

Eastech Holding Limited and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2022 and 2021 and Independent Auditors' Review Report

Notice to Readers

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Eastech Holding Limited

Introduction

We have reviewed the accompanying consolidated balance sheet of Eastech Holding Limited ("Eastech") and subsidiaries (collectively, the "Group") as of September 30, 2022 and the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Accounting Standards 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of September 30, 2022, and its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Chin-Chuan Shih and Yung-Ming Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 14, 2022

Notice to Readers

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,054,675	15.63	\$ 528,617	8.34
Financial assets at fair value through profit or loss (Note 7)	134	-	1,597	0.03
Notes and accounts receivable, net (Notes 8, 18 and 22)	2,625,580	38.91	1,978,358	31.21
Inventories (Notes 10 and 22)	1,360,189	20.16	1,272,731	20.08
Other receivables and prepayments (Note 9)	475,939	7.06	1,334,562	21.05
Restricted assets (Notes 6 and 22)	-	-	41,511	0.65
Total current assets	<u>5,516,517</u>	<u>81.76</u>	<u>5,157,376</u>	<u>81.36</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	124,660	1.85	108,912	1.72
Property, plant and equipment (Notes 11 and 22)	1,007,334	14.93	948,845	14.97
Right-of-use assets (Note 12)	66,845	0.99	78,135	1.23
Intangible assets (Notes 13 and 22)	25,412	0.37	38,565	0.61
Deferred tax assets (Note 4)	6,777	0.10	6,844	0.11
Total non-current assets	<u>1,231,028</u>	<u>18.24</u>	<u>1,181,301</u>	<u>18.64</u>
TOTAL	<u>\$ 6,747,545</u>	<u>100.00</u>	<u>\$ 6,338,677</u>	<u>100.00</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 14)	\$ 479,854	7.11	\$ 1,135,747	17.92
Notes and accounts payable (Note 15)	3,090,322	45.80	2,393,148	37.75
Other payables (Note 15)	721,599	10.70	796,137	12.56
Lease liabilities - current (Note 12)	42,679	0.63	48,576	0.77
Current tax liabilities (Note 4)	18,900	0.28	6,682	0.10
Total current liabilities	<u>4,353,354</u>	<u>64.52</u>	<u>4,380,290</u>	<u>69.10</u>
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Note 14)	156,270	2.31	222,890	3.52
Lease liabilities - non-current (Note 12)	33,548	0.50	59,972	0.95
Deferred tax liabilities (Note 4)	6,983	0.10	7,291	0.11
Other payable - non-current	-	-	5,887	0.09
Total non-current liabilities	<u>196,801</u>	<u>2.91</u>	<u>296,040</u>	<u>4.67</u>
Total liabilities	<u>4,550,155</u>	<u>67.43</u>	<u>4,676,330</u>	<u>73.77</u>
EQUITY (Note 17)				
Share capital - common stock	623,360	9.24	614,060	9.69
Capital surplus	773,092	11.46	749,535	11.83
Treasury shares	(24,019)	(0.36)	(24,019)	(0.38)
Exchange differences on translating the financial statements of foreign operations	148,949	2.21	(79,767)	(1.26)
Unrealized losses on financial assets at fair value through other comprehensive income	-	-	(29,950)	(0.47)
Retained earnings				
Legal reserve	5,898	0.09	5,898	0.09
Special reserve	109,717	1.63	-	-
Unappropriated retained earnings	560,393	8.30	426,590	6.73
Total equity	<u>2,197,390</u>	<u>32.57</u>	<u>1,662,347</u>	<u>26.23</u>
TOTAL	<u>\$ 6,747,545</u>	<u>100.00</u>	<u>\$ 6,338,677</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 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Note 18)	\$ 4,188,594	100.00	\$ 2,775,992	100.00	\$ 10,088,741	100.00	\$ 7,189,201	100.00
COST OF REVENUE (Note 10)	<u>3,619,125</u>	<u>86.40</u>	<u>2,522,487</u>	<u>90.87</u>	<u>9,030,540</u>	<u>89.51</u>	<u>6,554,077</u>	<u>91.17</u>
GROSS PROFIT	<u>569,469</u>	<u>13.60</u>	<u>253,505</u>	<u>9.13</u>	<u>1,058,201</u>	<u>10.49</u>	<u>635,124</u>	<u>8.83</u>
OPERATING EXPENSES								
Selling and distribution	54,396	1.30	46,190	1.66	161,817	1.60	124,869	1.74
General and administrative (Note 8)	<u>313,451</u>	<u>7.48</u>	<u>171,755</u>	<u>6.19</u>	<u>667,293</u>	<u>6.62</u>	<u>578,266</u>	<u>8.04</u>
Total operating expenses	<u>367,847</u>	<u>8.78</u>	<u>217,945</u>	<u>7.85</u>	<u>829,110</u>	<u>8.22</u>	<u>703,135</u>	<u>9.78</u>
