

Stock code: 5225

# EASTTECH

**Eastech Holding Limited**

## **2021 Annual Report**

**Notice to Readers**

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

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

**Issued on 06 May 2022**

**I. Name, title, telephone number and email of spokesperson and acting spokesperson:**

Name : Chang Po Chao  
Title : Vice President – Public Relations  
Tel. : (886) 2 8911 3535  
Email : [ir@eastech.com](mailto:ir@eastech.com)

**Acting spokesperson**

Name : Chang Tung I  
Title : Director  
Tel. : (886) 2 8911 3535  
Email : [ir@eastech.com](mailto:ir@eastech.com)

**II. Name, title, telephone number and email of litigation and non-litigation agent within ROC:**

Name : Chang Po Chao  
Title : Vice President – Public Relations  
Tel. : (886) 2 8911 3535  
Email : [ir@eastech.com](mailto:ir@eastech.com)

**III. Address and telephone number of the headquarter, branches and factories:**

Name : Eastech Holding Limited  
Address : The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O.  
Box 32052, Grand Cayman KY1-1208, Cayman Islands  
Tel. : (886) 2 8911 3535

**Subsidiaries and branches:**

Name : Eastern Asia Technology (HK) Limited  
Address : Unit 906, 9/F, Nanyang Plaza, 57 Hong To Road, Kwun Tong, Kowloon, Hong  
Kong  
Tel. : (852) 2797 0268

Name : Eastech (Huizhou) Co., Ltd.  
Address : Dong Fong District, Xin Xu, Hui Yang, Hui Zhou City, Guang Dong 516226,  
China  
Tel. : (86) 752 333 9166

Name : Eastech Systems (Huiyang) Co., Ltd.  
Address : Dong Fong District, Xin Xu, Hui Yang, Hui Zhou City, Guang Dong 516226,  
China  
Tel. : (86) 752 333 9166

Name : Eastech (SZ) Co., Ltd.  
Address : 8F, International Science & Technology Building, No. 3007 Shennan Zhong Road, Futian District, Shenzhen, Guangdong 518033, China.  
Tel. : (86) 755 2515 3550

Name : Scan-Speak A/S  
Address : N.C. Madsensvej 1, 6920 Videbaek, Denmark  
Tel. : (45) 6040 5200

Name : Eastech Electronics (Taiwan) Inc.  
Address : 8/F.-1, No. 188, Baoqiao Road, Xindian District, New Taipei City, 23145, Taiwan R.O.C.  
Tel. : (886) 2 2910 2626

Name : Eastech Innovations (TW) Inc.  
Address : 8/F.-1 No. 188, Baoqiao Road, Xindian District, New Taipei City, 23145, Taiwan R.O.C.  
Tel. : (886) 2 2910 2626

Name : Eastech Electronics (HK) Limited  
Address : Unit 906, 9/F, Nanyang Plaza, 57 Hong To Road, Kwun Tong, Kowloon, Hong Kong  
Tel. : (852) 2797 0268

Name : Eastech (SG) Pte. Ltd.  
Address : 1 Pemimpin Drive, #08-06, One Pemimpin, Singapore 576151.  
Tel. : (65) 9853 0520

Name : Eastech (VN) Company Limited  
Address : Lot B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam.  
Tel. : (84) 22 0359 9688

Name : Eastech Microacoustics (HK) Limited  
Address : Unit 906, 9/F, Nanyang Plaza, 57 Hong To Road, Kwun Tong, Kowloon, Hong Kong  
Tel. : (852) 2797 0268

Name : Eastech Trading (VN) Company Limited.  
Address : Lot B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam.  
Tel. : (84) 22 0359 9688

Name : Eastech (Huizhou) Co., Ltd. (Shenzhen Branch)  
Address : 8F, International Science & Technology Building, No. 3007 Shennan Zhong Road, Futian District, Shenzhen, Guangdong 518033, China.  
Tel. : (86) 755 2515 3550

**IV. Name, address, website and telephone number of the share registrar:**

Name : SinoPac Securities Corporation  
Address : 3F, No. 17, Bo-Ai Road, Taipei 100, Taiwan R.O.C.  
Tel. : (886) 2 2381 6288  
Email : <http://securities.sinopac.com>

**V. Name, firm name, address, website and telephone number of the certified accountants for the latest annual financial report:**

Name : Deloitte Touche Tohmatsu  
Partners-in-Charge : Shih, Chin-Chuan & Chiu, Yung-Ming  
Address : 20F, No. 100, Songren Road, Xinyi District, Taipei City 110, Taiwan R.O.C.  
Tel. : (886) 2 2725 9988  
Email : <http://www2.deloitte.com/tw/tc.html>

**VI. Name of the overseas stock exchange on which securities are quoted and traded and methods to inquire about the overseas securities information: Not applicable.**

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

## LIST OF DIRECTORS

### Chairman

Name : Liou Jenq Lin  
Representative of Eastech Electronics (Taiwan) Inc.  
Nationality : Taiwan  
Major : Master of Electronic Engineering and MBA from University of Southern  
Qualifications : California, U.S.  
IBM Senior Engineer Advisor, U.S.  
Xerox Senior Engineer Advisor, U.S.

### Directors

Name : Pai Chin Chang  
Nationality : Taiwan  
Major : Executive Master of Business Administration from Hong Long International  
Qualifications : Business College  
President of Eastech Holding Limited

Name : Chang Tung I  
Nationality : Taiwan  
Major : MBA from California State University, U.S.  
Qualifications : Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd.

### Independent Directors

Name : Shiau Fung Shyung  
Nationality : Taiwan  
Major : PHD of Economics from Chinese Culture University  
Qualifications : Master of Economics from Yale University, U.S.  
Master of Agricultural Economics from National Chung Hsing University  
Dean of College of Commerce of Tamkang University  
Vice Council for Economic Construction Committee, Executive Yuan, R.O.C.  
(Taiwan)

Name : Chang Shan Juh  
Nationality : Taiwan  
Major : Master of Electronic Engineering from University of Southern California, U.S.  
Qualifications : Director of Planning Division of Tatung Company  
Lecturer of Faculty of Electronic Engineering and Human Resources Officer of  
Tatung University  
Director of Personnel Management and Development of Tatung Company

Name : Chen Ko Hung  
Nationality : Taiwan  
Major : MBA of National Chengchi University (NCCU)  
Qualifications : Bachelor of Accounting, NCCU  
Chief Financial Officer of Ampire Co., Ltd  
Senior Manager of Finance Department of UniLite Corporation  
Senior Manager of Finance Department of Princeton Technology Corporation

Name : Jeng Shih Rong  
Nationality : Taiwan  
Major : Bachelor of Law, National Chung Hsing University  
Qualifications : Chief Secretary of the Legislative Yuan, Republic of China (Taiwan)

**EASTECH HOLDING LIMITED**  
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## I. LETTER TO SHAREHOLDERS

### Dear Shareholders

In 2021, with the accelerated progress of vaccination, people's life gradually resumed normal and the global economy shown an obvious sign of recovery, driving the Company to achieve satisfactory operating performance. Despite the challenges such as shortage of electronic components and rising raw material and freight costs, the Company achieved a 5% growth in revenue for the year.

In order to expedite the completion of the streamlining of structure and consolidation of businesses, operational departments and personnel in the factories in Mainland China to improve operational efficiency and reduce costs, the Company decided to dispose the equity interests in two subsidiaries, namely EAHY and ETHY, and completed the transfer at the end of 2021. The transaction is not only beneficial to the Company's operation in terms of asset revitalization and timely recognition of real estate appreciation benefits, in addition to cashing in for the reduction of financial liabilities, it also makes positive contribution to the optimal scale of production and optimization of resources allocation for the two production bases in Mainland China and North Vietnam.

In the future, the production factories in Mainland China will continue to play a vital role. The Company will consolidate itself to become a higher-value-added manufacturing factory, streamline its structure, and strengthen its research and development capabilities and sales in the regional market of Mainland China.

### I. 2021 Business Report

#### (I) Implementation Results of Business Plan

Unit: NT\$'000

Item \ Year	2021	2020	Increase (Decrease)	Changes (%)
Net Sales	9,412,311	8,941,255	471,056	5.3%
Gross Profit	766,260	516,223	250,037	48.4%
Net Operating Profit	(302,484)	(605,086)	302,602	-50.0%
Profit (Loss) Before Tax	321,867	(681,058)	1,002,925	N/A
Net Profit (Loss) After Tax	367,486	(676,356)	1,043,842	N/A

**(II) Budget: No financial forecast has been prepared by the Company for 2021.**

**(III) Analysis on Financial Income and Expenditure and Profitability**

Item		2021	2020
Financial Structure (%)	Debt to asset ratio	73.8%	81.5%
	Long-term capital to fixed assets ratio	206.4%	154.7%
Solvency (%)	Current ratio	117.7%	100.4%
	Quick ratio	80.2%	66.8%
Profitability (%)	Return on assets	6.2%	-11.2%
	Return on equity of shareholders	25.8%	-44.3%
	Net profit ratio	3.9%	-7.6%
	Earnings (Loss) per share (NT\$)	6.03	(11.09)

#### **(IV) Research and Development**

The research and development cost in 2021 was NT\$230,479,000, representing a decrease of NT\$23,485,000 as compared to the research and development cost of NT\$253,964,000 in 2020, accounting for approximately 2.45% of Net Sales.

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

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

## **II. Summary of Business Plan for 2022**

### **(I) Operating Strategy**

In 2022, against the backdrop of shortages of electronic components and the rise in raw material and freight costs under the post-epidemic norm, the Company has to strengthen the overall integrated effect of electronics, software and acoustics, accelerate the replacement of key electronic components, enhance partnerships with major international brands, and increase the expansion scale of its North American business, improve its home and personal entertainment products such as Portable products, and Accessories with a main focus on TWS as well as the conference or personal systems for WFH. Meanwhile, the Company will explore the future metaverse-related audio products and develop new blue oceans for new products in the future by cooperating with ICT industry manufacturers in IoT acoustic applications to realize production flexibility, R&D refinement, and procurement diversification. With its continued efforts to optimize the allocation of production resources, the Company believes that its business operation has overcome the worst time and is cautiously optimistic about its prospects.

### **(II) Sales Forecast and its basis**

The Company has adopted the new models developed by brand customers every year and the market forecasts of the clients of developed models as the basis for sales forecast for the

following year. The Company estimates that the total sales volume in 2022 will increase significantly as compared to 2021.

### **(III) Important Production and Sales Policies**

#### **1. Marketing Policy**

The continued coexistence of the epidemic and life, together with the rise of WFH, the shortages of electronic components and the needs of pursuing carbon neutrality for the environment in the future, crisis are also turning points. The Company has adjusted its product lines accordingly. In light of the changes, the Company will adopt the following policies:

- (1) The Company will strengthen its sales teams in key global markets such as US, Europe, Japan and Korea, and work with brand customers to develop new markets, new industries and new applications and to discuss together to find resolutions to minimize the risk of future shortages of electronic components. It will also flatten the sales team and global network, maintain strategic partnership with existing major customers, strengthen the depth and breadth of cooperation, and further expand the international brands in key markets.
- (2) With the sales performance of existing Mainland brand customers, the Company will establish strategic cooperative relationship with Chinese IT leading and potential local Chinese international brands as well as expand the product lines.
- (3) The Company will pay close attention to the market, follow the trend of developing new technologies, new products and new applications, to provide customers with one-stop shopping service and comprehensive acoustic solution service from OEM, ODM to JDM and other flexible business models.
- (4) The Company will devote more business resources in Portable and Accessories, including TWS earphones, conference or personal systems and speakers, to expand its market share and product mix.
- (5) The Company will actively implement an environmental strategy for “carbon neutrality”

and explore future metaverse-related audio products, thereby driving the Company's long-term business growth.

## 2. Production Policy

In 2022, with the aim of increasing profitability, the Company will continue to improve yields, reduce manufacturing costs and take the following measures:

- (1) In terms of the Vietnam factories, the Company will improve its staff skills and production automation while reducing the imports of materials in CKD condition; it will utilize CNC equipment in the woodworking factory to improve efficiency and ensure safe production; it will also upgrade its automatic production lines for horns and introduce a central material supply system in the plastics factory to control the quality of raw materials.
- (2) While continuing to reduce the number of staff, the Company will strengthen and nurture professional and technical personnel, improve the quality of on-site management cadre, optimize organizational functions, enhance organizational dynamics and execution abilities, and create a good working environment and atmosphere.
- (3) The Company will improve its organizational management system, enhance the awareness of quality and innovation among all staff, and implement a quality reward and punishment system, a production performance appraisal system, and a system enabling all staff to make proposals, so as to achieve the effect of institutional management and spurring.
- (4) The Company will ensure product quality and improve production efficiency by investing more resources in automated and intelligent production and inspection. It will also make full use of its existing MES and AOI automation systems to expand automated production processes and automated inspection.

- (5) The Company will enhance its production technology and management technology of electronic products, with a focus on improving and enhancing the productivity and technology of TWS (True Wireless Stereo), as well as providing quality services to its sales department and customers, with an aim to increase the market share of its electronic products such as TWS.

### 3. Research and Development Policy

The Company's 2022 research and development will focus on the following:

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



- (7) Continuing to establish long-term goals in respect of environmental protection, energy saving and reduction in carbon emission, and recycling or natural decomposition of raw materials and packaging materials with suppliers and others, which will help it perform the corporate social responsibility (CSR) and green commitment.
- (8) In response to the supply chain issues with respect to the availability of core chips, the Company will tend to adopt a multi-sourcing, multi-share and reuse design strategy for its development to reduce product risk in this regard.
- (9) Starting the strategic deployment and planning for the Company's new product categories in the future (after 2023) in terms of people, resources, plans and technology.

**(IV) Future Development Strategy of the Company**

- 1. More focused products: Home and portable products are more competitive niche products for the Company as compared to the red oceans of earphones, and the choice to focus is the direction to consider.
- 2. More professional and dedicated technology: Being sound-oriented, the Company will produce differentiated products by substantially leveraging its acoustic expertise.
- 3. More diversified customers: With the significantly increase in orders from Japanese customers, which may not less than those from Korean customers, the Company's orders will tend to avoid the overdependence on any single customer, reducing the impact of fluctuations in the financial performance from a single customer.

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

- 1. The Company has been affected by the external competitive environment:

- (1) With the general trend of miniaturization and personalization of audio/video products, the proportion of traditional speakers has gradually declined in line with the market trend while the production of electronic speakers and audio products with AI speakers, Sound Bars and wireless speakers is still the growing momentum.
- (2) In recent years, several IT giants have crossed the border to join in competition, due to the miniaturization and electronization of electroacoustic products, IT companies have been competing for market share, increasing the difficulty of the Company in securing orders or sacrificing gross profit to retain customers.
- (3) The emergence of China's red supply chain, supported by government subsidies, has formed unfair competition and also caused low-cost bidding and unprofitable output in the industry.
- (4) For the mainstream consumption of audio-visual products, the market favors products with high-standard specification and lower price, and the prices have shown a declining trend, resulting in a more significant drop in sales amount as compared with that in production volume.
- (5) In response to the short supply of IC semiconductors and shortage of IC chips, measures such as making relatively bulk purchasing and shortening payment terms have to be adopted to shorten the lead time for raw materials.

## 2. The Company has been affected by the regulatory environment:

- (1) The Company operates in accordance with local laws and regulations. In recent years, Mainland China has actively encouraged industrial upgrading and promoted environmental protection, energy conservation and waste reduction, and introduced various preferential policies and incentives. The Company has been actively striving to

adapt to these policies and be qualified for the incentives.

- (2) Due to the tightening regulatory efforts in foreign exchange balance and customs tariffs in the Mainland, the costs of relevant taxes and charges have increased.
- (3) In order to comply with the environmental laws and regulations of Mainland China, the Company has strictly controlled the waste gas emission and waste water discharge, and has used environment-friendly materials for production, all of which have affected the material costs and operating expenses.
- (4) In line with the policy of "dual control on energy consumption" in Mainland China, the Company has used its own diesel generators to supply self-powered electricity to its production lines for continued operation during periods required for reduced power consumption.

3. The Company has been affected by the overall business environment:

(1) Impact of the US-China trade war:

- (a) Other than providing services and products, in order to be aligned with the fragmentation trend of customer's supply chain, building a second production base outside of China is a necessary condition for receiving orders and quotation competitiveness.
- (b) In view of the advantages of its Mainland factory which has a well-established supply chain and stronger developed capability, the Company will produce more complex and high-end products in the Mainland factory, whereas the single and simple products will be produced in Vietnam, so that the two factories can complement each other.

(2) Impact of the COVID-19:

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

Breaking through adversity and undergoing ups and downs in operations have become the constant trials and tests over the past two years since the epidemic. Nevertheless, opportunities have remained coexisting with challenges as always. Looking forward and thinking positively are always the belief that we have been unremittingly upholding. By overcoming the difficulties and changes in current and future markets and industries, all our staff will work hard together to explore new applications, new technologies and new customers with potential, so as to replace price competition with differentiation and strive for better operating results and performance.

Eastech Electronics (Taiwan) Inc.

Representative Liou Jenq Lin

Chairman

## **II. COMPANY PROFILE**

### **1. Date of incorporation: 1 February 2011**

### **2. Description of the Company and the Group:**

#### **(a) Description of the Company and the Group**

Eastech Holding Limited (hereinafter referred to as the “Company”).

The Company is principally engaged in the manufacturing and sale of speaker systems and earphone products; design, manufacturing and sale of high-end/smart speakers and audio/video electronic home entertainment systems; research and development of system architecture/new product concepts/state-of-the-art products/sound and acoustics technology. As the principal operating subsidiaries of the Company are located in Hong Kong and Mainland China with over 30 years of operating history, and enterprises restricted by registration limits of the abovementioned regions cannot be listed in Taiwan directly, therefore, the Company reorganized the upper-level investment structure of Eastern Asia Technology (HK) Limited, and set up the Company as the holding company in the Cayman Islands in February 2011, in order to be compliant with the regulations of Taiwan Stock Exchange in respect of application for primary listing of shares of foreign companies in Taiwan.

In April 2014, the Company acquired Scan-Speak A/S, a renowned premium loudspeaker manufacturer in Denmark, thereby getting prepared for seizing the opportunity in developing high-end speakers and making comprehensive deployment for entering the field of premium speakers.

In January 2015, the Company acquired ETT, an AV electronics ODM manufacturer, and entered the audio appliances industry, in order to follow the industry development trend of close ties between speaker systems and 3C electronic appliances, and to expand the scope of business of the Group. In addition, the Company has become one of the few audio market players around the world that hold both horizontal integrated designs and vertical manufacturing bases.

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

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

In December 2021, the Company disposed of EAHY and ETHY, and the four subsidiaries in Mainland China were consolidated into two subsidiaries, namely EAHZ and ESHY, which have continued to operate in Mainland China at their original locations with streamlined production lines and at the optimum scale without any changes.

(b) **Group structure:** please refer to page 266 of this annual report.

(c) **Risk analysis:** please refer to pages 253 to 265 of this annual report.

### 3. History of the Company and the Group

Date	Important Events
1971	Establishment of Eastern Asia Woods Industrial Corp., the predecessor of EASTECH.
1972	Cooperated with Japanese to obtain their technology and support for the production of speaker boxes for sales to Japan.
1977	Became OEM of speakers who produced products for internationally renowned brands, and the product portfolio transformed from speaker boxes to speaker systems.
1983	Became a leader in speaker products. A design and R&D centre was set up to focus on improvement in product quality and R&D capability.
1986	Commenced direct export sales and taking up of orders from international brands.
1988	Eastern Asia Technology (HK) Limited (“EAH”) was set up to engage in the trading, manufacturing and investment of speaker systems.
1989	Production plant was relocated to Malaysia and Huizhou and Shenzhen, China.
1990	Vertical integration was carried out to extend its production to speaker units.
1991	Resources were integrated and EAH was acting as operating hub. Group Engineering Centre (GEC) was set up to provide technical support to production and sales department.
1995	EAHY was set up to principally engage in the production of speakers and parts. ESHY was established to specialize in the manufacturing of speaker units.
1996	First phase of Huiyang plant completed, in which speaker unit assembly department was set up and part of the production capacity in Malaysia was transferred thereto.
1997	Plastic department was set up and successfully developed stereo system and Dolby virtual surround sound system for home theater.
1998	Production of speaker systems in Shenzhen was transferred to Huiyang plant, enabling Huiyang plant to become one of the few plants in the world which can conduct one-stop production of speaker systems.
2002	ERP (SAP) system was introduced to enhance management efficiency. EMHY was established to principally produce various speaker products.
2003	EAHY and ESHY were awarded “Best Financial Report of Foreign-Invested Company” by the Ministry of Finance of Huiyang City, Guang Dong Province. Participated in an exhibition of consumer electronic appliance in Las Vegas in January and was honored “Innovative Design and Engineering” award for its speaker systems for flat panel home theater, flat speaker systems for Notebook and plat speaker systems.
2008	Earphones department was set up and EMHY commenced production of earphones products.

Date	Important Events
2011	<p>The Company was incorporated in Cayman Islands.</p> <p>Reorganization of the structure of the Group completed.</p> <p>Audit Committee and Remuneration Committee were set up.</p>
2012	<p>The Company was formally listed on Taiwan Stock Exchange on 5 November 2012.</p> <p>The Company conducted capital increase by cash through issue of 6,750 thousand ordinary shares with carrying amount of NT\$10 per share, totaling NT\$67,500 thousand. The paid-in share capital after the capital increase was NT\$607,500 thousand</p>
2013	<p>EAHY and EMHY were approved and recognized as “New and High Technological Enterprises”.</p> <p>Shenzhen MaliMaliBox Trading Corporation Limited was established to engage in the earphones retailing business.</p>
2014	<p>Establish Premium Sound Group and acquire Denmark-renowned high-end loudspeaker developer and manufacturer – ScS, which provide faster access to high-end speaker systems including car speakers market.</p>
2015	<p>In January, acquired ETT, an audio/video electronics ODM manufacturer, entering into the area of audio/video electronic and audio equipment OEM manufacturing.</p> <p>In June, increased capital by issuing 252 thousand shares (employee restricted shares), the issued capital was increased to NT\$610,020 thousand as a result.</p> <p>In September, the installation of a car speaker production line was completed and we began to introduce ISO/TS16949 certification.</p> <p>In October, the Company implemented treasury shares for the first time.</p> <p>In November, car speakers were officially shipped, signifying the Company’s entering a new business area.</p>
2016	<p>In August, the zero defect supply chain quality management standard ISO/TS16949 certification has been obtained for car speakers.</p>
2017	<p>In January, increased capital by issuing 500 thousand shares (employee restricted shares) of NT\$10 each, totaling NT\$615,020 thousand.</p> <p>In June, for the consistency of trademark reputation and company name, the English name of the Company was changed to “Eastech Holding Limited”.</p> <p>In October, Eastech Electronics (SG) Pte. Ltd. was established to engage in the research and development of system architecture/ new product concepts/state-of-the-art products/sound and acoustics advance technology.</p> <p>In December, increased capital by issuing 500 thousand shares (employee restricted shares), the issued capital was increased to NT\$619,860 thousand as a result.</p>
2018	<p>In October, the Company became a supplier of car speakers for a first-tier car manufacturer in mainland China.</p> <p>The Company became an OEM of smart speakers for a Chinese brand, which marked the milestone of the largest number of shipment quantity for a single product under one brand.</p>
2019	<p>In January, the Company set up a sub-subsidiary in Vietnam (Eastech (VN) Company Limited.) in Hai Duong Province, northern Vietnam, to engage in the production, assembly and sales of transducer speakers, Bluetooth speakers and earphones.</p> <p>In August, Eastech Microacoustics (HK) Limited was established to engage in the sales of earphones and audio-visual products.</p>

Date	Important Events
2020	<p>In March, Eastech Electronics (SG) Pte. Ltd. renamed as Eastech (SG) Pte. Ltd.</p> <p>In July, the Company set up EASTECH Innovations (TW) Inc., a research and development design center principally engaged in the research and development of TWS (True Wireless Stereo) earphones and acoustic products.</p> <p>In October, Shenzhen MaliMaliBox Trading Corporation Limited renamed as EASTECH (SZ) Co., Ltd. engaged in the import and export trade of audio and earphone products, components and mechanical equipment.</p>
2021	<p>In February, Eastech Microacoustics (Huiyang) Co., Ltd. renamed as Eastech (Huizhou) Co., Ltd., engaged in the production, installation and sales of speaker systems and components, earphones, smart speakers and audio/video electronic home entertainment systems.</p> <p>In July, the Company set up a sub-subsidary in Vietnam called Eastech Trading (VN) Company Limited, in Hai Duong Province, northern Vietnam, to principally engage in trading business.</p> <p>In December, the Company disposed of two subsidiaries, namely EAHY and ETHY, to an external third party of the Group, all businesses and production resources of which have been transferred to and taken over by EAHZ at their original locations.</p>
2022	<p>In April, EASTECH (SZ) Co., Ltd. renamed as Eastech (SZ) Co., Ltd.</p> <p>EASTECH Innovations (TW) Inc., renamed as Eastech Innovations (TW) Inc.</p>

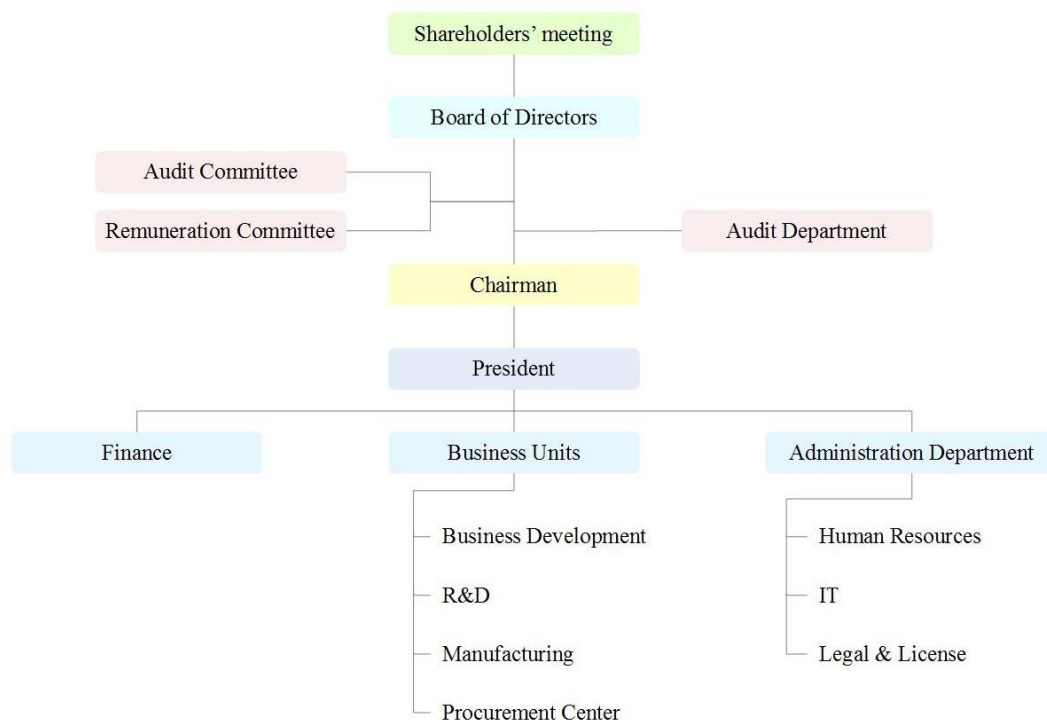


### III. CORPORATE GOVERNANCE

#### 1. Organization

##### (a) Organization Chart

31 December 2021



##### (b) Responsibilities of each department

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

## 2. Directors, supervisors, presidents, vice presidents, senior managers and heads of departments and branch offices

### (a) Details of directors and supervisors

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

19 April 2022

Title	Nationality	Name	Gender Age	Date of appointment	Term	Date of first appointment	Shareholdings at appointment		Current shareholdings		Current shareholdings of spouse and minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives			Remarks
							No. of shares	Sharehold- ing %	No. of shares	Shareho- lding %	No. of shares	Sharehol- ding %	No. of shares	Sharehol- ding %			Title	Name	Relationship	
Chairman	Taiwan	Eastech Electronics (Taiwan) Inc. (Liou Jenq Lin is appointed to perform director's duties)		12 June 2020	3 years	30 April 2014	453,000	0.74	453,000	0.74	0	0	0	0	N/A	The Company: Nil	Nil	Nil	Nil	Nil
Chairman	Taiwan	Liou Jenq Lin	Male Aged 61~70	12 June 2020	3 years	24 March 2011	1,500,400	2.44	0	0	0	0	0	0	Master of Electronic Engineering and MBA from University of Southern California, U.S. IBM Senior Engineer, U.S. Xerox Senior Engineer Advisor, U.S.	Other companies (Note 1)	Nil	Nil	Nil	Nil
Director	Taiwan	Pai Chin Chang	Male Aged 61~70	12 June 2020	3 years	24 March 2011	266,000	0.43	302,000	0.49	0	0	0	0	Executive Master of Business Administration from Hong Kong International Business College	Director of Eastech Asia Technology (HK) Limited	Nil	Nil	Nil	Nil
Director	Taiwan	Chang Tung I	Male Aged 51~60	12 June 2020	3 years	15 December 2011	68,000	0.11	87,000	0.14	0	0	0	0	MBA from California State University, U.S. Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd.	Director of Eastech Electronics (Taiwan) Inc. Director of Eastech Innovations (TW) Inc. Director of Scan-Speak A/S	Nil	Nil	Nil	Nil
Independent Director	Taiwan	Shiau Fung Shyung	Male Aged 71~80	12 June 2020	3 years	12 August 2011	0	0	0	0	0	0	0	0	PHD of Economic from Chinese Culture University Master of Economic from Yale University, U.S. Master of Agricultural Economic from National Chung Hsing University Dean of College of Commerce of Tamkang University Vice Council for Economic Construction Committee, Executive Yuan, R.O.C. (Taiwan)	The Company: Nil Professor of Tamkang University Other companies: (Note 2)	Nil	Nil	Nil	Nil

Title	Nationality	Name	Gender Age	Date of appointment	Term	Date of first appointment	Shareholdings at appointment		Current shareholdings		Current shareholdings of spouse and minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives			Remarks
							No. of shares	Sharehold- ing %	No. of shares	Shareho- lding %	No. of shares	Sharehol- ding %	No. of shares	Sharehol- ding %			Title	Name	Relationship	
Independent Director	Taiwan	Chang Shan Juh	Male Aged 61~70	12 June 2020	3 years	24 March 2011	0	0	0	0	0	0	0	0	Master of Electronic Engineering from University of Southern California, U.S. Head of Planning Department of Tatung Company Head of Human Resources Development Department on Tatung Company Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University	The Company: Nil Human Resources Officer of Tatung University	Nil	Nil	Nil	Nil
Independent Director	Taiwan	Chen Ko Hung	Male Aged 51~60	12 June 2020	3 years	24 March 2011	0	0	0	0	0	0	0	0	MBA of National Chengchi University (NCCU) Bachelor of Accounting, NCCU Senior Manager of Finance Department of UniLite Corporation Senior Manager of Finance Department of Princeton Technology Corporation	The Company: Nil Chief Financial Officer of Ampire Co., Ltd.	Nil	Nil	Nil	Nil
Independent Director	Taiwan	Jeng Shih Rong	Male Aged 61~70	12 June 2020	3 years	12 June 2020	55,000	0.09	55,000	0.09	0	0	0	0	Bachelor of Law, National Chung Hsing University Chief Secretary of Legislative Yuan, Republic of China (Taiwan)	The Company: Nil	Nil	Nil	Nil	Nil

Note 1: Director of Eastech Electronics (HK) Limited, Eastech Systems (Huiyang) Co., Ltd., Eastech (Huizhou) Co., Ltd., Scan-Speak A/S, etc.

