

Eastech Holding Limited and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' 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' REPORT

The Board of Directors and Shareholders
Eastech Holding Limited

Opinion

We have audited the accompanying consolidated financial statements of Eastech Holding Limited (“Eastech”) and subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2021 and 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Revenue Recognition

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

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

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

1. The Group is an OEM/ODM manufacturer, its business model is according to the orders of the brand customers for stock preparation and production. Our focus is whether revenue occurs actually.
2. The tests for internal control include: Check if sales orders are approved by appropriate supervisors, delivery orders are approved by unit managers and actually delivered to customers.
3. Perform the following analytical procedures:

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

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

Impairment on Accounts Receivable

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Chin-Chuan Shih and Yung-Ming Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2022

Notice to Readers

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 528,617	8.34	\$ 1,109,289	17.32
Financial assets at fair value through profit or loss (Note 7)	1,597	0.03	260	-
Notes and accounts receivable (Notes 8, 18 and 23)	1,978,358	31.21	1,943,005	30.35
Inventories (Notes 10 and 23)	1,272,731	20.08	1,233,314	19.26
Restricted assets (Notes 6 and 23)	41,511	0.65	21,047	0.33
Income tax refund recoverable	-	-	4	-
Other receivables and prepayments (Note 9)	<u>1,334,562</u>	<u>21.05</u>	<u>486,386</u>	<u>7.60</u>
Total current assets	<u>5,157,376</u>	<u>81.36</u>	<u>4,793,305</u>	<u>74.86</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 23)	948,845	14.97	1,052,738	16.44
Financial assets at fair value through profit or loss - non-current (Note 7)	108,912	1.72	83,496	1.31
Right-of-use assets (Note 12)	78,135	1.23	185,875	2.90
Intangible assets (Notes 13 and 23)	38,565	0.61	275,206	4.30
Deferred tax assets (Note 19)	<u>6,844</u>	<u>0.11</u>	<u>12,154</u>	<u>0.19</u>
Total non-current assets	<u>1,181,301</u>	<u>18.64</u>	<u>1,609,469</u>	<u>25.14</u>
TOTAL	<u>\$ 6,338,677</u>	<u>100.00</u>	<u>\$ 6,402,774</u>	<u>100.00</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 14)	\$ 1,135,747	17.92	\$ 1,142,073	17.84
Notes and accounts payable (Note 15)	2,393,148	37.75	3,016,480	47.11
Lease liabilities - current (Note 12)	48,576	0.77	22,524	0.35
Current tax liabilities (Note 19)	6,682	0.10	2,449	0.04
Other payables (Note 15)	<u>796,137</u>	<u>12.56</u>	<u>590,169</u>	<u>9.22</u>
Total current liabilities	<u>4,380,290</u>	<u>69.10</u>	<u>4,773,695</u>	<u>74.56</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Note 12)	59,972	0.95	60,551	0.94
Long-term bank borrowings (Note 14)	222,890	3.52	269,795	4.21
Deferred tax liabilities (Note 19)	7,291	0.11	109,263	1.71
Other payables - non-current	<u>5,887</u>	<u>0.09</u>	<u>7,689</u>	<u>0.12</u>
Total non-current liabilities	<u>296,040</u>	<u>4.67</u>	<u>447,298</u>	<u>6.98</u>
Total liabilities	<u>4,676,330</u>	<u>73.77</u>	<u>5,220,993</u>	<u>81.54</u>
EQUITY (Note 17)				
Share capital - common stock	614,060	9.69	614,550	9.60
Capital surplus	749,535	11.83	779,951	12.18
Treasury shares	(24,019)	(0.38)	(24,019)	(0.37)
Exchange differences on translating foreign operations	(79,767)	(1.26)	(186,751)	(2.92)
Employee unearned benefit	-	-	(2,490)	(0.04)
Unrealized losses on financial assets at fair value through other comprehensive income	(29,950)	(0.47)	(29,950)	(0.47)
Retained earnings				
Legal reserve	5,898	0.09	65,002	1.02
Unappropriated earnings (accumulated deficit)	<u>426,590</u>	<u>6.73</u>	<u>(34,512)</u>	<u>(0.54)</u>
Total equity	<u>1,662,347</u>	<u>26.23</u>	<u>1,181,781</u>	<u>18.46</u>
TOTAL	<u>\$ 6,338,677</u>	<u>100.00</u>	<u>\$ 6,402,774</u>	<u>100.00</u>

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Note 18)	\$ 9,412,311	100.00	\$ 8,941,255	100.00
COST OF REVENUE (Note 10)	<u>8,646,051</u>	<u>91.86</u>	<u>8,425,032</u>	<u>94.22</u>
GROSS PROFIT	<u>766,260</u>	<u>8.14</u>	<u>516,223</u>	<u>5.78</u>
OPERATING EXPENSES				
Selling and distribution	165,144	1.75	187,699	2.10
General and administrative	<u>903,600</u>	<u>9.60</u>	<u>933,610</u>	<u>10.44</u>
Total operating expenses	<u>1,068,744</u>	<u>11.35</u>	<u>1,121,309</u>	<u>12.54</u>
LOSS FROM OPERATIONS	<u>(302,484)</u>	<u>(3.21)</u>	<u>(605,086)</u>	<u>(6.76)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 18)	867,374	9.21	85,285	0.95
Foreign exchange loss, net (Note 25)	(28,668)	(0.31)	(127,082)	(1.42)
Finance costs (Note 18)	(36,069)	(0.38)	(28,640)	(0.32)
Other losses (Note 18)	<u>(178,286)</u>	<u>(1.89)</u>	<u>(5,535)</u>	<u>(0.06)</u>
Total non-operating income and expenses	<u>624,351</u>	<u>6.63</u>	<u>(75,972)</u>	<u>(0.85)</u>
PROFIT (LOSS) BEFORE INCOME TAX	321,867	3.42	(681,058)	(7.61)
INCOME TAX BENEFIT (Note 19)	<u>45,619</u>	<u>0.49</u>	<u>4,702</u>	<u>0.05</u>
NET PROFIT (LOSS)	367,486	3.91	(676,356)	(7.56)
OTHER COMPREHENSIVE LOSS (NET OF INCOME TAX)				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(15,598)</u>	<u>(0.17)</u>	<u>(8,745)</u>	<u>(0.10)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 351,888</u>	<u>3.74</u>	<u>\$ (685,101)</u>	<u>(7.66)</u>
EARNINGS (LOSS) PER SHARE (Note 20)				
Basic earnings (loss) per share after income tax	<u>\$6.03</u>		<u>\$(11.09)</u>	
Diluted earnings (loss) per share after income tax	<u>\$6.03</u>		<u>\$(11.09)</u>	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings (Accumulated Deficit) Unappropriated Earnings	Legal Reserve	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 adjusted to capital surplus	-	231	-	-	-	-	-	-	231
Legal reserve of subsidiaries	-	-	-	-	-	-	8,013	(8,013)	-
Cancellation of restricted shares for employees	(490)	(998)	-	-	1,488	-	-	-	-
Restricted shares plan for employees	-	-	-	-	4,823	-	-	-	4,823
Compensation costs of employee stock options	-	20,756	-	-	-	-	-	-	20,756
Net loss for the year ended December 31, 2020	-	-	-	-	-	-	-	(676,356)	(676,356)
Other comprehensive loss for the year ended December 31, 2020	-	-	-	(8,745)	-	-	-	-	(8,745)
BALANCE AT DECEMBER 31, 2020	614,550	779,951	(24,019)	(186,751)	(2,490)	(29,950)	65,002	(34,512)	1,181,781
Disposal of subsidiaries	-	-	-	122,582	-	-	(59,104)	59,104	122,582
Cancellation of restricted shares for employees	(490)	(1,014)	-	-	1,504	-	-	-	-
Restricted shares plan for employees	-	-	-	-	986	-	-	-	986
Compensation costs of employee stock options	-	5,110	-	-	-	-	-	-	5,110
Appropriation of profit or loss	-	(34,512)	-	-	-	-	-	34,512	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	-	-	367,486	367,486
Other comprehensive loss for the year ended December 31, 2021	-	-	-	(15,598)	-	-	-	-	(15,598)
BALANCE AT DECEMBER 31, 2021	<u>\$ 614,060</u>	<u>\$ 749,535</u>	<u>\$ (24,019)</u>	<u>\$ (79,767)</u>	<u>\$ -</u>	<u>\$ (29,950)</u>	<u>\$ 5,898</u>	<u>\$ 426,590</u>	<u>\$ 1,662,347</u>