PROFIT (LOSS) FROM OPERATIONS	<u>201,622</u>	<u>4.82</u>	<u>35,560</u>	<u>1.28</u>	<u>229,091</u>	<u>2.27</u>	<u>(68,011)</u>	<u>(0.95)</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 4 and 18)	15,228	0.36	33,116	1.19	48,011	0.47	105,666	1.47
Foreign exchange gain (loss), net (Note 24)	60,296	1.44	10,743	0.39	89,132	0.88	(2,634)	(0.03)
Finance costs (Note 18)	(9,505)	(0.23)	(9,608)	(0.35)	(27,434)	(0.27)	(27,849)	(0.39)
Other losses (Note 18)	<u>(6,902)</u>	<u>(0.16)</u>	<u>-</u>	<u>-</u>	<u>(16,460)</u>	<u>(0.16)</u>	<u>(24,967)</u>	<u>(0.35)</u>
Total non-operating income and expense	<u>59,117</u>	<u>1.41</u>	<u>34,251</u>	<u>1.23</u>	<u>93,249</u>	<u>0.92</u>	<u>50,216</u>	<u>0.70</u>
PROFIT (LOSS) BEFORE INCOME TAX	260,739	6.23	69,811	2.51	322,340	3.19	(17,795)	(0.25)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 19)	<u>(10,685)</u>	<u>(0.26)</u>	<u>49,072</u>	<u>1.77</u>	<u>(12,026)</u>	<u>(0.12)</u>	<u>26,313</u>	<u>0.37</u>
NET PROFIT FOR THE PERIOD	<u>250,054</u>	<u>5.97</u>	<u>118,883</u>	<u>4.28</u>	<u>310,314</u>	<u>3.07</u>	<u>8,518</u>	<u>0.12</u>
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)								
Items that may be reclassified subsequently to profit or loss: Exchange differences on translating foreign operations	<u>132,175</u>	<u>3.16</u>	<u>(11,948)</u>	<u>(0.43)</u>	<u>228,716</u>	<u>2.27</u>	<u>(19,847)</u>	<u>(0.28)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 382,229</u>	<u>9.13</u>	<u>\$ 106,935</u>	<u>3.85</u>	<u>\$ 539,030</u>	<u>5.34</u>	<u>\$ (11,329)</u>	<u>(0.16)</u>
EARNINGS PER SHARE (Note 20)								
Basic earnings per share after income tax	<u>\$ 4.10</u>		<u>\$ 1.95</u>		<u>\$ 5.09</u>		<u>\$ 0.14</u>	
Diluted earnings per share after income tax	<u>\$ 4.09</u>		<u>\$ 1.95</u>		<u>\$ 5.08</u>		<u>\$ 0.14</u>	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Unearned Employee Benefit	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Retained Earnings		Unappropriated Earnings (Accumulated Deficit)	Equity Directly Associated with Non-current Assets Held for Sale	Total Equity
							Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2021	\$ 614,550	\$ 779,951	\$ (24,019)	\$ (186,751)	\$ (2,490)	\$ (29,950)	\$ 65,002	\$ -	\$ (34,512)	\$ -	\$ 1,181,781
Reclassification of the equity directly associated with non-current assets held for sale	-	-	-	126,068	-	-	(59,104)	-	-	(66,964)	-
Cancellation of restricted shares for employees	(370)	(780)	-	-	1,150	-	-	-	-	-	-
Compensation costs of restricted shares plan for employees	-	-	-	-	991	-	-	-	-	-	991
Compensation costs of employee stock options	-	1,543	-	-	-	-	-	-	-	-	1,543
Appropriation of profit or loss	-	(34,512)	-	-	-	-	-	-	34,512	-	-
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	-	-	-	8,518	-	8,518
Other comprehensive loss for the nine months ended September 30, 2021	-	-	-	(19,847)	-	-	-	-	-	-	(19,847)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	(19,847)	-	-	-	-	8,518	-	(11,329)
BALANCE AT SEPTEMBER 30, 2021	\$ 614,180	\$ 746,202	\$ (24,019)	\$ (80,530)	\$ (349)	\$ (29,950)	\$ 5,898	\$ -	\$ 8,518	\$ (66,964)	\$ 1,172,986
BALANCE AT JANUARY 1, 2022	\$ 614,060	\$ 749,535	\$ (24,019)	\$ (79,767)	\$ -	\$ (29,950)	\$ 5,898	\$ -	\$ 426,590	\$ -	\$ 1,662,347
Appropriation of 2021 earnings	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(36,844)	-	(36,844)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	272	-	-	-	-	-	-	-	-	272
Appropriation of special reserve	-	-	-	-	-	-	-	109,717	(109,717)	-	-
Compensation costs of employee stock options	-	11,846	-	-	-	-	-	-	-	-	11,846
Issuance of ordinary shares under employee share options	9,300	11,439	-	-	-	-	-	-	-	-	20,739
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	29,950	-	-	(29,950)	-	-
Net profit for the nine months ended September 30, 2022	-	-	-	-	-	-	-	-	310,314	-	310,314
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	228,716	-	-	-	-	-	-	228,716
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	228,716	-	-	-	-	310,314	-	539,030
BALANCE AT SEPTEMBER 30, 2022	\$ 623,360	\$ 773,092	\$ (24,019)	\$ 148,949	\$ -	\$ -	\$ 5,898	\$ 109,717	\$ 560,393	\$ -	\$ 2,197,390