Note 2: Independent director of Wayi International Digital Entertainment Co., Ltd., CMC Magnetics, and Transtouch Technology Inc. Supervisor of Zhong Hua Cheng Co., Ltd.

## 2. Substantial shareholders of corporate director

### (1) Substantial shareholders of corporate shareholder

31 March 2022

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

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

31 March 2022

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

3. Information disclosure of the professional qualifications of the directors and supervisors and the independence of independent directors:

31 March 2022

<div>Qualification</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of concurrent appointment as an independent director of other public companies
<p>Representative of Eastech Electronics (Taiwan) Inc.: Liou Jenq Lin</p>	<p>Obtained dual master's degree in Electronic Engineering and Management from University of Southern California in the U.S.; served as the Senior Engineer of IBM in the U.S. and Senior Engineer Advisor of Xerox in the U.S.; has accumulated nearly 40 years of experience in the field of speakers; currently serves as the Representative of the Chairman of the legal person of the Company. There are no circumstances under Section 30 of the Company Act.</p>	<p>The Company's general Directors (excluding independent Directors) are not related to other directors within the meaning of spouse and second-degree relatives. Two Directors are also employees.</p>	<p>0</p>
<p>Pai Chin Chang</p>	<p>Obtained an Executive Master of Business Administration from Hong Kong International Business College; has accumulated nearly 40 years of experience in the field of speakers; currently serves as a Director and the President of the Company. There are no circumstances under Section 30 of the Company Act.</p>		<p>0</p>

<div>Qualification</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of concurrent appointment as an independent director of other public companies
Chang Tung I	Obtained an MBA from California State University in the U.S; currently serves as a Director of the Company and the Vice Executive Director of its subsidiary. There are no circumstances under Section 30 of the Company Act.		0
Shiau Fung Shyung	Obtained a PHD of Economics from Chinese Culture University, a Master of Economics from Yale University in the U.S., and a Master of Agricultural Economics from National Chung Hsing University; has been a Professor Emeritus of the Department of Finance and Economics of Tamkang University; previously served as the Dean of College of Commerce of Tamkang University and the Vice Council for Economic Construction Committee of the Executive Yuan, R.O.C. ; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses expertise in accounting or finance; concurrently serves as the independent directors of CMC Magnetics, Wayi International Digital Entertainment Co., Ltd. and Transtouch Technology Inc. There are no circumstances under Section 30 of the Company Act.	None of the four independent Directors of the Company is the employee, manager, director, and supervisor of the Company or its affiliates, or the spouse, second degree relative or immediate blood relative within the third degree relatives, or the natural person shareholder who holds more than 1% of the Company's total issued shares in the name of his/her own and spouse, minor children or any other person, or is one of the top ten shareholders of the Company, or holds directly more than 5% of the Company's total issued shares, or the director, supervisor or employee of the corporate shareholder who directly holds more than 5% of the Company's total issued shares or is one of the top five shareholders or has appointed representatives to act as the Directors or supervisors of the Company in accordance with Item 1 or Item 2 under	3

<div>Qualification</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of concurrent appointment as an independent director of other public companies
Chang Shan Juh	<p>Obtained a Master of Electronic Engineering from University of Southern California in the U.S.; has been the Human Resources Officer of Tatung University; previously served as a Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University, Director of Planning Division of Tatung Company, and Director of Personnel Management and Development Division of Tatung Company; currently serves as an independent Director, a member of the Audit Committee and the chairman of the Remuneration Committee of the Company; possesses expertise in human resources.</p> <p>There are no circumstances under Section 30 of the Company Act.</p>	<p>Article 27 of the Company Law, or the director, supervisor or employee of another company with more than half of its shares related to the number of Directors or voting rights of the Company are controlled by the same person, or the director, supervisor or employee of another company or body, in which the chairman, president or equivalent positions of the Company or his/her spouse serves the same positions, or the director, supervisor, manager or shareholder holding more than 5% of the shares of the specified company or body with which the Company has financial or business relationship, or the owner of an enterprise, partner, director, supervisor, manager and his/her spouse of the</p>	0

<div>Qualification</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of concurrent appointment as an independent director of other public companies
Chen Ko Hung	<p>Obtained an MBA from National Chengchi University; has been the Chief Financial Officer of Ampire Co., Ltd.; previously served as the Senior Manager of Finance Department of UniLite Corporation and the Senior Manager of Finance Department of Princeton Technology Corporation; currently serves as an independent Director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company; possesses expertise in accounting or finance. There are no circumstances under Section 30 of the Company Act.</p>	<p>professional party, sole proprietor, company or body which has provided audit services to the Company or its affiliates or received from them the remuneration for business, legal, financial, accounting and other related services for an amount not exceeding NT\$500,000 in the last two years, and is not related to other directors within the meaning of spouse and second-degree relatives.</p>	0
Jeng Shih Rong	<p>Obtained a Bachelor of Law from National Chung Hsing University; previously served as the Chief Secretary of the Legislative Yuan of R.O.C.; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses professional qualifications in law. There are no circumstances under Section 30 of the Company Act.</p>		0



#### 4. Diversity and independence of the Board of Directors:

##### (1) Diversity of the Board of Directors:

The Company has established the Code of Practice for Corporate Governance with a diversified approach. The Company's articles of association have stipulated a nomination system for election of Directors to ensure the diversity and independence of Directors.

The specific management objective of the diversity policy is to appoint one additional independent Director with a professional background in the legal field.

The Company completed the re-election of seven Directors of the fifth session of the Board of Directors at the regular general meeting held on 12 June 2020, and voluntarily appointed one independent Director, in addition to that required by the laws. Mr. Jeng Shih Rong, the new independent Director as elected and appointed, has a professional background in the legal field. The management objective has thus been achieved.

The seven Directors are professional parties with technical backgrounds in the acoustics industry, human resources management, finance and legal professions, and they can complement each other with their diverse backgrounds and bring great benefits to the Company's future development.

##### (2) Independence of the Board of Directors

The Company places emphasis on the diversity and independence of its Board of Directors. The Board of Directors comprises seven members, of which three are Directors and four are independent Directors. Independent Directors account for 57% and Directors who are also employees account for 29% of the total number of members of the Board of Directors. One Director is aged 71~80, four Directors are aged 61~70 and two Directors are aged 51~60. The nationality of each of the seven Directors is Taiwan.

None of the seven Directors of the Company are related to each other within the meaning of spouse and second-degree relatives. The qualifications and conditions of the four independent Directors have met the expectations of the Company and have demonstrated their professional and practical experience. Therefore, the Company considers that the four independent Directors are all external parties independent of the Company.

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

19 April 2022

Title	Nationality	Name	Gender	Date of appointment	Shareholdings		Shareholdings of spouse and minor children		Shares held in other's name		Major Qualification	Current positions in other companies	Managers who are spouse or second-degree relatives			Remarks
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relationship	
President	Taiwan	Pai Chin Chang	Male	24 March 2011 (Note 1)	302,000	0.49	0	0	0	0	Executive Master of Business Administrative from Hong Kong International Business College President of Eastech Holding Limited	Director and President of Eastern Asia Technology (HK) Limited	Nil	Nil	Nil	Nil
Vice President	Taiwan	Chang Po Chao	Male	1 December 2011	9,000	0.01	0	0	0	0	Bachelor's Degree of International Trading from National Chengchi University Vice President, Public Relations and Spokesman of Eastech Holding Limited	Head of Corporate Governance of the Company Director of Eastech Electronics (Taiwan) Inc. Director of Eastech Innovations (TW) Inc.	Nil	Nil	Nil	Nil
Chief Financial Officer	Hong Kong	Lam Pui Man	Female	24 March 2011	8,000	0.01	0	0	0	0	Master of Finance from Chinese University of Hong Kong BBS from The Hong Kong University of Science and Technology Fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants Senior Manager of Finance Department of EATL Group CPA Audit Accountants of Arthur Andersen Chief Financial Officer of Eastech Holding Limited	Supervisor of Eastech Electronics (Taiwan) Inc. Director of Eastech Electronics (HK) Limited Director of Eastech (SZ) Co., Ltd. Supervisor of Eastech Innovations (TW) Inc. Director of Eastech Microacoustics (HK) Limited	Nil	Nil	Nil	Nil

Title	Nationality	Name	Gender	Date of appointment	Shareholdings		Shareholdings of spouse and minor children		Shares held in other's name		Major Qualification	Current positions in other companies	Managers who are spouse or second-degree relatives			Remarks
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relationship	
Chief Audit Officer	Taiwan	Ko Chun Ming	Male	6 August 2020	0	0	0	0	0	0	Master of International Finance, National Taipei University Chief Audit Officer of Eastech Holding Limited	Nil	Nil	Nil	Nil	Nil

Note 1: Appointed to serve EASTECH on 24 March 2011, re-designated to serve as the President of Eastern Asia Technology (HK) Limited, a subsidiary, on 23 June 2020, and appointed as the President of the Company on 15 March 2021.

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

**1. Remunerations paid to directors, supervisors, presidents and vice presidents for the latest year (2021)**

**(1) Remunerations of general directors and independent directors**

Unit: NTS'000

Title	Name	Remunerations of Directors								Aggregated amount of A, B, C, and D and proportion to net profit after tax	Remunerations of concurrent employments								Aggregated amount of A, B, C, D, E, F and G and proportion to net profit after tax	Any remunerations from companies other than subsidiaries for investment business		
		Salary (A)		Post-employment pension (B)		Directors' Remuneration (C)		Fee incurred for duty performance (D)			Salary, bonus and special bonus (E)		Post-employment pension (F)		Staff Remuneration (G)							
		The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements		The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company		All companies contained in the financial statements					
By cash	By shares									By cash					By shares							
Chairman	Representative of Eastech Electronics (Taiwan) Inc. Liou Jeng Lin	-	-	-	-	2,700	2,700	175	175	0.78%	0.78%	-	26,896	-	106	-	-	-	4,766	0.78%	9.43%	Nil
Director	Pai Chin Chang																					
Director	Chang Tung I																					
Independent Director	Shiau Fung Shyung																					
Independent Director	Chang Shan Juh																					
Independent Director	Chen Ko Hung																					
Independent Director	Jeng Shih Rong																					
1. Please state the remuneration policy, system, standards and structure of independent Directors' remuneration, and describe the relationship with the amount of remuneration according to the responsibilities, risks, time invested and other factors:  The remuneration of the Company's independent Directors is determined by the Remuneration Committee in accordance with Article 117 of the Company's articles of association, and the pre-tax interest before deducting the distribution of employees and Directors' remuneration for the current year is not more than 2%. At the discretion of the independent Directors, to consider the value of the Company's operation and contribution, to consider the proposed amount of the remuneration and the principle of the payment, and to submit the proposal to the Board of Directors for approval after the resolution has been submitted.																						



### Remuneration Ranking

Ranking of remuneration payable to each Director of the Company	Name of directors			
	Aggregate of four items of remunerations (A+B+C+D)		Aggregate of four items of remunerations (A+B+C+D)	
	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements
Below NT\$1,000,000	Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang Chang Tung I Independent Directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong	Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang Chang Tung I Independent Directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong	Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin Pai Chin Chang Chang Tung I Independent Directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong	Independent Directors: Chang Shan Juh Chen Ko Hung Shiau Fung Shyung Jeng Shih Rong
NT\$1,000,000 (inclusive) – NT\$2,000,000 (not inclusive)	Nil	Nil	Nil	Nil
NT\$2,000,000 (inclusive) – NT\$3,500,000 (not inclusive)	Nil	Nil	Nil	Nil
NT\$3,500,000 (inclusive) – NT\$5,000,000 (not inclusive)	Nil	Nil	Nil	Nil
NT\$5,000,000 (inclusive) – NT\$10,000,000 (not inclusive)	Nil	Nil	Nil	Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin
NT\$10,000,000 (inclusive) – NT\$15,000,000 (not inclusive)	Nil	Nil	Nil	Directors: Pai Chin Chang Chang Tung I
NT\$15,000,000 (inclusive) – NT\$30,000,000 (not inclusive)	Nil	Nil	Nil	Nil
NT\$30,000,000 (inclusive) – NT\$50,000,000 (not inclusive)	Nil	Nil	Nil	Nil
NT\$50,000,000 (inclusive) – NT\$100,000,000 (not inclusive)	Nil	Nil	Nil	Nil
Above NT\$100,000,000	Nil	Nil	Nil	Nil
Total	7 persons	7 persons	7 persons	7 persons

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

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

Unit: NT\$'000

Title	Name	Salary (A)		Post-employment pension (B)		Bonus and special bonus (C)		Employee remuneration amount (D) (Note 1)				Aggregated amount of A, B, C and D and proportion to net profit after tax (%)		Remunerations from companies other than subsidiaries or parent company for investment business
		The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company		All companies contained in the financial statements		The Company	All companies contained in the financial statements	
								By cash	By shares	By cash	By shares			
Chairman (administrative position)	Directors: Representative of Eastech Electronics (Taiwan) Iwnc. Liou Jenq Lin	-	16,701	-	325	-	2,145	-	-	3,366	-	-	6.13%	Nil
President	Pai Chin Chang (Note 2)													
President	Liu Guan Ting (Note 3)													
Vice President	Chang Po Chao													

Note 2: In accordance with the Company's articles of association, the remuneration of staff for 2021 was approved by the Remuneration Committee and the Board of Directors on 25 February 2022.

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

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

### Remuneration Ranking

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



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

Unit: NT\$'000

	Title	Name	By Shares	By Cash	Total	Percentage of total amount to net profit tax (%)
Managers	President	Pai Chin Chang (Note 2)	-	3,760	3,760	1.02%
	Vice President	Chang Po Chao				
	Chief Financial Officer	Lam Pui Man				
	Chief Audit Officer	Ko Chun Ming				

Note 1: In accordance with the Company's articles of association, the remuneration of staff for 2021 was approved by the Remuneration Committee and the Board of Directors on 25 February 2022.

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

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

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

Unit: NT\$'000

Year	2020				2021			
Item	The Company		All companies contained in the financial statements		The Company		All companies contained in the financial statements	
	Amount	Net profit after tax (%)	Amount	Net profit after tax (%)	Amount	Net profit after tax (%)	Amount	Net profit after tax (%)
Directors (Directors' remuneration)	300	0.04%	300	0.04%	6,705	1.82%	6,705	1.82%
Chairman, President and Vice President	-	0.00%	22,229	3.29%	-	0.00%	22,537	6.13%

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

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

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

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

② Relevance to business performance and future risks:

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

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

### 3. Particulars of corporate governance

#### (a) Board of Directors

1. During the latest year (2021) and as at the date of publication of ~~the~~ annual report, 15 Board meetings were held. The attendance of the Directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate in person (%)	Remarks
Chairman	Representative of Eastech Electronics (Taiwan) Inc.: Liou Jenq Lin	15	0	100%	Elected and appointed on 12 June 2020
Director	Pai Chin Chang	15	0	100%	
Director	Chang Tung I	15	0	100%	
Independent Director	Shiau Fung Shyung	15	0	100%	
Independent Director	Chang Shan Juh	15	0	100%	
Independent Director	Chen Ko Hung	15	0	100%	
Independent Director	Jeng Shih Rong	15	0	100%	

2. Other disclosure:

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

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

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
Fifth session Fifth meeting 22 January 2021	1. Proposed capital lending to a wholly-owned subsidiary - Eastern Asia Technology (HK) Limited, with an amount of US\$6,650 thousand	Yes	No
	2. Proposed capital injection in cash to Eastech Electronics (HK) Limited, a third-tier subsidiary	Yes	No

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Sixth meeting 26 February 2021	1. The Company's 2020 staff remuneration and Directors' remuneration proposal	Yes	No
	2. Proposed amendments to the internal control system of the Company	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Seventh meeting 15 March 2021	1. Proposed disposal of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company	Yes	No
	2. Proposed acquisition of right-of-use assets from Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by Eastech (Huizhou) Co., Ltd., a sub-subsidiary of the Company	Yes	No
	3. Proposed amendments to the "Endorsement Guarantee Operation Management Measures" of the Company	Yes	No
	4. Latest financial position and countermeasures of the Company	Yes	No
	5. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	6. Proposed appointment and removal of the President of the Company	Yes	No
	Opinions of independent Directors:  Resolution 1: The Audit Committee has considered this resolution in detail and it is a material resolution of EASTACH. During the consideration process, we have taken into account the opinions of the Company's internal and external experts, and we are pleased to have the presence of lawyers and accountants from Mainland for explanation. Processes and implications of the 8 questions raised by the Audit Committee have been fully explained by the		

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

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
Tenth meeting 29 June 2021	short-term borrowings of RMB80,000,000 by Eastech Electronics (Huiyang) Co., Ltd., a third-tier subsidiary, to Shangnanfei Trading (Shenzhen) Co., Ltd., and authorization to Mr. Pai Chin Chang, a Director, to handle all relevant matters at his sole discretion		
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed issuance of employee stock option certificates by the Company	Yes	No
	4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Opinions of independent Directors: Nil.		
	The Company’s response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Eleventh meeting 20 August 2021	1. Proposed disposal of the shares of Eastech Electronics (HK) held by ETT to Eastern Asia Technology (HK)	Yes	No
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	5. Proposed issuance of employee stock option certificates for 2021 by the Company	Yes	No
	Opinions of independent Directors: Nil.		
	The Company’s response to the opinions of independent Directors: Nil		
Voting results: Voting result of the first resolution: As Mr. Liou Jenq Lin, the Chairman, is			

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
	<p>also the legal representative of ETT, Mr. Chang Tung I, a Director, concurrently serves as the chairman of ETT, and Mr. Pai Chin Chang, a Director, concurrently serves as a director of Eastern Asia Technology (HK), they abstained from voting in respect of this resolution to avoid conflict of interests. After deduction of the number of Directors who abstained from voting due to their interests in this resolution, the number of voters was only 4. After being appointed as the acting chairman, Mr. Chen Ko Hung, an independent Director, consulted all attending independent Directors and Directors, and the resolution was passed without disagreement.</p> <p>Voting results of the second to fifth resolutions: All attending Directors and independent Directors approved the resolution.</p>		
Fifth session First extraordinary Board meeting 27 September 2021	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Opinions of independent Directors: Nil.		
	The Company's response to the opinions of independent Directors: Nil		
	<p>Voting results:</p> <p>Voting result of the first resolution: All attending Directors and independent Directors approved the resolution.</p> <p>Voting result of the second resolution: The resolution of the Audit Committee was approved such that, in respect of equity disposal transaction project, the creditors' rights and debt obligations shall be settled by 30 September, and as the majority of the creditors' rights and debt obligations were intra-company creditors' rights and debt obligations, they shall be settled by 30 September; and that an application for an additional financing facility of US\$12,000,000 will be filed with China CITIC Bank and guaranteed by Eastech with an endorsement of US\$12,000,000. The chairman consulted all attending Directors and independent Directors, and the resolution was passed without disagreement.</p>		
Fifth session Twelfth meeting 25 October 2021	1. Change in the certified public accountant in line with the internal adjustment of Deloitte & Touche Taiwan	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
	Opinions of independent Directors: Nil.		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Thirteenth meeting 5 November 2021	1. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed renewal of the liability insurance for Directors, supervisors and managers	Yes	No
	Opinions of independent Directors: Nil.		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Fourteenth meeting 14 December 2021	1. Approval of the pre-sale and pre-purchase forward foreign exchange operation, with the total authorized amount of not exceeding US\$40,000,000	Yes	No
	2. Proposed second capital increase in cash for 2021 by Eastech (Huizhou) Co., Ltd.	Yes	No
	3. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	5. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	6. Proposed amendments to the internal control system of the Company	Yes	No
	7. Proposed issuance of employee stock option certificates by the Company	Yes	No
	Opinions of independent Directors: Nil.		



Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Fifteenth meeting 21 January 2022	1. Proposed second issuance of employee stock option certificates for 2021 by the Company	Yes	No
	Opinions of independent Directors: Nil.		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Sixteenth meeting 25 February 2022	1. Proposed distribution of remuneration to staff and Directors of the Company for 2021	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Opinions of independent Directors: Nil.		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Seventeenth meeting 22 April 2022	1. Proposed amendments to the "Procedures for Acquisition or Disposal of Assets" of the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	Opinions of independent Directors: Nil.		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Eighteenth meeting 6 May 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed capital injection in cash by Eastech (Huizhou) Co., Ltd.	Yes	No
	Opinions of independent Directors: Nil.		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved		

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
	the resolution.		

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

**Board meeting on 15 March 2021**

Resolution Six: In respect of the proposed appointment of the President of the Company, as Mr. Liou Jenq Lin, the Chairman, and Mr. Pai Chin Chang, the Director, had the interests of first-class relatives and own interests in this resolution, they abstained from voting to avoid conflict of interests. Save for the aforementioned Directors who abstained from voting to avoid conflict of interests, the resolution was passed without disagreement by the remaining Directors.

**Board meeting on 20 August 2021**

Resolution Three: In respect of the proposed disposal of the shares of Eastech Electronics (HK) held by ETT to Eastern Asia Technology (HK), as Mr. Liou Jenq Lin, the Chairman, Mr. Chang Tung I, a Director, and Mr. Pai Chin Chang, a Director, own interests in this resolution, they abstained from voting to avoid conflict of interests. Save for the aforementioned Directors who abstained from voting to avoid conflict of interests, the resolution was passed without disagreement by the remaining Directors.

**Board meeting on 5 November 2021**

Resolution Two: In respect of the proposed disposal of the shares of HT Precision Technologies, Inc. held by ETT to Eastern Asia Technology (HK), as Mr. Liou Jenq Lin, the Chairman, Mr. Chang Tung I, a Director, and Mr. Pai Chin Chang, a Director, own interests in this resolution, they abstained from voting to avoid conflict of interests. Save for the aforementioned Directors who abstained from voting to avoid conflict of interests, the resolution was passed without disagreement by the remaining Directors.

**Board meeting on 22 April 2022**

Resolution Two: In respect of the proposed disposal of the shares of ETT held by Eastern Asia Technology (HK) to EASTECH as Mr. Liou Jenq Lin, the Chairman, Mr. Chang Tung I, a Director, and Mr. Pai Chin Chang, a Director, own interests in this resolution, they abstained from voting to avoid conflict of interests. Save for the aforementioned Directors who abstained from voting to avoid conflict of interests, the resolution was passed without disagreement by the remaining Directors.

(3) Implementation of the appraisal of the Board of Directors:

<b>Evaluation Cycle</b>	Internal evaluation: The Company carries out an annual performance evaluation of the Board of Directors and the results are published on the website or in the annual report of the Company
<b>Evaluation Period</b>	From 1 January 2021 to 31 December 2021
<b>Evaluation Scope</b>	(a) Performance evaluation of the Board of Directors (b) Self-evaluation of performance of members of the Board of Directors (c) Performance evaluation of the Remuneration Committee (d) Performance evaluation of the Audit Committee
<b>Evaluation Method</b>	Internal evaluation: Internal self-evaluation of the Board of Directors, self-evaluation of members of the Board of Directors, and internal self-evaluation of the Remuneration Committee and the Audit Committee
<b>Evaluation Content</b>	<p>(a) The internal performance evaluation of the Board of Directors of the Company has taken into account, among others, the following five areas: The level of participation in the Company's operations, the enhancement of quality of decisions of the Board of Directors, the composition and structure of the Board of Directors, the election and appointment and continuous education of Directors, and internal control.</p> <p>(b) The self-evaluation of performance of members of the Board of Directors has taken into account, among others, the following six areas: The mastery of the Company's goals and tasks, the awareness of Directors' responsibilities, the level of participation in the Company's operations, internal relationship management and communication, Directors' professional and continuing education, and internal control.</p> <p>(c) The performance evaluation of the Remuneration Committee has taken into account, among others, the following four areas: The level of participation in the Company's operations, the awareness of the functional committee's responsibilities, the enhancement of quality of decisions of the functional committee, and the composition of functional committee and the election and appointment of its members.</p> <p>(d) The performance evaluation of the Audit Committee has taken into account, among others, the following five areas: The level of participation in the Company's operations, the awareness of the functional committee's responsibilities, the enhancement of quality of decisions of the functional committee, the composition of functional</p>

	committee and the election and appointment of its members, and internal control.
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On 18 November 2019, the Board of Directors of the Company approved the "Measures for Performance Evaluation of the Board of Directors", which stipulates that the Board of Directors shall carry out performance evaluation of the Board of Directors, the members of the Board of Directors, the Remuneration Committee and the Audit Committee at least once a year. For the internal evaluation, the performance evaluation for the current year shall be carried out at the end of each year in accordance with the measures.

The evaluation shall be carried out by the Board of Directors using an internal questionnaire based on the operation of the Board of Directors, the participation of the Directors and the functional committees, with the Directors evaluating the operation of the Board of Directors, the Directors evaluating their own participation and the functional committees evaluating the operation of the Remuneration Committee and the Audit Committee. The results of the aforesaid performance evaluation will be used as a reference for the nomination of Directors.

Upon complete collection of the questionnaire in January each year, the Company's Board of Directors will analyse the results in accordance with the aforesaid measures and report the results to the Board of Directors as well as provide improvement suggestions in response to the Directors' advice.

The Company completed the performance evaluation of the Board of Directors, the members of the Board of Directors, the Remuneration Committee and the Audit Committee in January 2022, and reported the results to the Board of Directors on 25 February 2022.

Results of the internal evaluation of performance of the Board of Directors:

1. "Self-evaluation Questionnaire for Performance Appraisal of the Board of Directors": All Directors considered that the Board of Directors of the Company performed well in all aspects in respect of the questions mentioned in the questionnaire and that the Board of Directors as a whole operated actively and effectively (evaluation result: excellent)
2. "Self-evaluation Questionnaire for Self-appraisal of Members of the Board of Directors": All Directors considered that they performed well in all aspects in respect of the questions mentioned in the questionnaire (evaluation result: excellent)
3. "Self-evaluation Questionnaire for Performance Appraisal of the Remuneration Committee": All four members considered that the Company's Remuneration Committee, which oversees the reasonableness of, among others, the salary payment to the Company's management team and the remuneration of its employees on behalf of the Board of Directors, performed well in all aspects in respect of the questions mentioned in the questionnaire (evaluation result: excellent)

4. "Self-evaluation Questionnaire for Performance Appraisal of the Audit Committee": All four members considered that the Company's Audit Committee, which performs its responsibilities of supervision and maintains good communication with the accountants and internal auditors on behalf of the Board of Directors, performed well in all aspects in respect of the questions mentioned in the questionnaire (evaluation result: excellent)

The "Measures for Performance Evaluation of the Board of Directors" of the Company are published on the websites of the Market Observation Post System and the Company, respectively.

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

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

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

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

In order to protect the Directors against the risks they bear when carrying out business, the Company takes out "Directors' Liability Insurance" for all Directors every year and reports to the Board of Directors the important information such as the insurance amount, coverage and premium of its liability insurance. On 5 November 2021, the Board of Directors reported the renewal of the liability insurance for all Directors.

Specific measures taken by the Company to enhance the functions of the Board of Directors and strengthen the supervision: (i) one independent Director was added for the 2020 re-election of the Directors; (ii) the Audit Committee was established and the members of the Audit Committee with expertise in fields such as financial accounting and legal profession can effectively perform their supervisory functions; (iii) a majority of the members of the Board of Directors are not employees or managers; and (iv) professional director courses are arranged for the members of the Board of Directors every year to enhance the operational capability of the Board of Directors.

## **(B) Audit Committee**

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

The matters considered by the Audit Committee mainly include:

- Audit of financial statements and accounting policies and procedures
- Internal control system and related policies and procedures
- Major assets or derivatives transactions
- Loan, endorsement or guarantee of substantial amount
- Offering or issuance of securities
- Compliance
- Whether the managers and the directors have related party transactions and possible conflicts of interest
- Qualification of the certified public accountant and independence assessment
- Appointment and dismissal of internal audit officers
- Duty performance of the Audit Committee
- Review of financial reports

The Board of Directors has issued the Company's 2021 business report, consolidated financial statements and surplus distribution proposal. The consolidated financial statements have been audited by Deloitte & Touche Taiwan, which has issued its audit report. The abovementioned business report, consolidated financial statements and surplus distribution proposal have been reviewed and audited by the Audit Committee and it is considered that there is no disagreement on them.

- Evaluation of the effectiveness of the internal control system

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

The professional qualifications and experience of the Audit Committee are disclosed in conjunction with the professional qualifications and experience of the members of the Board of Directors.