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 321,867	\$ (681,058)
Adjustments for:		
Amortization - other intangible assets	71,647	65,644
Impairment loss on trade receivables	104	49,054
Impairment loss on other receivables	7,401	-
Allowance for inventories provision and inventories write-off	17,981	50,201
Impairment loss recognized on goodwill	107,281	-
Depreciation expenses of property, plant and equipment	144,853	164,600
Depreciation expenses of right-of-use assets	29,586	32,068
Loss on disposal of property, plant and equipment	35,650	5,075
Gain on disposal of subsidiaries	(700,372)	-
Loss (profit) of write-off other intangible assets	1,240	(881)
Impairment loss on other intangible assets	21,455	-
Interest expense	36,069	28,640
Interest income	(2,110)	(2,867)
Dividend income	-	(5,574)
Compensation of employees restricted shares	986	4,823
Lease termination benefit	(66)	(248)
Compensation costs of employee stock options	5,110	20,756
Gain on fair value changes of financial instruments at fair value through profit or loss	(34,611)	(113)
Operating cash flows before working capital changes	64,071	(269,880)
Changes in operating assets and liabilities		
Notes and accounts receivable	(35,457)	(312,471)
Other receivables and prepayments	(55,533)	(219,744)
Inventories	(57,399)	(631,451)
Notes and accounts payable	(623,332)	956,042
Other payables	(137,374)	59,405
Cash used in operations	(845,024)	(418,099)
Interest paid	(36,069)	(28,640)
Interest received	2,110	2,867
Dividend received	-	5,574
Income tax paid	(19,364)	(17,225)
Net cash used in operating activities	(898,347)	(455,523)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquiring property, plant and equipment	(145,625)	(493,581)
(Increase) decrease in pledged deposits	(20,464)	8,133
Proceeds from disposal of property, plant and equipment	24,423	18,399
Net cash inflows from disposal of subsidiaries (Note 9)	589,910	-
Increase in other intangible assets	(58,164)	(90,131)
Net cash generated from (used in) investing activities	390,080	(557,180)

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	\$ 2,864,186	\$ 3,237,682
Repayments of bank borrowings	(2,903,857)	(2,408,504)
Repayments of the principal portion of lease liabilities	(27,214)	(28,111)
Cash dividend	-	(31,343)
Cash dividend received from treasury shares	<u>-</u>	<u>231</u>
Net cash (used in) generated from financing activities	<u>(66,885)</u>	<u>769,955</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(5,520)</u>	<u>(48,425)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(580,672)	(291,173)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,109,289</u>	<u>1,400,462</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 528,617</u>	<u>\$ 1,109,289</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:		
Cash and bank deposits	\$ 570,128	\$ 1,130,336
Pledged deposits	<u>(41,511)</u>	<u>(21,047)</u>
Cash and cash equivalents	<u>\$ 528,617</u>	<u>\$ 1,109,289</u>

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

In order to maximize the allocation and to diffuse the risk of cost inflation and tariff on the current main production base, EAH established a wholly-owned subsidiary - Eastech (VN) Company Limited in Vietnam, as second production base, with the registered capital of US\$8 million on January 25, 2019.

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

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

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 February 25, 2022.

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. The initial application of the amendments to the IFRSs issued into effect have no significant impact on the Group’s consolidated financial statements for the year ended December 31, 2021.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IFRS 17 “Comparative Information on Initial Application of IFRS 17 and IFRS 9”	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

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

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

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

2) 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 December 31		Descriptions
			2021	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 (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 (Huiyang) Co., Ltd. ("EAHY")	Production, assembly and sales of speaker systems and accessories	-	100.00	Note 1
EAH	EASTECH (SZ) Co., Ltd. ("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.

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			December 31		
			2021	2020	
EAH	Eastech Electronics (Taiwan) Inc. (“ETT”)	Design and sales of smart speakers and AV electronics home entertainment systems	99.98	99.98	As mentioned in Note 1, EAH acquired ETT 99.98% ownership interest in January 2015, and thereby acquired its 100% owned subsidiaries, ETH and ETHY.
ETT	Eastech Electronics (HK) Limited (“ETH”)	Sales of smart speakers and AV electronics home entertainment systems	-	100.00	Note 2
ETH	Eastech Electronics (Huiyang) Co., Ltd. (“ETHY”)	Production and sales of smart speakers and AV electronics home entertainment systems	-	100.00	Note 1
EAH	Eastech Electronics (HK) Limited (“ETH”)	Sales of smart speakers 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	100.00	ETW was established by EAH on July 2, 2020.
(Concluded)					

(Concluded)

Note 1: On March 15, 2021, the board of directors approved the disposal of EAHY & ETHY, and the Group has completed the transfer of ownership on December 21, 2021.

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.

e. Revenue recognition

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

1) Revenue from sale of goods

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

2) Revenue from rendering of services

Service revenue income is recognized when services are provided.

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

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

h. Goodwill

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

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

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

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

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

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

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

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

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

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

k. Leasing

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

If the transfer of an asset in a sale-and-leaseback transaction qualifies as a sale in IFRS 15, the Group recognises the relevant profit or loss on sale only for the portion transferred to the purchaser and adjusts for terms which do not follow market quotation to measure the sale price at fair value. If the transfer of assets does not qualify as a sale under IFRS 15, the transaction is considered as financing.

l. Borrowing costs

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

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

m. Government grants

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

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

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

n. Retirement benefits

Every employees of the Group adopt defined contribution retirement benefit plans.

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

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

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

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

o. Share-based payment arrangements

1) Restricted shares for employees granted to employees

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

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

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

2) Employee stock options granted to employees

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

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

p. Taxation

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

1) Current income tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

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

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

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

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

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

3) Current and deferred tax for the year

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

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

q. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

2) Equity instruments

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

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

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

3) Financial liabilities

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

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

r. Foreign currencies

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 1,527	\$ 729
Cash at bank	527,090	1,108,560
Fixed deposits	<u>41,511</u>	<u>21,047</u>
	570,128	1,130,336
Less: Pledged deposits	<u>(41,511)</u>	<u>(21,047)</u>
	<u>\$ 528,617</u>	<u>\$ 1,109,289</u>

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 23), and is recognized under restricted assets.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets - current</u>		
Derivatives (do not apply hedge accounting)		
Forward exchange contract	\$ 1,371	\$ -
Non-derivative financial assets		
Foreign-listed stocks	<u>226</u>	<u>260</u>
	<u>\$ 1,597</u>	<u>\$ 260</u>
<u>Financial assets - non-current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted stocks	<u>\$ 108,912</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:

December 31, 2021

	Currencies	Term	Amount (In Thousands)
Sales of forward exchange contract	USD to RMB	January 10, 2022 to June 7, 2022	USD15,000/RMB 96,421

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

	December 31	
	2021	2020
Notes receivable	\$ 10,572	\$ 12,019
Accounts receivable	1,991,273	1,977,863
Less: Allowance for impairment loss	<u>(23,487)</u>	<u>(46,877)</u>
	<u>\$ 1,978,358</u>	<u>\$ 1,943,005</u>

The Group's average credit period of sales of goods was 77 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.

December 31, 2021

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 1,887,953	\$ 90,668	\$ 6,816	\$ 16,408	\$ 2,001,845
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(263)</u>	<u>(6,816)</u>	<u>(16,408)</u>	<u>(23,487)</u>
Amortized cost	<u>\$ 1,887,953</u>	<u>\$ 90,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,978,358</u>

December 31, 2020

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 1,901,619	\$ 41,386	\$ 559	\$ 46,318	\$ 1,989,882
Loss allowance (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:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of the period	\$ 46,877	\$ 15,548
Add: Impairment losses recognized	104	49,054
Less: Amounts written off	(13)	(12,328)
Less: Amounts recovered	(22,725)	(3,178)
Effect of foreign currency exchange differences	<u>(756)</u>	<u>(2,219)</u>
Balance at the end of the period	<u>\$ 23,487</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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Other receivables	\$ 1,017,858	\$ 166,663
Allowance for impairment loss	<u>(73,213)</u>	<u>(71,090)</u>
Other receivables, net	944,645	95,573
Prepayments for purchases	149,473	100,981
Prepayments	6,205	15,983
Prepayments for purchases equipment and mold	34,063	20,265
Value-added tax recoverable and refundable	183,014	232,944
Guarantee deposits	<u>17,162</u>	<u>20,640</u>
	<u>\$ 1,334,562</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:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Other receivables (including security deposits)	\$ 73,213	\$ 80,728
Less: Allowance for impairment loss	<u>(73,213)</u>	<u>(71,090)</u>
	<u>\$ -</u>	<u>\$ 9,638</u>

- b. As of December 31, 2021 and 2020, the amounts of temporary payments as described in Note 15(b) were \$57,573 thousand and \$63,494 thousand.
- c. The consideration receivables from the disposal of subsidiaries (cash and cash equivalents held in the custodian account) as described in Note 21 (c) amounting to \$800,915 thousand on December 31, 2021 was recognized as other receivables mentioned above.

