------------------|
| Raw materials    | \$ 652,866                          | \$ 672,412                        |
| Work-in-process  | 266,076                             | 277,487                           |
| Finished goods   | 102,918                             | 152,939                           |
| Goods in transit | <u>44,868</u>                       | <u>130,476</u>                    |
|                  | <u>\$ 1,066,728</u>                 | <u>\$ 1,233,314</u>               |

The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2021 and 2020 was \$6,554,077 thousand and \$5,903,442 thousand, respectively, which included inventories write-down of \$7,423 thousand and \$9,862 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2021 and 2020 was \$2,522,487 thousand and \$3,000,533 thousand, respectively, which included inventories write-down of \$7,011 thousand and \$2,110 thousand, respectively.



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

# 11. NON-CURRENT ASSETS HELD FOR SALE

|   | <b>September 30,<br/>2021<br/>(Reviewed)</b> |
|---|--|
| Assets associated with EAHY   | \$ 144,583                                   |
| Assets associated with ETHY   | <u>279,092</u>                               |
|   | <u>\$ 423,675</u>                            |
| Liabilities directly associated with non-current assets held for sale | <u>\$ 281,444</u>                            |
| Equities directly associated with non-current assets held for sale    | <u>\$ (66,964)</u>                           |

On March 15, 2021, the board of directors of the company approved the Equity Transfer Agreement between EAH, ETH and Shangnanfei Trading (Shenzhen) Co., Ltd., a non-related party, to dispose 100% equity of EAHY and ETHY, respectively, which is expected to be completed 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>September 30,<br/>2021<br/>(Reviewed)</b> |
|---|--|
| Cash and cash equivalents   | \$ 192,238                                   |
| Other receivables   | 8,253  |
| Property, plant and equipment   | 41,371                                       |
| Right-of-use assets   | 98,488                                       |
| Intangible assets   | <u>83,325</u>                                |
| Total held for sale assets  | <u>\$ 423,675</u>                            |
| Accounts payable and other payables(Note)                             | \$ 215,864                                   |
| Lease liabilities   | 39,951                                       |
| Deferred tax liabilities  | <u>25,629</u>                                |
| Liabilities directly associated with non-current assets held for sale | <u>\$ 281,444</u>                            |
| Equities directly associated with non-current assets held for sale    | <u>\$ (66,964)</u>                           |

Note: Including the borrowing of RMB30,000 thousand (equivalent to approximately NT\$128,817 thousand) from Shangnanfei Trading (Shenzhen) Co., Ltd. for the period from July 12, 2021 to March 1, 2022, with an interest rate of 6%.

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>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|---|--|--|
| Cost                                    | \$ 1,363,304                                 | \$ 2,159,548                               |
| Accumulated depreciation and impairment | <u>(350,536)</u>                             | <u>(1,016,810)</u>                         |
| Carrying amount                         | <u>\$ 1,012,768</u>                          | <u>\$ 1,052,738</u>                        |
| Land and buildings                      | \$ 288,995                                   | \$ 296,041                                 |
| Machinery and office equipment          | 685,274                                      | 701,898                                    |
| Property under construction             | <u>38,499</u>                                | <u>54,799</u>                              |
| Carrying amount                         | <u>\$ 1,012,768</u>                          | <u>\$ 1,052,738</u>                        |

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

|  | <b>Land and<br/>Buildings</b> | <b>Machinery<br/>and Office<br/>Equipment</b> | <b>Property<br/>under<br/>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 foreign currency<br>exchange differences | <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  | 2,915                         | 94,373  | 27,075                                     | 124,363             |
| Disposals  | -                             | (36,434)                                      | (2,491)                                    | (38,925)            |
| Reclassified as assets held for<br>sale            | (543,900)                     | (227,284)                                     | -  | (771,184)           |
| Reclassification                                   | 149,129                       | (208,435)                                     | (40,880)                                   | (100,186)           |
| Effect of foreign currency<br>exchange differences | <u>(3,309)</u>                | <u>(6,999)</u>                                | <u>(4)</u>                                 | <u>(10,312)</u>     |
| Balance at September 30, 2021                      | <u>\$ 301,392</u>             | <u>\$ 1,023,413</u>                           | <u>\$ 38,499</u>                           | <u>\$ 1,363,304</u> |

(Continued)

|  | <b>Land and<br/>Buildings</b> | <b>Machinery<br/>and Office<br/>Equipment</b> | <b>Property<br/>under<br/>Construction</b> | <b>Total</b>                     |
|--|-------------------------------|---|--|----------------------------------|
| <u>Accumulated depreciation and<br/>impairment</u> |                               |   |  |                                  |
| 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 foreign currency<br>exchange differences | <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                                       | 10,804                        | 103,103                                       | -  | 113,907                          |
| Disposals  | -                             | (34,570)                                      | -  | (34,570)                         |
| Reclassified as assets held for<br>sale            | (550,897)                     | (178,916)                                     | -  | (729,813)                        |
| Reclassification                                   | 154,807                       | (254,993)                                     | -  | (100,186)                        |
| Effect of foreign currency<br>exchange differences | <u>(2,833)</u>                | <u>(2,779)</u>                                | <u>-</u>                                   | <u>(5,612)</u>                   |
| Balance at September 30, 2021                      | <u>\$ 12,397</u>              | <u>\$ 338,139</u>                             | <u>\$ -</u>                                | <u>\$ 350,536</u><br>(Concluded) |

For the shutdown effect from the COVID-19 pandemic, the management has conducted an impairment test. Since the sales orders from main customers are still existed and shipments are just deferred, 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 September 30, 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, buildings 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>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|--------------------------------|--|--|
| <u>Carrying amounts</u>        |  |  |
| Land and buildings             | \$ 71,967                                    | \$ 183,138                                 |
| Machinery and office equipment | <u>2,125</u>                                 | <u>2,737</u>                               |
|                                | <u>\$ 74,092</u>                             | <u>\$ 185,875</u>                          |

|   | <b>For the Nine Months Ended<br/>September 30</b>  |                  |
|---|--|------------------|
|   | <b>2021</b>  | <b>2020</b>      |
| Additions to right-of-use assets            | \$ <u>19,836</u>                                   | \$ <u>15,987</u> |
| Depreciation charge for right-of-use assets |  |                  |
| Land and buildings                          | \$ 20,970  | \$ 21,791        |
| Machinery and office equipment              | <u>1,862</u>                                       | <u>1,879</u>     |
|   | \$ <u>22,832</u>                                   | \$ <u>23,670</u> |
|   | <b>For the Three Months Ended<br/>September 30</b> |                  |
|   | <b>2021</b>  | <b>2020</b>      |
| Additions to right-of-use assets            | \$ <u>8,347</u>                                    | \$ <u>6,071</u>  |
| Depreciation charge for right-of-use assets |  |                  |
| Land and buildings                          | \$ 6,616   | \$ 7,565         |
| Machinery and office equipment              | <u>632</u>   | <u>628</u>       |
|   | \$ <u>7,248</u>                                    | \$ <u>8,193</u>  |

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2021 and for the year ended December 31, 2020.

b. Lease liabilities

|                         | <b>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|-------------------------|--|--|
| <u>Carrying amounts</u> |  |  |
| Current                 | \$ 20,997                                    | \$ 22,524                                  |
| Non-current             | <u>10,983</u>                                | <u>60,551</u>                              |
|                         | \$ <u>31,980</u>                             | \$ <u>83,075</u>                           |

Range of discount rate for lease liabilities was as follows:

|                                | <b>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|--------------------------------|--|--|
| Land and buildings             | 2.51%-4.23%                                  | 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 for 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 right-of-use in respect of lands in 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 right-of-use of land 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:

September 30, 2021 and December 31, 2020

| <b>Company Name</b> | <b>Location</b>   | <b>Description</b>  | <b>Tenure/Unexpired Term</b>   |
|---------------------|---|---|--|
| 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   | Lease for a term of 40 years from January 2019 to April 2058           |

As of September 30, 2021, the right-of-use of land of EAHY and ETHY have been reclassified to the non-current assets held for sale.

d. Other lease information

|  | <b>For the Nine Months Ended<br/>September 30</b>  |                    |
|--|--|--------------------|
|  | <b>2021</b>  | <b>2020</b>        |
| Expenses relating to short-term leases | <u>\$ 19,388</u>                                   | <u>\$ 17,403</u>   |
| Total cash outflow for leases          | <u>\$ (42,247)</u>                                 | <u>\$ (40,458)</u> |
|  | <b>For the Three Months Ended<br/>September 30</b> |                    |
|  | <b>2021</b>  | <b>2020</b>        |
| Expenses relating to short-term leases | <u>\$ 5,990</u>                                    | <u>\$ 1,030</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

|  | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|--|-------------------------------------|-----------------------------------|
| Goodwill   | \$ 110,288                          | \$ 115,530                        |
| Technical knowledge (including capitalized costs of R&D) | 93,674                              | 150,754                           |
| Customer relationship                                    | <u>4,833</u>                        | <u>8,922</u>                      |
|  | <u>\$ 208,795</u>                   | <u>\$ 275,206</u>                 |