During the latest year (2021) and as at the date of publication of the annual report, the Audit Committee of the Company held 15 meetings. The attendance of the members is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate in person (%)	Remarks
Independent Director	Chen Ko Hung	15	0	100%	Elected and appointed on 12 June 2020
Independent Director	Shiau Fung Shyung	15	0	100%	
Independent Director	Chang Shan Juh	15	0	100%	
Independent Director	Jeng Shih Rong	15	0	100%	

## 2. Other disclosure

(1) The date of meeting, session, and content of resolutions of the Audit Committee, the dissenting views and reservations of the independent Directors, or the content of major proposed projects, the voting results of the Audit Committee, and the Company's response to the opinion of the Audit Committee shall be described if any of the following circumstances in relation to the Audit Committee occurs.

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

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

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
Fourth session Fifth meeting 22 January 2021	1. Proposed capital lending to a wholly-owned subsidiary - Eastern Asia Technology (HK) Limited, with an amount of US\$6,650 thousand	Yes	No
	2. Proposed capital injection in cash to Eastech Electronics (HK) Limited, a third-tier subsidiary	Yes	No
	Voting results of the Audit Committee (22 January 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Sixth meeting 26 February 2021	1. Business report and consolidated financial statements of the Company for 2020	Yes	No
	2. Proposed distribution of remuneration to staff and Directors of the Company for 2020	Yes	No
	3. Proposed issue of the Management's Reports on Internal Control in accordance with Article 24 of the Guidelines for the Establishment of Regulations Governing Establishment of Internal Control Systems by Public Companies	Yes	No
	4. Proposed amendments to the internal control system of the Company	Yes	No



Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
Fourth session Seventh meeting 15 March 2021	Voting results of the Audit Committee (26 February 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
	1. Proposed disposal of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company	Yes	No
	2. Proposed acquisition of right-of-use assets from Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by Eastech (Huizhou) Co., Ltd., a subsidiary of the Company	Yes	No
	3. Proposed amendments to the "Endorsement Guarantee Operation Management Measures" of the Company	Yes	No
	4. Latest financial position and countermeasures of the Company	Yes	No
	5. Endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
Voting results of the Audit Committee (15 March 2021):  Resolution 1: We have considered this resolution in detail and it is a material resolution of EASTECH. During the consideration process, we have taken into account the opinions of the Company's internal and external experts, lawyers and accountants from Mainland are present for explanation. Processes and implications of the 8 questions raised by the Audit Committee have been fully explained by the internal and external experts, professional opinions were also expressed. The Audit Committee fully understood and support such material resolution of the Company.  Resolution 2: The Audit Committee reminded that the lease contract did not specify who the beneficiary would be in the event of an insurance incident during such period. At the audit meeting, Lawyer Mr. Lee explained that we should refer the items of asset, factory or inventory or equipment, and then refer to who the beneficiaries of the insurance contract are. After the meeting, the Company will check the insurance contract for further clarification on this item.			

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
	Voting results of Resolutions 1 to 5: All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Eighth meeting 27 April 2021	1. Proposed capital injection in cash by Eastech (Huizhou) Co., Ltd.	Yes	No
	Voting result of the Audit Committee (27 April 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Ninth meeting 7 May 2021	1. Sale of business machinery by Eastech Electronics (Huiyang) Co., Ltd. to Eastech (Huizhou) Co., Ltd.	Yes	No
	2. Proposed endorsements and guarantees for EASTECH (Huizhou) Co., Ltd. by the Company	Yes	No
	Voting results of the Audit Committee (7 May 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Tenth meeting 29 June 2021	1. Proposed application for the short-term borrowings of RMB80,000,000 by Eastech Electronics (Huiyang) Co., Ltd., a third-tier subsidiary, to Shangnanfei Trading (Shenzhen) Co., Ltd., and authorization to Mr. Pai Chin Chang, a Director, to handle all relevant matters at his sole discretion	Yes	No
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed issuance of employee stock option certificates by the Company	Yes	No
	4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
	Voting results of the Audit Committee (29 June 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Eleventh meeting 20 August 2021	1. Consolidated financial statements of the Company for the first half of 2021	Yes	No
	2. Proposed disposal of the shares of Eastech Electronics (HK) held by ETT to Eastern Asia Technology (HK)	Yes	No
	3. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	4. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	5. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	6. Proposed issuance of employee stock option certificates for 2021 by the Company	Yes	No
	Voting results of the Audit Committee (20 August 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session First extraordinary meeting 27 September 2021	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Voting results of the Audit Committee (27 September 2021):  Resolution 1: All members of the Audit Committee approved the resolution.  Resolution 2: In respect of equity disposal transaction project, the creditors' rights and debt obligations shall be settled by 30 September, and as the majority of the creditors' rights and debt obligations were intra-company creditors' rights and debt		

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
	obligations, they shall be settled by 30 September; and an application for an additional financing facility of US\$12,000,000 will be filed with China CITIC Bank and guaranteed by Eastech with an endorsement of US\$12,000,000. All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Twelfth meeting 25 October 2021	1. Change in the certified public accountant in line with the internal adjustment of Deloitte & Touche Taiwan	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Voting results of the Audit Committee (25 October 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Thirteenth meeting 5 November 2021	1. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed renewal of the liability insurance for Directors, supervisors and managers	Yes	No
	Voting results of the Audit Committee (5 November 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Fourteenth meeting 14 December 2021	1. Approval of the pre-sale and pre-purchase forward foreign exchange operation, with the total authorized amount of not exceeding US\$40,000,000	Yes	No
	2. Proposed second capital increase in cash for 2021 by Eastech (Huizhou) Co., Ltd.	Yes	No
	3. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the	Yes	No

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
	Company		
	4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	5. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	6. Proposed amendments to the internal control system of the Company	Yes	No
	7. Proposed issuance of employee stock option certificates by the Company	Yes	No
	Voting results of the Audit Committee (14 December 2021): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Fifteenth meeting 21 January 2022	1. Proposed second issuance of employee stock option certificates for 2021 by the Company	Yes	No
	Voting results of the Audit Committee (21 January 2022): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Sixteenth meeting 25 February 2022	1. Business report and consolidated financial statements of the Company for 2021	Yes	No
	2. Proposed distribution of remuneration to staff and Directors of the Company for 2021	Yes	No
	3. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	4. The Company's proposed issuance of the Statement of the Internal Control System in accordance with Article 24 of the Guidelines for Public Issuers in Establishing Internal Control Systems	Yes	No
	Voting results of the Audit Committee (25 February 2022): All members of the Audit Committee approved the resolution.		

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Seventeenth meeting 22 April 2022	1. Proposed amendments to the "Procedures for Acquisition or Disposal of Assets" of the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	Voting results of the Audit Committee (22 April 2022): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Eighteenth meeting 6 May 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed capital injection in cash by Eastech (Huizhou) Co., Ltd.	Yes	No
	Voting results of the Audit Committee (6 May 2022): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		

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

(3) Communication between independent Directors and internal audit officer and accountant (which shall include major subjects, modes and results of communication on the Company's financial and business conditions, etc.):

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

The internal audit officer of the Company attends each of the meetings held by the Audit Committee to submit the audit report to the independent Directors, and communicates with the members on the results of the audit report and the implementation of the follow-up report.

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

② Summary of communication between independent Directors and internal audit officer

The major subjects of communication in 2021 are summarized as follows:

Date	Focus of communication	Communication results
22 January 2021 Audit Committee	28 November 2020 to 14 January 2021 internal audit implementation report	No disagreement
26 February 2021 Audit Committee	1. Internal audit implementation summary report of 2020 2. "Statement of the Internal Control System" for 2020 3. 14 January 2021 to 18 February 2021 internal audit implementation report	No disagreement
15 March 2021 Audit Committee	Internal audit implementation report	No disagreement
27 April 2021 Audit Committee	19 February 2021 to 19 April 2021 internal audit implementation report	No disagreement
7 May 2021 Audit Committee	20 April 2021 to 29 April 2021 internal audit implementation report	No disagreement
29 June 2021 Audit Committee	30 April 2021 to 21 June 2021 internal audit implementation report	No disagreement
20 August 2021	19 June 2021 to 12 August 2021 internal audit implementation	No disagreement

Date	Focus of communication	Communication results
Audit Committee	report	
27 September 2021 Extraordinary meeting of the Audit Committee	Description of the legality of convening extraordinary meetings of the Audit Committee and the Board of Directors	No disagreement
25 October 2021 Audit Committee	13 August 2021 to 30 September 2021 internal audit implementation report	No disagreement
5 November 2021 Audit Committee	1 October 2021 to 31 October 2021 internal audit implementation report	No disagreement
14 December 2021 Audit Committee	1. The Company's 2022 audit plan 2. 1 November 2021 to 30 November 2021 internal audit implementation report	No disagreement
21 January 2022 Audit Committee	1 December 2021 to 31 December 2021 internal audit implementation report	No disagreement
25 February 2022 Audit Committee	1. 2021 internal audit implementation summary report 2. "Statement of the Internal Control System" for 2021 3. 1 January 2022 to 31 January 2022 internal audit implementation report	No disagreement
22 April 2022 Audit Committee	1 February 2022 to 31 March 2022 internal audit implementation report	No disagreement
6 May 2022 Audit Committee	1 April 2022 to 30 April 2022 internal audit implementation report	No disagreement

③ Summary of communication between independent Directors and accountant

The major subjects of communication in 2021 are summarized as follows:

Date	Focus of communication	Communication results
22 January 2021 Audit Committee	The certified public accountant attended the meeting of the Audit Committee, and communicated to explain the questions raised by the independent Directors.	The certified public accountant fully communicated with the members of the Audit Committee.
26 February 2021 Audit Committee	Submission of the consolidated financial statements for 2020	The consolidated financial statements for the year were approved by the Audit



Date	Focus of communication	Communication results
	The certified public accountant attended the meeting of the Audit Committee, communicated with the independent Directors to explain the matters to be reviewed on the Company's consolidated financial statements for 2020 and the key audit matters (KAM), and communicated to explain the questions raised by the independent Directors.	Committee and submitted to the Board of Directors for approval on 26 February 2021; and were completed as announced on 26 February 2021.
15 March 2021 Audit Committee	Submission of the proposed of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company.  The certified public accountant attended the meeting of the Audit Committee, and communicated to explain the questions raised by the independent Directors.	The disposal of equity interests was approved by the Audit Committee on 15 March 2021; and was completed as announced on 15 March 2021.
20 August 2021 Audit Committee	Submission of the consolidated financial statements for the first half of 2021  The certified public accountant attended the meeting of the Audit Committee, and communicated to explain the questions raised by the independent Directors.	In compliance with the requirements as stipulated in the circulars and orders of the competent authorities, the Company's financial statements for the first half of 2021 were audited and certified by the accountant, and were approved by the Audit Committee and submitted to the Board of Directors for approval on 20 August 2021; and were completed as announced on 20 August 2021.
14 December 2021 Audit Committee	The certified public accountant attended the meeting of the Audit Committee and the Board of Directors, and communicated with the members of the Audit Committee to explain the matters to be reviewed on the Company's consolidated financial statements for 2021 and the key audit matters (KAM).	The certified public accountant fully communicated with the members of the Audit Committee on the matters to be reviewed on the Company's consolidated financial statements for 2021 and the key audit matters (KAM).
25 February 2022	Submission of the consolidated	The consolidated financial

Date	Focus of communication	Communication results
Audit Committee	<p>financial statements for 2021</p> <p>The certified public accountant attended the meeting of the Audit Committee, communicated with the independent Directors to explain the matters to be reviewed on the Company's consolidated financial statements for 2021 and the key audit matters (KAM), and communicated to explain the questions raised by the independent Directors.</p>	<p>statements for the year were approved by the Audit Committee and submitted to the Board of Directors for approval on 25 February 2022; and were completed as announced on 25 February 2022.</p>

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

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

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
internal standards to prohibit insiders from using undisclosed information to trade securities on the market?			Rule Governing the Prevention of Insider Trading, which prohibits insiders from using undisclosed information to trade securities on the market.	discrepancy
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors set up and implement a diversity policy and specific management objective in respect of its composition?</p>	Yes		<p>(1) The Company has established the Code of Practice for Corporate Governance with a diversified approach. The Company's articles of association have stipulated a nomination system for election of directors to ensure the diversity and independence of its members.</p> <p>According to the specific management objective of the diversity policy, an independent Director with a professional background in the legal field has been added.</p> <p>The Company completed the re-election of seven Directors of the fifth session of the Board of Directors at the regular general meeting held on 12 June 2020, and voluntarily appointed one independent Director, in addition to that required by the laws. Mr. Jeng Shih Rong, the new independent Director as elected and appointed, has a professional background in the legal field. The management objective has thus been achieved. Currently, independent Directors account for 57% and Directors who are also employees account for 29% of the total number of members of the Board of Directors. One Director is aged 71~80, four Directors are aged 61~70 and two</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>Directors are aged 51~60. The nationality of each of the seven Directors is Taiwan. The Company places emphasis on the diversity and independence of its Board of Directors, with the proportion of independent Directors reaching over 50%.</p> <p>The Company comprises seven directors. Mr. Liou Jeng Lin, a Director who has been immersed in the acoustic industry for decades, has created and operated the acoustic enterprise layout to date. He is good at arranging enterprise development plans and strategic future development directions, with Mr. Pai Chin Chang, a Director, who is strong in production and quality management and technology-based, which every product is like a treasure and he have been involved in every stage of factory building and transformation. Chief Financial Officer Mr. Chang Tung I, who is a Director with a strong background in financial planning and has the ability to operate many listed companies. The aforesaid three Directors who are management staff form the Three Musketeers for the Company's operation. Four independent Directors have the background of "administration" and "education". Mr. Shiau Fung Shyung served as the Vice Council for Economic Construction Committee, and has a master's degree in economics from the Yale University and served as the dean and an honorary professor of</p>	

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			College of Commerce of an university. Independent Director Mr. Chen Ko Hung, who is a chief financial officer of a TPEX listed company, has a chief financial officer's vision, can provide financial early warning and advise on the legal aspects of investment and finance. Independent Director Chang Shan Juh, who concurrently serves as the chairman and member of the Remuneration Committee, with expertise in human resources and experience of manpower supervision including large listed groups and universities and facilitating industry-university cooperation with related universities, which makes progress for both teaching and learning. Independent Director Jeng Shih Rong, who has a professional background in law and had served as the secretary of the Legislative House for decades, has extensive experience in public service and clear legal reasoning, and hopes to draw on his practical experience in the public sector to provide mentor-like supervision and advice on corporate governance and legal compliance. The diversity of the seven Directors will be greatly beneficial the Company's future development.	
(2) Has the Company voluntarily established other functional committees besides the Remuneration Committee and the Audit Committee required by law?	Yes		(2) The Company has established an Audit Committee and a Remuneration Committee. Other functional committees will be established according to the actual needs of the Company.	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
(3) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform regular evaluation every year, and reported the results of performance to the Board of Directors and applied to the reference of the remuneration and renewal nomination of individual directors?	Yes		<p>(3) The Company has established the “Board Performance Evaluation Method” to regularly perform performance evaluation of the Board of Directors after the end of each year.</p> <p>The Company completed the performance evaluation of the Board of Directors, the members of the Board of Directors, the Remuneration Committee and the Audit Committee in January 2022, which were all assess as excellent in 2021. The Board of Directors overall has been giving active recommendations, positive interactions and effective operation. It has been reported to the Board of Directors on 25 February 2022.</p> <p>The remuneration of the Directors (including independent Directors) is determined in accordance with the articles of association and the results of the performance evaluation will be taken as a reference for the nomination of Directors.</p>	No substantial discrepancy
(4) Does the Company regularly evaluate the independence of the certified public accountant?	Yes		<p>(4) The Company regularly reviews the independence of the certified public accountant every year, and submitted the results to the meeting of the Audit Committee and the Board of Directors on 6 May 2022 for consideration and approval. All Directors approved that Shih Chin-Chuan and Chiu Yung-Ming, the accountants from Deloitte &amp; Touche Taiwan, fulfilled the Company's independence and competence standards (please refer to page 70 of the annual report) on</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			the basis of the Evaluation Standards for the Independence of CPAs formulated by the Company and the Statement of Independence CPA issued by the accountants.	
4. Does the TWSE/TPEX listed company have a qualified and appropriate number of corporate governance personnel, and appoint a corporate governance supervisor to be in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting directors and supervisors to follow laws, convening board/shareholder meetings in compliance with the law, and producing meeting minutes of board/shareholders' meetings)?	Yes		<p>In order to implement corporate governance and as approved by the board of directors on 26 April 2019, the Company designated Mr. Chang Po Chao, the vice president, to act as chief supervisor for corporate governance related matters and shall be reported to by the personnel of the stock affairs department. Vice President Chang Po Chao has over 20 years of management experience in finance, stock affairs or meetings of listed companies. The main duties of corporate governance personnel are to handle matters related to board meetings and shareholders' meetings according to law, to prepare minutes of board meetings and shareholders' meetings, to assist the directors in taking office and continuous learning and to provide the information and regulations required for the independent directors and directors to perform their duties in order to assist the directors in complying with laws and regulations.</p> <p>Please refer to page 98 for the continuing education of the chief supervisor for corporate governance in 2021.</p>	
5. Does the Company establish communication channels and dedicate section for stakeholders (including but not limited to shareholders, employees, clients and suppliers) on its website to properly respond to important	Yes		The Company has set up sections for stakeholders on the Company's website ( <a href="https://eastech.com">https://eastech.com</a> ), including employee section, customer section, investor section, section for partners (suppliers), etc., and sets up communication windows and mailboxes	No substantial discrepancy



Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
issues of corporate social responsibility concerns?			for each category of stakeholders to properly respond to material corporate social responsibility issues of concern to each category of stakeholders.	
6. Has the Company appointed a professional agent for stock affairs for holding shareholders' meetings?	Yes		The Company appointed the Stock Transfer Agency Department of SinoPac Securities Corporation for handling the shareholders' meeting	No substantial discrepancy
7. Disclosure of information (1) Does the Company set up website to disclose financial operations and corporate governance information?	Yes		(1) The Company has set up a website in Chinese and English (website: <a href="https://eastech.com">https://eastech.com</a> ) and has successively updated information disclosure on financial business and corporate governance.	
(2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information?	Yes		(2) The Company's Chinese and English websites disclose information about financial business and corporate governance.  The Company designates personnel to be responsible for the collection and disclosure of corporate information; and the spokesperson will co-ordinate the external statements and other matters.  The briefings and audio-visual materials of the Company's investor conference have been placed on the Market Observation Post and the Company's website available for shareholders and investors.	
(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarterly financial reports and the monthly operating situation within the prescribed time limit?	Yes		(3) The Company has announced the 2021 consolidated financial report on 25 February 2022, and announced and declared the first, second, and third quarterly financial reports and the monthly operating situation before the prescribed deadline.	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, execution of risk management policies and risk assessment standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	Yes		<p>1. Interests and rights of employees: In addition to complying with relevant laws and regulations, the Company has also produced a Staff Handbook to regulate the rights and obligations between employees and the Company. If there is violation of the rules, the heads of various departments will hold a meeting to discuss. Employees can also directly express their opinions through the suggestion box and other proper channels.</p> <p>2. Care for employees: Human resources are the Company's greatest asset. In order to provide employees with a comfortable and pleasant working environment, the following measures can help employees to make progress for the Company and promote the healthy development of the Company's human resources.</p> <p>1. Staff welfare initiatives: The Company provides various regular welfare initiatives for its staff, procures insurance for employees according to local laws and regulations, provides a humane promotion system and transfer system, organizes entertainment activities, subsidizes the tuition for the children of factory workers attending Xiu De Chinese – Anglo Kindergarten, and provides nutritious and hygienic food in staff canteens.</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>2. Various staff education and training:</p> <p>On the day of registration, new recruits are briefed by the HR department on HR rules and welfare system and other issues. The content of pre-employment training focuses on helping new recruits to get familiar with the work environment and get used to the situation as soon as possible.</p> <p>Programmed education and training enable all employees to develop their skills at work. From time to time, the Company as a whole or each department participates in educational training courses organized by training institutions at home and abroad.</p> <p>3. Retirement system: Implemented in accordance with the local labor law.</p> <p>3. Investor relations: The Company holds a shareholders' meeting every year, giving shareholders adequate opportunity and time to ask questions and submit proposals; investor conferences are held for two-way communication between investors and analysts and the Company's management team; the Company's spokesperson is responsible for establishing a two-way communication channel between</p>	

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>the Company and investors. The Company also makes announcements on relevant information in accordance with the regulations of the competent authority to immediately provide information that may affect the decision of investors.</p> <p>4. Supplier relations: Adhering to the principle of integrity, the Company focuses on the stability and quality of supplies from the suppliers. Procurement is prudently evaluated beforehand and handled in accordance with relevant operational regulations. Both parties perform their duties and obligations according to the contract. If third-party manufacturers encounter any technical obstacle, the Company also provides technical assistance for the manufacturer when necessary, and maintains a positive and stable partnership with suppliers.</p> <p>5. Stakeholder rights: The Company sets up sections for stakeholders on the Company's website (<a href="https://eastechnology.com">https://eastechnology.com</a>), including employee section, customer section, investor section, and section for partners (suppliers), etc., and sets up communication windows for each category of stakeholders to properly respond to issues of concern of stakeholders.</p> <p>6. Continuing education of directors: All directors of the Company</p>	

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>possess relevant professional knowledge and have taken training courses on securities law in compliance with regulations in order to enhance their professional skills and strengthen the implementation of corporate governance. Please see pages 94 to 96 for details of directors' training.</p> <p>7. Execution of risk management policies and risk assessment standards:</p> <p>The Company has formulated various internal regulations according to law and established a risk management mechanism to timely identify, respond to, report and monitor major risks affecting current and future operations through regular and non-scheduled risk identification operations and raise employees' risk awareness to ensure sustainable operations of the Company.</p> <p>8. Execution of customer policies:</p> <p>The Company upholds the principle of integrity, attaches importance to customer rights, provides quality services, and establishes long-term cooperative relationships with customers.</p> <p>9. Liability insurance for the Company's Directors and supervisors:</p> <p>In 2021, the Company has procured liability insurance for its Directors and managers for an insurance period from 20 November 2021 to</p>	

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the underlying reasons
	Yes	No	Description	
			20 November 2022. The insured amount, coverage and insurance rate were submitted to the meeting of Audit Committee and the Board of Directors on 5 November 2021, which was announced on the Market Observation Post.	
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. (Those which are not related to companies under review are not required to fill in)	Yes		<p>The Company has been actively promoting its corporate governance performance, and completed the following major improvement projects in 2021:</p> <p>(i) Completed the publication of the annual financial report within two months after the end of the fiscal year.</p> <p>(ii) The English version of the annual report was uploaded not later than 16 days prior to the holding of the regular general meeting.</p>	No substantial discrepancy

**Note 1: Board diversity and its implementation**

Core of diversity Name of Director	Nationality	Age	Operational judgement capabilities	Accounting and financial analysis skills	Operational management capabilities	Crisis management capabilities	Industrial knowledge	International market perspective	Leadership	Decision making capabilities	Legal knowledge
Liou Jenq Lin	Taiwan	61~70	V		V	V	V	V	V	V	V
Pai Chin Chang	Taiwan	61~70	V		V	V	V		V	V	V
Chang Tung I	Taiwan	51~60	V	V	V	V	V	V	V	V	V
Shiau Fung Shyung	Taiwan	71~80	V	V			V	V		V	
Chang Shan Juh	Taiwan	61~70	V			V		V	V	V	
Chen Ko Hung	Taiwan	51~60	V	V		V			V	V	
Jeng Shih Rong	Taiwan	61~70	V			V			V	V	V

### Assessment of the independence of accountant

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

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

- (2) Work performance and plans

- |  |
|--|
| <ol style="list-style-type: none"> <li>Completed the audit and attestation of the Company's 2021 consolidated financial statements on schedule.</li> <li>Provided the Company with financial and tax consulting services from time to time.</li> </ol> |
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- (3) Assessment result

<p>The two accountants, Shih Chin-Chuan and Chiu Yung-Ming, are independent from the Company and provided timely and appropriate financial and tax consulting and audit and attestation services for the Company.</p>
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**(d) Composition, responsibilities and operation of the remuneration committee (if established by the Company)**

1.Information on the members of the remuneration committee

31 March 2022

Position (Note 1)	Qualification  Name	Professional qualifications and experience (Note2)	Independence (Note 3)	Number of other public companies in which the person serves as a member of the remuneration committee
Independent Director (Convener)	Chang Shan Juh	<p>Obtained a Master of Electronic Engineering from University of Southern California in the U.S.; has been the Human Resources Officer of Tatung University; previously served as a Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University, Director of Planning Division of Tatung Company, and Director of Personnel Management and Development Division of Tatung Company; currently serves as an independent Director, the chairman of the Remuneration Committee and a member of the Audit Committee of the Company; possesses expertise in human resources.</p> <p>There are no circumstances under Section 30 of the Company Act.</p>	<p>None of the four independent Directors of the Company is the employee, manager, director, and supervisor of the Company or its affiliates, or the spouse, second degree relative or immediate blood relative within the third degree relatives, or the natural person shareholder who holds more than 1% of the Company's total issued shares in the name of his/her own and spouse, minor children or any other person, or is one of the top ten shareholders of the Company, or holds directly more than 5% of the Company's total issued shares, or the director, supervisor or employee of the corporate shareholder who directly holds more than 5% of the Company's total issued shares or is one of the top five shareholders or has appointed representatives to act as</p>	0

Independent Director	Shiau Fung Shyung	<p>Obtained a PHD of Economics from Chinese Culture University, a Master of Economics from Yale University in the U.S., and a Master of Agricultural Economics from National Chung Hsing University; has been a Professor Emeritus of the Department of Finance and Economics of Tamkang University; previously served as the Dean of College of Commerce of Tamkang University and the Vice Council for Economic Construction Committee of the Executive Yuan, R.O.C. ; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses expertise in accounting or finance; concurrently serves as a member of the Remuneration Committee of each of CMC Magnetics, Wayi International Digital Entertainment Co., Ltd. and Transtouch Technology Inc. There are no circumstances under Section 30 of the Company Act.</p>	<p>the Directors or supervisors of the Company in accordance with Item 1 or Item 2 under Article 27 of the Company Law, or the director, supervisor or employee of another company with more than half of its shares related to the number of Directors or voting rights of the Company are controlled by the same person, or the director, supervisor or employee of another company or body, in which the chairman, president or equivalent positions of the Company or his/her spouse serves the same positions, or the director, supervisor, manager or shareholder holding more than 5% of the shares of the specified company or body with which the Company has financial or business relationship, or the owner of an enterprise, partner, director, supervisor, manager and his/her spouse of the professional party, sole proprietor, company or body which has provided audit services to the Company or its affiliates or received from them the remuneration for business, legal, financial, accounting and other related services for an amount not exceeding NT\$500,000 in the last two years, and is not related to other directors within the meaning of spouse and second-degree relatives.</p>	3
Independent Director	Chen Ko Hung	<p>Obtained an MBA from National Chengchi University; has been the Chief Financial Officer of Ampire Co., Ltd.; previously served as the Senior Manager of Finance Department of UniLite Corporation and the Senior Manager of Finance Department of Princeton Technology Corporation; currently serves as an independent Director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company; possesses expertise in accounting or finance. There are no circumstances under Section 30 of the Company Act.</p>		0

Independent Director	Jeng Shih Rong	Obtained a Bachelor of Law from National Chung Hsing University; previously served as the Chief Secretary of the Legislative Yuan of R.O.C.; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses professional qualifications in law. There are no circumstances under Section 30 of the Company Act.		0
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## 2. Duties of the remuneration committee

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

## 3. Operation of the remuneration committee

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

(2) The term of office of the current session: 23 June 2020 to 11 June 2023. During the latest year (2021) and as at the date of publication of annual report, the remuneration committee held 7 meetings. The qualifications and attendance of the members is as follows:

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

(3) Other disclosure:

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

② If any resolution of the remuneration committee is objected to or qualified by committee member(s) with a record or written statement, the date of remuneration committee meeting, session, content of the proposal, the opinions of all members and the response to the members' objection shall be recorded: No such situation.

Remuneration committee	Content of the proposal	Resolution	The Company's response to the opinion of the remuneration committee
Fourth session Third meeting 26 February 2021	1. The Company's 2020 employee remuneration and directors' remuneration proposal	All committee members approved the resolution	Submitted to the board of directors and approved by all attending

Remuneration committee	Content of the proposal	Resolution	The Company's response to the opinion of the remuneration committee
			directors and independent directors
Fourth session Fourth meeting 27 April 2021	1. Proposed issuance of employee stock option certificates for 2020 by the Company	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Fifth meeting 29 June 2021	1. Proposed issuance of employee stock option certificates by the Company	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Sixth meeting 20 August 2021	1. Proposed issuance of employee stock option certificates for 2021 by the Company	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Sixth meeting 20 August 2021	2. Discussion about the 2021 salary adjustment plan of the Company and its subsidiaries	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Seventh meeting 14 December 2021	1. Proposed issuance of employee stock option certificates by the Company	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
	2. Proposal principle of KPI bonus distribution and manager distribution amount for 2021	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
	3. The 2022 work plan of the Remuneration Committee of the Company	All committee members approved the resolution	All committee members approved the resolution
Fourth session Eighth meeting 21 January 2022	1. Proposed issuance of the second employee stock operation certificates for 2021 by the Company	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session	1. The Company's	All committee members	Submitted to the board

Remuneration committee	Content of the proposal	Resolution	The Company's response to the opinion of the remuneration committee
Nineth meeting 25 February 2022	2021 employee remuneration and directors', remuneration proposal	approved the resolution	of directors and approved by all attending directors and independent directors

**(e) Implementation of the promotion of sustainable development and differences from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor**

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons						
	Yes	No	Description							
1. Does the Company establishes a governance structure to promote sustainable development and set up a dedicated (part-time) unit to promote sustainable development, which is delegated by the board of directors to senior management and supervised by the board of directors?	Yes		1. The Company continues to promote sustainable development, actively evaluates the establishment of a governance structure to promote sustainable development, establishes a dedicated (part-time) unit to promote sustainable development, conducts risk assessments on environmental, social or corporate governance issues (ESG) related to the Company's operations, and formulates medium- and long-term sustainable development plans.							
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	Yes		<div>2. The Company's assessment of the risks associated with the relevant environmental, social and corporate governance issues is as follows:</div> <table><tr><th>Material issues</th><th>Risk Assessment Items</th><th>Description</th></tr><tr><td>Environment</td><td>Environmental Impact &amp; Management</td><td>1. The Company has implemented process safety management and an institutionalised management cycle to effectively reduce pollution emissions and environmental impact.</td></tr></table>	Material issues	Risk Assessment Items	Description	Environment	Environmental Impact & Management	1. The Company has implemented process safety management and an institutionalised management cycle to effectively reduce pollution emissions and environmental impact.	No substantial discrepancy
Material issues	Risk Assessment Items	Description								
Environment	Environmental Impact & Management	1. The Company has implemented process safety management and an institutionalised management cycle to effectively reduce pollution emissions and environmental impact.								