10. INVENTORIES

	December 31	
	2021	2020
Raw materials	\$ 759,406	\$ 672,412
Work-in-process	290,735	277,487
Finished goods	121,856	152,939
Goods in transit	<u>100,734</u>	<u>130,476</u>
	<u>\$ 1,272,731</u>	<u>\$ 1,233,314</u>

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2021 and 2020 was \$8,646,051 thousand and \$8,425,032 thousand, respectively, which included \$17,981 thousand and \$50,201 thousand, allowance for inventories provision and inventories write-off, respectively.

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

11. PROPERTY, PLANT AND EQUIPMENT

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

	December 31	
	2021	2020
Cost	\$ 1,288,568	\$ 2,159,548
Accumulated depreciation and impairment	<u>(339,723)</u>	<u>(1,106,810)</u>
Carrying amount	<u>\$ 948,845</u>	<u>\$ 1,052,738</u>
Land and buildings	\$ 264,636	\$ 296,041
Machineries and office equipment	643,757	701,898
Property under construction	<u>40,452</u>	<u>54,799</u>
Carrying amount	<u>\$ 948,845</u>	<u>\$ 1,052,738</u>

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

	Land and Buildings	Machinery Equipment and Office Equipment	Property under Construction	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 451,633	\$ 1,220,409	\$ 107,607	\$ 1,779,649
Additions	38,845	178,995	275,741	493,581
Disposals	-	(95,009)	(1,918)	(96,927)
Reclassification	213,595	119,707	(334,322)	(1,020)
Effect of exchange rate changes	<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	2,916	111,140	31,569	145,625
Disposals	(27,996)	(109,065)	(4,797)	(141,858)
Reclassification	149,115	(215,234)	(40,856)	(106,975)
Disposal of subsidiaries	(549,792)	(218,589)	-	(768,381)
Effect of exchange rate changes	<u>1,997</u>	<u>(1,125)</u>	<u>(263)</u>	<u>609</u>
Balance at December 31, 2021	<u>\$ 272,797</u>	<u>\$ 975,319</u>	<u>\$ 40,452</u>	<u>\$ 1,288,568</u>
<u>Accumulated depreciation and 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 exchange rate changes	<u>2,901</u>	<u>(15,816)</u>	<u>-</u>	<u>(12,915)</u>
Balance at December 31, 2020	400,516	706,294	-	1,106,810
Depreciation	9,864	134,989	-	144,853
Disposals	(5,897)	(75,888)	-	(81,785)
Disposal of subsidiaries	(553,363)	(170,612)	-	(723,975)
Reclassification	154,793	(261,768)	-	(106,975)
Effect of exchange rate changes	<u>2,248</u>	<u>(1,453)</u>	<u>-</u>	<u>795</u>
Balance at December 31, 2021	<u>\$ 8,161</u>	<u>\$ 331,562</u>	<u>\$ -</u>	<u>\$ 339,723</u>

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 for the years ended December 31, 2021 and 2020, accordingly.

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

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land and buildings	\$ 75,689	\$ 183,138
Machinery and office equipment	<u>2,446</u>	<u>2,737</u>
	<u>\$ 78,135</u>	<u>\$ 185,875</u>
	For the Years Ended	
	December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 20,999</u>	<u>\$ 53,211</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 27,179	\$ 29,561
Machinery and office equipment	<u>2,407</u>	<u>2,507</u>
	<u>\$ 29,586</u>	<u>\$ 32,068</u>

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

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ 48,576	\$ 22,524
Non-current	<u>59,972</u>	<u>60,551</u>
	<u>\$ 108,548</u>	<u>\$ 83,075</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land and buildings	2.51%-4.23%	3.73%-4.63%
Machinery and office equipment	2.51%-4.63%	3.73%-4.63%

c. Material lease - activities and terms

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

December 31, 2021

Company Name	Location	Description	Tenure/Unexpired Term
EAVN	B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	41,227.5 sq. ft. land	Lease for a term of 40 years from January 2019 to April 2058

December 31, 2020

Company Name	Location	Description	Tenure/Unexpired Term
EAHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land.	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
ETHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	6 factory buildings and 2 dormitories built on a 365,976 sq. ft. land.	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 Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	41,227.5 sq. ft. land.	Lease for a term of 40 years from January 2019 to April 2058.

d. Other lease information

	For the Years Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 19,447</u>	<u>\$ 23,267</u>
Total cash outflow for leases	<u>\$ (49,166)</u>	<u>\$ (54,582)</u>

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

13. INTANGIBLE ASSETS

	December 31	
	2021	2020
Technical knowledge (including capitalized costs of R&D)	\$ 38,565	\$ 150,754
Goodwill	-	115,530
Customer relationship	-	8,922
	<u>\$ 38,565</u>	<u>\$ 275,206</u>

a. Details of goodwill were as follows:

	December 31	
	2021	2020
Related to ScS	\$ -	\$ 103,541
Related to EAHZ	-	11,989
	<u>\$ -</u>	<u>\$ 115,530</u>

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

The recoverable amount of this cash-generating unit was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 7% per annum for the years ended December 31, 2021 and 2020.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the financial budget period. The cash flows beyond that five-year period have been extrapolated using a steady 0% per annum growth rate.

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

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

In 2021, the assessed recoverable amount of the above goodwill is less than the carrying amount, so impairment loss of goodwill was recognized.

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

The movements of goodwill were as follows:

	2021	2020
Balance at January 1	\$ 115,530	\$ 110,809
Impairment loss	(107,281)	-
Effect of exchange rate changes	<u>(8,249)</u>	<u>4,721</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 115,530</u>

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

	2021	2020
Balance at January 1	\$ 159,676	\$ 134,366
Additions	58,164	90,131
Amortization	(71,647)	(65,644)
Reclassification from property, plant and equipment	-	(3,620)
Write-off	(1,240)	881
Disposal of subsidiaries	(74,751)	-
Impairment loss	(21,455)	-
Effect of exchange rate changes	<u>(10,182)</u>	<u>3,562</u>
Balance at December 31	<u>\$ 38,565</u>	<u>\$ 159,676</u>

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

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

- d. The intangible assets pledged as collateral for bank borrowings are set out in Note 23.

14. BANK BORROWINGS

- a. Short-term bank borrowings:

	December 31			
	2021		2020	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Factoring	1.55%-2.06%	\$ 152,088	3.73%-6.45%	\$ 13,134
Bank borrowings	1.42%-3.25%	890,313	1.26%-4%	943,150
Commercial paper	-	-	2.14%	30,000
Long-term borrowings due within 1 year	1.19%-4.54%	<u>93,346</u>	1.35%-4.63%	<u>78,025</u>
		<u>1,135,747</u>		<u>1,064,309</u>
<u>Unsecured borrowings</u>				
Bank borrowings	-	<u>-</u>	4.2%	<u>77,764</u>
		<u>\$ 1,135,747</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. Unexpired commercial paper as following:

December 31, 2020

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

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

b. Long-term bank borrowings:

	December 31			
	2021		2020	
	Interest Rate	Amount	Interest Rate	Amount
Long-term bank borrowings	1.19%-4.54%	\$ 316,236	1.35%-5.1%	\$ 347,820
Less: Long-term bank borrowings due within 1 year		<u>(93,346)</u>		<u>(78,025)</u>
		<u>\$ 222,890</u>		<u>\$ 269,795</u>

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

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

	December 31	
	2021	2020
Due within 2 to 5 years	<u>\$ 222,890</u>	<u>\$ 269,795</u>

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

15. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

- a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were 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:

	December 31	
	2021	2020
Accrued salaries	\$ 158,944	\$ 148,987
Temporary receivables (Note)	107,776	133,705
Accrued employee's severance pay	313,056	-
Other payable	<u>216,361</u>	<u>307,477</u>
	<u>\$ 796,137</u>	<u>\$ 590,169</u>

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

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

The employees of the Group's subsidiaries 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 subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

17. EQUITY

a. Share capital

The initial setup capital of the Company is NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of December 31, 2021 and 2020 were \$614,060 thousand and \$614,550 thousand, respectively, divided into 61,406 thousand shares and 61,455 thousand shares, each with a nominal amount of NT\$10 per share. All of the shares are ordinary shares, each carrying the rights to vote and receive dividend.