As of September 30, 2021, technical knowledge (including capitalized costs of R&D) of ETHY have been reclassified to non-current assets held for sale.

a. Details of goodwill were as follows:

|                 | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|-----------------|-------------------------------------|-----------------------------------|
| Related to ScS  | \$ 98,372                           | \$ 103,541                        |
| Related to EAHZ | <u>11,916</u>                       | <u>11,989</u>                     |
|                 | <u>\$ 110,288</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    |

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

## 15. BANK BORROWINGS

a. Short-term borrowings

|  | September 30, 2021 (Reviewed) |                     | December 31, 2020 (Audited) |                     |
|--|-------------------------------|---------------------|-----------------------------|---------------------|
|  | Interest Rate                 | Amount              | Interest Rate               | Amount              |
| <u>Secured borrowings</u>              |                               |                     |                             |                     |
| Factoring                              | 1.72%-4.54%                   | \$ 106,806          | 3.73%-6.45%                 | \$ 13,134           |
| Bank borrowings                        | 1.42%-2.5%                    | 1,181,411           | 1.26%-4%                    | 943,150             |
| Commercial paper                       | -                             | -                   | 2.14%                       | 30,000              |
| Long-term borrowings due within 1 year | 1.26%-3.25%                   | <u>105,102</u>      | 1.35%-4.63%                 | <u>78,025</u>       |
|  |                               | <u>1,393,319</u>    |                             | <u>1,064,309</u>    |
| <u>Unsecured borrowings</u>            |                               |                     |                             |                     |
| Bank borrowings                        | -                             | <u>-</u>            | 4.2%                        | <u>77,764</u>       |
|  |                               | <u>\$ 1,393,319</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:

December 31, 2020

| <b>Promissory Institution</b>     | <b>Nominal Amount</b> | <b>Carrying Amount</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 borrowings

|   | <u>September 30, 2021 (Reviewed)</u> |                   | <u>December 31, 2020 (Audited)</u> |                   |
|---|--------------------------------------|-------------------|------------------------------------|-------------------|
|   | <b>Interest Rate</b>                 | <b>Amount</b>     | <b>Interest Rate</b>               | <b>Amount</b>     |
| Long-term bank borrowings                         | 1.26%-4.5%                           | \$ 356,567        | 1.35%-5.1%                         | \$ 347,820        |
| Less: Long-term bank borrowings due within 1 year |                                      | <u>(105,102)</u>  |                                    | <u>(78,025)</u>   |
|   |                                      | <u>\$ 251,465</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>September 30, 2021 (Reviewed)</b> | <b>December 31, 2020 (Audited)</b> |
|-------------------------|--------------------------------------|------------------------------------|
| Due within 2 to 5 years | <u>\$ 251,465</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 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:

|  | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|--|-------------------------------------|-----------------------------------|
| Accrued salaries   | \$ 90,630                           | \$ 148,987                        |
| Temporary receipts - other (Note 1)                      | 144,228                             | 133,705                           |
| Temporary receipts - related to equity transfer (Note 2) | 636,876                             | -                                 |
| Other payables   | <u>91,515</u>                       | <u>307,477</u>                    |
|  | <u>\$ 963,249</u>                   | <u>\$ 590,169</u>                 |

Note 1: Temporary receipts 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.

Note 2: Temporary receipts - related to equity transfer are prepayments from the buyer which are according to the equity transfer agreement of disposal of EAHY and ETHY. (Please refer to Note 11)

The total price of the equity transfer transaction is RMB365,000 thousand (equivalent to approximately NT\$1,560,064 thousand). According to the equity transfer agreement, after deducting the temporary receipts of RMB150,000 thousand (equivalent to approximately NT\$636,876 thousand) as of September 30, 2021, a loan from Shangnanfei Trading (Shenzhen) Co., Ltd. of RMB30,000 thousand (equivalent to approximately NT\$128,817 thousand) (please refer to Note 11) and the payables of EAHY and ETHY of RMB21,144 thousand (equivalent to approximately NT\$90,790 thousand), the balance of equity transfer transaction is RMB163,856 thousand (equivalent to approximately NT\$703,581 thousand). Shangnanfei paid RMB50,000 thousand (equivalent to approximately NT\$214,695 thousand) on October 15, 2021. Afterwards, Shangnanfei renegotiated the agreement with the Group, agreeing the balance amount RMB113,856 thousand (equivalent to approximately NT\$ 488,886 thousand) must be fully paid no later than November 30, 2021. The equity of the two companies will not be transferred to the buyer until the payment is fully paid by November 30, 2021.

## 17. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

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

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



## 18. EQUITY

### a. Share capital

The initial setup capital of the Company is \$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of September 30, 2021 and December 31, 2020 were \$614,180 thousand and \$614,550 thousand, respectively, divided into 61,418 thousand shares and 61,455 thousand shares, each with a nominal amount of \$10 per share. All of the shares are ordinary shares, each carrying the rights to vote and receive dividends.

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

(In Thousands of Shares)

| Purpose of Buy-back            | Number of Shares |
|--------------------------------|------------------|
| January 1, 2020                | 61,504           |
| Write-off of restricted shares | (49)             |
| December 31, 2020              | 61,455           |
| Write-off of restricted shares | (37)             |
| September 30, 2021             | <u>61,418</u>    |

### b. Treasury shares

As of September 30, 2021 and December 31, 2020, the details of treasury shares are as follows:

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

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

September 30, 2021 (reviewed)

| Subsidiary | Number of Shares Held<br>(In Thousands of Shares) | Carrying Amount  | Market Value    |
|------------|---|------------------|-----------------|
| ETT        | 453   | <u>\$ 24,019</u> | <u>\$ 8,834</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 September 30, 2021 and December 31, 2020, the capital surplus of the Company are as follows:

|  | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|--|-------------------------------------|-----------------------------------|
| <u>May be used to offset a deficit, distributed as cash dividends, or<br/>transferred to share capital</u> |                                     |                                   |
| Arising from issuance of common share  | \$ 686,926                          | \$ 714,815                        |
| Treasury share transactions  | -                                   | 1,348                             |
| Cash dividends received from treasury stock  | -                                   | 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>32,633</u>                       | <u>31,090</u>                     |
|  | <u>\$ 746,202</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 dividends 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 dividends, 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 approved by the board of directors on February 27, 2020. Details of the dividend per share of the earnings appropriations for 2020 of the Company were as follows:

|                                | <u>2020</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; Shareholders' meeting also decided making use of capital surplus \$34,512 thousand to offset accumulated deficits on July 15, 2021.

## Legal reserve

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 September 30, 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:

| Approved Date | Grant Shares<br>(Thousand) | Grant Date | Issued Date | Issued Shares<br>(Thousand) | Issued Price | Fair Value |
|---------------|----------------------------|------------|-------------|-----------------------------|--------------|------------|
| 2015/05/12    | 252                        | 2015/06/02 | 2015/06/02  | 252                         | \$ -         | \$ 60.60   |
| 2016/05/11    | 500                        | 2016/12/20 | 2016/12/20  | 500                         | -            | 31.45      |
| 2017/06/08    | 500                        | 2017/11/20 | 2017/11/20  | 500                         | -            | 29.50      |

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

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

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

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

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

- 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:

|  | <b>Number of Shares (In Thousands)</b>              |  |
|--|---|--|
|  | <b>For the Nine Months Ended September 30, 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:

|  | <b>For the Nine Months Ended September 30</b> |                 |
|--|---|-----------------|
|  | <b>2021</b>                                   | <b>2020</b>     |
| The costs of restricted shares plans for employees | <u>\$ 991</u>                                 | <u>\$ 3,476</u> |

  

|  | <b>For the Three Months Ended September 30</b> |                 |
|--|--|-----------------|
|  | <b>2021</b>                                    | <b>2020</b>     |
| The costs of restricted shares plans for employees | <u>\$ 699</u>                                  | <u>\$ 1,474</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 | \$23.95 (Note)           |
| 2019.06.10        | 4,747 units (equivalent 1,000 outstanding shares per unit) | Within 4 years after the grant date | \$33.05 (Note)           |
| 2020.05.19        | 2,760 units (equivalent 1,000 outstanding shares per unit) | Within 4 years after the grant date | \$25.30 (Note)           |
| 2020.08.06        | 82 units (equivalent 1,000 outstanding shares per unit)    | Within 4 years after the grant date | \$25.45 (Note)           |
| 2021.04.27        | 219 units (equivalent 1,000 outstanding shares per unit)   | Within 4 years after the grant date | \$21.65 (Note)           |
| 2021.08.20        | 2,460 units (equivalent 1,000 outstanding shares per unit) | Within 4 years after the grant date | \$19.45 (Note)           |

Note: 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 dividends, 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.