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
				2. In order to ensure that our products comply with environmental regulations, we have obtained ISO14001 environmental management certification.
			Society	Occupational Safety 1. Annual fire drills and occupational safety training are held regularly to develop staff's emergency response and self-safety management skills.
			Corporate Governance	Socio-economic and legal compliance 1. Through the establishment of a governance structure and the implementation of internal control mechanisms, the Company ensures that all employees and operations comply with the relevant laws and regulations. 2. Patent application for



Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
				products developed by the Company to protect the rights of the Company.
			Enhancing the functions of directors	<ol style="list-style-type: none"> <li>1. Planning for directors' education issues and providing them with the latest legislation, institutional developments and policies.</li> <li>2. Insure directors' liability insurance to protect them in the event of a lawsuit or claim.</li> </ol>
			Stakeholder Communications	<ol style="list-style-type: none"> <li>1. In order to avoid misunderstandings between stakeholders and the Company's position, which may lead to business or litigation risks, the Company will analyze the issues of concern to stakeholders on an annual basis starting in 2019.</li> </ol>

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
			<div>2. Establish various communication channels to actively communicate and reduce confrontation. Set up a mailbox for investors and assign a spokesperson to handle and respond to them.</div>	
3. Environmental issues				
(1) Does the Company establish an appropriate environmental management system according to its industrial characteristics?	Yes		(1) All of our mainland subsidiaries have established environmental management systems in accordance with ISO 14001 and continue to pass third-party certification, and carry out annual system certification in accordance with ISO 14001.	No substantial discrepancy
(2) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?	Yes		(2) The Company complies with international regulatory requirements on environmental protection, such as RoHS, WEEE, HF, etc. It introduces green supply chain management and uses materials with low environmental impact. It also strives to improve the utilization efficiency of all resources in adherence to 3R (reduce, reuse and recycle) principle. It successfully uses recyclable wood chips to manufacture speaker housings with special casting processes.	No substantial discrepancy
(3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to address climate-related issue?	Yes		(3) With the impact of the greenhouse effect, temperature rising as a result of global warming and intensifying extreme climates, more costs must be invested in natural disaster prevention and operational energy acquisition in the future. The Company implements green supply chain management to achieve the goal of enterprise energy conservation management.	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
			The Company actively promotes energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management policies and other measures, such as strengthening the factory environment, updating environmental protection projects for wastewater and exhaust emission systems, and preventing water pollution and air pollution, which complies with relevant environmental protection emission standards.	
(4) Does the Company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	Yes		<p>(4) In order to continuously promote energy saving, carbon reduction and greenhouse gas reduction, the Company has formulated the following measures to reduce the impact of climate change on its operational activities:</p> <ol style="list-style-type: none"> <li>1. For the lighting equipment of the Company's Taiwan office, traditional fluorescent lamps were replaced with LED lighting.</li> <li>2. Multi-party video conferencing equipment was set for the Company and its subsidiaries to reduce the number of business trips</li> <li>3. Promote paperless and electronic sign-off processes.</li> <li>4. Shuttle buses are provided in the factory for employees to reduce the fuel consumption and exhaust emissions generated by employee commuting.</li> <li>5. Each factory is dedicated to greening the environment in addition to energy saving and carbon reduction in operation.</li> <li>6. Lighting improvement and energy conservation for air compressor system were implemented in each factory to</li> </ol>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>reduce carbon emissions and greenhouse gas in accordance with environmental protection policies.</p> <p>7. Promoting environmental protection and safe production in the mainland factory, including environmental protection emergency pool gate valve, injection moulding waste gas treatment facilities, spraying waste gas treatment facilities, spraying waste gas emission outlet rectification and other works.</p>	
<p>4. Social issues</p> <p>(1) Does the Company set policies and procedures in compliance with relevant regulations and the International Bill of Human Rights?</p>	Yes		(1) The Company complies with all relevant labor laws and regulations of the local competent authority to protect the rights and interests of employees.	No substantial discrepancy
<p>(2) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacations and other benefits), and appropriately reflect operating performance or results in employee remuneration?</p>	Yes		<p>(2) A summary of the Company's employee benefit measures and their implementation is as follows:</p> <p>1. Staff remuneration</p> <p>The Company's salary is set in accordance with internal regulations and is reasonable. The annual bonus system is allocated to all employees after considering the annual operation of the Company and taking into account the employees' seniority and annual performance, in order to motivate all employees to work together for the Company's goals.</p> <p>2. Employee Welfare Measures</p> <p>Employees of the Company are regularly provided with various welfare measures and are insured in accordance with local laws and regulations, a humane management system for promotion and transfer, an effective incentive system for bonuses, various</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>recreational activities, tuition subsidies for the children of our factory employees to attend Xiu De Chinese - Anglo Kindergarten, and a factory cafeteria that provides nutritional and hygienic food and beverage care for our employees.</p> <p>3. Workplace diversity and equality</p> <p>The ratio of male to female employees is similar, with 58% of male employees and 42% of female employees in 2021, and the proportion of female senior executives (associate level and above) has reached 17%, and equal pay for equal work and equal promotion opportunities for different genders have been achieved.</p> <p>4. Operational performance reflected in staff remuneration</p> <p>Article 117 of the Company's Articles of Association stipulates that if the Company makes a profit in the year, it should allocate 1 to 15% of the profit as employees' remuneration and share the surplus result with them.</p>	
(3) Has the Company established effective career development training plans for its staff?	Yes		<p>(3) The Company's core philosophy is disaster prevention and prevention of disasters, using appropriate management tools, proven technology and available resources to integrate occupational safety and health issues within the plant, propose effective countermeasures, and continue to refine and promote a</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons									
	Yes	No	Description										
			<p>culture of occupational safety; in addition to strengthening the protection management of workers and investing resources to strengthen occupational disease prevention in order to create a zero-hazard environment.</p> <p>In 2021, there was zero incapacities and zero occupational accidents (0% of the total number of employees at the end of 2021).</p> <p>During the past two years, the Company has organised fire safety and hygiene training and education</p> <table><tr><th>Year</th><th>Education Training (man-times)</th><th>Education Training (man-hours)</th></tr><tr><td>2020</td><td>4,572</td><td>2,286</td></tr><tr><td>2021</td><td>7,227</td><td>3,614</td></tr></table>	Year	Education Training (man-times)	Education Training (man-hours)	2020	4,572	2,286	2021	7,227	3,614	
Year	Education Training (man-times)	Education Training (man-hours)											
2020	4,572	2,286											
2021	7,227	3,614											
(4) Has the Company established effective career development training plans for its staff?	Yes		(4) The Company has a comprehensive training programme for supervisors and staff at all levels, including newcomer training (common training: introduction to the environment, information security and work safety education training), internal professional development advanced training for the department and supervisory training courses, to assist colleagues to continue to learn and grow through a variety of learning styles..	No substantial discrepancy									
(5) With regard to topics such as customer health and safety, customer privacy, marketing and labeling of products and services, has the Company followed	Yes		(5) The Company has followed the relevant regulations and international standards for topics such as customer health and safety, customer privacy, marketing and labeling of products and	No substantial discrepancy									

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
relevant regulations and international standards, and formulated relevant consumer protection policies or customer benefits policies and procedures for appeal?			<p>services.</p> <p>The Company has established new customer processing procedures, customer data processing procedures, etc., to maintain smooth communication channels with customers and accept customer audits. In response to customer complaints, properly determine the problem and attribution, and regularly assess customer satisfaction to ensure the best service to customers.</p> <p>On the basis of protecting the intellectual property rights of customers, in addition to the confidentiality agreements regulated by brand customers, the company also regularly warns and promotes the importance of confidentiality to relevant R&amp;D personnel</p>	
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	Yes		<p>(6) The Company has set up a supplier management program.</p> <p>The Company's procurement department is responsible for handling supplier management. To ensure that the supplier's quality system management and source management of raw materials comply with regulations, the suppliers are also required to comply with relevant local laws and regulations when operating the Company's business. We also require suppliers to follow the RBA (Responsible Business Alliance) human rights, environment and ethical code of conduct.</p> <p>Establish a good communication mechanism with suppliers, deal with</p>	

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>related matters of communication with suppliers, and proactively promote social responsibility views and environmental safety and health management policies to suppliers, including green supply chain, product hazardous substance restriction regulations, environmental protection related laws and regulations and customer product quality requirements, etc., to maintain good cooperative relations with suppliers.</p> <p>The Company's requirements for suppliers are not limited to quality and service. Before cooperating with us, the supplier must sign and comply with the Company's integrity management policy. If the supplier is involved in violation of the Company's integrity management policy, the Company will also terminate the business contacts. At the same time, the implementation status is realized. The Company's auditors conduct annual inventory inspections of the suppliers' social and environmental responsibilities to assess whether the new suppliers are required by laws, regulations, customers and other relevant regulations. If they do not meet the requirements, the supplier will be assisted to improve within the specified time and reached the standard.</p>	
5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing sustainable development reports and other reports that disclose the Company's non-financial information? Do the aforesaid reports obtain the confirmation or assurance opinion of the third-party verification unit?	Yes		5. The Company continues to promote sustainable development, and has established a "Corporate Social Responsibility Zone" on the website to expose relevant information such as environmental protection, education subsidies and social welfare, and expose sustainable development-related information in annual reports or public statements. In the future, we will prepare a sustainable development report depending on the Company's development status.	No substantial discrepancy



Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
6. If the Company has established its own sustainable development code of practice according to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, describe the differences between its operation and the code of practice: Not applicable				
7. Other important information to facilitate better understanding of the Company's implementation of sustainable development:				
<p>(1) Environmental protection:</p> <ul style="list-style-type: none"> <li>● The Company adheres to the principles of 3R (reduce, reuse and recycle) and makes effective use of all resources. It successfully uses recyclable wood chips to manufacture speaker housings with special casting processes.</li> <li>● For product development, the Company also complies with the environmental protection policies of the EU, the United States and other countries to develop green products, making the Company a green partner of international renowned companies.</li> <li>● In 2021, the factories in China promote environmental protection and safe production, including environmental protection emergency pond gate valves, injection moulding waste gas treatment facilities, spraying waste gas treatment facilities, and spraying waste gas emission inlet rectification projects, at a total cost of approximately NT\$3.85 million.</li> </ul> <p>(2) Education subsidy:</p> <p>In October 2004, a director of the Company's subsidiary established Xiu De Chinese – Anglo Kindergarten in Huiyang New Market. The kindergarten provides a quality education platform for the children of our employees and children in the surrounding communities. As part of the Company's employee benefits policy, the children of our employees are entitled to tuition subsidy and manpower and material support.</p> <p>(3) Social welfare</p> <p>In October 2004, a director of the Company's subsidiary established Xiu De Chinese – Anglo Kindergarten in Huiyang New Market. The kindergarten provides a good environment and quality education for the children of the surrounding communities and adopts the advanced education and teaching concepts of Hong Kong, Taiwan and the United States. It was awarded as a grade I kindergarten in Huizhou in March 2011, one of the four outstanding kindergartens in Huiyang in 2018, and repeatedly awarded the title of “Advanced Education Unit” in the district and county from 2019 to 2020, enrolling approximately 350 children per term and providing a quality education platform for the children of the surrounding communities</p> <p>While pursuing robust development, Eastech Group spares no effort to contribute to society and make donations to certain social welfare groups to support social welfare from time to time.</p>				

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

**(f) Implementation of ethical management policy and the reasons and differences with the TPEx listed companies' integrity management code**

Assessment Item	Implementation Status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the underlying reasons
	Yes	No	Description	
<p>1. Establishment of corporate conduct and ethics policy and implementation measures</p> <p>(1) Does the Company formulate the integrity management policy approved by the board of directors, have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the board of directors and the management team?</p>	Yes		(1) The Company has established Procedures for Ethical Management and Guidelines for Conduct and Code of Ethical Conduct, addressing its corporate conduct and ethics policy and measures which are approved by the board of directors and issued to each supplier in order to make its suppliers and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management. The board and the management team also rigorously and thoroughly implement such policies, and will not participate in matters related to their own interests as appropriate.	No substantial discrepancy
<p>(2) Does the Company establish appropriate compliance measures for the business activities prescribed in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities with higher risk of unethical conduct?</p>	Yes		(2) Procedures for Ethical Management and Guidelines for Conduct of the Company explicitly prohibit providing or accepting improper benefits, handling procedures for facilitating payments, and also standardize the procedures for handling political contributions and charitable donations or sponsorships. All have taken preventive measures and carried out education and publicity, planning and reporting system to ensure the effectiveness of the implementation of the system, in order to implement the integrity management policy.	No substantial discrepancy
<p>(3) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?</p>	Yes		(3) Procedures for Ethical Management and Guidelines for Conduct of the Company explicitly prohibits unethical conduct, Codes of Ethical Conduct also requires the prevention of obtaining personal gain, fair trade, compliance with rules and regulations, encouraging reporting on illegal or unethical activities, etc., and in case of violation, the violator will be punished in accordance with relevant provisions.	No substantial discrepancy

Assessment Item	Implementation Status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
2. Ethic management practice (1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	Yes		(1) Before developing a commercial relationship with another party, the Company evaluates the legality and ethical management policy of the party, and avoids business dealing with parties that have a record of involvement in unethical conduct; when entering into a contract with another party, the contract terms shall include compliance of ethical management policy.	No substantial discrepancy
(2) Does the Company set up a unit which is dedicated to or tasked with promoting the Company's ethical standards and reports directly to the board with periodical (at least once a year) updates on its integrity management policies and plans to prevent dishonest behaviors and supervision on relevant matters?	Yes		(2) The human resources department of the Company is responsible for formulating and supervising the implementation of integrity management policies and preventive measures to ensure the implementation of integrity management policies, which reports to the board the implementation results of integrity management on an annual basis, and assists the board of directors in evaluating the effective operation of the integrity prevention measures established. On 5 November 2021, the board of directors has completed the integrity management policy and the plan to prevent dishonesty behavior, and supervised the implementation.	No substantial discrepancy
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	Yes		(3) Procedures for Ethical Management and Guidelines for Conduct and Codes of Ethical Conduct of the Company	No substantial discrepancy

Assessment Item	Implementation Status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			stipulate the policy of avoiding conflict of interest, and complaint channels are established for handling cases in respect of violation of laws or code of ethics and business conduct.	
(4) To implement relevant policies on ethical conducts, does the Company establish effective accounting and internal control systems that are audited by internal auditors in accordance with the results of the assessment of the risk of dishonesty, the relevant audit plan will be drawn up and the compliance with the plan to prevent dishonesty will be checked or entrusting accountants CPA to perform the audit?	Yes		(4) The Company implements ethical management, and has established effective accounting and internal control systems, which are audited by internal auditors in accordance with the results of the assessment of the risk of dishonesty, the relevant audit plan will be drawn up and the compliance with the plan to prevent dishonesty will be checked, and the audit report is submitted to the board.	No substantial discrepancy
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	Yes		(5) In 2021, the Company held a total of 605 and 615 hours of internal and external training courses related to integrity management issues (including compliance with integrity management laws and regulations, business incident trial law, information security issues that should be addressed by directors and supervisors due to the frequent spread of cyber attacks, discussion of legal liability of directors and supervisors in cases of inaccurate financial statements, and discussion of directors' and supervisors' liability from cases of securities market misconduct).	No substantial discrepancy
3. Implementation of whistleblowing procedures (1) Does the company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and designate	Yes		(1) Procedures for Reporting of Illegal and Unethical Behavior or Unethical Conduct stipulate the whistleblowing and reward system, and complaint channels and communicating mailbox were	No substantial discrepancy

Assessment Item	Implementation Status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
responsible individuals to handle the concerns reported?			established for internal and external personnel to report, and responsible personnel were designated to handle the concerns reported.	
(2) Does the Company establish standard operation procedures for investigating the concerns reported, follow-up measures to be taken after the completion of investigation and ensuring such concerns are handled in a confidential manner?	Yes		(2) The Company established the standard procedure, follow-up measures to be taken after the completion of investigation and relevant confidentiality system for investigating the concerns received, and records of procedures and results of investigation will be stored. If violation of regulations is confirmed, report will be submitted to the management team immediately, and the violator will be punished depending on the seriousness.	No substantial discrepancy
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her reporting concerns?	Yes		(3) The Company keeps the personal information of the whistleblower confidential, and adopts proper measures to protect the whistleblower from retaliation for his/her concerns reported.	No substantial discrepancy
4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?	Yes		Procedures for Ethical Management and Guidelines of the Company and relevant governance information are disclosed on the website of the Company ("Investors" page) (website: <a href="https://easotech.com">https://easotech.com</a> ).	No substantial discrepancy
5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, describe any discrepancy between the policies and their implementation:  The Company has established Procedures for Ethical Management and Guidelines for Conduct, and complies with it. There is no discrepancy between the Procedures for Ethical Management and Guidelines for Conduct and its implementation.				
6. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the Company's corporate conduct and ethics policy)				

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

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

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

**(h) Other important information that is able to enhance the governance of the company**

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

2. Director’s training in 2021

Title	Name	Date		Holder	Course name	Training hours
		Since	Up to			
Corporate Director Representative	Liou Jenq Lin	30 July 2021	30 July 2021	Legal Foundation, Securities & Futures Institute of ROC	Talking about the Key Technologies and Business Opportunities in Quantum Technology	3
		10 September 2021	10 September 2021	Taiwan Corporate Governance Association	Realising the Value of Corporate Mergers and Acquisitions - Post-Merger Integration Issues and Establishment of Management Mechanism	3
Director	Pai Chin Chang	5 October 2021	5 October 2021	Legal Foundation, Securities & Futures Institute of ROC	Talking about the Key Technologies and Business	3



Title	Name	Date		Holder	Course name	Trainin g hours
		Since	Up to			
					Opportunities in Quantum Technology	
		6 October 2021	6 October 2021	Legal Foundation, Securities & Futures Institute of ROC	Directors' and Supervisors' Liability from Cases of Securities market malpractice	3
Director	Chang Tung I	26 October 2021	26 October 2021	Legal foundation, Taiwan Academy of Banking and Finance	Corporate Mergers and Acquisitions and Legal Risks	3
		7 December 2021	7 December 2021	Legal foundation, Taiwan Academy of Banking and Finance	Family holding Company Structure and Legacy from a Governance Perspective	3
Independent Director	Shiau Fung Shyung	9 November 2021	9 November 2021	Taiwan Corporate Governance Association	The New Corporate Governance Blueprint and Legal Compliance Highlights	3
		23 December 2021	23 December 2021	Taiwan Corporate Governance Association	Analysis of Corporate Financial Information and Use of Decision Making	3
Independent Director	Chang Shan Juh	3 August 2021	3 August 2021	Taiwan Corporate Governance Association	Information Security Issues that Directors and Supervisors should Address in the Wake of Cyber Attacks	3
		15 September	15 September	Legal Foundation, Securities & Futures Institute of ROC	Staff and Director Remuneration	3

Title	Name	Date		Holder	Course name	Trainin g hours
		Since	Up to			
		2021	2021			
					Issues - From the Amendment to Section 14 of the Securities and Exchange Act	
Independent Director	Chen Ko Hung	27 April 2021	27 April 2021	Taiwan Corporate Governance Association	Establishment and Operation of the Audit Committee	3
		1 September 2021	1 September 2021	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	6
		21 October 2021	22 October 2021	Legal Foundation, Securities & Futures Institute of ROC	The Programme for the Continuous Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Independent Director	Jeng Shih Rong	21 January 2021	21 January 2021	Taiwan Stock Exchange	Presentation on the Functions of Independent Directors of Primary Listed Companies	3
		27 August 2021	27 August 2021	Taiwan Investor Relations Institute	Business Event Trial Method	3
		30 August 2021	30 August 2021	Legal Foundation, Securities & Futures Institute of ROC	Exploring the Legal Liability of Directors and Supervisors in Cases of Misrepresentation of Financial Statements	3

### 3. Manager's training in 2021

Title	Name	Date		Holder	Course name	Training hours
		Since	Up to			
Chief Financial Officer	Lam Pui Man	26 June 2021	26 June 2021	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Accounting and Financial Reporting Series for Covid-19 - Accounting considerations for HKAS36 Impairment of Assets	1.5
		1 July 2021	1 July 2021	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Clarifications on topical HK tax issues	2.5
		24 July 2021	24 July 2021	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Intro to Anti-Money Laundering for accounting professionals	2
		25 July 2021	25 July 2021	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Data Analytics Series - Data is the new cash for Finance	1.5
		31 July 2021	31 July 2021	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Accounting and Financial Reporting Series - Expected credit losses accounting considerations under HKFRS 9 Financial instruments	1.5
		2 August 2021	2 August 2021	The Hong Kong Institute of Certified Public Accountants (HKICPA)	IPO Series: Corporate governance, risk management and internal controls of Listing candidates	2
Chief Financial Officer	Lam Pui Man	3 August 2021	3 August 2021	The Hong Kong Institute of Certified Public Accountants (HKICPA)	HKICPA e-seminar: Companies (Amendment) (No. 2) Ordinance 2018: Implications on financial reporting	1.5

Title	Name	Date		Holder	Course name	Training hours
		Since	Up to			
Audit Manger	Ko Chun Ming	11 August 2021	11 August 2021	The Institute of Internal Auditors-Chinese Taiwan	Fraud Risk Auditing Practices and Management	6
		23 August 2021	23 August 2021	The Institute of Internal Auditors-Chinese Taiwan	War and Protection of Hidden Assets - Trade Secrets and Prohibition of Competition	6
Head of Corporate Governance	Chang Po Chao	27 July 2021	27 July 2021	Legal foundation, Taiwan Academy of Banking and Finance	Internal Control Key to Board and Functional Committee Operations	3
		29 July 2021	29 July 2021	Taiwan Investor Relations Institute	New Corporate Governance and Board Performance Review Practices	3
		27 August 2021	27 August 2021	Taiwan Investor Relations Institute	Commercial Incident Management Law	3
		3 December 2021	3 December 2021	Taiwan Corporate Governance Association	Management Law Information Security Incident Handling in the New Post-COVID-19 State	3

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

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

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

**1. Management's Report on Internal Control**

**Eastech Holding Limited**  
Management's Report on Internal Control

Date: 25 February 2022

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2021:

1. The Company's Board of Directors and managers are responsible for establishing, implementing, and maintaining an adequate internal control system. And the Company has established such system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes in environment and situation due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each criterion includes several items. For the aforesaid items, please refer to the requirement of the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the criteria of the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, in 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on 25 February 2022, with none of the seven attending directors expressing dissenting opinions, and they all affirmed the content of this Statement.

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

President: Pai Chin Chang

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

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

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

1. Material resolutions of general meeting of the Company in 2021:

Date	Material resolutions	Implementation
15 July 2021	Matters for approval 1. The Company's 2020 business report and consolidated financial statements	Has complied with the resolution.
	2. Resolution on the Distribution of the Company's Surplus for 2020	Has complied with the resolution.
	Matters for discussion 1. Proposed amendments to the "Endorsement Guarantee Operation Management Measures" of the Company	1. It was announced on the website of the Company and the Company is operating in accordance with the new Endorsement Guarantee Operation Management Measures.

2. Material resolutions of Board of Directors' meeting of the Company during 2021 and up to the date of publication of the annual report:

Date	Material resolution
22 January 2021	<ol style="list-style-type: none"> <li>Proposed application for a short-term credit line of US\$8,000 thousands from EnTie Bank by the Company</li> <li>Proposed capital lending to a wholly-owned subsidiary - Eastern Asia Technology (HK) Limited, with an amount of US\$6,650 thousand</li> <li>Proposed capital injection in cash to Eastech Electronics (HK) Limited, a subsidiary</li> <li>Proposed amendments to the Rules of Procedure of the Board of Director of the Company</li> </ol>

Date	Material resolution
	<ol style="list-style-type: none"> <li>Proposed amendments to the Organizational Procedures of the Audit Committee of the Company</li> <li>Proposed amendments to the Organizational Procedures of the Remuneration and Nomination Committee</li> </ol>
26 February 2021	<ol style="list-style-type: none"> <li>Whether the Company had any disguised capital loans and circumstances related to financing as at 31 December 2020</li> <li>The Company's 2020 annual business report and consolidated financial statements</li> <li>The 2020 Deficit Compensation Proposal</li> <li>The Company's 2020 employee remuneration and directors' remuneration proposal</li> <li>Proposed issue of the Management's Reports on Internal Control in accordance with Article 24 of the Guidelines for the Establishment of Regulations Governing Establishment of Internal Control Systems by Public Companies</li> <li>Proposed amendments to the internal control system of the Company</li> <li>Resolution on the recovery and cancellation of the Restricted Shares of employees and the reduction of capital by the Company</li> <li>Submission of the Cayman Annual Declaration and Economic Substance Report</li> <li>Matters related to the convening of the general meeting by the Board of Directors of the Company for 2021</li> </ol>
15 March 2021	<ol style="list-style-type: none"> <li>Proposed disposal of 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by a subsidiary of the Company</li> <li>Proposed acquisition of right-of-use assets from Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. by Eastech (Huizhou) Co., Ltd., a subsidiary of the Company</li> <li>Proposed amendments to the "Endorsement Guarantee Operation Management Measures" of the Company</li> <li>Latest financial position and countermeasures of the Company</li> <li>Endorsements and guarantees for Eastech (VN) Company Limited by the Company</li> <li>Proposed appointment and removal of the President of the Company</li> </ol>
27 April 2021	<ol style="list-style-type: none"> <li>Proposed amendments to the "Organizational Procedures of the Audit Committee" of the Company</li> <li>Proposed issuance of employee stock option certificates for 2020 by the Company</li> <li>Proposed increase of matters for convening a general meeting of the Company for the year 2021</li> </ol>

Date	Material resolution
	<ol style="list-style-type: none"> <li>4. Sale of business machinery by Eastech (Huiyang) Co., Ltd. to Eastech (Huizhou) Co., Ltd.</li> <li>5. Sale of inventory by Eastech (Huiyang) Co., Ltd. to Eastech Systems (Huiyang) Co., Ltd.</li> <li>6. Sale of inventory by Eastech Electronics (Huiyang) Co., Ltd. to Eastech (Huizhou) Co., Ltd.</li> <li>7. Sale of inventory by Eastech Systems (Huiyang) Co., Ltd. to Eastech (Huizhou) Co., Ltd.</li> <li>8. Cash capital increase by Eastech (Huizhou) Co., Ltd.</li> </ol>
7 May 2021	<ol style="list-style-type: none"> <li>1. Whether the Company had any disguised financing facilities as at 31 March 2021</li> <li>2. 2021 First Quarter Consolidated Financial Statements of the Company</li> <li>3. The resolution in relation to the approval of the disposal of marketable securities by Eastech Electronics (HK) Limited, with the total authorized amount not exceeding NT\$100,618 thousands</li> <li>4. Sale of business machinery by Eastech Electronics (Huiyang) Co., Ltd. to Eastech (Huizhou) Co., Ltd.</li> <li>5. Sale of business machinery by Eastech (Huiyang) Co., Ltd. to Eastech Systems (Huiyang) Co., Ltd.</li> <li>6. Regular evaluation for the independence of the certified public accountants by the Company</li> <li>7. Proposed endorsements and guarantees for EASTECH (Huizhou) Co., Ltd. by the Company</li> </ol>
29 June 2021	<ol style="list-style-type: none"> <li>1. Proposed application for the short-term borrowings of RMB80,000,000 by Eastech Electronics (Huiyang) Co., Ltd., a third-tier subsidiary, to Shangnanfei Trading (Shenzhen) Co., Ltd., and authorization to Mr. Pai Chin Chang, a Director, to handle all relevant matters at his sole discretion</li> <li>2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>3. Proposed issuance of employee stock option certificates by the Company</li> <li>4. Resolution of the Board of Directors in relation to the changes in the date and venue of the 2021 regular general meeting of the Company</li> <li>5. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> </ol>
20 August 2021	<ol style="list-style-type: none"> <li>1. Whether the Company had any disguised financing facilities as at 30 June 2021</li> <li>2. Consolidated financial statements of the Company for the first half of 2021</li> <li>3. Proposed disposal of the shares of Eastech Electronics (HK) held by ETT to Eastern Asia Technology (HK)</li> <li>4. Resolution in relation to the approval of the disposal of marketable securities by ETT, with the total authorized amount of not less than NT\$100,618,000</li> <li>5. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>6. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company</li> </ol>



Date	Material resolution
	<ol style="list-style-type: none"> <li>Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>Proposed issuance of employee stock option certificates for 2021 by the Company</li> <li>Discussion about the 2021 salary adjustment plan of the Company and its subsidiaries</li> </ol>
27 September 2021	<ol style="list-style-type: none"> <li>Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> </ol>
25 October 2021	<ol style="list-style-type: none"> <li>Change in the certified public accountant in line with the internal adjustment of Deloitte &amp; Touche Taiwan</li> <li>Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> </ol>
5 November 2021	<ol style="list-style-type: none"> <li>Whether the Company had any disguised financing facilities as at 30 September 2021</li> <li>Proposed disposal of the shares of HT Precision Technologies, Inc. held by ETT to Eastern Asia Technology (HK)</li> <li>Consolidated financial statements of the Company for the third quarter of 2021</li> <li>Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>Proposed renewal of the liability insurance for Directors, supervisors and managers</li> </ol>
14 December 2021	<ol style="list-style-type: none"> <li>Proposed approval for the 2022 operating plan of the Company</li> <li>Preparation of 2022 budgetary of the Company</li> <li>Approval of the pre-sale and pre-purchase forward foreign exchange operation, with the total authorized amount of not exceeding US\$40,000,000</li> <li>Proposed approval for the 2022 audit plan of the Company</li> <li>Proposed second capital increase in cash for 2021 by Eastech (Huizhou) Co., Ltd.</li> <li>Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company</li> <li>Proposed amendments to the internal control system of the Company</li> <li>Resolution in relation to the recovery and cancellation of the Restricted Shares of employees and reduction of capital by the Company</li> <li>Proposed issuance of employee stock option certificates by the Company</li> <li>Principles of 2021 bonus distribution and distribution amount of the year-end bonus for the managers</li> <li>Proposed renewal of the China Trust's short-term facility</li> <li>Submission of the Cayman Annual Declaration and Economic Substance Report</li> </ol>
21 January 2022	<ol style="list-style-type: none"> <li>Proposed renewal of the EnTie Bank's mid-term and long-term credit facility</li> <li>Proposed second issuance of employee stock option certificates for 2021 by the Company</li> </ol>
25 February 2022	<ol style="list-style-type: none"> <li>Whether the Company had any disguised financing facilities as at 31 January</li> </ol>

Date	Material resolution
	<p>2022</p> <ol style="list-style-type: none"> <li>The Company's 2021 business report and consolidated financial statements</li> <li>Proposed distribution of remuneration to staff and Directors of the Company for 2021</li> <li>Proposed 2021 Surplus Distribution for Cash Dividends of the Company</li> <li>Proposed determination of the ex-dividend date for the 2022 cash dividends</li> <li>Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>The Company's proposed approval for the issuance of the Statement of the Internal Control System in accordance with Article 24 of the Guidelines for Public Issuers in Establishing Internal Control Systems</li> <li>Resolution of the Board of Directors in relation to the matters for convening the 2022 regular general meeting of the Company</li> </ol>
22 April 2022	<ol style="list-style-type: none"> <li>Proposed capital injection in cash by Eastech Innovations (TW) Inc., a sub-subsidiary</li> <li>Proposed disposal of the shares of ETT held by Eastern Asia Technology (HK) to EASTECH</li> <li>Proposed amendments to the "Articles of Association" of the Company</li> <li>Proposed amendments to the "Procedures for Acquisition or Disposal of Assets" of the Company</li> <li>Proposed amendments to the "Rules of Procedures for General Meetings" of the Company</li> <li>Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company</li> <li>Proposed addition of matters for convening the 2022 regular general meeting of the Company</li> </ol>
6 May 2022	<ol style="list-style-type: none"> <li>Consolidated financial statements of the Company for the first quarter of 2022</li> <li>Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>Regular assessment of independence of the certified public accountant by the Company</li> <li>Proposed capital injection in cash by Eastech (Huizhou) Co., Ltd.</li> </ol>

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

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

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

31 March 2022

Title	Name	On-Board Date	Date of Resignation or Dismissal	Reason of Resignation or Dismissal
President	Liu Guan Ting	23 June 2020	15 March 2021	Resignation

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

#### 4. Information on fees paid to the certified public accountant

##### (1) Information on fees paid to the certified public accountant

###### Information on fees paid to the certified public accountant

Unit: NT\$'000

Accounting firm	Name of account	Period of audit by accountant	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche Taiwan	Shih Chin-Chuan  Chiu Yung-Ming	2021	4,740	245	4,985	Note 1

Note 1: The non-audit fees are mainly the fees incurred for the processing of certification of significant subsidiaries, issuance of employee stock option certificates, recovery and cancellation of the Restricted Shares of employees and reduction of capital, English translation of financial reports and iXBRL reporting.