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

	(In Thousands of Shares)	
	For the Years Ended	
	December 31	
	2021	2020
January 1	61,455	61,504
Write-off of restricted shares	<u>(49)</u>	<u>(49)</u>
December 31	<u><u>61,406</u></u>	<u><u>61,455</u></u>

b. Treasury shares

As of December 31 of 2021 and 2020, the detail of treasury shares are as follow:

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

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

December 31, 2021

Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
ETT	453	\$24,019 thousand	\$9,694 thousand

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

c. Capital surplus

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

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of common share	\$ 686,926	\$ 714,815
Treasury share transactions	-	1,348
Cash dividend received from treasury stock	-	5,275

(Continued)

	December 31	
	2021	2020
<u>May not be used for any purpose</u>		
Arising from employee restricted shares	\$ 26,409	\$ 27,423
Arising from employee share options	<u>36,200</u>	<u>31,090</u>
	<u>\$ 749,535</u>	<u>\$ 779,951</u> (Concluded)

d. Retained earnings and dividend policy

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

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

The appropriations of earnings for 2019 were approved in the board of directors' and shareholders' meeting on February 27, 2020. Details of the dividend per share of the earnings appropriations for 2019 of the Company were as follows:

	2020
Ordinary share dividend - cash	NT\$0.51 per share totaling \$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.

The appropriations of earnings for 2021 were approved by the board of directors on February 25, 2022. Details of the dividend per share of the earnings appropriations for 2021 of the Company were as follows:

	2021
Ordinary share dividend - cash	NT\$0.6 per share totaling NT\$36,844 thousand
Special reserve	NT\$109,717 thousand

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 at December 31, 2021.

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

e. Share-based payment arrangements

1) Information on restricted shares plan for employees

Information on restricted shares plan for employees was as below:

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

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

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

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

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

Information on restricted shares plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Years Ended	
	December 31	
	2021	2020
Balance at the beginning of the period	130	326
Vested	(81)	(147)
Forfeited	<u>(49)</u>	<u>(49)</u>
Balance at the end of the period	<u>-</u>	<u>130</u>

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

	For the Years Ended	
	December 31	
	2021	2020
Costs of restricted shares plans for employees	<u>\$ 986</u>	<u>\$ 4,823</u>

2) Employee share options

Information on issuance of employees share options was as follow:

Grant Date	Issued Shares	Vesting Date	Exercisable Price
2018.09.28	1,200 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted date	\$23.95 (Note)
2019.06.10	4,747 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted 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 share options is equal to the closing price on the grant date. After the options are granted, upon the occurrence of certain events relating to the change in the number of common shares of the Company and distribute cash dividend, the exercise price shall be adjusted in accordance with the regulated formula.

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

Information on outstanding employee share options was as follows:

Employee Share Options	For the Years Ended December 31			
	2021		2020	
	Number of Options	Weighted-Average Exercise Price (NT\$)	Number of Options	Weighted-Average Exercise Price (NT\$)
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	(3,345)	28.54	-	-
Balance at end period	<u>8,053</u>	23.63	<u>8,719</u>	28.49
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ 6.38</u>		<u>\$ 7.76</u>	

As of December 31, 2021 and 2020, the information of outstanding employee share options were as follows:

Grant Date	December 31			
	2021		2020	
	Range of Exercise Price (NT\$)	Weighted-Average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-Average Remaining Contractual Life (Years)
2018.09.28	\$ 23.00	0.75	\$ 23.00	1.75
2019.06.10	31.70	1.46	31.70	2.46
2020.05.19	25.30	2.38	25.30	3.38
2020.08.06	25.45	2.58	25.45	3.58
2021.04.27	21.65	3.33	-	-
2021.08.20	19.45	3.67	-	-

Employee share 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, 2021	April 27, 2021	August 6, 2020	May 19, 2020	June 10, 2019	September 28, 2018
Grant-date share price (NT\$)	19.45	21.65	25.45	25.30	33.05	23.95
Exercise price (NT\$)	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 compensation costs for the years ended December 31, 2021 and 2020 are recognized at \$5,110 thousand and \$20,756 thousand.

Other equity items

a. Exchange differences on translating the financial statements of foreign operations

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

b. Unrealized gain or loss on financial assets at FVTOCI

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

c. Unearned employee benefit

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

18. CONSOLIDATED NET PROFIT (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 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 Note in Note 15(b).

2) Contact balances

	December 31	
	2021	2020
Notes and accounts receivable, net (Note 8)	<u>\$ 1,978,358</u>	<u>\$ 1,943,005</u>

3) Disaggregation of revenue from customer contracts

	For the Years Ended December 31	
	2021	2020
Home audio	\$ 4,804,276	\$ 5,225,236
Personal audio	2,897,382	2,032,349
Transducer speaker	421,663	369,571
Others	<u>1,288,990</u>	<u>1,314,099</u>
	<u>\$ 9,412,311</u>	<u>\$ 8,941,255</u>

b. Depreciation and amortization expenses

	For the Years Ended December 31	
	2021	2020
Depreciation of property, plant and equipment	\$ 144,853	\$ 164,600
Amortization of other intangible assets	71,647	65,644
Depreciation of right-of-use assets	<u>29,586</u>	<u>32,068</u>
	<u>\$ 246,086</u>	<u>\$ 262,312</u>

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

	For the Years Ended December 31	
	2021	2020
Remuneration of directors and key management		
Short-term benefits	\$ 105,418	\$ 155,168
Post-employment benefits	2,742	3,747
Share-based payments	4,186	21,688
Employee benefits		
Short-term benefits	1,588,674	1,576,253
Post-employment benefits	90,054	57,761
Share-based payments	<u>1,910</u>	<u>3,891</u>
	<u>\$ 1,792,984</u>	<u>\$ 1,818,508</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.

For the year of 2021, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Year of 2020
Employees' compensation	3.1%
Remuneration of directors and supervisors	1.9%

	For the Year of 2020
Employees' compensation	<u>\$ 10,523</u>
Remuneration of directors and supervisors	<u>\$ 6,300</u>

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

For the year of 2019, the amounts of employees' compensation and the remuneration of directors and supervisors, which were 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' and directors' remuneration paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

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

e. Other income

	For the Years Ended December 31	
	2021	2020
Government grants revenue	\$ 9,871	\$ 46,402
Project service income	68,471	16,416
Gain on disposal of subsidiaries	700,372	-
Interest income	2,110	2,867
Rental revenue	842	1,312
Dividend income	-	5,574
Scrap income	6,710	2,868
Gains on disposal of property, plant and equipment	1,044	75
Net gain on financial instruments at fair value through profit or loss	47,331	113
Bad debts recovered	22,725	-
Others	<u>7,898</u>	<u>9,658</u>
	<u>\$ 867,374</u>	<u>\$ 85,285</u>

f. Other losses

	For the Years Ended December 31	
	2021	2020
Losses on fair value change of financial instruments at FVTPL	\$ 12,720	\$ -
Losses on disposal of property, plant and equipment	36,694	5,150
Impairment loss on intangible assets	12,061	-
Impairment loss on goodwill	107,281	-
Others	<u>9,530</u>	<u>385</u>
	<u>\$ 178,286</u>	<u>\$ 5,535</u>

g. Finance costs

	For the Years Ended December 31	
	2021	2020
Interest expense arising from bank borrowings	\$ 33,564	\$ 25,436
Interest expense on lease liabilities	<u>2,505</u>	<u>3,204</u>
	<u>\$ 36,069</u>	<u>\$ 28,640</u>