Information on employee stock options is as follows:

| Employee Stock Options                            | For the Nine Months Ended<br>September 30, 2021 |   | For the Year Ended<br>December 31, 2020 |   |
|---|---|---|---|---|
|   | Number of<br>Options                            | Weighted-<br>average<br>Exercise<br>Price | Number of<br>Options                    | Weighted-<br>average<br>Exercise<br>Price |
| Balance at the beginning of period                | 8,719   | \$ 28.49                                  | 5,877                                   | \$ 30.03                                  |
| Granted   | 2,679   | 19.63                                     | 2,842                                   | 25.30                                     |
| Write-off   | <u>(3,195)</u>                                  | 28.39                                     | <u>-</u>                                |   |
| Balance at end period                             | <u>8,203</u>                                    | 25.63                                     | <u>8,719</u>                            | 28.49                                     |
| Options exercisable, end of period                | <u>-</u>  |   | <u>-</u>                                |   |
| Weighted-average fair value of<br>options granted | <u>\$ 6.38</u>                                  |   | <u>\$ 7.76</u>                          |   |

Information about outstanding options was as follows:

| Grant Date | September 30, 2021                   |  | December 31, 2020                    |  |
|------------|--------------------------------------|--|--------------------------------------|--|
|            | Range of<br>Exercise Price<br>(NT\$) | Weighted-<br>average<br>Remaining<br>Contractual<br>Life (Years) | Range of<br>Exercise Price<br>(NT\$) | Weighted-<br>average<br>Remaining<br>Contractual<br>Life (Years) |
| 2018.09.28 | \$ 23.00                             | 1.00   | \$ 23.00                             | 1.75   |
| 2019.06.10 | 31.70                                | 1.71   | 31.70                                | 2.46   |
| 2020.05.19 | 25.30                                | 2.63   | 25.30                                | 3.38   |
| 2020.08.06 | 25.45                                | 2.83   | 25.45                                | 3.58   |
| 2021.04.27 | 21.65                                | 3.58   | -                                    | -  |
| 2021.08.20 | 19.45                                | 3.92   | -                                    | -  |

Employee stock options granted on August 20, 2021, April 27, 2021, August 6, 2020, May 19, 2020, June 10, 2019 and September 28, 2018 were priced using the black-scholes pricing model and the inputs to the model were as follows:

|                              | August 20,<br>2021 | April 27, 2021 | August 6,<br>2020 | May 19, 2020 | June 10, 2019 | September<br>28, 2018 |
|------------------------------|--------------------|----------------|-------------------|--------------|---------------|-----------------------|
| Grant-date share price (NTD) | 19.45              | 21.65          | 25.45             | 25.30        | 33.05         | 23.95                 |
| Exercise price (NTD)         | 19.45              | 21.65          | 25.45             | 25.30        | 33.05         | 23.95                 |
| Expected volatility          | 44.87%             | 44.32%         | 41.56%            | 41.50%       | 35.61%        | 31.81%                |
| Expected life (in years)     | 3.5 years          | 3.5 years      | 3.5 years         | 3.5 years    | 3.5 years     | 3.5 years             |
| Expected dividend yield      | -                  | -              | -                 | -            | -             | -                     |
| Risk-free interest rate      | 0.25%              | 0.24%          | 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 recognized as follows:

|                                 | <b>For the Nine Months Ended<br/>September 30</b>  |                  |
|---------------------------------|--|------------------|
|                                 | <b>2021</b>  | <b>2020</b>      |
| Costs of employee stock options | <u>\$ 1,543</u>                                    | <u>\$ 14,867</u> |
|                                 | <b>For the Three Months Ended<br/>September 30</b> |                  |
|                                 | <b>2021</b>  | <b>2020</b>      |
| Costs of employee stock options | <u>\$ 426</u>                                      | <u>\$ 5,871</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 PROFIT (LOSS)

In addition to the disclosures made in other notes, the consolidated net profit (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

|   | <b>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|---|--|--|
| Notes and accounts receivable, net (Note 8) | <u>\$ 2,334,440</u>                          | <u>\$ 1,943,005</u>                        |

3) Disaggregation of revenue from customer contracts

|                    | <b>For the Nine Months Ended<br/>September 30</b>  |                            |
|--------------------|--|----------------------------|
|                    | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Home audio         | \$ 3,858,316                                       | \$ 3,761,105               |
| Personal audio     | 2,038,397  | 1,393,332                  |
| Transducer speaker | 315,225  | 266,649                    |
| Others             | <u>977,263</u>                                     | <u>888,736</u>             |
|                    | <u>\$ 7,189,201</u>                                | <u>\$ 6,309,822</u>        |
|                    | <b>For the Three Months Ended<br/>September 30</b> |                            |
|                    | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Home audio         | \$ 1,400,986                                       | \$ 2,068,615               |
| Personal audio     | 946,998  | 575,842                    |
| Transducer speaker | 104,472  | 114,178                    |
| Others             | <u>323,536</u>                                     | <u>496,838</u>             |
|                    | <u>\$ 2,775,992</u>                                | <u>\$ 3,255,473</u>        |

b. Depreciation and amortization expenses

|   | <b>For the Nine Months Ended<br/>September 30</b> |                            |
|---|---|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                        | <b>2020<br/>(Reviewed)</b> |
| Depreciation of property, plant and equipment | \$ 113,907  | \$ 116,572                 |
| Amortization of other intangible assets       | 55,663  | 49,410                     |
| Depreciation of right-of-use assets           | <u>22,832</u>                                     | <u>23,670</u>              |
|   | <u>\$ 192,402</u>                                 | <u>\$ 189,652</u>          |

|   | <b>For the Three Months Ended<br/>September 30</b> |                            |
|---|--|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Depreciation of property, plant and equipment | \$ 30,081  | \$ 39,934                  |
| Amortization of other intangible assets       | 19,113   | 17,269                     |
| Depreciation of right-of-use assets           | <u>7,248</u>                                       | <u>8,193</u>               |
|   | <u>\$ 56,442</u>                                   | <u>\$ 65,396</u>           |

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

|  | <b>For the Nine Months Ended<br/>September 30</b> |                            |
|--|---|----------------------------|
|  | <b>2021<br/>(Reviewed)</b>                        | <b>2020<br/>(Reviewed)</b> |
| Remuneration of directors and key management |   |                            |
| Short-term employment benefits               | \$ 71,462   | \$ 120,196                 |
| Post-employment benefits                     | 1,902   | 2,947                      |
| Share-based payments                         | 1,141   | 15,701                     |
| Employee benefits                            |   |                            |
| Short-term benefits                          | 1,155,261   | 1,137,587                  |
| Post-employment benefits                     | 68,854  | 41,878                     |
| Share-based payments                         | <u>1,393</u>                                      | <u>2,642</u>               |
|  | <u>\$ 1,300,013</u>                               | <u>\$ 1,320,951</u>        |

|  | <b>For the Three Months Ended<br/>September 30</b> |                            |
|--|--|----------------------------|
|  | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Remuneration of directors and key management |  |                            |
| Short-term employment benefits               | \$ 19,197  | \$ 25,507                  |
| Post-employment benefits                     | 553  | 912                        |
| Share-based payments                         | (141)  | 6,031                      |
| Employee benefits                            |  |                            |
| Short-term benefits                          | 416,704  | 467,422                    |
| Post-employment benefits                     | 28,151   | 19,148                     |
| Share-based payments                         | <u>1,266</u>                                       | <u>1,314</u>               |
|  | <u>\$ 465,730</u>                                  | <u>\$ 520,334</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 nine months ended September 30, 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 amounts of employees' compensation and the remuneration of directors and supervisors, which are resolved by board of directors on February 27, 2020 are as follows:

Amount

**For the Year of  
2019**

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

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

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

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

e. Other income

|  | <b>For the Nine Months Ended<br/>September 30</b> |                            |
|--|---|----------------------------|
|  | <b>2021<br/>(Reviewed)</b>                        | <b>2020<br/>(Reviewed)</b> |
| Government grants revenue                                  | \$ 4,654  | \$ 24,275                  |
| Project service revenue                                    | 45,911  | 9,882                      |
| Dividends income   | -   | 5,574                      |
| Interest income  | 1,890   | 2,090                      |
| Scrap income   | 9,053   | 1,961                      |
| Rent revenue   | 639   | 1,068                      |
| Gain on disposal of property, plant and equipment          | 1,042   | 75                         |
| Gain on fair value change of financial instrument at FVTPL | 17,936  | 71                         |
| Gain on bad debt reversal                                  | 18,742  | -                          |
| Others   | <u>5,799</u>                                      | <u>5,165</u>               |
|  | <u>\$ 105,666</u>                                 | <u>\$ 50,161</u>           |

|  | <b>For the Three Months Ended<br/>September 30</b> |                            |
|--|--|----------------------------|
|  | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Government grants revenue                                  | \$ 1,291   | \$ 7,702                   |
| Project service revenue                                    | 8,379  | 1,945                      |
| Dividends income   | -  | 5,574                      |
| Interest income  | 329  | 526                        |
| Scrap income   | (219)  | 432                        |
| Rent revenue   | 213  | 243                        |
| Gain on disposal of property, plant and equipment          | 11   | 1                          |
| Gain on fair value change of financial instrument at FVTPL | 1,795  | 43                         |
| Gain on bad debt reversal                                  | 18,742   | -                          |
| Others   | <u>2,575</u>                                       | <u>2,227</u>               |
|  | <u>\$ 33,116</u>                                   | <u>\$ 18,693</u>           |