(2) When the Company changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the amount of the audit fees before and after the change and the reason shall be disclosed: Not applicable.

(3) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: Nil.

**5. Information on the change in accountant:** The Company originally engaged Shih Chin-Chuan and Liu Shu Lin, the accountants of Deloitte & Touche Taiwan, to audit and certify its consolidated financial reports, however, the certified public accountants have been changed to be Shih Chin-Chuan and Chiu Yung-Ming, the accountants, since the third quarter of 2021 in line with the internal duty adjustment of the accounting firm.

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

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

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

Unit: share

Title	Name	2021		As at 19 April 2022	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Eastech Electronics (Taiwan) Inc.	0	0	0	0
Representative of Eastech Electronics (Taiwan) Inc.	Liou Jenq Lin	(1,500,000)	0	0	0
Director and President	Pai Chin Chang (Note1)	18,000	0	0	0
Director	Chang Tung I	7,000	0	0	0
Independent Director	Shiau Fung Shyung	0	0	0	0
Independent Director	Chang Shan Juh	0	0	0	0
Independent Director	Chen Ko Hung	0	0	0	0
Independent Director	Jeng Shih Rong	0	0	0	0
Vice President	Chang Po Chao	0	0	0	0
Chief Financial Officer	Lam Pui Man	0	0	0	0
Chief Audit Officer	Ko Chun Ming	0	0	0	0
Substantial shareholder	Taishin International Bank is entrusted to manage the investment account for Above Vantage	0	0	0	0

Note 1: Re-designated as the President of Eastern Asia Technology (HK) Limited on 23 June 2020, and appointed as the President of the Company on 15 March 2021.

**(2) Information on the counterparty of a share transfer or share pledge which is a related party: Not applicable.**

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

19 April 2022; Unit: share

Name	Shareholdings		Spouse and minor shareholding		Total shareholdings in the names of other persons		For those who are related to the top ten shareholders or are spouses or within the second degree of kinship, their name and relationship		Remarks
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	Name	Relationship	
Taishin International Bank is entrusted to manage the investment account for Above Vantage	27,956,600	45.53	0	0	0	0	Nil	Nil	Nil
Wu Shu-Jhen	2,113,000	3.44	0	0	0	0	Nil	Nil	Nil
HSBC is entrusted to manage the investment account for Core Pacific Yamaichi International (H.K.) Limited	1,803,000	2.94	0	0	0	0	Nil	Nil	Nil
Jiang Ji Ru	1,454,000	2.37	0	0	0	0	Nil	Nil	Nil
Tsai Ji Tze	1,450,000	2.36	0	0	0	0	Nil	Nil	Nil
Kwok King Lam Keenan Ken	1,331,000	2.17	0	0	0	0	Nil	Nil	Nil
Wang Guo-Liang	999,000	1.63	0	0	0	0	Nil	Nil	Nil
Huang Guo-Dong	674,000	1.10	0	0	0	0	Nil	Nil	Nil
Song Ming Zhe	540,000	0.88	0	0	0	0	Nil	Nil	Nil
Jiang Sheng Long	500,000	0.81	0	0	0	0	Nil	Nil	Nil

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

**Consolidated Shareholding Percentage**

31 December 2021; Unit: share; %

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

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

## IV. CAPITAL OVERVIEW

### 1. Capital and shares

#### (1) Source of the Company's share capital

##### 1. Source of the Company's share capital

19 April 2022; Unit: thousand shares; Unit: NT\$'000

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

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

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

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

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

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

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



19 April 2022; Unit: Shares

Type of shares	Authorized Share Capital			Remark
	Issued shares (Note)	Unissued shares	Total	
Ordinary shares	61,406,000 listed shares	58,594,000	120,000,000	

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

## (2) Shareholding structure

19 April 2022

Shareholding Structure Amount	Government Authority	Financial Institution	Other Legal Entity	Individual	Foreign Entity and Individual	Chine Entity and Individual	Total
No. of person	0	2	14	2,764	23	1	2,804
No. of shares	0	32,798	1,629,000	26,900,449	32,753,753	90,000	61,406,000
Shareholding %	0	0.05	2.66	43.81	53.34	0.15	100

## (3) Shareholding distribution

### 1. Ordinary Shares

19 April 2022; Unit: Shares

Ranking of Shareholdings	No. of shareholders	No. of shares held	Shareholding (%)
1 to 999	187	13,871	0.02
1,000 to 5,000	1,923	4,091,242	6.66
5,001 to 10,000	329	2,630,018	4.28
10,001 to 15,000	114	1,498,000	2.44
15,001 to 20,000	63	1,145,000	1.86
20,001 to 30,000	45	1,143,815	1.86
30,001 to 40,000	29	1,049,254	1.71
40,001 to 50,000	21	993,000	1.62
50,001 to 100,000	51	3,619,200	5.89
100,001 to 200,000	22	3,170,000	5.16
200,001 to 400,000	7	1,931,000	3.14
400,001 to 600,000	5	2,341,000	3.81
600,001 to 800,000	1	674,000	1.10
800,001 to 1,000,000	1	999,000	1.63
1,000,001 and above	6	36,107,600	58.80
Total	2,804	61,406,000	100

2. Preferred shares: Nil

**(4) List of substantial shareholders:**

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

19 April 2022

Name of substantial shareholders	Shares	No. of shares held	Shareholding (%)
Taishin International Bank is entrusted to manage the investment account for Above Vantage		27,956,600	45.53
Wu Shu-Jhen		2,113,000	3.44
HSBC is entrusted to manage the investment account for Core Pacific Yamaichi International (H.K.) Limited		1,803,000	2.94
Jiang Ji Ru		1,454,000	2.37
Tsai Ji Tze		1,450,000	2.36
Kwok King Lam Keenan Ken		1,331,000	2.17
Wang Guo-Liang		999,000	1.63
Huang Guo-Dong		674,000	1.10
Song Ming Zhe		540,000	0.88
Jiang Sheng Long		500,000	0.81

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

Unit: NT\$; thousand Shares

Item \ Year		2020	2021	As at 31 March 2022
Market price per share	Highest	56.40	28.00	26.75
	Lowest	19.00	17.50	19.80
	Average	29.19	21.54	22.11
Net assets per share (Notes 1 & 2)	Before distribution	19.23	27.07	27.64
	After distribution	19.23	26.47	27.64
Earnings (loss) per share (Notes 1 & 2)	Weighted average no. of shares	61,011 thousand shares	60,970 thousand shares	60,953 thousand shares
	Earnings (loss) per share	(11.09)	6.03	0.01
Dividend per share	Cash dividend (Notes 2 & 4)		-	0.60
	Stock Dividend Distribution	Surplus shares distribution	-	-
		Capital reserve shares distribution	-	-
	Accumulated unpaid dividend		-	-
Analysis of return on investment	Price-Earnings Ratio (Note 5)		(2.63)	3.57
	Price-Dividend Ratio (Note 6)		N/A	35.90
	Cash Dividend Yield (Note 7)		N/A	2.79%

Note 1: The net assets and earnings (loss) per share for 2020 and 2021 were calculated based on the audited consolidated financial statements. The net assets and earnings per share as at 31 March 2022 were calculated based on the reviewed consolidated financial statements.

Note 2: The net assets per share for 2020 were calculated based on the number of shares of the Company issued as at the end of 2020, being 61,455 thousand shares. The net assets and dividends per share for 2021 were calculated based on the number of shares issued as at the end of 2021, being 61,406 thousand shares. The net assets per share as at 31 March 2022 were calculated based on the number of shares issued as at the end of March 2021, being 61,406 thousand shares.

Note 3: The loss per share for 2020 was calculated based on the weighted average number of shares of the Company, being 61,011 thousand shares. The earnings per share for 2021 were calculated based on the weighted average number of shares of the Company, being 60,970 thousand shares. The earnings per share as at 31 March 2022 were calculated based on the weighted average number of shares of the Company, being 60,953 thousand shares.

Note 4: The above information is based on the profit distribution proposed at the Annual General Meeting in the following year.

Note 5: Price-Earnings Ratio = average closing price per share for the year / earnings per share.

Note 6: Price-Dividend Ratio = average closing price per share for the year / cash dividend per share.

Note 7: Cash Dividend Yield = cash dividend per share / average closing price per share for the year.

## **(6) Dividend policy and its implementation**

### **1. Dividend Policy**

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

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

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

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

With the attendance of more than two-thirds of the directors by the board of directors of the Company and the attendance of more than half of the directors by special resolution, the dividend and all or any of the dividends to be distributed by way of cash shall be reported to the shareholders in general meeting. The cash dividend shall not be less than 50% of the total dividends/bonus distribution and the remaining distribution may be in stock dividends.

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

On 25 February 2022, the Board of Directors approved the proposal for the 2021 surplus distribution of the Company and resolved to distribute a cash dividend of NT\$0.6 per share.

3. Report of the status and results of the cash dividend distribution at the general meeting:

It is expected that the Company will report the status and results of the cash dividend distribution at the general meeting to be held on 17 June 2022.

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

#### **(8) Staff and directors' remuneration**

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

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

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

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

The remuneration of staff and directors for the current period was estimated in accordance with the requirements of the articles of association and was approved by the Board of Directors on 25 February 2022 and there is no difference.

3. The distribution of remuneration approved by the Board of Directors:

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

As approved by the Board of Directors on 25 February 2022, the Company intended to distribute the remuneration of staff and directors of NT\$10,523,000 and NT\$6,300,000 respectively. All of the abovementioned amounts will be paid in cash.

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

4. Report of the status and results of the distribution of remuneration at the general meeting:

It is expected that the remuneration of staff and directors to be reported by the Company at the general meeting to be held on 17 June 2022 will be NT\$10,523,000 and NT\$6,300,000, respectively.

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

Due to the loss before tax for the year 2020, the Board of Directors resolved on 26 February 2021 that no remuneration of staff and directors would be distributed, therefore, it is not applicable.

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

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

**3. Preferred shares: Nil**

**4. Global depositary receipts: Nil**

## 5. Employee Stock Options

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

6 May 2022

Type of Employee Stock Options	First Employee Stock Options	First Employee Stock Options	Second Employee Stock Options
Effective date	19 September 2018	19 September 2018	23 May 2019
Date of issuance (application)	28 September 2018	10 June 2019	10 June 2019
Unit of issuance	1,200 units	400 units	4,347 units
Number of shares subscribed upon issuance as a percentage of total no. of shares in issue (%)	1.95%	0.65%	7.08%
Subscription period	28 September 2018 to 27 September 2022	10 June 2019 to 9 June 2023	10 June 2019 to 9 June 2023
Way of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restriction period and ratio (%) of subscription	100% of stock options shall be exercisable upon 3 years from expiry	100% of stock options shall be exercisable upon 3 years from expiry	100% of stock options shall be exercisable upon 3 years from expiry
No. of shares acquired upon exercise	0	0	0
Subscription amount upon exercise	0	0	0
No. of shares lapsed but not yet exercised (Note 1)	270,000 shares	0 share	1,765,000 shares
No. of shares subscribed but not yet exercised	930,000 shares	400,000 shares	2,582,000 shares
Subscription price per share subscribed but not yet exercised	NT\$22.30	NT\$30.80	NT\$30.80
No. of shares subscribed but not yet exercised as a percentage of total no. of issued shares (%)	1.51%	0.65%	4.20%
Impact on shareholders' interests	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.

Note 1: Mainly represented the number of shares lapsed as a result of the departure of employees.



Type of Employee Stock Options	Second Employee Stock Options	Third Employee Stock Options	Third Employee Stock Options
Effective date	23 May 2019	25 September 2019	25 September 2019
Date of issuance (application)	19 May 2020	19 May 2020	6 August 2020
Unit of issuance	203 units	2,557 units	82 units
Number of shares subscribed upon issuance as a percentage of total no. of shares in issue (%)	0.33%	4.16%	0.13%
Subscription period	19 May 2020 to 18 May 2024	19 May 2020 to 18 May 2024	6 August 2020 to 5 August 2024
Way of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restriction period and ratio (%) of subscription	100% of stock options shall be exercisable upon 3 years from expiry	100% of stock options shall be exercisable upon 3 years from expiry	100% of stock options shall be exercisable upon 3 years from expiry
No. of shares acquired upon exercise	0	0	0
Subscription amount upon exercise	0	0	0
No. of shares lapsed but not yet exercised (Note 1)	203,000 shares	1,177,000 shares	0 share
No. of shares subscribed but not yet exercised	0 share	1,380,000 shares	82,000 shares
Subscription price per share subscribed but not yet exercised	NT\$24.60	NT\$24.60	NT\$24.70
No. of shares subscribed but not yet	0%	2.25%	0.13%

exercised as a percentage of total no. of issued shares (%)			
Impact on shareholders' interests	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.

Note 1: Mainly represented the number of shares lapsed as a result of the departure of employees.

Type of Employee Stock Options	Fourth Employee Stock Options	Fifth Employee Stock Options	Sixth Employee Stock Options
Effective date	7 May 2020	9 July 2021	24 December 2021
Date of issuance (application)	27 April 2021	20 August 2021	21 January 2022
Unit of issuance	219 units	2,460 units	1,030 units
Number of shares subscribed upon issuance as a percentage of total no. of shares in issue (%)	0.36%	4.01%	1.68%
Subscription period	27 April 2021 to 26 April 2025	20 August 2021 to 19 August 2025	21 January 2022 to 20 January 2026
Way of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restriction period and ratio (%) of subscription	100% of stock options shall be exercisable upon 3 years from expiry	100% of stock options shall be exercisable upon 3 years from expiry	100% of stock options shall be exercisable upon 3 years from expiry
No. of shares acquired upon exercise	0	0	0
Subscription amount upon exercise	0	0	0
No. of shares lapsed but not yet exercised (Note 1)	0 share	80,000 shares	0 share
No. of shares subscribed but not yet exercised	219,000 shares	2,380,000 shares	1,030,000 shares
Subscription price per share subscribed but not yet exercised	NT\$21.00	NT\$18.90	NT\$20.20
No. of shares subscribed but not yet	0.36%	3.88%	1.68%

exercised as a percentage of total no. of issued shares (%)			
Impact on shareholders' interests	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.	Upon 3 years from the expiry of the employee stock options, the stock options holders of the Company are entitled to fully exercise the stock options in accordance with this measure and the dilution of these original shareholders' equity will not be material.

Note 1: Mainly represented the number of shares lapsed as a result of the departure of employees.

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

6 May 2022; Unit: thousand shares

	Position	Name	No. of shares acquired	No. of shares acquired as a percentage of total no. of shares in issue	Exercised				Not Yet Exercised			
					No. of shares subscribed	Subscription price	Subscription amount	No. of shares subscribed as a percentage of total no. of shares in issue	No. of shares subscribed	Subscription price (NT\$)	Subscription amount (NT\$'000)	No. of shares subscribed as a percentage of total no. of shares in issue
Management officers	Director (Note 1)	Pai Chin Chang	1,171	1.91%	0	0	0	0	1,171	18.90 ~30.80	31,621	1.91%
	Director (Note 2)	Chang Tung I										
	Vice President	Chang Po Chao										
	Chief Financial Officer	Lam Pui Man										
	Chief Audit Officer	Ko Chun Ming										
Staff	Staff of subsidiaries	(Note 3)	4,181	6.81%	0	0	0	0	4,181	20.2 ~30.80	113,874	6.81%

Note 1: Being the President of the Company.

Note 2: Being the vice executive president of a subsidiary.

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

**6. Restricted shares for employess**

- (1) Restricted shares for employees that have not satisfied all vesting conditions and impact on shareholders' interests:** Not applicable
- (2) Names of the management officers and the top ten employees who obtained the restricted shares for employees and details:** Not applicable

**7. Mergers and acquisitions**

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

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

**9. Implementation of the fund utilization plan:** Nil

## V. OPERATIONAL HIGHLIGHTS

### 1. Business activities

#### (1) Scope

##### 1. Principal Business

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

##### 2. Key Products and Proportion to Turnover

Unit: NT\$'000

Item \ Year	2020		2021	
	Amount	%	Amount	%
Home Audio	5,225,236	58.44	4,804,276	51.05
Personal Audio	2,032,349	22.73	2,897,382	30.78
Transducer Speaker	369,571	4.13	421,663	4.48
Others	1,314,099	14.7	1,288,990	13.69
Total	8,941,255	100	9,412,311	100

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

##### 3. Existing Products (Services) of the Company

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

##### 4. New products developed

###### (1) Home Audio

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

###### (2) Personal Audio

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

### (3) Transducer Speaker

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

## (2) Industry overview

### 1. Current Industry Status and Development

#### (1) Home Audio

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

#### (2) Personal Audio

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

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



① Classification based on the presence or absence of wires

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

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

② Classification based on design and function

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

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

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

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

**Canal:** Canal earphone, which is evolved from the improvement of hearing aids, has become one of the popular earphone models in recent years. It has the same appearance and lightness features with the in-ear earphones and its sounding unit can extend into our ear

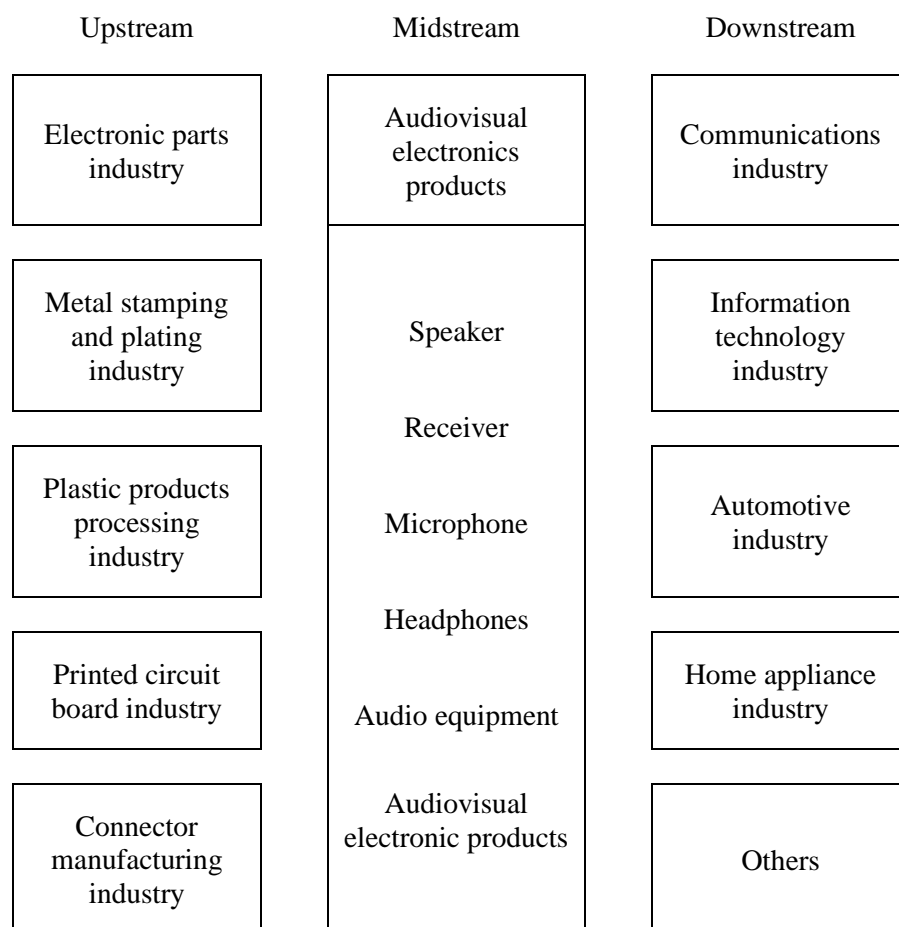
canal with a distance even closer to our eardrum as compared with in-ear earphones so that it has excellent sound insulation (up to 32 decibels).

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

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

## 2. Relationship between the upstream, midstream and downstream industries

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



Source: Taiwan Industry Economics Services

### 3. Development Trend and Competition of Products

#### (1) Development Trend of Products

##### ① Speaker Systems and Audio/Video Systems

Over the past decades, the industry reached breakthrough in terms of use of materials and prototyping technology and the development was relatively slow. In recent years, the rapid evolvement of digitalization and networking, and the popularity of portable electronic consumer products namely LCD TV, notebook, tablet computer and smart phones have drastically changed the demand of consumer for audio and video entertainment. To cater for the consumers' demand for audio/video experience, the whole speaker industry is under considerable transformation. Different kinds of speaker systems

are unveiled in line with the transformation of the downstream electronic consumer products. As such, the life cycle of product is diminished, the technologies of speaker products and electronic digital system integrate, and the industry is developing towards multi-functions, wireless and miniature in size.

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

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

## ② Earphones

As reported by Bloomberg, Apple has disrupted the earphone market with the AirPods. Since the launch of the AirPods, Apple has demonstrated its brand influence by moving beyond mobile phones and into TWS products, which it has never been involved in before. This also allows the earphone

industry to quickly leap from wired designs to wireless Bluetooth, active noise reduction and other sensory changes, and in doing so, Apple confirmed its strong position in the TWS market, accounting for 32% of global earphone shipments in 2020. In 2020, the COVID-19 pandemic was a crucial development. Under the impact of the pandemic, earphones have gone from being used simply for listening to music to being an important accessory for online classes, video games and video conferences, directly increasing the demand for earphone products. Apple has carved out a niche for itself in the TWS market, rounding out its ecosystem of portable accessories with a pair of truly wireless Bluetooth earphones and using its own powerful chip technology to enhance the performance and experience. Secondly, Apple's biggest impact on the traditional earphone market is the smart voice assistant and noise cancellation features built into compact TWS earphones, a digital integration and technology capability that earphone brands lacked in the past, and the creation of a whole new market of what IDC calls "hearables", which the latter estimates at 267 million units shipped per year and a market size of US\$35 billion.

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

## (2) Competition

## ① Speaker Systems and Audio/Video Electronics Systems

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

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

Due to its convenience and the wireless transmission technology of mobile devices, Bluetooth wireless speakers have gradually become the mainstream audio products in recent years. In addition, hardware player systems such as DVD and Blu-ray disc players are being replaced by emerging media including cloud or

online video (YouTube)/music, resulting in a trade-off effect.

## ② Earphones

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

## (3) Technology, research and development (“R&D”)

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

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

obtained ISO9001 and ISO14001 international quality assurance systems in 2006 and obtained TS16949 certification in 2016. In addition, the key components of the speaker systems are mainly made in its own factory to ensure the stability of product quality and delivery guarantee.

Technology of earphones are further enhanced together with electro-acoustic software and upgraded electro-acoustic equipment, which becomes a High Resolution technology and is applied in developing the touch Bluetooth® headphones and Voice enabled earphones equipped with DSP and CVC noise reduction technology. Hence, it ranks amongst the top R&D technologies.

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

No. of individual / Year		Unit: No. of individual		
		2020	2021	As at 31 March 2022
Education Background Distribution	Doctoral	0	0	0
	Postgraduate	13	6	6
	Degree/Professional	227	184	183
	Senior High School	55	40	42
	Below Senior High School	11	5	5



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

Unit: NT\$'000

Year	2020	2021
R&D Expenses (A)	253,964	230,479
Net Revenues (B)	8,941,255	9,412,311
The Proportion of R&D Expenses % = (A)/(B)	2.84	2.45

### 4. Results of Research and Development

The major results of research and development for the past two years and as at the end of the latest period:

- Radial Magnetic Circuit Speaker
- Ultra-wide Band Loud-speaker
- Built-in Carbon Fiber Rod Diaphragm
- Ultra-linear Low Distortion Passive Irradiator
- Hi-Res Full Range
- Super power Subwoofer

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

##### **1. Short-term business development plan**

###### **(1) Research and development strategies and plan**

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

###### **(2) Production strategies and plans**

- A. Understand the market trend, and set the production direction accordingly and clarify the positioning of the factory.
- B. Actively reform and improve the production efficiency and processing technology.
- C. Invest in assembly automation and energy-saving equipment to reduce labour force and energy. Accelerate the automation equipment that enlarges the speaker unit.
- D. Keep improving the production to enhance productivity of the plant. Set up independent production lines according to different categories of customers to meet customer needs. Set annual cost indicators to reduce the costs of material and expenses.

- E. Gradually integrate upwards to increase the added value of the product. Establish a dust-free constant temperature and humidity production line for the production of high-end products.
- F. Establish more professional plants and carry out grading transformation of plant areas and plants.

### (3) Operating and financial strategies and plans

- A. Establish a comprehensive human resources system, use mergers to integrate and cultivate outstanding acoustic talents.
- B. Establish a comprehensive quality system and establish an internal knowledge management system in accordance with the requirements of major international clients.
- C. Strengthen the international business team, focus on high-end customers of advanced audio and the fast-growing Sound Bars market and smart audio market.
- D. In response to the increasing labour costs in Mainland China, the capital expenses in China are focused on the investment in automation equipment.

## 2. Long Term Development Strategies and Plans

### (1) R&D Strategies and Plans

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

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

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

## (2) Production Strategies and Plans

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

## (3) Operational and Financial Strategies and Plans

- A. Promoting the idea of internationalization and strengthening the international management capability, while at the same time recruiting different talents from the world, so as to reach excellent standards in terms of R&D, production, marketing, sales and operation management.
- B. Reinforcing risk control to realize the operation vision of stability, high efficiency and adequate flexibility.

- C. Upholding its target of delivering exquisite audio experience to global consumers, continuing to pay effort on technology improvement and cost effectiveness, in order to provide products and services with maximum market value to branded customers. While expanding the traditional OEM speaker and earphones markets, it actively develops the markets of high-end speaker systems, car speaker systems and electronics speaker systems.

## 2. Market and sales overview

### (1) Market analysis

#### 1. Regions of Major Product Sales (Service Provision)

Unit: NT\$'000

Year Regions	2020		2021	
	Amount	Ratio (%)	Amount	Ratio (%)
China (Note)	2,629,081	29.40	2,382,486	25.32
Japan	1,097,692	12.28	1,333,394	14.17
Korea	2,747,062	30.72	2,157,250	22.92
Denmark	341,359	3.82	1,076,262	11.43
Netherlands	608,090	6.80	323,947	3.44
Sweden	369,046	4.13	1,003,575	10.66
Others	1,148,925	12.85	1,135,397	12.06
Total	8,941,255	100	9,412,311	100.00

Note: Including indirect export

#### 2. Market Share

The Company primarily engages in the R&D, manufacturing and sales of speaker systems, earphones and AV electronics products, in which, speakers and audio products with electronics and traditional speakers are the major items contributing to the Company's operating income. It is easy to tap into the speaker manufacturing industry; however, it is hard to become a competitive manufacturer that has good performance in terms of technology, quality control, R&D trials and the ability to meet the delivery period as demand by clients, after-sales service and equipment investment. The Company has engaged in the manufacturing of acoustic products for more than 20 years, accumulated considerable experience in every aspect in respect of manufacturing of speakers, and acquired the core technologies for manufacturing of speakers, and established long-term cooperating relationship with branded clients, and became the strategic partner of multiple well-known branded customers for more than ten years.