19. INCOME TAXES

a. Income tax benefit recognized in profit or loss

	For the Years Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 24,933	\$ 1,655
Adjustments for prior years	(1,049)	(6,664)
Deferred tax		
In respect of the current year	<u>(69,503)</u>	<u>307</u>
Income tax benefit recognized in profit or loss	<u>\$ (45,619)</u>	<u>\$ (4,702)</u>

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

	For the Years Ended December 31	
	2021	2020
Profit (loss) before tax	<u>\$ 321,867</u>	<u>\$ (681,058)</u>
Income tax expense (benefit) calculated at the statutory rate (16.5%)	\$ 53,108	\$ (112,375)
Tax-exempt income and non-deductible expenses in determining taxable income	(72,496)	4,147
Income tax adjustment for prior years	(1,049)	(6,664)
Effect on deferred tax assets unrecognized in prior years	(34,419)	15,199
Effect on unrecognized loss carry forwards	13,287	108,554
Effect of different tax rate of foreign operations in other jurisdictions	<u>(4,050)</u>	<u>(13,563)</u>
Income tax benefit recognized in profit or loss	<u>\$ (45,619)</u>	<u>\$ (4,702)</u>

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

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

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

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

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

b. Deferred tax assets

	December 31	
	2021	2020
Allowance of inventories provision	\$ 921	\$ 6,936
Others	<u>5,923</u>	<u>5,218</u>
	<u>\$ 6,844</u>	<u>\$ 12,154</u>

The movements of deferred tax assets are as follows:

	Allowance of Inventories Provision	Others	Total
Balance at January 1, 2020	\$ 9,869	\$ 2,642	\$ 12,511
Recognized in profit or loss	(3,610)	2,577	(1,033)
Reclassification	666	-	666
Effect of exchange rate changes	<u>11</u>	<u>(1)</u>	<u>10</u>
Balance at December 31, 2020	6,936	5,218	12,154
Recognized in profit or loss	(6,034)	704	(5,330)
Effect of exchange rate changes	<u>19</u>	<u>1</u>	<u>20</u>
Balance at December 31, 2021	<u>\$ 921</u>	<u>\$ 5,923</u>	<u>\$ 6,844</u>

c. Deferred tax liabilities

	December 31	
	2021	2020
Temporary differences on other intangible assets	\$ 5,836	\$ 34,085
Temporary differences on inventory and depreciation of property, plant and equipment	1,273	17,685
Unappropriated earnings of subsidiaries	<u>182</u>	<u>57,493</u>
	<u>\$ 7,291</u>	<u>\$ 109,263</u>

The movements of deferred tax liabilities are as follows:

	Temporary Differences on Other Intangible Assets	Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment	Unappropriated Earnings of Subsidiaries	Total
Balance at January 1, 2020	\$ 32,237	\$ 22,550	\$ 63,399	\$ 118,186
Recognized in profit or loss	(372)	(3,390)	3,036	(726)
Effect of exchange rate changes	<u>2,220</u>	<u>(1,475)</u>	<u>(8,942)</u>	<u>(8,197)</u>
Balance at December 31, 2020	34,085	17,685	57,493	109,263
Recognized in profit or loss	(15,203)	(2,393)	(57,237)	(74,833)
Disposal of subsidiaries	-	(13,435)	-	(13,435)
Others	(10,919)	(369)	-	(11,288)
Effect of exchange rate changes	<u>(2,127)</u>	<u>(215)</u>	<u>(74)</u>	<u>(2,416)</u>
Balance at December 31, 2021	<u>\$ 5,836</u>	<u>\$ 1,273</u>	<u>\$ 182</u>	<u>\$ 7,291</u>

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

	December 31	
	2021	2020
Loss carryforwards	<u>\$ 126,868</u>	<u>\$ 672,847</u>
Deductible temporary difference		
Investments in equity instruments at FVTOCI	<u>\$ 29,950</u>	<u>\$ 29,950</u>

- e. Income tax assessments

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

20. EARNINGS (LOSS) PER SHARE

Unit: \$Per Share

	For the Years Ended December 31	
	2021	2020
Basic earnings (loss) per share	<u>\$ 6.03</u>	<u>\$ (11.09)</u>
Diluted earnings (loss) per share	<u>\$ 6.03</u>	<u>\$ (11.09)</u>

The profit (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 Year

	For the Years Ended December 31	
	2021	2020
Profit (loss) for the year attributable to owners of the Company	<u>\$ 367,486</u>	<u>\$ (676,356)</u>

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

	For the Years Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	60,970	61,011
Effect of potentially dilutive ordinary shares		
Employee share options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>60,970</u>	<u>61,011</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 year ended December 31, 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 year ended December 31, 2020, which has an anti-diluted effect, calculation for diluted loss per share is not included.

21. DISPOSAL OF SUBSIDIARIES

On March 15, 2021, the board of directors approved EAH and ETH to sign of the “Equity Transfer Agreement” with a non-related company, Shangnanfei Trading (Shenzhen) Co., Ltd., for disposal of 100% equity interest of EAHY and ETHY respectively. The Company completed the ownership transfer on December 21, 2021, and lost the control of those subsidiaries.

a. Total consideration

	EAHY	ETHY
Cash and cash equivalents	<u>\$ 631,505</u>	<u>\$ 947,257</u>
Total consideration	<u>\$ 631,505</u>	<u>\$ 947,257</u>

b. Gain on disposal of subsidiaries

	EAHY	ETHY
Total consideration	\$ 631,505	\$ 947,257
Disposal of net assets	(47,760)	(85,772)
Employees' severance pay	(210,988)	(191,630)
Tax expenses related to disposal of subsidiaries	(58,640)	(64,887)
Realized exchange difference from translation of financial statements of foreign operating agencies	(42,752)	(79,830)
Others	<u>(42,093)</u>	<u>(54,038)</u>
Gain on disposal of subsidiaries	<u>\$ 229,272</u>	<u>\$ 471,100</u>

c. Net cash inflows from disposal of subsidiaries

	EAHY	ETHY
Total consideration to be settled in cash	\$ 631,505	\$ 947,257
Less: Consideration receivables listed under other receivables	(501,744)	(298,451)
Less: Cash and cash equivalents disposed	<u>(85,065)</u>	<u>(103,592)</u>
	<u>\$ 44,696</u>	<u>\$ 545,214</u>

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 18(c) for details.

23. PLEDGED ASSETS

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

	December 31	
	2021	2020
Other intangible assets	\$ 16,180	\$ 22,546
Accounts receivable with recourse	152,088	16,686
Machineries and office equipment	12,230	16,094
Inventories and other assets	82,637	61,978
Construction in progress	3,437	3,419
Pledged deposits (recognized under restricted assets - current)	<u>41,511</u>	<u>21,047</u>
	<u>\$ 308,083</u>	<u>\$ 141,770</u>

24. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

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

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

As of December 31, 2021 and 2020, the amounts sought for legal matters whereby EAH is the plaintiff are Brazilian Currency R\$17,600 thousand and R\$15,000 thousand (approximately NT\$86,400 thousand and NT\$81,200 thousand) (the amount has considered accrued interest from the date of the prosecution and local court’s provision such as inflation index, etc.), respectively. Since EAH does not have any assets in Brazil, EAH must provide security deposits to the courts as possible court costs incurred in the litigation.

Since the outcome of litigation is dependent on the Courts’ judgements, EAH has recognized related impairment of aforementioned other receivables based on current litigation progress. EAH assessed other receivables relating to litigations and recognized an impairment loss, totaling \$7,401 thousand and \$0, respectively.

As of December 31, 2021 and 2020, amounts recognized as other receivables (net of impairment loss) are \$0 thousand and \$9,005 thousand, respectively.

Based on the assessment of the legal opinion obtained and the assessment of the financial background of the defendants as of December 31, 2021 and 2020, EAH considers that the impairment loss taken is reasonable and sufficient.

EAH is required to place bonds (also recorded as other receivables) with the Courts in Brazil to secure payment of court costs. As of December 31, 2021 and 2020, pledged deposit recorded as other receivables (net of impairment loss) are \$0 thousand and \$633 thousand, respectively.