f. Other losses

|   | <b>For the Nine Months Ended<br/>September 30</b> |                            |
|---|---|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                        | <b>2020<br/>(Reviewed)</b> |
| Losses on fair value change of financial instruments at FVTPL | \$ 12,690   | \$ -                       |
| Losses on disposal of property, plant and equipment           | 2,774   | 1,143                      |
| Others  | <u>9,503</u>                                      | <u>66</u>                  |
|   | <u>\$ 24,967</u>                                  | <u>\$ 1,209</u>            |

|        | <b>For the Three Months Ended<br/>September 30</b> |                            |
|--------|--|----------------------------|
|        | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Others | <u>\$ -</u>  | <u>\$ 496</u>              |

g. Finance costs

|   | <b>For the Nine Months Ended<br/>September 30</b> |                            |
|---|---|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                        | <b>2020<br/>(Reviewed)</b> |
| Interest expense arising from bank borrowings | \$ 25,804   | \$ 17,666                  |
| Interest on lease liabilities                 | <u>2,045</u>                                      | <u>2,364</u>               |
|   | <u>\$ 27,849</u>                                  | <u>\$ 20,030</u>           |

|   | <b>For the Three Months Ended<br/>September 30</b> |                            |
|---|--|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Interest expense arising from bank borrowings | \$ 8,995   | \$ 6,053                   |
| Interest on lease liabilities                 | <u>613</u>   | <u>766</u>                 |
|   | <u>\$ 9,608</u>                                    | <u>\$ 6,819</u>            |

## 20. INCOME TAXES

### a. Income tax recognized in profit or loss

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

|   | <b>For the Nine Months Ended<br/>September 30</b> |                            |
|---|---|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                        | <b>2020<br/>(Reviewed)</b> |
| Current tax                                     |   |                            |
| In respect of the current year                  | \$ 23,465   | \$ 23                      |
| Adjustments for prior years                     | (1,048)   | (7,138)                    |
| Deferred tax                                    |   |                            |
| In respect of the current year                  | <u>(48,730)</u>                                   | <u>(2,444)</u>             |
| Income tax benefit recognized in profit or loss | <u>\$ (26,313)</u>                                | <u>\$ (9,559)</u>          |

|   | <b>For the Three Months Ended<br/>September 30</b> |                            |
|---|--|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Current tax   |  |                            |
| In respect of the current year                            | \$ 7,130   | \$ 25                      |
| Adjustments for prior years                               | 2  | (3)                        |
| Deferred tax  |  |                            |
| In respect of the current year                            | <u>(56,204)</u>                                    | <u>641</u>                 |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (49,072)</u>                                 | <u>\$ 663</u>              |

The Group uses the estimated effective annual tax 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 dividends to the Hong Kong Company, 5% levy tax is imposed on the earnings distribution when it meets certain conditions.

The tax rate in Hong Kong is a two-level progressive tax. Tax rate for taxable income less than HK\$2 million is 8.25%, and for taxable income more than HK\$2 million is 16.5%.

The local tax rates for the subsidiaries in Denmark and Singapore are 22% and 17%, respectively. The local tax rate for the subsidiaries in Vietnam is 20%. The subsidiaries in Vietnam can enjoy the income tax exemption for the first two years after making profit and proceed with fifty percent reduction for the four subsequent years. The local tax rate for the subsidiaries in Taiwan was 20%.

b. Income tax assessments

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

## 21. EARNINGS (LOSS) PER SHARE

|                                   | <b>For the Nine Months Ended<br/>September 30</b>  |                            |
|-----------------------------------|--|----------------------------|
|                                   | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Basic earnings (loss) per share   | <u>\$ 0.14</u>                                     | <u>\$ (6.27)</u>           |
| Diluted earnings (loss) per share | <u>\$ 0.14</u>                                     | <u>\$ (6.27)</u>           |
|                                   | <b>For the Three Months Ended<br/>September 30</b> |                            |
|                                   | <b>2021<br/>(Reviewed)</b>                         | <b>2020<br/>(Reviewed)</b> |
| Basic earnings (loss) per share   | <u>\$ 1.95</u>                                     | <u>\$ (0.51)</u>           |
| Diluted earnings (loss) per share | <u>\$ 1.95</u>                                     | <u>\$ (0.51)</u>           |

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

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

|  | <b>For the Nine Months Ended<br/>September 30</b>  |                     |
|--|--|---------------------|
|  | <b>2021</b>  | <b>2020</b>         |
| Profit (loss) for the period attributable to owners of the Company | <u>\$ 8,518</u>                                    | <u>\$ (382,576)</u> |
|  | <b>For the Three Months Ended<br/>September 30</b> |                     |
|  | <b>2021</b>  | <b>2020</b>         |
| Profit (loss) for the period attributable to owners of the Company | <u>\$ 118,883</u>                                  | <u>\$ (30,908)</u>  |

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

|   | <b>For the Nine Months Ended<br/>September 30</b>  |               |
|---|--|---------------|
|   | <b>2021</b>  | <b>2020</b>   |
| Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share   | 60,973   | 61,014        |
| 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) earnings per share | <u>60,973</u>                                      | <u>61,014</u> |
|   | <b>For the Three Months Ended<br/>September 30</b> |               |
|   | <b>2021</b>  | <b>2020</b>   |
| Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share   | 60,965   | 61,002        |
| 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 earnings (loss) per share | <u>60,965</u>                                      | <u>61,002</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 (loss) per share.

In addition, for the nine months and three months ended September 30, 2021, the total execution price of employee stock options of the Group was higher than the average outstanding stock price during the period, hence, employee stock options are not as dilutive potential ordinary shares, therefore, calculation for diluted earnings per share is not applicable. Since the Group was in a deficit for the nine months and three months ended September 30, 2020 which has an anti-diluted effect, calculation for diluted loss per share is not included.

## 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 and guarantee deposits for operating.

|   | September 30,<br>2021<br>(Reviewed) | December 31,<br>2020<br>(Audited) |
|---|-------------------------------------|-----------------------------------|
| Other intangible assets                                     | \$ 16,718                           | \$ 22,546                         |
| Accounts receivable with recourse                           | 110,369                             | 16,686                            |
| Machinery and office equipment                              | 13,928                              | 16,094                            |
| Land and Buildings  | 22,009                              | -                                 |
| Construction in progress                                    | 3,005                               | 3,419                             |
| Inventories and other assets                                | 75,193                              | 61,978                            |
| Pledge demand deposits (recognized under restricted assets) | <u>12,022</u>                       | <u>21,047</u>                     |
|   | <u>\$ 253,244</u>                   | <u>\$ 141,770</u>                 |

Part of loan guarantees is provided by the Chairman of the Company.

## 24. COMMITMENTS AND CONTINGENT LIABILITIES

### a. Litigation

There is no significant progress regarding EAH's litigation in Brazil for the nine months ended September 30, 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 September 30, 2021, the commitments that EAVN has contracted for the plant construction were approximately \$23,524 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, lease liabilities and bank borrowings approach other fair values.

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

Fair value hierarchy

As at September 30, 2021

|                                  | <b>Level 1</b> | <b>Level 2</b>  | <b>Level 3</b>   | <b>Total</b>     |
|----------------------------------|----------------|-----------------|------------------|------------------|
| <u>Financial assets at FVTPL</u> |                |                 |                  |                  |
| Derivatives                      | \$ -           | \$ 2,885        | \$ -             | \$ 2,885         |
| Foreign-listed stocks            | 255            | -               | -                | 255              |
| Domestic-unlisted stocks         | <u>-</u>       | <u>-</u>        | <u>83,496</u>    | <u>83,496</u>    |
|                                  | <u>\$ 255</u>  | <u>\$ 2,885</u> | <u>\$ 83,496</u> | <u>\$ 86,636</u> |

As at December 31, 2020

|                                  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Total</b>     |
|----------------------------------|----------------|----------------|------------------|------------------|
| <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> |

There is no transfer between Level 1 and Level 2 fair value measurements for the nine months ended September 30, 2021 and the year of 2020.

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

For the nine months ended September 30, 2021: No movement.

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

4) Valuation techniques and inputs applied for Level 2 fair value measurement

Fair value of forward exchange contract sets the forward exchange rate quotation and its discount rate as the parameter for its measured basis.