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

#### (1) Speaker Systems

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

#### (2) Earphones

According to the researches and statistics conducted by DIGITIMES Research, the global true wireless Bluetooth earphone (TWS) market maintained growing at a high rate in 2021, with an estimated shipment of 259 million pairs, representing an increase of 40.5%. In particular, Apple's AirPods series still secured more than 40% of the market share. However, as competitors launch products with similar software and hardware functions and user experience but a higher cost-effectiveness ratio, it is expected that Apple will find it difficult to increase its market share in TWS.

TWS shipments have rapidly grown in recent years, with product functions and specifications becoming more stable and comprehensive and price gradually declining. Except for the difference between ecosystem-bound advantages and real

experience, it is difficult for TWS products to have a high price premium due to the similarity of its functions and hardware specifications.

In addition, battery endurance and sound quality will remain the key targets for optimization of TWS brands in the future, by ways including system-in-package (SiP) technology, which allows greater flexibility in the use of space inside the TWS body, and the Bluetooth Low Energy Audio (LE Audio) standard and LC3 (Low Complexity Communications Codec), which can significantly improve energy consumption and sound quality, especially for affordable TWS. It is expected that relevant products will be launched gradually in the future.

#### 4. Competition Niche

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

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

##### (2) Strong R&D Capability

In the recent years, the Company actively participated in the R&D of different fields such as digitalization, network music, new broadcasting method and wireless application so as to cope with the market trend and



technology. After many years of development, the Company's R&D department has a team with clear duty allocation and strong capability in the R&D of acoustic, electronic, structural devices and software/hardware, and has built up development foundation for digitalization and wireless broadcasting. Thus, it can swiftly commence design and development upon receipt of the clients' OEM/ODM proposals. The Company set up research and development centers in Taiwan, Shenzhen, Singapore and Huiyang of Guangdong to attract more professionals.

### (3) Scale of Economy

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

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

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

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

The key components of speaker systems are mainly self-made, to ensure the quality of the products and to meet the delivery period as demand by clients. The Company has experience of over 20 years in R&D of speaker units, along with the solid R&D of speaker woodwork and plastic injection

technology, and the R&D of digital speaker systems and the manufacturing technology, together with the audition room with international standards and Klippel®, the top notch R&D technology of speakers, the Company can accommodate the demand of international branded clients for R&D of new products.

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

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

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

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

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

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

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

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

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

A. Shortage of labor and increase in labor cost

The production process of the Company still relies on relatively large amount of manpower. Since Mainland China implemented the Labor Contract Law, the basic salary has increased every year, coupled with economic restructuring, the end of demographic dividend and the rise in awareness of labor rights, and the shortage of labor, which led to the increase in production cost. Although automation can replace labour for certain demands, it is difficult to realize fully automated production of components and parts such as electro-acoustic components and wire connectors. Besides, the demands for some highly customized niche products have also brought challenges to full automation.

Responsive measures:

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

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

In recent years, the development of companies extended as a result of the innovation of products in many traditional industries, for instance, the monitor/TV industry has extended to the AI speaker and consumer electronics assembly factories have also engaged in TWS earphones OEM. For traditional speaker industry, this increased a certain number of competitors. The intensified price reduction of competitors from different industries inhibited the growth of gross profit margin.

Responsive measures:

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

C. Swift changes in consumer electronic products

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

Responsive measures:

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

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

Affected by the United States-China trade agreement and geopolitics and under the trend of industrial fragmentation and de-globalization, the Company needs to have a second production base outside of China as this has become the baseline for taking orders, and an important issue for members of the supply chain no matter it is for the purpose of avoiding high tariffs or as a flexible measure taken for short-chain supply chains.

##### Responsive measures:

Plant in Hai Duong, a northern province in Vietnam, was completed and started its operation in December 2019. The procurement costs in Vietnam were higher than that of the PRC supply chain because of incomplete local supply chains. Although Vietnam has a lower manpower cost as compared with the PRC, its production efficiency is far not comparable with that of the PRC. By enhancing the value-added ratio of products made in Vietnam through improving self-production rate and routine work mode, the plant has been regarded as the second production base outside of China.

#### E. Impacts brought by the coronavirus epidemic

Other than the lifestyle of consumers, the epidemic has also essentially changed the previous cooperation model of the industry value chains and the assessment method of traditional core strengths.

### Responsive measures:

In addition to the increasing urgent needs for digital transformation, Internet of Things, and AI-related technology introduction, mutual support between different factories/cooperative factories, alternative supply chain solutions, mechanisms for replacement of key technologies and employees, as well as dynamic inventory management and responsive measures adopted for emergency orders are also the most urgent tasks of the Company, which require the immediate establishment of a system for thorough examination and the improvement of responsive measures.

## **(2) Major purposes and production process of key products**

### 1. Major purposes of key products

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

### 2. The production process of key products

- (1) The production process of speaker systems: paint black plastic on the edges of the horn and woofer → place the horn and woofer → fix the horn → fix the woofer → direct the cables of the horn and woofer → direct the wire → weld the wire → check the phase → stick the back label and staple the mini cable → inject plastic for panels at the four sides → initial assemble → pressure to seal the gap → chamfer → trim the edges → inject plastic to the hole of the column feet at the front panel → check and select plastic sticks → place the plastic sticks → check and place the cloth frame → pressure and fix the cloth frame and plastic sticks → leveling → carry out audio test → tear off the protective film → Q.C. inspection → packaging.

(2) The production procedure of AV electronics: getting the materials from the production lines → SMT solder paste printing → SMT Pasting → Reflow soldering → AOI inspection → visual inspection → horizontal parts assembling → vertical parts assembling → PCB board connectors → wave soldering → PCB board surface repair → PCB ICT → PCB Function Verification Test → assemble speakers on the top case → assemble the PCB board → cables installation/management → internal check → close the cover/lock the bottom case by screws → Function Verification Test for the semi-finished product → Install wire gauze/foot pad → install left and right cap → install PCB board → tighten the screws to lock the wire gauze → Hi-POT test → main unit decoration → Function Verification Test for the finished product → reposition/ install left decoration cover → main unit cleansing/appearance inspection → apply protective film on the covers → put on stickers/scan the bar code → pack the main unit into plastic bag → pack the main unit/sticking of bar code → fold the corrugated box/seal the box → weigh the main unit → stack the AV electronics/place the AV electronics → delivery.

(3) Transducer speakers

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

(4) Earphones

The production procedure of earphones: pull the cable through the back case → weld the speakers → inspection on the appearance of

the welding point → check the phase → inject plastic to the front case (pug in the screws) → assemble the front and back cases → check the resistance → appearance inspection → audio test → electroacoustic test → insert silicon ear cushion → packaging.

### **(3) Supply of major raw materials**

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

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

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

1. The name of suppliers accounting for more than 10% of the total purchase volume in any year of the past two years, their sales amount and proportion, and the explanation for the movements: The Company has diverse suppliers, for the past two years and as at the end of the first quarter of 2022, the Company did not have purchases from a single supplier accounting for 10% or more of the total purchases.



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

Unit: NT\$'000

Item	2020				2021				As at the end of the first quarter of 2022			
	Company	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Company	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Company	Amount	Percentage of annual net sales (%)	Relationship with the issuer
1	Company A	2,744,832	30.70	Nil	Company A	2,153,867	22.88	Nil	Company A	800,838	31.07	Nil
2	Company B	1,177,243	13.17	Nil	Company B	1,132,230	12.03	Nil	Company B	238,668	9.26	Nil
3	Company C	364,589	4.08	Nil	Company C	1,068,890	11.36	Nil	Company C	284,902	11.05	Nil
4	Company D	-	-	Nil	Company D	1,016,064	10.80	Nil	Company D	519,058	20.14	Nil
5	Others	4,654,591	52.05	—	Others	4,041,260	42.93	—	Others	733,775	28.48	—
	Net sales	8,941,255	100.00	—	Net sales	9,412,311	100	—	Net sales	2,577,241	100	—

Explanation for the movements:

- (1) Company A was affected by the COVID-19, which reduced customer market demand and resulted in a decrease in sales orders.
- (2) Company B was affected by the impact of the South American market and the COVID-19, which reduced customer market demand and resulted in a decrease in sales orders.
- (3) The sales of specific products to customers by company C were satisfactory, and the sales order increased as a result of the increased market demand from the customers.
- (4) Company D is a new customer with transactions starting from April 2021. The significant increase in sales orders over the same period of the previous year was mainly attributable to the transfer of orders from the customers under the same category of that company.

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

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

Quantity and Value Key products	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Home Audio		7,384	4,674	5,265,490	6,450	4,479	4,571,467
Personal Audio		11,215	6,134	2,002,814	9,076	5,572	2,607,014
Transducer Speaker		4,885	2,971	313,519	3,021	2,621	344,908
Others		19,227	11,484	824,491	11,780	9,243	709,550
Total		42,711	25,263	8,406,314	30,327	21,915	8,232,939

Explanation for the movements:

As the business growth turned positive in 2021, revenue increased as compared to 2020, together with the enhanced capacity utilization rate and the increased average production value in 2021 as compared to 2020.

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

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

Sales quantity and Value Key Products	Year	2020				2021			
		Domestic sales (Note)		Export sales		Domestic sales (Note)		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Home Audio		5,435	240,532	1,533	4,984,704	271	275,746	4,076	4,528,530
Personal Audio		3,240	848,561	2,043	1,183,788	4,050	847,746	1,276	2,049,636
Transducer Speaker		1,174	89,451	1,367	280,120	1,875	111,715	1,335	309,948
Others		19,450	230,693	17,012	1,083,406	30,623	319,480	85,354	969,510
Total		29,299	1,409,237	21,955	7,532,018	36,819	1,554,687	92,041	7,857,624

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

Explanation for the movements:

Sales value in 2021 increased as compared to 2020, mainly attributable to the increase in revenue as compared to 2020 as a result of the fact that the business growth turned positive in 2021.

### 3. Number of employees for the past two years and as at the date of publication of annual report

Unit: Person; %

Person/Year		2020	2021	As at 31 March 2022
No. of employee	Management officers (Note)	40	26	26
	Production	1,461	1,222	1,284
	General	1,786	1,363	1,392
	Total	3,287	2,611	2,702
Average age		43.56	42.83	42.72
Average year of service		7.35	5.97	6.21
Academic qualification (%)	Doctoral	0	0	0
	Master	1.95	1.03	0.96
	University	23.03	24.55	23.72
	Senior high school	29.27	34.47	35.31
	Below senior high school	45.76	39.95	40.01

Note: Management officers refer to supervisors of associate level or above.

#### 4. Environmental protection expenditure

Explanation on, for the past two years and as at the date of publication of the annual report, losses suffered due to pollution (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the provisions of law violated, and the content of the dispositions), and disclosure of an estimated amount that could be probably incurred currently and in the future and the responsive measures, and if such amount cannot be reasonably estimated, the reasons for which it cannot be reasonably estimated: Nil.

Table of environmental protection expenditures of Mainland factories in 2021

Unit: NT\$

Cmt. 114		
Category of Environmental Protection Project	Explanation	Expenditures
Gate Valves of Emergency Pools for Environmental Protection	Diversion control over stormwater and sewage.	684,000
Waste Gas Treatment Facilities for Injection Moulding	Waste gas treatment for production, aiming to reduce the impact on the external environment.	3,171,000
Waste Gas Treatment Facilities for Spray Coating		
Ratification of Waste Gas Exhaust Ports for Spray Coating		
Total		3,855,000

## 5. Labour relations

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

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

#### **(1) Employees' Benefits**

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

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

#### **(2) Continuous Academic Development and Training**

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

① Orientation Training:

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

Introduction is made by personnel department to new employees on the first day of their reporting for duty, which includes employee regulations and benefits. Pre-employment training aims to help new employees to know the working environment and prepare them for their job.

② On-the-job Training:

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

(3) Pension System and its Execution

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

The Group maintains a Mandatory Provident Fund Scheme (the "MPF Scheme"), according to the Mandatory Provident Fund Schemes Ordinance for its employees of the subsidiaries in Hong Kong. MPF is an employment-based retirement protection system,

the Company and the employees are each required to make regular mandatory contributions with a specified percentage of payroll costs to the Personal Employee Retirement Fund Account. Employees are free to make voluntary contributions in addition to mandatory contributions.

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

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

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

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

- (2) Explanation on, for the latest year and as at the date of publication of the annual report, losses suffered due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the provisions of law violated, the substance of the legal violations, and the content of the dispositions), and disclosure of an estimated amount that could be probably incurred currently and in the future and the responsive measures, and if such amount cannot be reasonably estimated, the reasons for which it cannot be reasonably estimated:**

The Company is committed to maintaining the harmony between the Company and its employees, and resolve problems by carrying out two-way

communication and cooperation. Until now, harmonious labor relations are maintained and no material labor disputes have occurred.

## **6. Management of information security**

### **(1) Description of the information security risk management framework, information security policy, specific management plans and resources devoted to information security management:**

The Company has formulated an "Information Security Management Policy" and has implemented and promoted information security management practices.

By upholding the spirit of being customer-oriented for order taking, production, material control, financial cash flows and information infrastructure, the Company has developed a diversified system framework, and has summarized four key systems, namely MES, PLM, SAP and Mail System, under this framework. Responsive measures have been implemented according to the following methods.

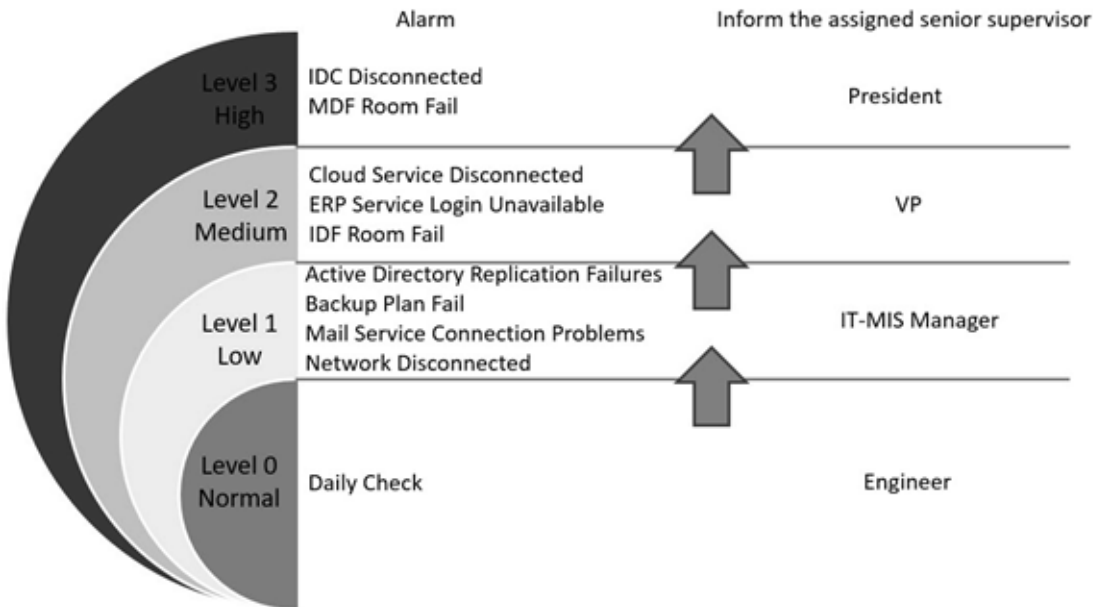
In respect of these four key systems, a data backup mechanism has been established and the backup media is stored off-site; a daily inspection system has been adopted for the server room; various simulation tests and emergency measures are conducted on a quarterly basis to ensure the normal operation of critical systems and data security, thereby reducing the risk of system outages caused by unpredictable natural disasters and human error and ensuring that the system can be recovered on time as expected.

As for traditional information security, in addition to substantial investment amount, the information and legal departments jointly hold information security seminars every fiscal year, to not only share the latest hacker attack methods, but also focus on enhancing users' own awareness of information security. Meanwhile, the "Information Risk Management Framework" has been specially set up such that the emergency measures for and control and management of disasters can be reported level by level. Such framework is an IT policy and standard, and can ensure the continuous compliance and the satisfaction of the standards of the latest security measures.

Since 2020, the IT information strategy has been adjusted to be strategic cloud deployment, with the strategic focus being the gradual migration of critical systems to a cloud platform year by year. At present, the SAP and Mail System have been completely migrated to a cloud platform. With the characteristics of cloud services, it can avoid the risk of any company base



being unable to operate due to natural disasters, which in turn affects the IT system of a single node, and reduce cyber-attacks such as APT, DDoS, and Zero-day Vulnerability through the cloud platform. Besides, it can also avoid the risk of disruption to IT services at a single node resulting from the shutdown of specific operating sites due to, among others, the impact of COVID-19 outbreak in 2019.



**(2) Description of, for the latest year and as at the date of publication of annual report, losses suffered as a result of significant information security incidents, their possible impact and the responsive measures, and, if they cannot be reasonably estimated, the reasons for which they cannot be reasonably estimated:**

For the previous year and as at the date of publication of annual report, the Company had no significant cyber-attacks or information security incidents.

## 7. Material contracts:

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

## VI. FINANCIAL INFORMATION

### 1. Condensed financial information for the last five years

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

##### 1. Condensed Balance Sheet – International Financial Reporting Standards

Unit: NT\$'000

Item	Year	Financial Information for the last five years					As at 31 March
		2017	2018	2019	2020	2021	2022
Current Assets		3,437,400	3,847,439	4,031,248	4,793,305	5,157,376	5,341,448
Property, Plant and Equipment		814,687	743,556	751,071	1,052,738	948,845	974,186
Intangible Assets		248,618	260,941	245,175	275,206	38,565	34,595
Other Assets		189,769	175,031	277,989	281,525	193,891	190,893
Total Assets		4,690,474	5,026,967	5,305,483	6,402,774	6,338,677	6,541,122
Current Liabilities	Before allocation	2,955,466	3,160,334	3,080,018	4,742,352	4,380,290	4,552,443
	After allocation	3,023,733	3,203,711	3,160,018	4,773,695	4,380,290	4,589,287
Non-current Liabilities		134,692	131,089	273,050	447,298	296,040	266,894
Total Liabilities	Before allocation	3,090,158	3,291,463	3,353,068	5,189,650	4,676,330	4,819,337
	After allocation	3,158,425	3,334,800	3,433,068	5,220,993	4,676,330	4,856,181
Interests attributable to the owners of the parent company		1,532,049	1,692,167	1,872,415	1,181,781	1,662,347	1,684,941
Share Capital		619,860	616,060	615,040	614,550	614,060	614,060
Capital Reserve		766,834	751,962	759,962	779,951	749,535	754,550
Retained Earnings	Before allocation	305,043	499,029	761,200	(3,169)	426,590	427,114
	After allocation	236,776	455,652	681,200	(34,512)	426,590	390,270
Other Interests		(50,750)	(107,488)	(159,768)	(154,189)	(103,819)	(49,920)
Stock Inventory		(40,671)	(24,019)	(24,019)	(24,019)	(24,019)	(24,019)
Non-controlling Interests		—	—	—	—	—	—
Total Interests	Before allocation	1,600,316	1,735,544	1,952,415	1,213,124	1,662,347	1,721,785
	After allocation	1,532,049	1,692,167	1,872,415	1,181,781	1,662,347	1,684,941

Sources: Consolidated financial reports for the years from 2017 to 2021 which were audited and certified by the accountant; the consolidated financial report on the financial information as at 31 March 2022 which was audited and certified by the accountant.

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

Unit: NT\$'000

Item \ Year	Financial Information for the last five years					First quarter of 2022
	2017	2018	2019	2020	2021	
Operating Revenue	7,694,273	9,213,755	10,530,374	8,941,255	9,412,311	2,577,241
Operating Gross Profit	857,091	1,181,675	1,490,451	516,223	766,260	203,090
Operating (Loss) Profit (Note 1)	1,390	289,580	357,885	(605,086)	(302,484)	(531)
Non-operating Income and Expenses	163,318	40,254	22,096	(75,972)	624,351	6,109
Net Profit (Loss) Before Tax	164,708	329,834	379,981	(681,058)	321,867	5,578
Net Profit (Loss) from Continuing Operations during the current period	124,944	247,707	308,155	(676,356)	367,486	524
Loss from Discontinued Operations	—	—	—	—	—	—
Net Profit (Loss) from during the current period	124,944	247,707	308,155	(676,356)	367,486	524
Other Comprehensive Income/(Loss) during the current period (Net amount after tax)	5,107	(72,015)	(64,482)	(8,745)	(15,598)	53,899
Total Comprehensive Profit (Loss) during the period	130,051	175,692	243,673	(685,101)	351,888	54,423
Net Profit (Loss) attributable to owners of the parent company	124,944	247,707	308,155	(676,356)	367,486	524
Net Profit attributable to non-controlling interests	—	—	—	—	—	—
Total Comprehensive Profit (Loss) attributable to owners of the parent company	130,051	175,692	243,673	(685,101)	351,888	54,423
Total Comprehensive Profit (Loss) attributable to non-controlling interests	—	—	—	—	—	—
Earnings (losses) per share (Note 2)	2.05	4.05	5.04	(11.09)	6.03	0.01

Sources: Consolidated financial reports for the years from 2017 to 2021 which were audited and certified by the accountant; the consolidated financial report on the financial information as at 31 March 2022 which was audited and certified by the accountant.

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

Note 2: The calculation of earnings per share for the year 2017 is based on the Company's weighted average number of 60,807 thousand shares. The calculation of earnings per share for the year 2018 is based on the Company's weighted average number of 61,237 thousand shares. The calculation of earnings per share for the year 2019 is based on the Company's weighted average number of 61,087 thousand shares. The calculation of losses per share for the year 2020 is based on the Company's weighted average number of 61,011 thousand shares. The calculation of earnings per share for the year 2021 is based on the Company's weighted average number of 60,970 thousand shares. The calculation of earnings per share for the first quarter of 2022 is based on the Company's weighted average number of 60,953 thousand shares.

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

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

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

Year	Accountant	Name of the Firm	Audit Opinion
2017	Lai Kwan-Chung, Liu Shu-Lin	Deloitte & Touche Taiwan	Unqualified opinion with emphasizing paragraphs
2018	Shih Chin-Chuan, Liu Shu-Lin,	Deloitte & Touche Taiwan	Unqualified opinion
2019	Shih Chin-Chuan, Liu Shu-Lin,	Deloitte & Touche Taiwan	Unqualified opinion
2020	Shih Chin-Chuan, Liu Shu-Lin,	Deloitte & Touche Taiwan	Unqualified opinion
2021	Shih Chin-Chuan, Chiu Yung-Ming	Deloitte & Touche Taiwan	Unqualified opinion

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

## 2. Financial analysis for the last five years

### (1) Comprehensive analysis of the financial information for the last five years – International Financial Reporting Standards

Analysis Item		Year	Financial analysis for the last five years					As at 31 March 2022
			2017	2018	2019	2020	2021	
Financial Structure (%)	Debt to asset ratio		67.34	66.34	64.71	81.54	73.77	74.24
	Long-term capital to property, plant and equipment ratio		204.59	245.21	285.65	154.75	206.40	200.36
Debt repaying ability (%)	Current ratio		113.68	120.09	127.57	100.41	117.74	116.39
	Quick ratio		86.71	96.68	101.73	66.85	80.21	71.13
	Interest coverage ratio		6.75	9.63	11.58	(22.78)	9.92	1.58
Operating ability	Receivables turnover ratio (times)		5.46	4.87	5.55	4.85	4.72	5.33
	Average collection days		66.85	74.94	65.76	75.26	77.33	68.48
	Inventory turnover ratio (times)		11.25	12.71	14.02	8.60	6.80	6.32
	Payables turnover ratio (times)		4.75	4.74	4.77	3.32	3.20	3.60
	Average sales days		32.44	28.71	26.03	42.44	53.68	57.75
	Property, plant and equipment turnover ratio (times)		9.44	12.39	14.02	8.49	9.92	10.58
	Total assets turnover ratio (times)		1.73	1.90	2.04	1.53	1.46	1.60
Profitability	Return on assets (%)		3.36	5.78	6.57	(11.15)	6.23	0.52
	Return on equity (%)		8.35	15.37	17.29	(44.29)	25.84	0.13
	Return before tax to paid-in capital ratio (%)		26.57	53.54	61.78	(110.82)	52.42	3.63
	Net profit margin		1.62	2.69	2.93	(7.56)	3.90	0.02
	Earnings (losses) per share (NT\$) (Note 2)		2.05	4.05	5.04	(11.09)	6.03	0.01
Cash Flows	Cash flow ratio (%)		(7.74)	12.03	45.73	(9.54)	(20.51)	2.11
	Cash flow adequacy ratio (%)		108.89	85.16	188.92	88.58	12.42	N/A
	Cash re-investment ratio (%)		(11.13)	11.83	43.01	(16.65)	(39.09)	4.16
Leverage	Operating Leverage		161.58	1.78	1.72	0.57	0.19	(90.35)
	Financial Leverage		(0.05)	1.15	1.11	0.95	0.89	0.05

Please explain the reasons for the changes in various financial ratios in the last two years. (If the increase or decrease does not reach 20%, the analysis is exempted)

- Attributable to the increase in net equity at the end of 2021 as compared to the end of 2020, coupled with the decrease in property, plant and equipment at the end of 2021 as compared to the end of 2020 resulting from the disposal of 100% equity interest in EAHY and ETHY in 2021, the combination of the abovementioned factors resulted in the increase in long-term capital to property, plant and equipment ratio to 206.40% in 2021.
- As mentioned in 1, since the business growth turned positive and the gains on disposal of subsidiaries were

recognized in 2021, the loss before tax changed to profit before tax and the interest coverage ratio increased from a negative figure to 9.92.

3. Due to the shortage of raw materials and the tight shipping capacity, more raw materials had to be stocked and some shipments were delayed, resulting in a significant increase in the closing inventory amount as compared to the end of 2020, which in turn caused the increase in average sales days to 53.68 days as compared to 2020 and the decline in inventory turnover ratio from 8.6 times to 6.8 times.
4. As mentioned in 2, attributable to the turnaround for the current period, profitability related ratio for the current period increased significantly.
5. Despite the significant decrease in operating loss in 2021 as compared to last year, after deducting adjustments to income not affecting cash flows and adjustments to net changes in current assets and liabilities, actual cash flows from operations decreased, resulting in the decrease in cash flows from operating activities as compared to last year, which in turn caused a negative cash flow ratio and cash re-investment ratio, and the decrease in cash flow adequacy ratio and operating leverage to 12.42% and 0.19, respectively.

Note 1: No calculation of cash flow adequacy ratio as only net cash flows for the first quarter were recorded in 2022.

Note 2: The calculation of earnings per share for the year 2017 is based on the Company's weighted average number of 60,807 thousand shares. The calculation of earnings per share for the year 2018 is based on the Company's weighted average number of 61,237 thousand shares. The calculation of earnings per share for the year 2019 is based on the Company's weighted average number of 61,087 thousand shares. The calculation of losses per share for the year 2020 is based on the Company's weighted average number of 61,011 thousand shares. The calculation of earnings per share for the year 2021 is based on the Company's weighted average number of 60,970 thousand shares. The calculation of earnings per share for the first quarter of 2022 is based on the Company's weighted average number of 60,953 thousand shares.

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

1. Financial Structure
  - (1) Debt to asset ratio = total debts / total assets
  - (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / property, plant and equipment
2. Debt repaying ability
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
  - (3) Interest coverage ratio = profit before income tax and interest expenses / interest expenses for the current period
3. Operating ability
  - (1) Receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales amount / balance of average receivables for each period (including accounts receivable and notes receivable arising from operation).
  - (2) Average collection days = 365 / receivables turnover ratio
  - (3) Inventory turnover ratio = Sales cost / average inventory amount
  - (4) Payables (including accounts payable and notes payable arising from operation)

turnover ratio = sales cost / balance of average payables for each period  
(including accounts payable and notes payable arising from operation)

- (5) Average sales days = 365 / inventory turnover ratio
- (6) Property, plant and equipment turnover ratio = net sales amount / average net amount of property, plant and equipment
- (7) Total assets turnover ratio = net sales amount / average total assets

4. Profitability

- (1) Return on assets = (profit or loss after tax + interest expenses  $\times$  (1 – tax rate)) / average total assets
- (2) Return on equity = profit or loss after tax / average total equity
- (3) Profit before tax to paid-in capital ratio = profit before tax / paid-in capital
- (4) Net profit margin = profit or loss after tax / net sales amount
- (5) Earnings per share = (profit or loss attributable to the owners of the parent company – dividends for preferred shares) / weighted average number of issued shares

5. Cash flows

- (1) Cash flow ratio = net cash flows from operation / current liabilities
- (2) Cash flow adequacy ratio = net cash flows from operation for the latest five years / latest five years (capital expenses + amount of increase in inventory + cash dividends)
- (3) Cash re-investment ratio = (net cash flows from operation – cash dividends) / (gross amount of property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage

- (1) Operating Leverage = (net operating income – costs and expenses from change in operation) / operating income
- (2) Financial Leverage = operating income / (operating income – interest expenses)

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

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

Note 5: Special attention should be paid to the following matters when making the cash flow analysis:

- 1. Net cash flows from operation refer to the net cash inflows from operating activities in the cash flow statement.
- 2. Capital expenditure refers to the amount of cash outflows of capital investment per



year.

3. The increase in inventory shall only be included when the closing balance is greater than the opening balance. If inventory is reduced at the end of the year, it shall be calculated as nil.
4. Cash dividends include cash dividends for ordinary shares and preferred shares.
5. Gross amount of property, plant and equipment refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall classify the operating costs and operating expenses into fixed and variable items according to their nature. If there is any estimation or subjective judgment, attention shall be paid to the reasonableness and consistency shall be maintained.

Note 7: If the Company's shares are without par value or the par value is not NT\$10, the abovementioned calculation of the ratio of paid-up capital shall be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

**(2) Comprehensive analysis of financial information for the last five years – Taiwanese Financial Accounting Standards:** Not applicable.

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

#### **Audit Report of the Audit Committee**

The Board of Directors has prepared the Company's 2021 annual business report, consolidated financial statements and surplus distribution proposal. The consolidated financial statements have been audited by Deloitte & Touche Taiwan, which has issued its audit report. The above business report, consolidated financial statements and surplus distribution proposal have been reviewed and audited by the Audit Committee and it is considered that there is no disagreement on them. The report is hereby made in accordance with the relevant provisions of the Securities Exchange Act as above for review.