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 322,340	\$ (17,795)
Adjustments for:		
Amortization - other intangible assets	15,315	55,663
Provision impairment loss on bad debt	15,191	32
Gain on lease modifications	(29)	(48)
Allowance for inventories provision and inventories write-off	18,636	7,423
Depreciation expenses of property, plant and equipment	103,726	113,907
Depreciation expenses of right-of-use assets	19,350	22,832
Loss on disposal of property, plant and equipment	880	1,732
Loss on written off other intangible assets	-	1,257
Interest expense	27,434	27,849
Interest income	(2,064)	(1,890)
Dividend income	(4,841)	-
Compensation cost of restricted shares plans for employees	-	991
Compensation cost of employees share options	11,846	1,543
Loss (gain) on fair value changes of financial instruments at fair value through profit or loss	1,033	(5,246)
Operating cash flows before working capital changes	528,817	208,250
Changes in operating assets and liabilities		
Notes and accounts receivable	(662,413)	(391,467)
Other receivables and prepayments	(34,262)	(112,832)
Inventories	(106,094)	159,163
Notes and accounts payable	697,174	(595,996)
Other payables	(80,425)	587,364
Cash generated from (used in) operating activities	342,797	(145,518)
Interest paid	(27,434)	(27,849)
Interest received	2,064	1,890
Dividends received	4,841	-
Income tax paid	(561)	(15,245)
Net cash generated from (used in) operating activities	321,707	(186,722)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquiring property, plant and equipment	(97,677)	(124,363)
Proceeds from disposal of property, plant and equipment	1,123	2,623
Increase in other intangible assets	(1,581)	(87,235)
Decrease in restricted assets	41,511	9,025
Net cash inflows from disposal of subsidiaries	892,885	-
Net cash generated from (used in) investing activities	836,261	(199,950)

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	\$ 2,999,008	\$ 2,798,052
Repayments of bank borrowings	(3,892,830)	(2,553,503)
Repayments of the principal portion of lease liabilities	(38,250)	(20,814)
Cash dividend	(36,844)	-
Cash dividend received from treasury shares	272	-
Exercise of employee share options	20,739	-
Net cash (used in) generated from financing activities	<u>(947,905)</u>	<u>223,735</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>315,995</u>	<u>(12,713)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	526,058	(175,650)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>528,617</u>	<u>1,109,289</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,054,675</u>	<u>\$ 933,639</u>