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

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

The significant unobservable inputs as of December 31, 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 during the first three quarters of 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 September 30, 2021 is minor difference with the fair value as of December 31, 2020.

c. Categories of financial instruments

|  | <b>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|--|--|--|
| <u>Financial assets</u>                          |  |  |
| Financial assets at FVTPL                        |  |  |
| Held for trading                                 | \$ 3,140                                     | \$ 260                                     |
| Mandatorily at FVTPL                             | 83,496                                       | 83,496                                     |
| Financial assets at amortized cost (Note 1)      | <u>3,217,220</u>                             | <u>3,191,061</u>                           |
|  | <u>\$ 3,303,856</u>                          | <u>\$ 3,274,817</u>                        |
| <u>Financial liabilities</u>                     |  |  |
| Financial liabilities at amortized cost (Note 2) | <u>\$ 5,028,089</u>                          | <u>\$ 5,026,206</u>                        |



Note 1: The balance includes financial assets at amortized cost, which comprise cash and cash equivalents (including pledged demand deposits), notes and accounts receivable, other receivables, restricted assets 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>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
| USD |  | \$ 2,547,511                                 | \$ 2,027,751                               |
| HKD |  | <u>2,278</u>                                 | <u>13,410</u>                              |
|     |  | <u>\$ 2,549,789</u>                          | <u>\$ 2,041,161</u>                        |
|     |  | <b>Liabilities</b>                           |  |
|     |  | <b>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
| USD |  | \$ 2,851,830                                 | \$ 1,718,380                               |
| HKD |  | <u>47,521</u>                                | <u>61,632</u>                              |
|     |  | <u>\$ 2,899,351</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 Nine<br/>Months Ended<br/>September 30,<br/>2021</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2020</b> |
| Profit or loss |  | \$ (15,216)   | \$ 15,469   |
|                |  | <b>Currency H.K. Dollars Impact</b>                             |   |
|                |  | <b>For the Nine<br/>Months Ended<br/>September 30,<br/>2021</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2020</b> |
| Profit or loss |  | \$ (2,262)  | \$ (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 nine months ended September 30, 2021 and for the years ended December 31, 2020 would have been decreased by \$4,467 thousand and \$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.

| September 30, 2021<br>(Reviewed)        |                         |                            |                    |                   |              |
|---|-------------------------|----------------------------|--------------------|-------------------|--------------|
|   | Effective Interest Rate | On Demand or Within 1 Year | 2 Years to 5 Years | More than 5 Years | Total        |
| <u>Non-interest bearing liabilities</u> |                         |                            |                    |                   |              |
| Notes and accounts payable              | -                       | \$ 2,420,484               | \$ -               | \$ -              | \$ 2,420,484 |
| Other payables                          | -                       | 1,179,113                  | 6,109              | -                 | 1,185,222    |
| <u>Interest bearing liabilities</u>     |                         |                            |                    |                   |              |
| Lease liabilities                       | 2.51%-4.63%             | 27,206                     | 22,200             | 43,556            | 92,962       |
| Bank borrowings                         | 2%                      | 1,421,134                  | 260,688            | -                 | 1,681,822    |

Additional information about the maturity analysis for lease liabilities

|                   | Less than 1 Year | 1-5 Years        | 5-10 Years      | 10-15 Years     | 15-20 Years     | 20+ Years        |
|-------------------|------------------|------------------|-----------------|-----------------|-----------------|------------------|
| Lease liabilities | <u>\$ 27,206</u> | <u>\$ 22,200</u> | <u>\$ 7,523</u> | <u>\$ 8,215</u> | <u>\$ 8,775</u> | <u>\$ 19,133</u> |

| December 31, 2020<br>(Audited)          |                         |                            |                    |                   |              |
|---|-------------------------|----------------------------|--------------------|-------------------|--------------|
|   | Effective Interest Rate | On Demand or Within 1 Year | 2 Years to 5 Years | More than 5 Years | Total        |
| <u>Non-interest bearing liabilities</u> |                         |                            |                    |                   |              |
| Notes and accounts payable              | -                       | \$ 3,016,480               | \$ -               | \$ -              | \$ 3,016,480 |
| Other payables                          | -                       | 590,169                    | 7,689              | -                 | 597,858      |
| <u>Interest bearing liabilities</u>     |                         |                            |                    |                   |              |
| Lease liabilities                       | 3.73%-4.63%             | 27,092                     | 37,769             | 46,583            | 111,444      |
| Bank borrowings                         | 2.68%                   | 1,172,671                  | 281,275            | -                 | 1,453,946    |

Additional information about the maturity analysis for lease liabilities

|                   | Less than 1 Year | 1-5 Years        | 5-10 Years      | 10-15 Years     | 15-20 Years     | 20+ Years        |
|-------------------|------------------|------------------|-----------------|-----------------|-----------------|------------------|
| Lease liabilities | <u>\$ 27,092</u> | <u>\$ 37,769</u> | <u>\$ 7,371</u> | <u>\$ 7,961</u> | <u>\$ 8,598</u> | <u>\$ 22,653</u> |

f. Financial facilities

Bank borrowings

|                      | <b>Liabilities</b>                           |  |
|----------------------|--|--|
|                      | <b>September 30,<br/>2021<br/>(Reviewed)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
| Secured borrowings   |  |  |
| Amount unused        | \$ 770,629                                   | \$ 1,080,325                               |
| Unsecured borrowings |  |  |
| Amount unused        | \$ -   | \$ -                                       |

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:

As at September 30, 2021

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

|                              | <b>Foreign<br/>Currencies</b> | <b>Function<br/>Currencies</b> | <b>Exchange Rate<br/>(Note)</b> | <b>Carrying<br/>Amount<br/>(NTD)</b> |
|------------------------------|-------------------------------|--------------------------------|---------------------------------|--------------------------------------|
| <u>Financial assets</u>      |                               |                                |                                 |                                      |
| Monetary items               |                               |                                |                                 |                                      |
| USD                          | \$ 89,406                     | HKD                            | 27.71                           | \$ 2,477,443                         |
| USD                          | 1,041                         | NTD                            | 27.71                           | 28,852                               |
| USD                          | 317                           | RMB                            | 27.71                           | 8,771                                |
| USD                          | 254                           | DKK                            | 27.71                           | 7,037                                |
| USD                          | 917                           | VND                            | 27.71                           | 25,408                               |
|                              | <u>\$ 91,935</u>              |                                |                                 | <u>\$ 2,547,511</u>                  |
| <u>Financial liabilities</u> |                               |                                |                                 |                                      |
| Monetary items               |                               |                                |                                 |                                      |
| USD                          | \$ 70,598                     | HKD                            | 27.71                           | \$ 1,956,266                         |
| USD                          | 8,275                         | RMB                            | 27.71                           | 229,296                              |
| USD                          | 13,752                        | NTD                            | 27.71                           | 381,079                              |
| USD                          | 454                           | DKK                            | 27.71                           | 12,579                               |
| USD                          | 9,838                         | VND                            | 27.71                           | 272,610                              |
|                              | <u>\$ 102,917</u>             |                                |                                 | <u>\$ 2,851,830</u>                  |
| HKD                          | <u>\$ 13,339</u>              | RMB                            | 3.5625                          | <u>\$ 47,521</u>                     |

As at December 31, 2020

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

|                              | <b>Foreign<br/>Currencies</b> | <b>Function<br/>Currencies</b> | <b>Exchange Rate<br/>(Note)</b> | <b>Carrying<br/>Amount<br/>(NTD)</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 Nine Months Ended<br/>September 30</b> |                            |
|---|---|----------------------------|
|   | <b>2021<br/>(Reviewed)</b>                        | <b>2020<br/>(Reviewed)</b> |
| Realized foreign exchange loss          | \$ (47,118)                                       | \$ (53,412)                |
| Unrealized foreign exchange gain (loss) | <u>44,484</u>                                     | <u>(1,513)</u>             |
|   | <u>\$ (2,634)</u>                                 | <u>\$ (54,925)</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 September 30, 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 September 30, 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 15 and 23, 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, headphones and AV electronics products.

Since the Group's speaker systems, headphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the nine months ended September 30, 2021 and 2020, the revenue and operating results of the operating segment can be found in the consolidated income statement for the nine months ended September 30, 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 or 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 (Note 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)



**TABLE 1****EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 1) | Aggregate Financing Limit (Note 1) |
|-----|-------------|-------------|--|---------------|--------------------------------|----------------|-------------------------|-------------------|-----------------------------------|-----------------------------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|
|     |             |             |  |               |                                |                |                         |                   |                                   |                             |                                  |                               | Item       | Value |  |                                    |
| 0   | The Company | EAH         | Other receivables from related parties | Yes           | \$ 190,223                     | \$ 184,272     | \$ 124,695              | -                 | The need for short-term financing | \$ -                        | Operating capital                | \$ -                          | -          | \$ -  | \$ 469,194                                 | \$ 469,194                         |
| 1   | EAH         | EAVN        | Other receivables from related parties | Yes           | 421,275                        | 221,680        | 188,345                 | -                 | The need for short-term financing | -                           | Operating capital                | -                             | -          | -     | 1,671,186                                  | 1,671,186                          |
|     |             | The Company | Other receivables from related parties | Yes           | 22,884                         | -              | -                       | -                 | The need for short-term financing | -                           | Operating capital                | -                             | -          | -     | 1,671,186                                  | 1,671,186                          |
|     |             | ETH         | Other receivables from related parties | Yes           | 200,235                        | 193,970        | -                       | -                 | The need for short-term financing | -                           | Operating capital                | -                             | -          | -     | 1,671,186                                  | 1,671,186                          |
| 2   | EAHY        | ESHY        | Other receivables from related parties | Yes           | 43,706                         | 42,939         | -                       | 4                 | The need for short-term financing | -                           | Operating capital                | -                             | -          | -     | 543,957                                    | 543,957                            |
|     |             | ESZ         | Other receivables from related parties | Yes           | 87,412                         | 85,878         | -                       | 4                 | The need for short-term financing | -                           | Operating capital                | -                             | -          | -     | 543,957                                    | 543,957                            |
|     |             | EAHZ        | Other receivables from related parties | Yes           | 64,874                         | 64,409         | 64,409                  | 4                 | The need for short-term financing | -                           | Operating capital                | -                             | -          | -     | 543,957                                    | 543,957                            |
| 3   | ETHY        | EAHZ        | Other receivables from related parties | Yes           | 64,874                         | 64,409         | -                       | 4                 | The need for short-term financing | -                           | Operating capital                | -                             | -          | -     | 133,503                                    | 133,503                            |

Note 1: The Company, EAH, EAHY and ETHY's lending limits for any borrower are set forth below:

The individual financing amount provided to a subsidiary that the 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.