#### **Eastech Holding Limited**

Convener of the Audit Committee: Chen Ko Hung

25 February 2022

- 4. Consolidated financial report for the past year audited and certified by the accountant:** Please refer to pages 169 to 243
- 5. The Company's individual financial report for the past year audited and certified by the accountant:** Not applicable.
- 6. The impact of financial difficulties (if any) of the Company and its affiliates during the past year and as at the date of publication of the annual report on the Company's financial position:** Nil.

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Eastech Holding Limited

### **Opinion**

We have audited the accompanying consolidated financial statements of Eastech Holding Limited (“Eastech”) and subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 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	%
<b>CURRENT ASSETS</b>				
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 6,338,677</u>	<u>100.00</u>	<u>\$ 6,402,774</u>	<u>100.00</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>EQUITY (Note 17)</b>				
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>
<b>TOTAL</b>	<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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)**

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### **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)
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	
<p>Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.</p>	

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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>

### Financial assets - non-current

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

	<b>Currencies</b>	<b>Term</b>	<b>Amount (In Thousands)</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>Not Past Due</b>	<b>1 to 180 Days</b>	<b>181 to 365 Days</b>	<b>Over One Year</b>	<b>Total</b>
Gross carrying amount	\$ 1,887,953	\$ 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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>Land and Buildings</b>	<b>Machinery Equipment and Office Equipment</b>	<b>Property under Construction</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2020	\$ 451,633	\$ 1,220,409	\$ 107,607	\$ 1,779,649
Additions	38,845	178,995	275,741	493,581
Disposals	-	(95,009)	(1,918)	(96,927)
Reclassification	213,595	119,707	(334,322)	(1,020)
Effect of exchange rate 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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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>
	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

<b>Company Name</b>	<b>Location</b>	<b>Description</b>	<b>Tenure/Unexpired Term</b>
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

<b>Company Name</b>	<b>Location</b>	<b>Description</b>	<b>Tenure/Unexpired Term</b>
EAHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land.	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
ETHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	6 factory buildings and 2 dormitories built on a 365,976 sq. ft. land.	Lease for a term of 50 years from December 6, 2000 to December 6, 2050.
		1 factory building and 2 dormitories built on a 134,947 sq. ft. land.	Lease for a term of 50 years from June 19, 2002 to June 19, 2052.
EAVN	B2-4, Cong 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

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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

<b>Guarantee/Acceptance Agency</b>	<b>Face Value (\$)</b>	<b>Book Value (\$)</b>	<b>Interest Rate</b>	<b>The Name of the Collateral</b>	<b>Book Value of the Collateral</b>
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:

	<b>December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Interest Rate</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Amount</b>
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

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

b. Treasury shares

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

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

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

December 31, 2021

<b>Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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:

	<b>2020</b>
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:

	<b>2021</b>
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:

<u>Approved Date</u>	<u>Grant Shares (Thousand)</u>	<u>Grant Date</u>	<u>Issued Date</u>	<u>Issued Shares (Thousand)</u>	<u>Issued Price</u>	<u>Fair Value</u>
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:

	<b>Number of Shares (In Thousands)</b>	
	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

<b>Grant Date</b>	<b>Issued Shares</b>	<b>Vesting Date</b>	<b>Exercisable Price</b>
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

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

3) Disaggregation of revenue from customer contracts

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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><b>\$ 9,412,311</b></u>	<u><b>\$ 8,941,255</b></u>

b. Depreciation and amortization expenses

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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><b>\$ 246,086</b></u>	<u><b>\$ 262,312</b></u>

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

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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><b>\$ 1,792,984</b></u>	<u><b>\$ 1,818,508</b></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

	<b>For the Year of 2020</b>
Employees' compensation	3.1%
Remuneration of directors and supervisors	1.9%
	<b>For the Year of 2020</b>
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

	<b>For the Year of 2019</b>
Employees' compensation	<u>\$ 8,255</u>
Remuneration of directors and supervisors	<u>\$ 7,720</u>

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

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

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

e. Other income

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>Allowance of Inventories Provision</b>	<b>Others</b>	<b>Total</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<u>EAHY</u>	<u>ETHY</u>
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

	<u>EAHY</u>	<u>ETHY</u>
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.

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<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

<u>Financial Assets</u>	<u>Financial Assets at FVTPL Equity Instruments</u>	<u>Total</u>
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:

	<b>Assets</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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>
	<b>Liabilities</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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.

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

	<b>Currency H.K. Dollars Impact</b>	
	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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	\$ 53,349	\$ 60,888	\$ -	\$ -	\$ -	\$ -

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

		Liabilities December 31	
		2021	2020
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)

	<b>Foreign Currencies</b>	<b>Function Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount</b>
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>
<b><u>Financial liabilities</u></b>				
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)**

	<b>Foreign Currencies</b>	<b>Function Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount</b>
<b><u>Financial assets</u></b>				
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>
<b><u>Financial liabilities</u></b>				
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:

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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.

	<b>Revenue from External Customers</b>	
	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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>
	<b>Non-current Assets</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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)

**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.

## VII. REVIEW AND ANALYSIS OF FINANCIAL POSITION, OPERATING RESULTS AND RISK MANAGEMENT

### 1. Financial position

(I) The main reasons for and the impact of the significant changes in assets, liabilities and shareholders' equity in the last two years

Unit: NT\$'000; %

Account Items \ Year	2020	2021	Differences	
			Amount	%
Current assets	4,793,305	5,157,376	364,071	7.60%
Fixed assets	1,052,738	948,845	(103,893)	-9.87%
Other assets	556,731	232,456	(324,275)	-58.25%
Total assets	6,402,774	6,338,677	(64,097)	-1.00%
Current liabilities	4,773,695	4,380,290	(393,405)	-8.24%
Long-term liabilities	338,035	288,749	(49,286)	-14.58%
Other liabilities	109,263	7,291	(101,972)	-93.33%
Total liabilities	5,220,993	4,676,330	(544,663)	-10.43%
Share capitals	614,550	614,060	(490)	-0.08%
Capital reserves	779,951	749,535	(30,416)	-3.90%
Treasury shares	(24,019)	(24,019)	—	0.00%
Unearned benefit of employees	(2,490)	0	2,490	-100.00%
Provision of re-valuation appreciation	—	—	—	N/A
Unrealized loss of financial assets measured at fair value through other comprehensive income (loss)	(29,950)	(29,950)	—	0.00%
Retained earnings (including statutory surplus reserve)	30,490	432,488	401,998	1318.46%
Exchange differences on translation of foreign operations	(186,751)	(79,767)	106,984	-57.29%
Total shareholder's equity	1,181,781	1,662,347	480,566	40.66%
Description of significant changes: (amount changed over 10% and reached 1% of the total assets of the year)				
1. Decrease in other assets: the decrease in other assets was mainly due to the disposal of 100% equity interests in Eastech (Huiyang) and Eastech Electronics (Huiyang). Besides, the decrease in other assets was due to the recognition of goodwill impairment in 2021.				
2. Decrease in other liabilities: mainly due to the reversal of non-current deferred income tax liabilities.				
3. Decrease in total liabilities: due to the decrease in current liabilities (mainly due to the decrease in accounts payable), long-term liabilities (mainly due to the decrease in long-term bank loans) and other liabilities (mainly due to the decrease in deferred income tax liabilities) as compared to the end of the				

Account Items \ Year	2020	2021	Differences	
			Amount	%
	same period of last year.			
4.	Increase in retained earnings: the increase in retained earnings was mainly due to the net income after tax generated in 2021 as compared to the end of the same period of last year.			
5.	Exchange differences on translation of foreign operations: exchange differences arising from the transfer of net assets of foreign operating entities from their functional currency to the Company's functional currency of the financial statements, the NTD. The significant decrease in exchange loss as at 31 December 2021 was mainly due to the disposal of 100% of the equity interest in Eastech (Huiyang) and Eastech Electronics (Huiyang), which resulted in the transfer of the exchange loss translated from the financial statements of their foreign operating entities to the gain or loss on disposal.			
6.	Increase in total shareholders' equity: the increase in total shareholders' equity was mainly due to the increase in retained earnings and the decrease in exchange differences on translation of foreign operations as compared to the end of the same period of last year.			

(II) Future plan addressing significant impacts: there is no significant impact on the Company's finance and business.

## 2. Operating results

1. The main reasons for and the impact of the significant changes in operating income, operating net profit and profit before tax in the last two years.

Unit: NT\$'000; %

Account Items \ Year	2020	2021	Differences	
			Amount	%
Operating income	8,975,862	9,419,390	443,528	4.94%
Less: Sales returns and allowance	34,607	7,079	(27,528)	-79.54%
Net operating income	8,941,255	9,412,311	471,056	5.27%
Operating costs	8,425,032	8,646,051	221,019	2.62%
Operating gross profit	516,223	766,260	250,037	48.44%
Operating expenses	1,121,309	1,068,744	(52,565)	-4.69%
Operating net loss	(605,086)	(302,484)	302,602	-50.01%
Non-operating income	(41,797)	838,706	880,503	N/A
Non-operating expenses and losses	34,175	214,355	180,180	527.23%
Profit (loss) before tax	(681,058)	321,867	1,002,925	N/A
Less: income tax profits	(4,702)	(45,619)	(40,917)	870.20%
Net profit (loss) after tax	(676,356)	367,486	1,043,842	N/A
Description of significant changes: (amount changed over 10% and reached 1% of the total assets of the year)				
<ol style="list-style-type: none"> <li>1. Increase in operating gross profit: business is on track to grow in 2021, with an increase in sales revenue and an increase in operating gross profit margin to 8.1% in 2021, resulting in an increase in operating gross profit of NT\$250,037 thousand as compared to last year.</li> <li>2. Decrease in operating net loss: mainly due to the increase in operating gross profit of NT\$250,037 thousand and decrease in operating expenses of NT\$52,565 thousand for the period.</li> <li>3. Increase in non-operating income: mainly due to the increase in profits from subsidiaries, project service income, reversal of doubtful accounts, and decrease in exchange loss as compared to the same period of last year.</li> <li>4. Increase in non-operating expenses and losses: mainly due to the increase in impairment of goodwill, loss on disposal and retirement of fixed assets, loss on retirement of intangible assets and finance costs for the year as compared to the same period of last year.</li> <li>5. Increase in profit before tax: the change from loss to gain before tax is mainly due to a significant decrease in operating net loss and a significant increase in non-operating income over non-operating expenses and losses for the current year.</li> <li>6. Increase in net profit after tax: the change in loss after tax was mainly due to the increase in profit before tax and income tax benefit for the current year.</li> </ol>				



2. Expected sales volume and its basis, and its possible future financial impact on the Company and response plan

The company mainly sets the annual output target based on the customer's estimated demand, capacity plan and historical operating performance. The Company will pay attention to the changes in market demand from time to time in order to expand the market share, and enhance the profit of the Company. The Company's future business should be sustainable and it will maintain a good financial position.

### 3. Cash flow

#### (1) Analysis of changes in cash flow for the recent years

##### 1. Analysis of changes in cash flow for the recent year

Unit: NT\$' 000; %

Items \ Year	2020	2021	Increase (decrease) amount	Percentage of increase (decrease) (%)
Operating activities	(455,523)	(898,347)	(442,824)	97.21%
Investing activities	(557,180)	390,080	947,260	N/A
Financing activities	769,955	(66,885)	(836,840)	N/A
Analysis of changes:				
1. Operating activities: net cash outflow from operating activities increased in 2021 as compared to last year mainly due to adjustments to income and expenses that did not affect cash flows and adjustments to net changes in current assets and liabilities, although the loss before income taxes decreased significantly in 2021 as compared to last year.				
2. Investing activities: net cash inflow from investing activities mainly due to the net cash inflow of NT\$589,910 thousand including the disposal of subsidiaries in 2021. Last year, there was a net cash outflow from investing activities.				
3. Financing activities: net cash outflow from financing activities mainly due to the repayment of bank loans in 2021, which was more than the new bank loans. Last year, there was a net cash inflow from financing activities.				

##### 2. Improvement plan for insufficient liquidity

The Company and its subsidiaries have close relationship with their bankers and have established good financing and credit standing to enrich their working capital. The Company has increased the amount of medium-term bank loan facility to avoid funding long-term investment with short-term loans. Under the growth of revenue and stable profits, the Company has no threat of lacking liquidity or short of funds under reasonable liquidity requirement.

#### (2) Cash liquidity analysis for the coming year

The Company anticipates that with the carrying amount of cash in 2022 and by utilizing banking facilities, the overall cash requirement for capital expenditures and operation needs could be met, and its cash liquidity will be good in the coming year.

**4. The impact of material capital expenditures on financial position for the latest year**

The Company's acquisition of fixed assets in 2021 amounted to NT\$145,625,000 which was regular capital expenditures, mainly for the acquisition of automated machinery and equipment and replacement of existing production equipment. The source of funds was partly funded by self-owned funds and partly by bank borrowings, and the aforesaid capital investment is expected to bring about production efficiency improvements and lower production costs in the future, so it will not have a significant impact on the financial position of the Company.

**5. The equity investment policy for the latest year, the major reasons for its gain or loss, improvement plan and investment plan for the next year**

**(1) Equity investment policy of the Company**

The Company's current investment policy is to invest primarily in horizontal distribution, upstream and downstream vertical integration and organizational streamlining related to the production industry, and does not engage in investments outside the industry in which it operates. The investment policy was implemented by the relevant implementation departments in accordance with internal control regulations including the methods of "Investment Cycle" and "Management Procedures for Acquisition and Disposal of Assets". These method or procedures have been considered and approved by the Board or / and shareholders.

(2) The major reasons for the gain or loss of the investment and its improvement plan

Unit: NT\$' 000

Item	Gain or (loss) recognized in 2021	Major reasons for the gain or loss	Improvement plan
Investment business			
Eastern Asia Technology (HK) Limited ("EAH")	330,523	Good operating position with both holding and physical operations	N/A
Eastech Systems (Huiyang) Co., Ltd. ("ESHY")	(10,527)	The operation did not reach the scale of economy, which resulting in a loss.	Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability.
Eastech (Huizhou) Co., Ltd. ("EAHZ")	(165,230)	The operation did not reach the scale of economy, which resulting in a loss.	Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability.
Eastech (SZ) Co., Ltd. ("ESZ")	(25,152)	The operation did not reach the scale of economy, which resulting in a loss.	Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability.
Scan-Speak A/S ("ScS")	20,236	It is the design base for the Group's high-end products and the image building of the Group's acoustic flagship products, and although it is self-financing, it does not aim to make a profit.	N/A

Item Investment business	Gain or (loss) recognized in 2021	Major reasons for the gain or loss	Improvement plan
Eastech Electronics (Taiwan) Inc. ("ETT")	(230,070)	Transformed into a Group logistics support company in the second half of the year, with a target of a two-even profit/loss ratio.	Continue to control and manage expenses to increase operating efficiency and thereby improving profitability.
Eastech Electronics (HK) Limited ("ETH")	662,830	In good operating conditions.	N/A
Eastech (SG) Pte. Ltd. ("ESG")	(2,265)	The operation did not reach the scale of economy, which resulting in a loss.	To address customer requirements to improve product development time and increase the number of products development in order to increase profitability.
Eastech (VN) Company Limited ("EAVN")	(38,063)	The operation did not reach the scale of economy, which resulting in a loss.	Continuous development of new customers, control and management on expenses to increase operating efficiency and thereby improving profitability.
Eastech Microacoustics (HK) Limited ("EMH")	6,923	In good operating conditions.	N/A
Eastech Innovations (TW) Inc.("ETW")	(21,259)	The operation did not reach the scale of economy, which resulting in a loss.	To address customer requirements to improve product development time and increase the number of products development in order to increase profitability.

Item	Gain or (loss) recognized in 2021	Major reasons for the gain or loss	Improvement plan
Investment business			
Eastech Trading (VN) Company Limited("ETV")	(375)	Started business in the third quarter of 2021, engaging in the sale of speaker systems and headphones. Due to the start-up business, the business did not reach economic scale and resulted in a loss.	N/A

(3) Investment Plan for the Next Year:

The potential investment plan in the following projects for the next year :

- (1) In 2022, the Vietnam factory will be completed and put into normal production. In the coming year, the Group will work with the Huizhou plant in the areas of injection moulding equipment, woodworking equipment, speaker manufacturing equipment, SMT and headphone production, and will collaborate with the Huizhou plant in production and sales, so as to match the local supply chain and the proportion of Vietnamese manufacturing in the Vietnam plant with the appropriate scale and production capacity, and to make strategic layout and preparation for de-globalisation and short chains.
- (2) Continued optimisation of the real-time information management system for production, warehouse, logistics, business and engineering data.
- (3) Introduction of a decision support system for managers and war alerts to enable managers to make more accurate and quicker management decisions.
- (4) In line with the integration and optimization of the Huizhou plant in China, the Company will reorganize our workshops, logistics and warehouses and upgrade their hardware. We will also plan in the general direction of ESG policy, revamp our environmental facilities and promote carbon neutral and green production
- (5) Streamline the global R&D structure and division of labour, enhance the core value of R&D in the industry, hire more industry professionals and invest in the development of software and equipment to build a first-class R&D platform for the ODM industry.

- (6) Continuing the Company's smart production initiative, the Company will actively increase the proportion of production automation in China and Vietnam, and integrate information technology to increase efficiency.
- (7) To replace some of the older equipment and instruments in Mainland China to enhance production efficiency.

## **6. Analysis and assessment of risks for the latest year and as of the date of issue of annual report**

### **(1) The impact of interest rates, exchange rate changes, and inflation on the Company's profit and loss and future response measures**

#### **1. The impact of interest rates on the Company's profit and loss and future countermeasures**

The Company's interest expense in 2021 was NT\$36,069 thousand, representing a low ratio of approximately 0.38% of net operating income. As at the end of March 2022, the FED has already raised interest rates by 0.25% and Taiwan's central bank has also raised interest rates by 0.25%, even if interest rates are raised again and again, it is expected that the impact will be reduced by a gradual increase. The net impact on the Company is therefore not yet material.

#### Countermeasures:

- ① Designate staff to monitor the interest rate from time to time and adjust the use of funds in a timely manner to respond to the financial risks arising from the changes of interest rate.
- ② Compare bank borrowing rates in different regions regularly in order to obtain better interest rates when comparing with financial institutions in China, Hong Kong and Taiwan.
- ③ Refer to the research report and outlook by local and foreign economic institutions and banks to grasp the future trend of interest rate.

#### **2. The impact of changes in foreign exchange rates on the Company's profit and loss and future countermeasures**

The Company's sales and purchases are mostly settled in USD and RMB. The exchange loss in 2021 was NT\$28,668 thousand, accounting for about 0.31% of its net operating income; the ratio was minor and the changes in foreign exchange rates has no material impact on the Company.

Countermeasures:

- ① Participate in financial institution forecast, adherence to the principle of holding the same currency as the transaction currency for payment and take the net position to avoid risks, maintain foreign exchange positions according to the future trend of foreign exchange rates to support the needs of the operations of subsidiaries of the Group and reduce the impact of changes in foreign exchange rates to profit or loss of the Company.
- ② Monitor changes in the foreign exchange market, understand the trend of changes in foreign exchange rates, and adjust according to the accidental changes in types of currency of receivables and payables in a timely manner. Under the regulative measures such as the Company's "Handling Procedures for Engaging in Derivative Products Transaction", leverage the ways of forward exchange contract and borrowing debts in foreign currency in a timely manner to reduce the impact of changes in foreign exchange rates to the profit and loss of Company.
- ③ Due to the significant increase in the proportion of RMB procurement by factories in mainland China, in order to increase the development of sales in the domestic market of the PRC, enhance the proportion of RMB income to reduce the RMB needs of working capital of sub-subsidiaries in Mainland China and reduce the needs of exchanging USD and HKD to RMB and reduce its foreign exchange risks.

**3. The impact of inflation on the Company's profit and loss and future countermeasures**

The world is currently in the aftermath of the COVID-19, but Omicron has resurfaced in Asia, Europe and the United States have unblocked the economic explosion, but the



Russian-Ukrainian war has brought about geopolitical tensions leading to a sharp rise in crude oil and other energy prices, a major increase in transport costs and the impact of a broken supply chain in China, enterprises may face increased raw material costs and labour costs in the future. Under each subsidiary's cooperation with the local government's anti-epidemic measures, it will not slow down the pace of adjusting the operating constitution. The original intention is to continue to transform and launch products that meet the market trend to enhance the quality and quantity of their products. At the same time, adjustments will be made to the sales strategy, cost structure and trading conditions at any time in the light of the changing market sentiment and international conditions, in order to cope with the changes in freight traffic. As a result of the rapid changes in the overall economic environment, the Company has not had any material immediate impact as a result of the big inflation era.

**(2) The major reasons for the policies, profit or loss of high-risk, high-leverage investment, capital loan to others, endorsement guarantee and derivative commodity trading, and future response measures**

The Company has formulated "Management Procedures for Acquisition and Disposal of Assets", "Operating Measures for Capital Loan to Others", "Administrative Measures for Endorsement Guarantees", and "Processes for Trading Commodity Derivatives", etc. to act as the basis of compliance for the Company and its subsidiaries to engage in relevant activities.

(1) As of 31 March 2022, the Company did not engage in high-risk, high-leverage investments.

(2) In addition, based on the operation of each operating entity's subsidiaries and the Group's financial scheduling flexibility, the Company and its subsidiaries provide capital loans and endorsement guarantees to the 100% of the reinvested subsidiaries (or sub-subsidiaries) to reduce the Group's uneven capital allocation and reduce capital borrowing or idle cost. Actual capital loan of EAH

amounted to US\$6.650 million (approximately NT\$190,223 thousand), the actual capital loan of EAH, EAVN and ETH amounted to US\$10,797 million (approximately NT\$308,848 thousand), the actual capital loan of EAHY with ESZ and ESHY amounted to RMB30.000 million (approximately NT\$131,118 thousand), the aforesaid loans and all are dealt in accordance with the relevant operating procedures regulations;

(3) Saved as the financing endorsement guarantees for bank borrowings provided by the Company to the Company's subsidiaries, namely EAH, ETH, ETHY and EAVN, the Company has not given any other endorsement or guarantee for others, and EAH, a subsidiary of the Company, has provided endorsement guarantees to ScS, a subsidiary of the Company, for bank borrowings, and ETHY, ESHY and EAH has provided respective endorsement guarantees to EAH, ESZ and EAVN for the business operation needs for supplier credits. The above endorsement guarantees are all carried out in accordance with the relevant operating procedures. Overall, the loans of subsidiaries and the guarantees of the parent company are the same loan while the risk is not doubled, and there is no adverse impact on the consolidated loss.

(4) ETH, a subsidiary of the Company, engages in derivative transactions in response to hedging needs and pre-sells RMB to USD FORWARD transactions to hedge the exchange rate risk of a significant appreciation of RMB, dealt in accordance with the relevant operating procedures regulations.

### **(3) Future research and development plan and expected research and development expenses**

1. The research and development of products is the driving force for the development of the Company, and the focuses of research and development of the Company in 2022 are as follows:

- (1) Cooperate with partners on the joint research and development of wireless speakers system and multi-room function system. This includes certified products for online meeting systems such as the "Meeting Speakers".

- (2) Continue on the research and development of the voice control system products (GVA) with differentiated Active-Echo-Cancellation (AEC) and high sound quality.
- (3) Development and further expansion of the GVA modules and SoCs of the TV Sound Bars embedded standard to provide multiple choices of turn-key solution.
- (4) Expand the development of the Dolby Atmos and DTS system. We will also develop MPEG-H audio for Soundbar and audio system applications.
- (5) Research and development of innovative voice control product; especially in the fields of IoT and AI, to obtain the proprietary technologies in moving in traffic and hand gestures and face recognition technologies for the next phase of product innovation.
- (6) Enhancement and development of new products under our own brand, the PUNKTKILDE™ series sensors.
- (7) Continue to establish long-term goals with suppliers on environmental protection, energy saving and carbon reduction, and recycling or natural decomposition of raw materials and packaging materials, etc., which will be beneficial in fulfilling the green commitment of CSR practice.
- (8) In response to the supply chain's supply of master chips, the Company will develop a strategy of multi-sourcing,

multi-sharing and reuse in design to reduce the risks faced by products in this area.

- (9) Begin planning for the future (after 2023) of the Company's new product category strategy in terms of manpower, resources, planning and technology.

### 3. Research and development plan, intellectual property rights acquisition plan and estimated investment costs

The research and development expenses of the Company in 2021 was NT\$230,479,000, representing approximately 2.45% of the operating income, which decreased NT\$23,485,000 when compared with the research and development expenses in 2020 of NT\$253,964,000. In 2022, the research and development expenses required to invest continuously for the sustainable development of the Company and expected to account for 3% - 5% of the revenue amount.

Regarding the Company's intellectual property rights acquisition plan, which is based on the Group's current intellectual property strategy and its corresponding built-up intellectual property management system, which further protects and acquires the intellectual property rights of the Company in a more comprehensive and effective manner. At the same time, the relevant measures are taken in advance to reduce the intellectual property risk that may be encountered in the future. A more detailed description and a list of specific intellectual property rights to be acquired in 2021 are as follows:

#### • **Intellectual property strategy:**

The intellectual property management strategy of the Group has been focusing on the goal of promoting and enhancing the quality and value of patents from 2019 onwards, including deployment of patent layout, development and application of core patents, and review and compilation of a patent database, etc., so as to enhance the technical energy achievements in the field of acoustic products and expand the

industry's market territory.

- **Intellectual property management system:**

**[Patent]**

The Group actively encourages a culture of innovation in research and development within the Group through internal patent proposal management and incentive schemes, and in recent years has continued to pursue patent filings and layouts in the field of acoustics.

Besides, through the Group's BPM online patent proposal system and incentive system, the Group's R&D morale and innovation are effectively enhanced, enabling R&D staff to submit patent proposals conveniently and actively, allowing patent engineers and R&D staff to efficiently grasp the progress of existing patent proposals, and to conduct FTO search analysis or patent risk warning according to the technical characteristics of the proposals, and thereby effectively examining the layout of patent application protection to strengthen and consolidate the core technology value, market industry position and increase the overall operating revenue of the Group.

**[Trademark]**

In recent years, the Group in order to prudently establish and protect the Group's brand presence under globalization and to cope with the expansion of marketing, the Group has launched a regional market trademark layout for the trademark of the Group's loudspeaker brands EASTECH and PUNKTKILDE™ to create business opportunities ahead of schedule and to increase the overall revenue.

Additionally, the BPM internal online trademark management system will also be gradually established to regularly take stock of the Group's brand trademarks, monitor the exercise of brand rights and adjust the layout dynamically according to the Group's strategies and development trends.

### **[Business secrets]**

The Group is also gradually building up its business secrets registration and management system, including classification and registration inventory, use of control and management and record retention, external disclosure control and management and business secret reward, punishment and relief mechanism, etc., to effectively promote the effectiveness of management tracking. At present, it has initially implemented the business secrets protection project for the automation lines in Huiyang factory.

### **[Copyright]**

The Group continues to promote the concept of respect for the intellectual rights of others, internally, the Group has established a publicity and management mechanism and handling team that respects the copyrights of others, such as the promotion of software legalization, etc. to implement respect for the creative use of compliant software of others; externally, the Group has also established a relief mechanism and response team for handling intellectual rights such as copyrights. Through horizontal coordination and cooperation among departments, the division of labour and responsibilities can be clarified, achieving rapid research and judgment, active response and proper handling.

### **[Management system]**

In addition to the aforesaid internal BPM online intellectual management mechanism of the Group, the Group also plans to progressively implement the relevant verifications of the Taiwan Intellectual Property Management System (TIPS) or other management systems to properly utilize and manage the Company's intellectual property.

### **•Possible intellectual property risks and countermeasures:**

With regard to the expansion of the Group's research and development base in overseas markets and manufacturing base, the risks of possible imitation or other infringement of intellectual property such as counterfeiting and other intellectual property are currently achieved through a thematic patent search seminar. This will enable R&D

personnel to promptly grasp the current trends of R&D innovation in the industry and its development status, as well as the timely responding and preparation of patent applications from various countries. In addition, in terms of the Group's R&D and manufacturing technologies, the core protection targets are specified, thereby promoting the protection of business secrets in its projects, so as to take corresponding measures such as point-to-point and management.

**•Intellectual property list/achievements**

In 2021, a total of three new patents were approved, including one US patent and two China patents. In accordance with the Group's business development strategy, the Group continues to dynamically adjust its patent applications and layouts from countries and regions including Taiwan, China, the United States, the European Union and Vietnam.

**(4) The impact of important domestic and foreign policies and legal changes on the financial position of the Company and future countermeasures**

The company was registered in the Cayman Islands, and its main operating places are Hong Kong and Mainland China. The products are eventually sold all over the world. The major economic activity of Cayman Islands is financial services. Hong Kong, the United States, Japan, Europe and Mainland China are major economies in the world, which have relatively stable economic development and political environment. The speaker systems and earphones developed and sold by the company are consumer goods, which is not a licensed or restricted industry. The implementation of the Company's various businesses are handled in accordance with important domestic and international policies and laws, and we pay attention to the important domestic and international policy development trends and legal changes, and respond to changes in the market environment and take appropriate countermeasures. Therefore, the Company has no significant matters affecting its financial position due to the changes in important policies and laws in the Cayman Islands or Mainland China.

**(5) The impact of changes in technologies (including information security risks) and industry on the financial position of the Company and future countermeasures**

The business of the Company is electronic audio / audio-visual products. While hearing is one of the five senses of humans, the biological demands for sound analogy are irreplaceable. Although the sizes of traditional large speakers and wireless transmission were affected by the smaller speakers as the modern people strive for “efficiency” and “simplicity”, and wired earphones were gradually replaced by wireless Bluetooth earphones. However, both of the large and small speakers are included in the scope of business of the Company. Technologies emerged because of humanity. The Company always follows the trend and keeps abreast with the times to go forward together with our clients by introducing products with new forms, new technologies and new applications, including artificial intelligence smart audio. Therefore, there are no material adverse impact of changes in technologies and industry on the financial position of the Company. °

As our business is audio-visual peripheral products, not main unit or computer/mobile phone products, there is no risk of hacking and even if there is a security problem, we are not directly dealing with consumers. As for information security risks on the production side and the Company's operations, the data side is outsourced to Chunghwa Telecom's server room and cloud and is backed up on a regular basis. The software used is regularly backed up with legal copyrighted products and regular preventive measures are in place. Therefore, we can ensure that the information security risk is not a concern.