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

The plaintiff sought partial dissolution of EAB with the withdrawal of EAH from EAB; and the assessment of assets and liabilities of the partners arising from the termination of the partnership. The plaintiff also sought an injunction to prevent or suspend the effects of the shareholders meeting held in November 2006. In June 2008, the judge ordered that an accounting expert examination takes place to verify the reimbursement of the amount equivalent to EAH’s equity interest in EAB. As of July 16, 2012, the accounting expert examination report identified when EAH divestment of EAB, EAB’s net equity is positive (R\$1,978 thousand, approximately NT\$10,704 thousand). Hence, EAH is not liable for any debt of EAB. In contrast, after consideration of interest and inflation factors, the court ruled that the plaintiff shall pay EAH R\$4,429 thousand (approximately NT\$23,967 thousand) within 90 days from the date of the judgment. The plaintiff has filed an appeal on September 4, 2012. However the court has rejected the appeal on December 28, 2019. In 2020, the court has approved and plans to carry out the enforcement procedures. As of December 31, 2021, however, there has not been any progress. Since the plaintiff’s recoverability of any potential awards by the courts is also subject to the availability of assets by the defendants to the litigations, EAH will recognized related income when actual recovery. At current stage, it has no material impact on the Group’s financial position.

- b. Financial guarantees within the Group refer to Table 2 of Note 28.
- c. As of December 31, 2021, the commitment that EAVN has contracted for the plant construction were approximately \$27,628 thousand.

25. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return through the optimization of the capital and debt structure balance. The Group's overall strategy remains unchanged in 2021.

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

As of December 31, 2021 and 2020, the cash and cash equivalents, restricted assets - current (pledged deposit) and bank borrowings were as follows:

	December 31	
	2021	2020
Debt (bank borrowings)	\$ (1,358,637)	\$ (1,411,868)
Cash and cash equivalents (including pledged deposit)	<u>570,128</u>	<u>1,130,336</u>
Net debt	<u>\$ (788,509)</u>	<u>\$ (281,532)</u>
Equity	<u>\$ 1,662,347</u>	<u>\$ 1,181,781</u>
Debt-equity ratio	<u>47%</u>	<u>24%</u>

The Group's is not subject to any externally imposed capital requirements.

b. Fair value of financial instruments

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

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

Cash and cash equivalents, notes and accounts receivable, net, other financial assets, notes and accounts payable, other payables, 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

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 1,371	\$ -	\$ 1,371
Foreign-listed stocks	226	-	-	226
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>108,912</u>	<u>108,912</u>
	<u>\$ 226</u>	<u>\$ 1,371</u>	<u>\$ 108,912</u>	<u>\$ 110,509</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 260	\$ -	\$ -	\$ 260
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>83,496</u>	<u>83,496</u>
	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,756</u>

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

For the years ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Equity Instruments	Total
Balance at January 1, 2021	\$ 83,496	\$ 83,496
Recognized in profit or loss	25,416	25,416
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 108,912</u>	<u>\$ 108,912</u>
Recognized in other gains and losses - unrealized	<u>\$ 25,416</u>	<u>\$ 25,416</u>

For the years ended December 31, 2020: No change

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

- a) The fair values of equity investments at FVTPL are determined by using the market approach. Fair values are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities. The main assumptions are Price-Earnings (P/E) ratio of comparable listed companies and Price-Book (P/B) ratio of comparable listed companies and give different weights as the basis for estimate. The estimate has also adjusted the discount for lack of marketability.

The significant unobservable inputs as of December 31, 2021 are as follows:

<u>Significant Unobservable Inputs</u>	<u>Relationship Between Inputs and Fair Value</u>
P/E is 14; P/B is 1.45	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 \$9,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by \$9,000 thousand.

- b) The embedded derivative instruments are the convertible bond of the unlisted company and the call warrant. Since the Group does not expect to exercise the convertible right, the value of the conversion right is determined to be close to zero. Therefore, the substance of the aforementioned investment is closer to regular bonds. The Group, therefore, assessed the fair value of this investment by discounting the recoverable cash flows within the contract term using the market rate of the similar financial investment. As of December 31, 2021, the Group conservatively provided full impairment based on recoverability of the bond from its financial information of investee.
- c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ 1,597	\$ 260
Mandatorily at FVTPL	108,912	83,496
Amortized cost (Note 1)	<u>3,511,712</u>	<u>3,191,061</u>
	<u>\$ 3,622,221</u>	<u>\$ 3,274,817</u>

Financial liabilities

Financial liabilities at amortized cost (Note 2)	<u>\$ 4,553,809</u>	<u>\$ 5,026,206</u>
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Note 1: The balance includes cash and cash equivalents (including pledged deposits), notes and accounts receivable, other receivables and refundable deposits, etc.

Note 2: The balance includes bank borrowings, notes and accounts payable, other payables, etc.

- d. Financial risk management objectives and policies

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

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

e. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	Assets	
	December 31	
	2021	2020
USD	\$ 2,050,202	\$ 2,027,751
HKD	<u>2,133</u>	<u>13,410</u>
	<u>\$ 2,052,335</u>	<u>\$ 2,041,161</u>
	Liabilities	
	December 31	
	2021	2020
USD	\$ 2,110,314	\$ 1,718,380
HKD	<u>32,547</u>	<u>61,632</u>
	<u>\$ 2,142,861</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.

	Currency USD Impact	
	For the Years Ended	
	December 31	
	2021	2020
Profit or loss	\$ (3,006)	\$ 15,469

	Currency H.K. Dollars Impact	
	For the Years Ended	
	December 31	
	2021	2020
Profit or loss	\$ (1,521)	\$ (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 years ended 2021 and 2020 would have been decreased by \$3,950 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.

December 31, 2021					
	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	-	\$ 2,393,148	\$ -	\$ -	\$ 2,393,148
Other payables	-	796,137	5,887	-	802,024
<u>Interest bearing liabilities</u>					
Lease liabilities	2.51%-4.63%	53,349	60,888	-	114,237
Bank borrowings	2.27%	1,161,572	227,958	-	1,389,530

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>\$ 53,349</u>	<u>\$ 60,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Additional information about the maturity analysis for lease liabilities

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

f. Financial facilities

Bank borrowings

		<u>Liabilities</u>	
		<u>December 31</u>	
		<u>2021</u>	<u>2020</u>
Secured borrowings			
Amount unused		<u>\$ 822,038</u>	<u>\$1,080,325</u>
Unsecured borrowings			
Amount unused		<u>\$ -</u>	<u>\$ -</u>

g. Significant assets and liabilities denominated in foreign currencies

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

December 31, 2021

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 71,529	HKD	27.68	\$ 1,979,928
USD	1,261	NTD	27.68	34,896
USD	326	RMB	27.68	9,012

(Continued)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount
USD	\$ 366	DKK	27.68	\$ 10,134
USD	<u>586</u>	VDN	27.68	<u>16,232</u>
	<u>\$ 74,068</u>			<u>\$ 2,050,202</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 43,823	HKD	27.68	\$ 1,213,008
USD	9,996	RMB	27.68	276,700
USD	9,502	NTD	27.68	263,004
USD	287	DKK	27.68	7,932
USD	<u>12,633</u>	VDN	27.68	<u>349,670</u>
	<u>\$ 76,241</u>			<u>\$ 2,110,314</u>
HKD	<u>\$ 9,082</u>	RMB	3.5486	<u>\$ 32,227</u>
				(Concluded)

December 31, 2020

Unit: Foreign Currencies (In Thousands)

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

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

Information of foreign exchange gains and losses in 2021 and 2020 are as follow:

	For the Years Ended December 31	
	2021	2020
Realized foreign exchange loss	\$ (66,229)	\$ (120,880)
Unrealized foreign exchange gain (loss)	<u>37,561</u>	<u>(6,202)</u>
	<u>\$ (28,668)</u>	<u>\$ (127,082)</u>

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

h. Information of transferred financial assets

In 2021 and 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 December 31, 2021 and 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 14 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

a. Operating segments

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

Since the Group's speaker systems, earphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the years ended December 31, 2021 and 2020, the revenue and operating results of the operating segment can be found in the consolidated income statement for the years from January 1 to December 31, 2021 and 2020. The product revenue of the Group please refer to Note 18(a).

b. Geographic information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers	
	For the Years Ended December 31	
	2021	2020
China	\$ 2,382,486	\$ 2,629,081
Japan	1,333,394	1,097,692
South Korea	2,157,250	2,747,062
Denmark	1,076,262	341,359
Netherlands	323,947	608,090
Sweden	1,003,575	369,046
Others	<u>1,135,397</u>	<u>1,148,925</u>
	<u>\$ 9,412,311</u>	<u>\$ 8,941,255</u>
	Non-current Assets	
	December 31	
	2021	2020
China	\$ 458,174	\$ 783,768
Hong Kong	15,215	23,231
Taiwan	11,145	20,884
Denmark	41,119	189,882
Vietnam	539,286	494,278
Singapore	<u>606</u>	<u>1,776</u>
	<u>\$ 1,065,545</u>	<u>\$ 1,513,819</u>

c. Information of key customers

Customers representing more than 10% of the Group's total income as shown in the consolidated statements of comprehensive income are as follows:

	For the Years Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Company A	\$ 2,153,867	23	\$ 2,744,832	31
Company B	1,132,230	12	1,177,243	13
Company C	NA (Note)	-	1,160,908	13
Company D	1,068,890	11	NA (Note)	-
Company E	1,016,064	11	NA (Note)	-
Company F	NA (Note)	-	922,067	10

Note: Income from the customer is less than 10% of the Group's total income for the years ended December 31, 2021 and 2020.