The individual financing amount provided to main listed parent and a subsidiary that ETHY holds, directly or indirectly, 100% of the voting shares shall not exceed 300% of the net worth of ETHY.

Note 2: According to the Company's guidance of financing provided to others, the amount of financing limit is based on the net value of the most recent financial statements reviewed or audited by CPA. The information on the limit of endorsements/guarantees announced by the Company in September 2021 is different from the amounts listed above, the reason is that the financial statements for the nine months ended September 30, 2021 have not been reviewed by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the six months ended June 30, 2021.

**TABLE 2****EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)**

| No. | Endorser/Guarantor | Endorsee/Guarantee |                          | Limit on<br>Endorsement/<br>Guarantee<br>Given on Behalf<br>of Each Party | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at<br>the End of the<br>Period | Actual<br>Borrowing<br>Amount | Amount<br>Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to<br>Net Equity in<br>Latest Financial<br>Statements<br>(%) | Aggregate<br>Endorsement/<br>Guarantee<br>Limit<br>(Notes 2 and 3) | Endorsement/<br>Guarantee<br>Given by<br>Parent on<br>Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee<br>Given by<br>Subsidiaries on<br>Behalf of<br>Parent | Endorsement/<br>Guarantee<br>Given on Behalf<br>of Companies in<br>Mainland<br>China |
|-----|--------------------|--------------------|--------------------------|---|--|---|-------------------------------|--|---|--|---|---|--|
|     |                    | Name               | Relationship<br>(Note 1) |   |  |   |                               |  |   |  |   |   |  |
| 0   | The Company        | EAH                | a.                       | \$ 4,691,944  | \$ 1,213,642   | \$ 814,274  | \$ 223,210                    | \$ -   | 69.42   | \$ 4,691,944   | Yes   | No  | No   |
|     |                    | ETH                | a.                       | 4,691,944   | 914,229  | 914,229   | 726,157                       | -  | 77.94   | 4,691,944  | Yes   | No  | No   |
|     |                    | ETHY               | a.                       | 4,691,944   | 87,412   | -   | -                             | -  | -   | 4,691,944  | Yes   | No  | Yes  |
|     |                    | EAVN               | a.                       | 4,691,944   | 304,643  | 295,112   | 248,469                       | -  | 25.16   | 4,691,944  | Yes   | No  | No   |
| 1   | EAH                | ScS                | a.                       | 1,671,186   | 48,324   | 45,909  | 2,869                         | -  | 2.75  | 1,671,186  | Yes   | No  | No   |
|     |                    | EAVN               | a.                       | 1,671,186   | 28,605   | -   | -                             | -  | -   | 1,671,186  | Yes   | No  | No   |
|     |                    | EAHZ               | a.                       | 1,671,186   | 162,893  | 14,409  | 224                           | -  | 0.86  | 1,671,186  | Yes   | No  | Yes  |
|     |                    | ETH                | a.                       | 1,671,186   | 332,520  | 332,520   | 332,520                       | -  | 19.90   | 1,671,186  | Yes   | No  | No   |
| 2   | ETHY               | EAH                | b.                       | 44,501  | 22,884   | -   | -                             | -  | -   | 44,501   | No  | Yes   | No   |
| 3   | ESHY               | ESZ                | c.                       | 103,713   | 43,706   | 9,704   | 8,377                         | -  | 9.36  | 103,713  | No  | No  | Yes  |

Note 1: Relationship of the guarantee:

- Entities that Company hold, directly or indirectly, more than 50% of voting shares.
- Companies hold, directly or indirectly, more than 50% of voting share of entities.
- Entities whose voting shares are more than 90% owned directly or indirectly the Company.

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

- The total amount of the guarantee provided by the Company to other entities shall not exceed four hundred percent (400%) 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 five hundred percent (500%) 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 to other entities shall not exceed one hundred percent (100%) of the EAH's consolidated net worth.
- The total amount of the guarantee provided by ETHY to other entities shall not exceed one hundred percent (100%) of the ETHY's consolidated net worth.
- The total amount of the guarantee provided by ESHY to other entities shall not exceed one hundred percent (100%) of the ESHY's consolidated net worth.

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 September 2021 is different from the amounts listed above, the reason is that the financial statements for the nine months ended September 30, 2021 have not been reviewed by CPA at the announcement moment, thus the Company announced the information based on the financial statements for the six months ended June 30, 2021.

**TABLE 3**

**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD  
SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)**

| Holding Company Name | Type and Name of Marketable Securities                                      | Relationship with the Holding Company | Financial Statement Account | September 30, 2021 |                  |                             |                  | Note |
|----------------------|---|---------------------------------------|-----------------------------|--------------------|------------------|-----------------------------|------------------|------|
|                      |   |                                       |                             | Number of Shares   | Carrying Amount  | Percentage of Ownership (%) | Fair Value       |      |
| ETH                  | <u>Oversea publicly traded stocks</u><br>Audio Pixels Holdings Limited      | -                                     | FVTPL - current             | 500                | <u>\$ 255</u>    | -                           | <u>\$ 255</u>    | Note |
| ETT                  | <u>Taiwan publicly traded stocks</u><br>Eastech Holding Limited             | Subsidiary                            | FVTPL                       | 453,000            | <u>\$ 8,834</u>  | 1                           | <u>\$ 8,834</u>  |      |
|                      | <u>Taiwan non-publicly traded stocks</u><br>HT Precision Technologies, Inc. | -                                     | FVTPL - non-current         | 6,223,497          | <u>\$ 83,496</u> | 19                          | <u>\$ 83,496</u> |      |

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

**TABLE 4**

**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED September 30, 2021  
(In Thousands of New Taiwan Dollars)**

| Company Name | Type and Name<br>of Marketable<br>Securities | Financial<br>Statement<br>Account | Counterparty | Relationship | Beginning Balance   |        | Acquisition         |            | Disposal            |        |                    |                            | Ending Balance      |            |
|--------------|--|-----------------------------------|--------------|--------------|---------------------|--------|---------------------|------------|---------------------|--------|--------------------|----------------------------|---------------------|------------|
|              |  |                                   |              |              | Number of<br>Shares | Amount | Number of<br>Shares | Amount     | Number of<br>Shares | Amount | Carrying<br>Amount | Gain (Loss)<br>on Disposal | Number of<br>Shares | Amount     |
| EAH          | ETH  | Long-term<br>investment           | ETH          | Subsidiary   | -                   | \$ -   | 115,000,000         | \$ 201,678 | -                   | \$ -   | \$ -               | \$ -                       | 115,000,000         | \$ 201,678 |

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.  
On August 20, 2021, EAH bought in 40,000 thousand shares from ETT for HK\$ 16,273 thousand (equivalent to NT\$57,998 thousand).