**(6) The impact of changes in corporate image on the risk management of the Company and future countermeasures**

The Company is a OEM/ODM/JDM manufacturer of speaker system. Since its establishment, it focused on the operation of its main business and providing one-stop full-service acoustic solutions. The Company has the most comprehensive team in audio, structure and speaker development and engineering, and establishes good and



long-term relationship with the clients of the brand. The operating results and reputation of the Company are good. Therefore, the Company should have no issue of corporate risk brought by the changes in corporate image.

**(7) The expected resultant benefits, potential risks and countermeasures of implementation of mergers and acquisitions**

The sale of the two companies in the Huiyang area, Eastech Electronics (Huiyang) and Eastech Electronics, to non-related parties outside the Group was completed in December 2021, and all of their businesses and customers were transferred to Eastech. The consolidation of the Group's internal organization has been completed, and the dual bases of the North Vietnam plant and the regionalized short chain of supply chains have been developed in response to the geopolitical situation. The sale of the Group's shares is part of the Group's industrial layout. In addition to asset-light R&D, smart manufacturing and strengthening of the Company's core competencies, the Group has been able to diversify its customers and businesses, and to replace its price-competitive corporate transformation with differentiated products and niche markets.

**(8) The expected benefits and potential risks of plant expansion and countermeasures**

In response to the US-China trade war and geopolitical influences, we have set up a factory in Hai Duong Province in northern Vietnam for optimal allocation of production resources. Phase I of the Vietnam plant has been completed and is planned to be an outsourced processing plant for the mainland plant. Phase II of the plant is a one-stop, all-in-one operation, which is independent of the mainland plant and operates on a dual track. In addition to optimising the allocation of production resources, we can also provide a wide range of options for our customers by collaborating on production and sales support.

**(9) Risks and countermeasures for purchasing or sales concentration**

1. The risks and countermeasures of concentration of purchasing:

In 2021, there are no companies which account for over 5% of the purchasing of the Company. The speakers industry has become

mature with various upstream supplying plants and sufficient resources, and thus the risk of supply interruption is minor. Overall, there is no risk of over-concentration on purchasing.

2. The risks and countermeasures of concentration of sales of goods:

The Company is a specialist loudspeaker system manufacturer and ships to international brand name customers or their appointed OEMs. In addition to our close working relationship with our branded customers, over 90% of our operating income is generated from the production of products specified by our international branded customers. However, as the Company's customers are all international brands of audio-visual electronics and the Company is an important supplier of speakers/acoustic products to the aforementioned major brands of audio-visual electronics, the international manufacturers have a considerable degree of reliance on the Company. The Company is not exposed to the risk of concentration of sales, as the Company has been a strategic partnership for decades based on quality, delivery and cooperation, and international majors are less likely to change their supply chains.

**(10) The impacts, risks and countermeasures of a large number of shares transferred or replaced by directors, supervisors or shareholders holding more than 10% of the Shares of the Company:**  
Nil.

**(11) The impacts, risks and countermeasures of changes in operating rights of the Company:** Nil.

**(12) Litigation or non-litigation events - major litigation, non-litigation or administrative arbitration event which involves the Company and its directors, supervisors, presidents, actual responsible person, major shareholders holding more than 10% of the shares and its**

**subsidiaries with judgment confirmed or still in litigation, and its consequences may have material impact on the interests of shareholders or security prices:**

The Company and its directors, presidents, actual responsible person, major shareholders holding more than 10% of the shares and its subsidiaries do not involve in any litigation, non-litigation or administrative arbitration event, the results of which may have material impact on the interests of shareholders or security prices.

**(13) Other important risks and countermeasures: Nil.**

**7. Other significant matters: Nil.**

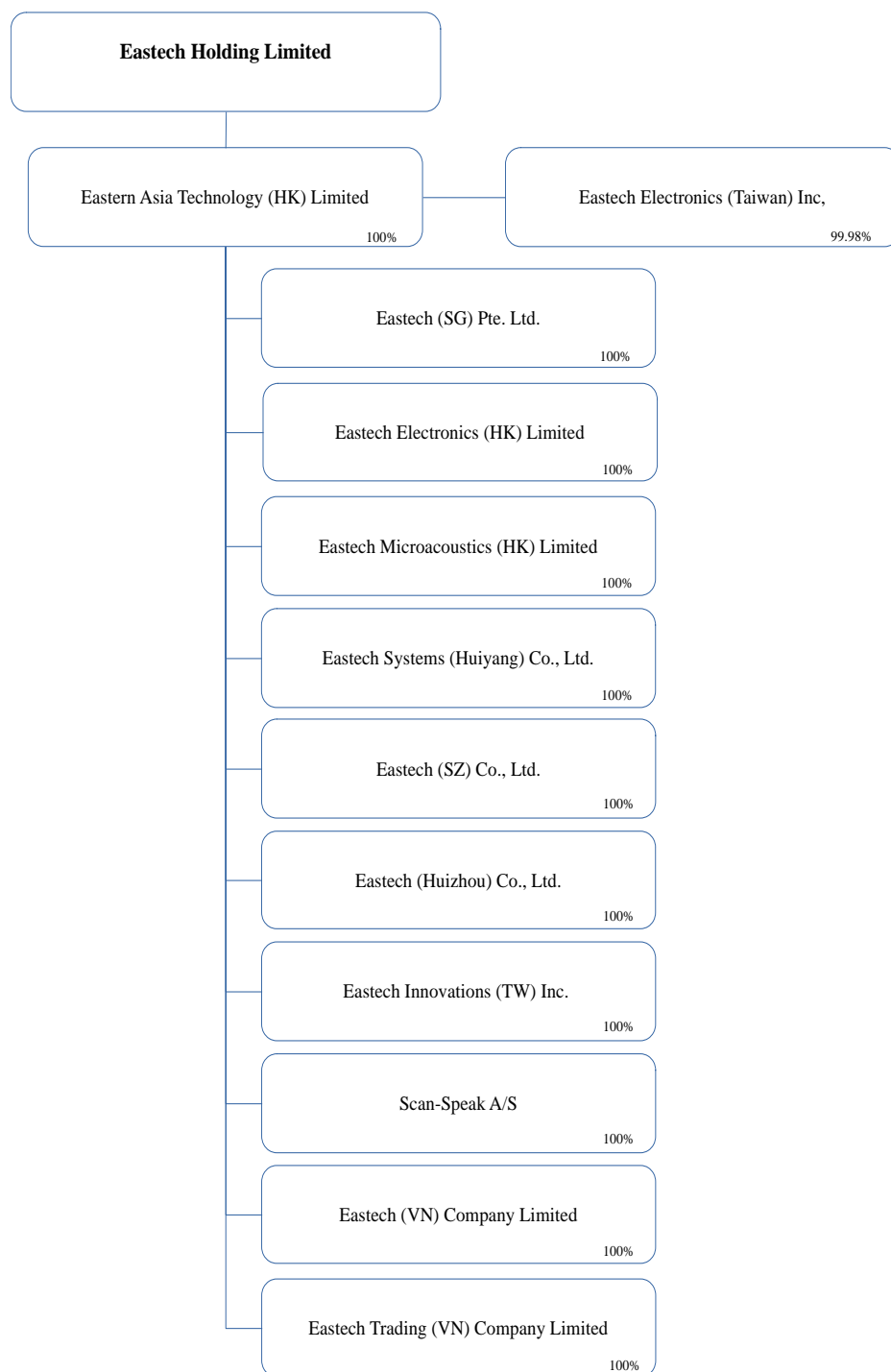
## VIII. SPECIAL DISCLOSURE

### 1. Information on affiliates for the latest year

(a) Consolidated business reports of affiliated enterprises

#### 1. Affiliated enterprises diagram

06 May 2022



## 2. Basic information of each affiliated enterprises

31 December 2021 Unit: dollar

Company	Date of Establishment	Contact Address	Paid-in capital	Principal Business or Products
EAH	12 January 1988	Unit 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	HKD 80,000,000	Sale of speaker systems and earphones
EAHZ	07 November 2002	Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC	USD 7,144,900	Manufacture, assembly and sale of speaker systems and accessories, earphones, smart speakers and audio/video electronic home entertainment systems
ESHY	06 October 1995	Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC	HKD 9,000,000	Production and sale of speaker systems
ESZ	13 November 2013	8 Floor, International KeJi Mansion, 3007 Shen Nan Middle Road, Futian District, Shenzhen, Guangdong Province, the PRC	RMB 2,000,000	Import and export of audio systems and earphone products, components and mechanical equipment
ScS	August 1983	N.C. Madsensvej 1, 6920 Videbaek, Denmark	DKK 1,320,045	Research and development, production and sale of high-end speakers
ETT	04 November 1992	8F, No.188, Baoqiao Rd., Xindian Dist., New Taipei City	NTD 65,316,430	Design and sale of smart speakers and audio/video electronic home entertainment systems
ETH	14 March 1996	Unit 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	HKD 80,000,000	Sale of smart speakers and audio/video electronic home entertainment systems
ESG	04 October 2017	1Pemimpin Drive, #08-06 One Pemimpin, Singapore 576151	SGD 50,000	Research and development of system frameworks/new product concepts/state-of-the-art products and sound and

				acoustic advanced technology
EAVN	25 January 2019	Lot B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	USD 8,000,000	Production, assembly and sale of unit speakers/Bluetooth speakers and headphones
EMH	30 August 2019	Room 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	HKD 100,000	Sale of headphones and audiovisual products
ETW	2 July 2020	One of the 8th Floor, No. 188, Baoqiao Road, Xindian District, New Taipei City	NTD 30,000,000	New technology development and product design development
ETV	10 July 2021	Lot B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	USD 200,000	Sale of speaker systems and earphones

3. Presumption of relationship of control or subordination, information of the shareholders in common: Nil.

4. The industries covered by the business of the overall affiliated company

(1) The business operations of the Company and its affiliates include: manufacture and sale of speaker systems and headphones products; design, manufacture and sale of high-end/ smart speakers and audio/video electronic home entertainment systems; research and development of system architecture/new product concept/state-of-the-art products and sound and acoustic advanced technology.

(2) Details of segregation of functions:

Company Name	Principal business or production items	Details of segregation of functions
EAH	Investment holding, trading	Holding company, trading of audio products
EAHZ	Production of audio products, electronic products and earphone products	Production of audio products, electronic products and earphone products as well as sale to external parties and the parent company
ESHY	Production of audio products	Production of audio products and domestic sale in China
ESZ	Import and export of audio products and materials	Audio products and materials import and export business
ScS	Transducer manufacture and processing, sale of self-brand products	Transducer manufacture and processing, sale of Danish self-brand products
ETT	Procurement and wholesale of electronic products	Procurement brokerage of audio components and parts in Taiwan, design of the Group's information operating system, human resources planning and other administrative support services
ETH	Trading of electronic products	Receiving trade orders and sale of audio products
ESG	Development and design of electronic products	Singapore R&D center
EAVN	Production of various audio and electronic products	Production of audio products and its domestic and export sale
EMH	Sale of earphone products	Sale and trading of earphone products
ETW	Research, development and design on acoustic technology	Taiwan R&D Centre
ETV	Sale of audio and electronic products	Domestic sale of audio and electronic products in Vietnam

## 5. Operational results of each affiliate enterprise

31 December 2021; Unit: except the amount of capital is denominated in foreign currency, the rest are denominated in NTD thousands

Company	Amount of capital	Total Assets	Total Liabilities	Net Assets	Operating revenue	Operating profit (loss)	Current profit and loss	Earnings (loss) per share (dollar)
EAH	HKD80,000,000	2,312,527	834,266	1,478,261	4,413,273	12,757	330,523	4.13
EAHZ	USD 7,144,900	2,084,305	2,041,613	42,692	3,320,115	(141,315)	(165,230)	N/A
ESHY	HKD 9,000,000	294,711	200,277	94,434	1,211,145	10,121	(10,527)	N/A
ESZ	RMB 2,000,000	232,614	274,864	(42,250)	698,942	(17,124)	(25,152)	N/A
ScS	DKK1,320,045	136,888	51,471	85,416	219,253	26,750	20,236	15.33
ETT	NTD 65,316,430	89,920	36,425	53,495	463,316	(30,999)	(230,070)	(35.22)
ETH	HKD 80,000,000	1,875,892	1,143,634	732,258	4,133,482	43,659	662,830	5.76
ESG	SGD50,000	9,325	4,561	4,764	0	(22,616)	(2,265)	(45.30)
EAVN	USD8,000,000	1,275,679	1,124,683	150,996	2,386,220	(31,270)	(38,063)	N/A
EMH	HKD100,000	143,613	143,463	150	245,862	(2,620)	6,923	69.23
ETW	NTD30,000,000	2,179	3,135	(956)	0	(23,711)	(21,259)	(7.09)
ETV	USD200,000	5,177	15	5,163	0	(364)	(375)	N/A

Note: Limited company without shares.



6. Information of directors, supervisors and general managers of each affiliate enterprise

Company	Position	Name or representative	Shareholding	
			No. of shares (shares)	Percentage of Shareholding (%)
Eastern Asia Technology (HK) Limited	Directors	Pai Chin Chang	0	0
	Directors	Wong Kar Sue	0	0
Eastech (Huizhou) Co., Ltd.	Directors	Liou Jenq Lin	0	0
	Directors	Hui Man Wai	0	0
	Directors	Lin Ji Xiong	0	0
Eastech Systems (Huiyang) Co., Ltd.	Directors	Liou Jenq Lin	0	0
	Directors	Leung Hung Sun	0	0
	Directors	Low Weng Seet	0	0
Eastech (SZ) Co., Ltd.	Directors	Lam Pui Man	0	0
	Directors	Leung Hung Sun	0	0
	Directors	Lin Ji Xiong	0	0
Scan-Speak A/S	Directors	Liou Jenq Lin	0	0
	Directors	Chang Tung I	0	0
	Directors	Teng Chiou Shiang	0	0
	Directors	Colleen Lois Hallam	0	0
Eastech Electronics (Taiwan) Inc.	Directors	Chang Tung I	0	0
	Directors	Teng Chiou Shiang	0	0
	Directors	Chang Po Chao	0	0
	Supervisor	Lam Pui Man	0	0
Eastech Electronics (HK) Limited	Directors	Liou Jenq Lin	0	0
	Directors	Lam Pui Man	0	0
Eastech (SG) Pte. Ltd.	Directors	Lee Kheng Wee	0	0
Eastech Microacoustics (HK) Limited	Directors	Lam Pui Man	0	0
	Directors	Teng Chiou Shiang	0	0
Eastech Innovations (TW) Inc.	Directors	Chang Tung I	0	0
	Directors	Teng Chiou Shiang	0	0
	Directors	Chang Po Chao	0	0
	Supervisor	Lam Pui Man	0	0

(b) Consolidated financial statements of affiliated enterprises: same with the consolidated financial statements, please refer to pages 169 to 243.

(c) Declaration on consolidated statement: not applicable.

**2. Private placement of securities during the latest year and as of the date of issue of annual report: nil.**

**3. The Company's shares held or disposed of by subsidiaries during the latest year and as of the date of issue of annual report**

Unit: NTD thousands; shares; %

Subsidiary (note 1)	Paid-in capital	Source of funds	Shareholding percentage of the Company	Date of acquisition or disposal	Number of shares acquired and amount	Number of shares disposed of and amount	Investment gains or losses	Number of shares held and amount as at the publication date of the annual report (note 2)	Creation of pledge	Endorsement and guarantee amount for subsidiaries by the Company	Loans to subsidiaries by the Company
Eastech Electronics (Taiwan) Inc.	\$65,316	Self- owned funds	99.98%	Acquired in February 2013	453,000 shares and \$27,617	0	0	Number of shares: 453,000 shares Amount: 11,280	0 share	0	0

Note 1: Acquired in January 2015.

Note 2: Based on the closing price of NTD 24.90 on 31 March 2022.

**4. Other required supplementary notes: nil.**

**5. Matters which have a significant impact on shareholders' equity or securities prices as stipulated in Article 36(3)(ii) of the Securities and Exchange Act during the latest year and as of the date of issue of annual report:**

On 15 March 2021, the Board of Directors of the Company resolved and approved the signing of the “Equity Transfer Agreement” between Eastern Asia Technology (HK) Limited, a 100% re-invested subsidiary of the Company, and Shangnanfei Trading (Shenzhen) Co., Ltd., a non-related party (the “Purchaser”). It is resolved to sell 100% equity interests in Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd. located in Huizhou City, Guangdong Province to the Purchaser for a total consideration of RMB365 million, and the disposal was completed by the end of 2021. Upon disposal of the equity interests, the two companies have been leased back at the factory areas with the same locations in Mainland China and continued to operate with streamlined production lines and at the optimum scale without any changes in orders, customers or operating models.

**6. Explanation for significant discrepancy with national regulations on shareholders' rights protection:**

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
The convening procedures and way of resolution of the general meeting		
The major contents of the following matters shall be set out in the notice of the reasons for convening the general meeting, and shall not be raised by provisional	Article 172 of the Company Act and Article 26-1 and Article 43-6 of the Securities	There is no concept of supervisor in the Cayman Companies Law, and the Company has established an audit committee, therefore the Articles of Association do not include provisions

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
<p>motion (the major contents of which shall be published on the websites designated by the competent authorities or the company, and the website link shall be set out in the notice):</p> <ul style="list-style-type: none"> <li>(1) Election or dismissal of directors and supervisors;</li> <li>(2) Alteration of the Articles of Association;</li> <li>(3) Reduction of capital;</li> <li>(4) Application for the ceasing of public issue;</li> <li>(5) Dissolution, merger, conversion of shares and demerger of the company;</li> <li>(6) Enter into, amend, or terminate any contract for lease of the company's entire business, or for entrusted business, or for regular joint operation with others;</li> </ul>	and Exchange Act	for supervisors. The rest are all required under the Articles of Association of the Company.

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
<p>(7) Assignment of the whole or any essential part of its business or assets;</p> <p>(8) Taking up of the whole business or assets of other parties which has great significance on the business operation of the company;</p> <p>(9) Private placement of quoted equity securities;</p> <p>(10) Approval of engagement in competing activities with the company by directors;</p> <p>(11) Distribution of whole or part of the dividends and bonuses by way of issuing new shares;</p> <p>(12) Distribution of statutory surplus reserve and capital reserve arising from share issue at a premium or</p>		

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
<p>gift or donation to the original shareholders by way of issuing new shares or cash.</p>		
<p>The following resolutions involve material interests of shareholders, and shall be attended by over two-thirds of the shareholders representing the total shares issued, and the resolutions shall be approved upon over half of the voting rights voted in favor of the resolution. If the attended shareholders' shares do not meet the aforesaid requirement, there shall be over half of the shareholders of the total shares issued to attend, and the resolutions shall be approved upon over two-thirds of the voting rights vote in favor of the resolution:</p> <p>1. The company enters into, amends, or terminates any contract for lease of the company's entire business, for entrusted business, or for regular joint operation with others, transfers the whole or any essential part of its business or assets,</p>	<p>1. Article 185 of the Company Act</p> <p>2. Article 277 of the Company Act</p> <p>3. Article 159 of the Company Act</p> <p>4. Article 240 of the Company Act</p> <p>5. Article 316 of the Company Act</p>	<p>1. As provided in the Cayman Companies Law: Special resolution as defined under the Cayman Companies Law refers to: The notice of the reasons for convening the general meeting sets out the special resolution to be considered, and the resolution approved by over two-thirds of shares which are entitled to vote at the general meeting.</p> <p>Pursuant to the Cayman Companies Law, the following matters shall be considered and approved at the general meeting of the company by way of special resolution: (1) requirements for altering the Memorandum with respect to any objectives, powers or other matters specified; (2) requirements for altering or adding to the Articles of Association; (3) reduction of capital of the company; (4) voluntary dissolution for reasons other than not able to repay debts when due; (5) merging with other companies.</p> <p>2. The Articles of Association of the Company provide that:</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
<p>accepts the transfer of other party's entire business or assets, which has great significance on the business operation of the company;</p> <p>2. Alteration of the Articles of Association;</p> <p>3. Where the alteration of the Articles of Association prejudices the interests of preferred stock shareholders, such alteration shall be subject to resolution at the preferred stock shareholders meeting;</p> <p>4. Distribution of dividends and bonuses in whole or part by way of issuing new shares;</p> <p>5. Resolution related to dissolution, merger, or demerger of shares of the company;</p>		<p>For the purpose of differentiating from the "special resolution" required by the Cayman Companies Law, and to comply with the relevant requirements under the Company Act of ROC, Article 2(a)(47) of the Company's Articles of Association defines "a special resolution of the Company passed in accordance with the Law, being a resolution passed by a majority of at least two-thirds of such Shareholders at a general meeting of the Company of which notice has been duly given" as "special resolution"; Article 2(a)(52) defines "a resolution passed by a majority vote of the Shareholders at a general meeting attended by the Shareholders who represent not less than two-thirds of all issued and outstanding Shares entitled to vote" as "type A special (supermajority) resolution"; Article 2(a)(53) defines "a resolution passed by two-thirds majority of the Shareholders at a general meeting attended by the Shareholders who represent at least a majority of all issued and outstanding Shares entitled to vote" as "type B special (supermajority) resolution".</p> <p>A summary of which is as follows:</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
		<p>(1) Pursuant to Article 30 and Article 148 of the Articles of Association of the Company, the following matters shall be approved at the general meeting by way of “special resolution”: (a) change of company name; (b) change of currency denomination of the share capital; (c) reduction of share capital and capital redemption reserve fund; (d) voluntary dissolution of the Company; (e) issue of securities by private placement; (f) merging with other companies; (g) alteration of Memorandum and Articles of Association.</p> <p>(2) Pursuant to Article 31 of the Articles of Association of the Company, the following matters shall be approved at the general meeting by way of “type A special (supermajority) resolution”, if the attended shareholders' shares do not meet the aforesaid requirement, the matters shall be approved by way of “type B special (supermajority) resolution”: (a) enter into, amend, or terminate any contract for lease of the company's business in whole, for entrusted business, or for regular joint</p>



Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
		<p>operation with others; (b) transfer the whole or any essential part of its business or assets; (c) take over the transfer of another's whole business or assets, which will have a material effect on the business operation of the company; (d) distribute part or all of its dividends or bonus by way of issuance new shares; (e) effect any Spin-off in accordance with the Taiwan Laws; (f) cease to be a public company in Taiwan and ceased to be listed on a stock market; and (g) offer or issue shares with the rights subject to certain restrictions set by the Company in accordance with the Taiwan Laws to the employees of the Company and/or its subsidiaries.</p> <p>(3) Explanation for discrepancy:</p> <p>As stated by the Cayman lawyer, the Articles of Association of Cayman companies shall comply with the requirements of Cayman Companies Law. In case of contradiction, the requirements of Cayman Companies Law shall prevail. "Special resolution" is a legal term as required by the Cayman Companies Law. Matters considered to be "special resolution"</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
		<p>pursuant to the Cayman Companies Law shall be considered by the shareholders by way of "special resolution" in accordance with the Articles of Association, whereas any matters approved without meeting the minimum votes required by the Cayman Companies Law shall be invalid under the Cayman Companies Law. Furthermore, for resolution to be considered by way of "special resolution", the Cayman Companies Law requires companies to specifically indicate the resolution to be considered by way of "special resolution" at the general meeting. To comply with the Cayman Companies Law's relevant requirements related to "special resolution", matters related to "alteration of the Articles of Association", "dissolution" as well as "merger" as required by Article 30 and Article 148 of the Articles of Association of the Company, shall be approved by way of "special resolution" other than "type A special (supermajority) resolution" or "type B special (supermajority) resolution".</p> <p>(4) The impact on the shareholders in Taiwan:</p> <p>Matters required by the Taiwan Laws in relation to the</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
		<p>“protection of shareholders’ rights” to be approved by way of supermajority resolution (other than alteration of the Articles of Association, dissolution and merger) have been approved by way of type (A) special (supermajority) resolution or type (B) special (supermajority) resolution pursuant to Article 31 of the Articles of Association, which are in accordance with relevant requirements under the Taiwan Laws in relation to the “protection of shareholders’ rights”.</p> <p>For matters such as “alteration of the Articles of Association”, “dissolution” as well as “merger”, they shall be handled by way of “special resolution” pursuant to the Cayman Companies Law, which are not able to be amended according to the Taiwan Laws in relation to the “protection of shareholders’ rights”. However, as the requirement for voting power right in respect of “special resolution” under the Cayman Companies Law (approved upon two-thirds of voting rights vote in favor of the resolution) is principally not lower than the requirements under the Company Act of ROC, therefore, such part of the Articles of Association of the</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
		Company shall have no adverse impact on the shareholders.
Authorities and responsibilities of directors		
<p>The term of office of a director or supervisor shall not exceed three years; but he/she may be eligible for re-election.</p> <p>In the process of electing directors or supervisors at a general meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of more than one candidate. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect.</p>	<p>Article 195 (1) of the Company Act</p> <p>Article 198 of the Company Act</p> <p>Article 199(1) of the Company Act</p> <p>Article 217(1) of the Company Act</p> <p>Article 227 of the Company Act</p>	<p>There is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.</p>
<p>The qualifications, composition, election, dismissal, exercise of powers and matters for compliance of directors, independent directors, members of remuneration committee and audit</p>	<p>Article 14-2, Article 14-4, Article 14-5, Article 14-6 and Article 26-3 of the Securities and Exchange Act</p>	<p>There is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
committee or supervisors shall comply with the requirements under the Securities and Exchange Act of ROC.		
<p>The transfer of more than half of the company's shares held during the term by directors (excluding independent directors) or supervisors of the company, shall result in their automatic discharge.</p> <p>Upon being elected, transfer of more than half of the company's shares held before the taking of office or transfer of more than half of the shares held during the period of suspension of share transfer prior to the general meeting by the directors (excluding independent directors) or supervisors, the election shall be deemed invalid.</p>	Article 197 and Article 227 of the Company Act and Article 14-2 of the Securities and Exchange Act	There is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.
Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the	Article 216 to Article 222 of the Company Act	There is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
<p>territory of the Republic of China.</p> <p>The term of office of a supervisor shall not exceed three years, and may be eligible for re-election.</p> <p>In the event all supervisors of a company are discharged, the board of directors shall, within 60 days, convene a special meeting of shareholders to elect new supervisors.</p> <p>Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company, inspect, transcribe or make copies of the accounting books and documents, and request the board of directors or the management to make reports thereon.</p> <p>Supervisors shall audit the various statements and records prepared for submission to the general meeting by the board of directors, and shall give a report of their findings and opinions at the</p>		<p>requirements for supervisors.</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
<p>meeting of shareholders.</p> <p>In performing auditing business, the supervisors may appoint, on behalf of the company, a practicing lawyer and a certified public accountant to conduct the examination.</p> <p>Supervisors of a company shall attend the meeting of the board of directors to express their opinions.</p> <p>In case the board of directors or any director commits any act when carrying out the business operations of the company in violation of the laws, regulations, the Articles of Association or the resolutions of the general meeting, the supervisors shall forthwith advise, by notice, the board of directors or the director, as the case may be, to cease such act.</p> <p>Supervisors shall each exercise the supervision power independently.</p> <p>A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the</p>		

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
company		
<p>Shareholder(s) who has/have been continuously holding 1% or more of the total number of the company's shares issued over six months may request the supervisors of the company in writing to institute, for the company, an action against a director of the company, and the Taiwan Taipei District Court shall be the first instance court.</p> <p>In case the supervisors fail to institute an action within 30 days after having received the request of shareholders, the shareholders may then institute the action for the company, and the Taiwan Taipei District Court shall be the first instance court.</p> <p>Subject to the condition that the board of directors does not or is unable to convene a meeting of shareholders, the supervisors may, for the benefit of the company, call a meeting of shareholders when it is deemed necessary.</p>	Article 200, Article 214, Article 220 and Article 227 of the Company Act	There is no concept of supervisor in the Cayman Company Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.
1. A director of a company shall have the loyalty	Article 8(2) and (3) and	Although the Company has included the summary of the



Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
<p>and shall exercise the due care of a good administrator in conducting business operation of the company. If the directors of a company have caused damage to any other person, he/she shall be liable for the damage to such other person. In case the directors of a company do anything for themselves or on behalf of another person in violation of the provisions, the general meeting may, by a resolution, consider the earnings generated from such an act as earnings of the company.</p> <p>2. If a director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage so caused.</p> <p>3. Managerial personnel and supervisor of a company, in the course of conducting the business operations, shall be liable for the same damage that</p>	Article 23(3) of the Company Act	<p>above requirements in the Articles of Association, according to the opinion of Cayman lawyer, pursuant to the Cayman common law, the Articles of Association aim to standardize the rights and responsibilities between the company and the shareholders, which has no binding effect on third parties. In respect of the violation of loyalty and exercising due care of a good administrator by a director and causing damage to the company, the company may claim for compensation pursuant to Cayman common law or the appointment agreement entered into with the director. However, as required by the Articles of Association, for considering the earnings of third parties as earnings of the company or the director shall be liable jointly with the company for the damage to other person, the above requirements may not be able to be executed under the Cayman common law since the third parties are not bound by the Articles of Association of the company. Moreover, there is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not</p>

Important matters for shareholders' rights protection	Relevant rules of the Company Act or the Securities and Exchange Act	Provisions under the Articles of Association and explanation for discrepancy
the director is liable for.		include requirements for supervisors.
Where a juristic person acts as a shareholder of a company, its authorized representative may also be elected as a director or supervisor of the company. If there are more than one such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as a director or supervisor of the company.	Article 27(2) of the Company Act	A director of a Cayman company may be a natural person or juristic person, however the juristic person can only be elected as one director, and may authorize representative to conduct the business operations, yet the concept of representatives of juristic person being elected as multiple directors in the Cayman Companies Law. And there is no concept of supervisor in the Cayman Companies Law, and as the Company has established the audit committee, therefore the Articles of Association do not include requirements for supervisors.

東科控股股份有限公司

Eastech Holding Limited

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