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (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 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
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
													Item	Value		
0	The Company	EAH	Other receivables from related parties	Yes	\$ 190,223	\$ 184,272	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 664,939	\$ 664,939
1	EAH	ETH	Other receivables from related parties	Yes	200,235	166,080	-	-	The need for short-term financing	-	Operating capital	-	-	-	1,478,261	1,478,261
		EAVN	Other receivables from related parties	Yes	421,275	221,440	188,141	-	The need for short-term financing	-	Operating capital	-	-	-	1,478,261	1,478,261
		The Company	Other receivables from related parties	Yes	22,884	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	1,478,261	1,478,261
2	EAHY	ESHY	Other receivables from related parties	Yes	43,706	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	-	-
		ESZ	Other receivables from related parties	Yes	87,412	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	-	-
		EAHZ	Other receivables from related parties	Yes	65,460	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	-	-
3	ETHY	EAHZ	Other receivables from related parties	Yes	65,460	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	-	-
4	ETH	ETT	Other receivables from related parties	Yes	24,353	-	-	-	The need for short-term financing	-	Overdue other receivables transferred to financing provided	-	-	-	292,903	292,903

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 a Taiwan subsidiary that the Company holds, directly or indirectly, 100% of the voting shares shall not exceed 40% of the net worth of ETH.

Note 2: According to the Company's guidance of financing provided to others, the amount of financing limit is based on the net value of the most recent financial statements reviewed or audited by CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2021 is different from the amounts listed above, the reason is that the financial statements for the year ended December 31, 2021 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the nine months ended September 30, 2021.

Note 3: The equity interest of EAHY and ETHY has been transferred on December 21, 2021, so both of them were not subsidiaries of the Group from then on.

TABLE 2**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	The Company	EAH	a.	\$ 6,649,388	\$ 1,213,642	\$ 758,183	\$ 223,210	\$ -	45.61	\$ 6,649,388	Yes	No	No
		ETH	a.	6,649,388	1,078,094	1,073,484	623,926	-	64.58	6,649,388	Yes	No	No
		ETHY	a.	-	87,412	-	-	-	-	-	Yes	No	Yes
		EAVN	a.	6,649,388	304,643	280,952	212,083	-	16.90	6,649,388	Yes	No	No
1	EAH	ScS	a.	1,478,261	48,324	-	-	-	-	1,478,261	Yes	No	No
		EAVN	a.	1,478,261	28,605	-	-	-	-	1,478,261	Yes	No	No
		EAHZ	a.	1,478,261	162,893	14,394	12,849	-	0.97	1,478,261	Yes	No	Yes
		ETH	a.	1,478,261	335,280	332,160	332,160	-	22.47	1,478,261	Yes	No	No
2	ETHY	EAH	b.	-	22,884	-	-	-	-	-	No	Yes	No
3	ESHY	ESZ	c.	94,434	43,706	9,809	8,467	-	10.39	94,434	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 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 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 December 2021 is different from the amounts listed above, the reason is that the financial statements for the year ended December 31, 2021 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statements for the nine months ended September 30, 2021.

Note 4: The equity interest of EAHY and ETHY has been transferred on December 21, 2021, so both of them were not subsidiaries of the Group from then on.

TABLE 3

EASTECH HOLDING LIMITED AND SUBSIDIARIES

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ETH	<u>Oversea publicly traded stocks</u> Audio Pixels Holdings Limited	-	FVTPL - current	500	<u>\$ 226</u>	-	<u>\$ 226</u>	Note
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	<u>\$ 9,694</u>	1	<u>\$ 9,694</u>	
	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	-	FVTPL - non-current	6,223,497	<u>\$ 108,912</u>	19	<u>\$ 108,912</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 YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
EAH	ETH	Long-term investment	ETH	Subsidiary	-	\$ -	115,000,000	\$ 201,678	-	\$ -	\$ -	\$ -	115,000,000	\$ 201,678
	EAHY	Long-term investment	Shangnanfei Trading (Shenzhen) Co., Ltd.	Non-related parties	-	47,760	-	-	-	631,505	47,760	229,272	-	-
ETH	ETHY	Long-term investment	Shangnanfei Trading (Shenzhen) Co., Ltd.	Non-related parties	-	11,021	-	-	-	947,257	11,021	471,100	-	-

Note 1: On January 22, 2021, ETH made a cash capital injection 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).

Note 2: Please refer to Note 21 for the disposal of EAHY and ETHY.

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 YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
EAH	ESHY	Parent and subsidiary	Purchase	\$ 625,581	15	90 days	\$ -	-	\$ (125,311)	(23)	Note
ESHY	EAH	Parent and subsidiary	Sale	(625,581)	(52)	90 days	-	-	125,311	93	Note
ESHY	EAH	Parent and subsidiary	Purchase	189,935	16	90 days	-	-	125,311	93	Note
EAH	ESHY	Parent and subsidiary	Sale	(189,935)	(4)	90 days	-	-	(125,311)	(23)	Note
EAH	EAHY	Parent and subsidiary	Purchase	393,976	9	90 days	-	-	-	-	Note
EAHY	EAH	Parent and subsidiary	Sale	(393,976)	(72)	90 days	-	-	-	-	Note
EAH	EAHZ	Parent and subsidiary	Purchase	119,343	3	90 days	-	-	12	-	Note
EAHZ	EAH	Parent and subsidiary	Sale	(119,343)	(4)	90 days	-	-	(12)	-	Note
EAH	ESZ	Parent and subsidiary	Purchase	164,372	4	90 days	-	-	(40,716)	(8)	Note
ESZ	EAH	Parent and subsidiary	Sale	(164,372)	(24)	90 days	-	-	40,716	24	Note
EAH	EAVN	Parent and subsidiary	Purchase	1,903,027	45	90 days	-	-	428,086	53	Note
EAVN	EAH	Parent and subsidiary	Sale	(1,903,027)	(80)	90 days	-	-	(428,086)	(51)	Note
EAVN	EAH	Parent and subsidiary	Purchase	720,240	31	90 days	-	-	(428,086)	(51)	Note
EAH	EAVN	Parent and subsidiary	Sale	(720,240)	(16)	90 days	-	-	428,086	53	Note
ETH	ETHY	Parent and subsidiary	Purchase	1,270,373	35	90 days	-	-	-	-	Note
ETHY	ETH	Parent and subsidiary	Sale	(1,270,373)	(89)	90 days	-	-	-	-	Note
ESHY	EAHY	Fellow subsidiary	Purchase	121,902	10	90 days	-	-	-	-	Note
EAHY	ESHY	Fellow subsidiary	Sale	(121,902)	(22)	90 days	-	-	-	-	Note
EAHZ	ETHY	Fellow subsidiary	Purchase	101,293	3	90 days	-	-	-	-	Note