**TABLE 5**

**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 NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)**

| Buyer | Related Party | Relationship          | Transaction Details |             |               |               | Abnormal Transaction |                  | Notes/Accounts Receivable (Payable) |               | Note |
|-------|---------------|-----------------------|---------------------|-------------|---------------|---------------|----------------------|------------------|-------------------------------------|---------------|------|
|       |               |                       | Purchase/<br>Sale   | Amount      | % of<br>Total | Payment Terms | Unit Price           | Payment<br>Terms | Ending<br>Balance                   | % of<br>Total |      |
| EAH   | ESHY          | Parent and subsidiary | Purchase            | \$ 389,502  | 12            | 90 days       | \$ -                 | -                | \$ (65,398)                         | (13)          | Note |
| ESHY  | EAH           | Parent and subsidiary | Sale                | (389,502)   | (40)          | 90 days       | -                    | -                | 65,398                              | 81            | Note |
| EAH   | EAHY          | Parent and subsidiary | Purchase            | 393,385     | 12            | 90 days       | -                    | -                | 84,182                              | 8             | Note |
| EAHY  | EAH           | Parent and subsidiary | Sale                | (393,385)   | (73)          | 90 days       | -                    | -                | (84,182)                            | (64)          | Note |
| EAH   | ESZ           | Parent and subsidiary | Purchase            | 110,355     | 3             | 90 days       | -                    | -                | (29,970)                            | (6)           | Note |
| ESZ   | EAH           | Parent and subsidiary | Sale                | (110,355)   | (22)          | 90 days       | -                    | -                | 29,970                              | 24            | Note |
| EAH   | EAVN          | Parent and subsidiary | Purchase            | 1,554,018   | 47            | 90 days       | -                    | -                | 277,449                             | 26            | Note |
| EAVN  | EAH           | Parent and subsidiary | Sale                | (1,554,018) | (79)          | 90 days       | -                    | -                | (277,449)                           | (33)          | Note |
| ESHY  | EAH           | Parent and subsidiary | Purchase            | 122,507     | 13            | 90 days       | -                    | -                | 65,398                              | 81            | Note |
| EAH   | ESHY          | Parent and subsidiary | Sale                | (122,507)   | (3)           | 90 days       | -                    | -                | (65,398)                            | (13)          | Note |
| ETH   | ETHY          | Parent and subsidiary | Purchase            | 1,268,466   | 88            | 90 days       | -                    | -                | 214,702                             | 9             | Note |
| ETHY  | ETH           | Parent and subsidiary | Sale                | (1,268,466) | (73)          | 90 days       | -                    | -                | (214,702)                           | (100)         | Note |
| ETH   | EAHZ          | Parent and subsidiary | Purchase            | 1,260,709   | 87            | 90 days       | -                    | -                | (614,169)                           | (41)          | Note |
| EAHZ  | ETH           | Parent and subsidiary | Sale                | (1,260,709) | (67)          | 90 days       | -                    | -                | 614,169                             | 58            | Note |
| ETT   | ETH           | Parent and subsidiary | Purchase            | 161,001     | 37            | 90 days       | -                    | -                | (117,650)                           | (100)         | Note |
| ETH   | ETT           | Parent and subsidiary | Sale                | (161,001)   | (11)          | 90 days       | -                    | -                | 117,650                             | 5             | Note |
| EAVN  | EAH           | Parent and subsidiary | Purchase            | 529,707     | 28            | 90 days       | -                    | -                | (277,449)                           | (33)          | Note |
| EAH   | EAVN          | Parent and subsidiary | Sale                | (529,707)   | (15)          | 90 days       | -                    | -                | 277,449                             | 26            | Note |

(Continued)

| Buyer | Related Party | Relationship      | Transaction Details |            |               |               | Abnormal Transaction |                  | Notes/Accounts Receivable (Payable) |               | Note |
|-------|---------------|-------------------|---------------------|------------|---------------|---------------|----------------------|------------------|-------------------------------------|---------------|------|
|       |               |                   | Purchase/<br>Sale   | Amount     | % of<br>Total | Payment Terms | Unit Price           | Payment<br>Terms | Ending<br>Balance                   | % of<br>Total |      |
| EAHZ  | ETHY          | Fellow subsidiary | Purchase            | \$ 100,012 | 6             | 90 days       | \$ -                 | -                | \$ (138,669)                        | (7)           | Note |
| ETHY  | EAHZ          | Fellow subsidiary | Sale                | (100,012)  | (6)           | 90 days       | -                    | -                | 138,669                             | 100           | Note |
| ESHY  | EAHY          | Fellow subsidiary | Purchase            | 121,451    | 13            | 90 days       | -                    | -                | 1,779                               | 2             | Note |
| EAHY  | ESHY          | Fellow subsidiary | Sale                | (121,451)  | (22)          | 90 days       | -                    | -                | (1,779)                             | (1)           | Note |
| ETHY  | ESHY          | Fellow subsidiary | Purchase            | 243,477    | 14            | 90 days       | -                    | -                | 29                                  | -             | Note |
| ESHY  | ETHY          | Fellow subsidiary | Sale                | (243,477)  | (25)          | 90 days       | -                    | -                | (29)                                | -             | Note |
| ETT   | EAVN          | Fellow subsidiary | Purchase            | 226,690    | 52            | 90 days       | -                    | -                | 11                                  | -             | Note |
| EAVN  | ETT           | Fellow subsidiary | Sale                | (226,690)  | (12)          | 90 days       | -                    | -                | (11)                                | -             | Note |
| EAVN  | ESZ           | Fellow subsidiary | Purchase            | 398,094    | 21            | 90 days       | -                    | -                | (92,496)                            | (11)          | Note |
| ESZ   | EAVN          | Fellow subsidiary | Sale                | (398,094)  | (78)          | 90 days       | -                    | -                | 92,496                              | 76            | Note |
| EMH   | EAHZ          | Fellow subsidiary | Purchase            | 122,376    | 93            | 90 days       | -                    | -                | (85,660)                            | (99)          | Note |
| EAHZ  | EMH           | Fellow subsidiary | Sale                | (122,376)  | (6)           | 90 days       | -                    | -                | 85,660                              | 8             | Note |
| EAHZ  | ETH           | Fellow subsidiary | Purchase            | 100,666    | 6             | 90 days       | -                    | -                | 614,169                             | 58            | Note |
| ETH   | EAHZ          | Fellow subsidiary | Sale                | (100,666)  | (7)           | 90 days       | -                    | -                | (614,169)                           | (41)          | Note |
| ETH   | EAVN          | Fellow subsidiary | Purchase            | 158,875    | 11            | 90 days       | -                    | -                | (113,903)                           | (8)           | Note |
| EAVN  | ETH           | Fellow subsidiary | Sale                | (158,875)  | (8)           | 90 days       | -                    | -                | 113,903                             | 31            | Note |

Note: Intercompany transactions are eliminated in consolidated financial statement.

(Concluded)

**TABLE 6**

**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SEPTEMBER 30, 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      |                                      |                               |
| The Company  | EAH           | Parent and subsidiary | \$ 124,959     | Note          | \$ 124,959 | Financing provided | \$ 110,840                           | \$ -                          |
| EAH          | EAVN          | Parent and subsidiary | 277,449        | 3.22          | 188,345    | Financing provided | 47,715                               | -                             |
| EAH          | ETH           | Parent and subsidiary | 128,379        | Note          | -          | -                  | -                                    | -                             |
| ETH          | ETHY          | Parent and subsidiary | 214,702        | Note          | -          | -                  | -                                    | -                             |
| EAHY         | EAHZ          | Fellow subsidiary     | 201,174        | 0.15          | 64,409     | Financing provided | 3,570                                | -                             |
| ETHY         | EAHZ          | Fellow subsidiary     | 138,669        | 1.69          | -          | -                  | 64,862                               | -                             |
| ETH          | ETT           | Fellow subsidiary     | 117,650        | 1.01          | -          | -                  | -                                    | -                             |
| EAVN         | ETH           | Fellow subsidiary     | 113,903        | 1.86          | -          | -                  | 89,617                               | -                             |
| EAHZ         | ETH           | Fellow subsidiary     | 614,169        | 2.74          | -          | -                  | 431,688                              | -                             |

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

TABLE 7

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)

| No.<br>(Note 1) | Investee Company              | Counterparty  | Relationship<br>(Note 2)   | Transaction Details   |   |   |   |
|-----------------|-------------------------------|---|--|---|---|---|---|
|                 |                               |   |  | Financial Statement Accounts  | Amount  | Payment Terms   | % of Total<br>Sales or Assets<br>(Note 3) |
| 0               | <u>2021 Q3</u><br>The Company | EAH   | a, b   | Other receivables from and other payables to related parties  | \$ 124,959  | Short-term financing, 1 year loan/temporary receipts and temporary prepayments  | 2   |
| 1               | EAH                           | EAHY<br>EAHY<br>EAHZ<br>EAVN<br>EAVN<br>EAVN<br>ETH<br>EAHY<br>ESHY | a, b<br>a, b<br>a, b<br>a, b<br>a, b<br>a, b<br>a, b<br>a, b<br>a, b<br>a, b | Dividend Income<br>Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases<br>Other receivables from and other payables to related parties<br>Receivables from and payables to related parties<br>Receivables from and payables to related parties<br>Receivables from and payables to related parties<br>Receivables from and payables to related parties<br>Net revenue from sale of goods and purchases | 307,651<br>79,632<br>54,391<br>529,707<br>188,345<br>89,104<br>128,379<br>84,182<br>122,507 | Dividends<br>Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>Short-term financing, 1 year<br>90 days<br>Temporary prepayment<br>90 days<br>Credit on transfer pricing policy | 4<br>1<br>1<br>7<br>3<br>1<br>2<br>1<br>2 |
| 2               | EAHY                          | EAH<br>ESHY<br>EAHZ<br>EAHZ<br>EAHZ                                 | a, b<br>c<br>c<br>c<br>c   | Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases<br>Other receivables from and other payables to related parties<br>Receivables from and payables to related parties<br>Property, plant and equipment   | 393,385<br>121,451<br>64,409<br>136,765<br>113,783  | Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>Short-term financing, 1 year loan<br>90 days<br>Disposal at book value  | 5<br>2<br>1<br>2<br>2                     |
| 3               | ESHY                          | ETHY<br>EAHZ<br>EAH<br>EAH<br>EAVN                                  | c<br>c<br>a, b<br>a, b<br>c  | Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases<br>Receivables from and payables to related parties<br>Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases  | 243,477<br>63,106<br>65,398<br>389,502<br>58,003  | Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>90 days<br>Credit on transfer pricing policy<br>Credit on transfer pricing policy   | 3<br>1<br>1<br>5<br>1                     |
| 4               | ETHY                          | ESHY<br>ETH<br>EAHZ<br>EAH<br>EAHZ<br>EAHZ                          | c<br>a, b<br>c<br>a, b<br>c<br>c   | Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases<br>Net revenue from sale of goods and purchases<br>Receivables from and payables to related parties<br>Property, plant and equipment   | 61,735<br>1,268,466<br>100,012<br>42,381<br>138,669<br>172,801                              | Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>90 days<br>Disposal at book value   | 1<br>18<br>1<br>1<br>2<br>3               |
| 5               | ETH                           | ETT<br>ETHY<br>EAHZ<br>ETT<br>ETHY                                  | c<br>a, b<br>c<br>c<br>a, b  | Net revenue from sale of goods and purchases<br>Return of purchases and sales<br>Net revenue from sale of goods and purchases<br>Receivables from and payables to related parties<br>Receivables from and payables to related parties   | 161,001<br>97,889<br>100,666<br>117,650<br>214,702  | Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>Credit on transfer pricing policy<br>90 days<br>90 days   | 2<br>1<br>1<br>2<br>3                     |

(Continued)



| No.<br>(Note 1) | Investee Company | Counterparty | Relationship<br>(Note 2) | Transaction Details                              |              |                                   |   |
|-----------------|------------------|--------------|--------------------------|--|--------------|-----------------------------------|---|
|                 |                  |              |                          | Financial Statement Accounts                     | Amount       | Payment Terms                     | % of Total<br>Sales or Assets<br>(Note 3) |
| 6               | EAVN             | EAH          | a, b                     | Net revenue from sale of goods and purchases     | \$ 1,554,018 | Credit on transfer pricing policy | 22  |
|                 |                  | ETT          | c                        | Net revenue from sale of goods and purchases     | 226,690      | Credit on transfer pricing policy | 3   |
|                 |                  | ETH          | c                        | Net revenue from sale of goods and purchases     | 158,875      | Credit on transfer pricing policy | 2   |
|                 |                  | ETH          | c                        | Receivables from and payables to related parties | 113,903      | 90 days                           | 2   |
| 7               | EAHZ             | EAH          | a, b                     | Net revenue from sale of goods and purchases     | 94,724       | Credit on transfer pricing policy | 1   |
|                 |                  | EMH          | c                        | Net revenue from sale of goods and purchases     | 122,376      | Credit on transfer pricing policy | 2   |
|                 |                  | ETH          | c                        | Net revenue from sale of goods and purchases     | 1,260,709    | Credit on transfer pricing policy | 18  |
|                 |                  | EAVN         | c                        | Net revenue from sale of goods and purchases     | 48,093       | Credit on transfer pricing policy | 1   |
|                 |                  | EMH          | c                        | Receivables from and payables to related parties | 85,660       | 90 days                           | 1   |
|                 |                  | ETH          | c                        | Receivables from and payables to related parties | 614,169      | 90 days                           | 9   |
|                 |                  | EAVN         | c                        | Receivables from and payables to related parties | 33,687       | 90 days                           | 1   |
|                 |                  |              |                          |  |              |                                   |   |
| 8               | ESZ              | EAH          | a, b                     | Net revenue from sale of goods and purchases     | 110,355      | Credit on transfer pricing policy | 2   |
|                 |                  | EAVN         | c                        | Net revenue from sale of goods and purchases     | 398,094      | Credit on transfer pricing policy | 6   |
|                 |                  | EAVN         | c                        | Receivables from and payables to related parties | 92,496       | 90 days                           | 1   |

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

a. No. 0 represents the parent company.

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

No. 1: EAH; No. 2 EAHY; No. 3: ESHY; No. 4: ETHY; No. 5: ETH; No. 6: EAVN; No. 7: EAHZ; and No. 8: ESZ.

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

a. Parent company to its subsidiary.

b. Subsidiary to its parent company.

c. Subsidiary to other subsidiary.

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

(Concluded)

**TABLE 8****EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**  
**(In Thousands of New Taiwan Dollars)**

| Investor Company | Investee Company | Location  | Main Businesses and Products  | Original Investment Amount |                   | As of September 30, 2021 |        |                          | Net Income (Loss) of the Investee | Share of Profit (Loss) (Note 1) | Note |
|------------------|------------------|-----------|---|----------------------------|-------------------|--------------------------|--------|--------------------------|-----------------------------------|---------------------------------|------|
|                  |                  |           |   | September 30, 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             | \$ 381,447                        | \$ -                            |      |
| EAH              | ScS              | Denmark   | Research, development, production and sales of high-end speaker   | 225,530                    | 225,530           | 1,320,045                | 100.00 | 225,530                  | 12,660                            | -                               |      |
|                  | ETT              | Taiwan    | Design and sales of smart speakers and AV electronics home entertainment systems  | 431,452                    | 431,452           | 6,530,494                | 99.98  | 431,452                  | (260,597)                         | -                               |      |
|                  | 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                    | (1,020)                           | -                               |      |
|                  | EAVN             | Vietnam   | Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones  | 238,206                    | 238,206           | -                        | 100.00 | 238,206                  | 15,045                            | -                               |      |
|                  | EMH              | Hong Kong | Sales of headphones and AV products   | 386                        | 386               | 100,000                  | 100.00 | 386                      | 4,246                             | -                               |      |
|                  | ETW              | Taiwan    | Develop new technology and design the products  | 30,000                     | 30,000            | 3,000,000                | 100.00 | 30,000                   | (18,151)                          | -                               |      |
| ETT              | ETH              | Hong Kong | Sales of smart speakers and AV electronics home entertainment systems   | -                          | 349,011           | -                        | -      | -                        | -                                 | -                               |      |
| EAH              | ETH              | Hong Kong | Sales of smart speakers and AV electronics home entertainment systems   | 201,653                    | -                 | 115,000,000              | 100.00 | 201,653                  | 87,896                            | -                               |      |
| EAH              | ETV              | Vietnam   | Sales of speaker systems and headphones   | 5,599                      | -                 | -                        | 100.00 | 5,599                    | (348)                             | -                               |      |

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 9 for the information on investments in mainland China.

TABLE 9

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Information of investee company, main business and products, 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  | Paid-in Capital (Note 1) | Method of Investment (Note 2) | Accumulated Outward Remittance for Investment from Taiwan at the Beginning of the Period | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan at the End of the Period | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 3) | Carrying Amount as of September 30, 2021 (Note 3) | Accumulated Repatriation of Investment Income as of September 30, 2021 |
|------------------|---|--------------------------|-------------------------------|--|---------------------|--------|--|-----------------------------------|--|---------------------------------|---|--|
|                  |   |                          |                               |  | Outward             | Inward |  |                                   |  |                                 |   |  |
| ESHY             | Production and sales of speaker systems   | HK\$ 9,000               | c.                            | \$ -   | \$ -                | \$ -   | \$ -   | \$ (86)                           | 100  | (3)                             | \$ 35,810   | \$ -   |
| EAHY             | Production, assembly and sales of speaker systems and accessories   | US\$ 6,500               | c.                            | -  | -                   | -      | -  | (38,918)                          | 100  | (3)                             | 148,826   | -  |
| EAHZ             | Production, assembly and sales of speaker systems and accessories, headphones, smart speakers and AV electronics home entertainment systems | US\$ 5,145               | c.                            | -  | -                   | -      | -  | (53,198)                          | 100  | (3)                             | 149,168   | -  |
| ESZ              | Import and export trading of audio and headphones products, machinery and equipment   | RMB 2,000                | b.                            | -  | -                   | -      | -  | (9,938)                           | 100  | (3)                             | 9,753   | -  |
| ETHY             | Production and sales of smart speakers and AV electronics home entertainment systems  | HK\$ 58,000              | c.                            | -  | -                   | -      | -  | (129,725)                         | 100  | (3)                             | 223,764   | -  |

2. Upper Limit on the amount of investment in Mainland China:

| Accumulated Outward Remittance for Investment in Mainland China at the End of the Period | 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 7.
- 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) Others. (Based on IAS 27: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.)

(Concluded)

**TABLE 10****EASTECH HOLDING LIMITED AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

| Name of Major Shareholder  | Shares                             |                             |
|--|------------------------------------|-----------------------------|
|  | Number of Shares                   | Percentage of Ownership (%) |
| Taishin International Bank is entrusted to manage the investment account for Above Vantage Limited | 27,965,600 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.