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ETHY	EAHZ	Fellow subsidiary	Sale	\$ (101,293)	(7)	90 days	\$ -	-	\$ -	-	Note
ETHY	ESHY	Fellow subsidiary	Purchase	243,843	17	90 days	-	-	-	-	Note
ESHY	ETHY	Fellow subsidiary	Sale	(243,843)	(20)	90 days	-	-	-	-	Note
EAVN	ESZ	Fellow subsidiary	Purchase	531,118	23	90 days	-	-	(127,559)	(15)	Note
ESZ	EAVN	Fellow subsidiary	Sale	(531,118)	(76)	90 days	-	-	127,559	76	Note
ETT	ETH	Fellow subsidiary	Purchase	160,581	48	90 days	-	-	(19,156)	(97)	Note
ETH	ETT	Fellow subsidiary	Sale	(160,581)	(4)	90 days	-	-	19,156	2	Note
ETT	EAVN	Fellow subsidiary	Purchase	226,690	68	90 days	-	-	-	-	Note
EAVN	ETT	Fellow subsidiary	Sale	(226,690)	(9)	90 days	-	-	-	-	Note
ETH	EAHZ	Fellow subsidiary	Purchase	2,194,432	60	90 days	-	-	(293,739)	(79)	Note
EAHZ	ETH	Fellow subsidiary	Sale	(2,194,432)	(66)	90 days	-	-	293,739	35	Note
ETH	EAVN	Fellow subsidiary	Purchase	226,151	6	90 days	-	-	(50,691)	(14)	Note
EAVN	ETH	Fellow subsidiary	Sale	(226,151)	(9)	90 days	-	-	50,691	29	Note
EMH	EAHZ	Fellow subsidiary	Purchase	232,748	96	90 days	-	-	(142,794)	(100)	Note
EAHZ	EMH	Fellow subsidiary	Sale	(232,748)	(7)	90 days	-	-	142,794	17	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****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
ESHY	EAH	Parent and subsidiary	\$ 125,311	9.64	\$ -	-	\$ 35,974	\$ -
EAHZ	ETH	Fellow subsidiary	293,739	14.71	-	-	229,207	-
	EMH	Fellow subsidiary	142,794	2.56	-	-	69,095	-
EAH	EAVN	Parent and subsidiary	428,086	2.44	188,141	Financing provided	254,741	-
The Company	EAH	Parent and subsidiary	138,966	Note	-	-	16,620	-
ESZ	EAVN	Fellow subsidiary	127,559	3.28	-	-	30,151	-

Note: It represents dividend receivables 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 YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	<u>2021</u> The Company	EAH EAH	a, b a, b	Other receivables from and other payables to related parties Dividend Income	\$ 138,966 140,185	Dividend receivables and temporary prepayments Dividends	2 1
1	EAH	EAHY EAHY EAVN EAVN EAVN ESHY EAHZ	a, b a, b a, b a, b a, b a, b a, b	Dividend Income Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Other receivables from and other payables to related parties Receivables from and payables to related parties Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases	306,848 79,425 720,240 188,141 239,945 189,935 66,788	Dividends Credit on transfer pricing policy Credit on transfer pricing policy Short-term financing, 1 year 90 days Credit on transfer pricing policy Credit on transfer pricing policy	3 1 8 3 4 2 1
2	EAHY	EAH ESHY EAHZ ESHY	a, b c c c	Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Property, plant and equipment Property, plant and equipment	393,976 121,902 115,012 82,757	Credit on transfer pricing policy Credit on transfer pricing policy Disposal at book value Disposal at book value	4 1 2 1
3	ESHY	EAH EAH EAHZ ETHY EAVN	a, b a, b c c c	Net revenue from sale of goods and purchases Receivables from and payables to related parties Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases	625,581 125,311 63,201 243,843 59,126	Credit on transfer pricing policy 90 days Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy	7 2 1 3 1
4	ETHY	ESHY EAHZ EAH ETH EAHZ	c c a, b a, b c	Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Property, plant and equipment	61,828 101,293 42,444 1,270,373 176,946	Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy Disposal at book value	1 1 - 13 3
5	ETH	ETT EAHZ ETHY	c c a, b	Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Return of sale of goods and purchases	160,581 97,195 105,750	Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy	2 1 1
6	EAVN	ETH EAH ETT ETH	c a, b c c	Receivables from and payables to related parties Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases	50,691 1,903,027 226,690 226,151	90 days Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy	1 20 2 2

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
7	EAHZ	ETH	c	Receivables from and payables to related parties	\$ 293,739	90 days	5
		EMH	c	Receivables from and payables to related parties	142,794	90 days	2
		EAH	a, b	Net revenue from sale of goods and purchases	119,343	Credit on transfer pricing policy	1
		ETH	c	Net revenue from sale of goods and purchases	2,194,432	Credit on transfer pricing policy	23
		EAVN	c	Net revenue from sale of goods and purchases	65,137	Credit on transfer pricing policy	1
		EMH	c	Net revenue from sale of goods and purchases	232,748	Credit on transfer pricing policy	2
8	ESZ	EAH	a, b	Receivables from and payables to related parties	40,716	90 days	1
		EAVN	c	Receivables from and payables to related parties	127,559	90 days	2
		EAH	a, b	Net revenue from sale of goods and purchases	164,372	Credit on transfer pricing policy	2
		EAVN	c	Net revenue from sale of goods and purchases	531,118	Credit on transfer pricing policy	6
9	ETT	ESG	c	Other revenue and administration expenses	39,600	Credit on transfer pricing policy	-
		EAH	a, b	Financial assets at fair value through profit or loss	109,409	Disposal at book value	2

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; No. 9: ETT.

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 YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount (Note 1)			
The Company	EAH	Hong Kong	Sales of speaker systems and headphones	\$ 1,341,546	\$ 1,341,546	80,000,000	100.00	\$ 1,341,546	\$ 330,523	\$ -	
EAH	ScS	Denmark	Research, development, production and sales of high-end speakers	225,530	225,530	1,320,045	100.00	106,652	20,389	(118,878)	
	ETT	Taiwan	Design and sales of smart speakers and AV electronics home entertainment systems	431,452	431,452	6,530,494	99.98	-	(260,597)	(431,452)	
	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	(2,265)	-	
	EAVN	Vietnam	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones	238,206	238,206	-	100.00	238,206	(38,063)	-	
	EMH	Hong Kong	Sales of headphones and AV products	386	386	100,000	100.00	386	(6,923)	-	
	ETW	Taiwan	Develop new technology and design the products	30,000	30,000	3,000,000	100.00	-	(21,259)	(30,000)	
	ETH	Hong Kong	Sales of smart speakers and AV electronics home entertainment systems	201,653	-	115,000,000	100.00	201,426	662,830	-	
	ETV	Vietnam	Sales of speaker systems and headphones	5,599	-	-	100.00	5,599	(375)	-	
ETT	ETH	Hong Kong	Sales of smart speakers and AV electronics home entertainment systems	-	349,011	-	-	-	-	-	

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

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

TABLE 9**EASTECH HOLDING LIMITED AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

1. Information of Investee Company, Main Business and Products, Total Amount of Paid-in Capital, Method of Investment, Remittance of Funds, Net Income of the Investee, % of Ownership, Carrying Amount of Investments and Repatriation of Investment Income

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2021 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK\$ 9,000	c.	\$ -	\$ -	\$ -	\$ -	\$ (10,527)	100	(c)	\$ 35,810	\$ -
EAHY	Production, assembly and sales of speaker systems and accessories	US\$ 300	c.	-	-	-	-	21,106	-	\$ 574,379	-	-
EAHZ	Production, assembly and sales of speaker systems and accessories, headphones, smart speakers and AV electronics home entertainment systems	US\$ 7,145	c.	-	-	-	-	(165,230)	100	(c)	204,551	-
ESZ	Import and export trading of audio and headphones products, machinery and equipment	RMB 2,000	b.	-	-	-	-	(25,152)	100	(9,753)	-	-
ETHY	Production and sales of smart speaker and AV electronics home entertainment systems	HK\$ 18,000	c.	-	-	-	-	(129,818)	-	829,524	-	-

2. Upper Limit on the Amount of Investment in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A (Note 2)	N/A (Note 2)	N/A (Note 2)

(Continued)

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

Note 1: The amounts are represented registered capital.

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

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

Note 3: a. If the investee company is in preparation, and no investment income and losses are recognized, it should be noted.

b. Recognized investment income (loss):

- 1) The basis for investment income (loss) recognition is from the financial statements audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- 2) The basis for investment income (loss) recognition is from the financial statements audited and attested by R.O.C. parent company's CPA.
- 3) Other. (Based on IAS 27: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss. In addition, the accounting treatment for disposed subsidiary is total consideration less net investment cost and directly attributable transaction cost.)

Note 4: The equity interest of EAHY and ETHY has been transferred on December 21, 2021, so both of them were not subsidiaries of the Group from then on.

(Concluded)

TABLE 10**EASTECH HOLDING LIMITED AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 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	27,956,600 shares in common shares	45.52

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.