Cash and cash equivalents as follows:

	For the Nine Months Ended September 30	
	2022	2021
Cash and bank deposits	\$ 1,054,675	\$ 753,423
Cash and bank deposits included in non-current assets held for sale	-	192,238
Pledge deposits	-	(12,022)
Cash and cash equivalents	<u>\$ 1,054,675</u>	<u>\$ 933,639</u>

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

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

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

In order to develop new technology and design the product, EAH established a wholly-owned subsidiary - Eastech Innovations (TW) Inc. on July 2, 2020, with registered capital of NT\$85 million.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 14, 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, 2022. Except for the following, whenever applied, the initial application of the amendments to the IFRSs issued into effect would not have any material impact on the Group’s consolidated financial statements for the nine months ended September 30, 2022.

b. Standards and interpretations issued but not yet effective

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 3)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 4)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 5)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 4: 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 5: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) and Rule No. 10200546801 issued by the Financial Supervisory Commission (the “FSC”). Moreover, the IFRSs applicable to these consolidated financial statements have no difference with the IFRS, IAS, interpretations as well as related guidance translated by Accounting Research and Development Foundation (ARDF) endorsed by the FSC with the effective dates (collectively, “Taiwan-IFRSs”).

b. Basis of preparation

- 1) The basis of consolidated financial statements are consistent with those applied in the consolidated financial statement for the year ended December 31, 2021.
- 2) The consolidated financial statements had been originally presented in the functional currency of the Company - NTD.
- 3) Pursuant to the above basis of preparation of the consolidated financial statements, the detail information of the subsidiaries was as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			September 30, 2022	December 31, 2021	
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 (SZ) Co., Ltd. (“ESZ”)	Import and export trading of audio, accessories, machinery and equipment, etc.	100.00	100.00	ESZ was established by EAH on November 13, 2013
EAH	Scan-Speak A/S (“ScS”)	Research and development, production and sales of high-end transducers	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 transducers, 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	100.00	ETV was established by EAH on July 10, 2021
EAH	Eastech (SG) Pte. Ltd. (“ESG”)	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology	100.00	100.00	ESG was established by ETH in October 2017 and was transferred 100% ownership from ETH to EAH in July 2019.
EAH	Eastech Microacoustics (HK) Limited (“EMH”)	Sales of headphones and AV products	100.00	100.00	EMH was established by EAH on August 30, 2019.
EAH	Eastech Electronics (Taiwan) Inc. (“ETT”)	Design and sales of smart speaker and AV electronics home entertainment systems	-	99.98	Notes 1 and 3
EAH	Eastech Electronics (HK) Limited (“ETH”)	Sales of smart speaker, AV electronics home entertainment systems and headphones	100.00	100.00	Note 1
EAH	Esatech Innovations (TW) Inc. (“ETW”)	New technology research, product design and development	100.00	100.00	ETW was established by EAH on July 2, 2020.
ETW	Eastech Electronics (Taiwan) Inc. (“ETT”)	Design and sales of smart speaker and AV electronics home entertainment systems	99.98	-	Note 3

Note 1: 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.

Note 2: On March 15, 2021, the board of directors approved the disposal of Eastech (Huiyang) Co., Ltd. and Eastech Electronics (Huiyang) Co., Ltd., and the Group has completed the transfer of ownership on December 21, 2021.

Note 3: On June 13, 2022, ETW made a cash capital increase of \$55,000 thousand, which was fully subscribed by EAH, with maintaining shareholding ratio of 100%. And on June 20, 2022, ETW purchased all shares of ETT from EAH.

c. Other significant accounting policies

Except for the following, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

1) Taxation

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

2) Explanatory about the seasonality of interim operations

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

d. Basis of preparation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates and assumptions have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Cash on hand	\$ 1,299	\$ 1,527
Cash at bank	1,047,827	527,090
Fixed deposits	<u>5,549</u>	<u>41,511</u>
	1,054,675	570,128
Less: Pledged deposits	<u>-</u>	<u>(41,511)</u>
	<u>\$ 1,054,675</u>	<u>\$ 528,617</u>

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 22), and are recognized under restricted assets.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
<u>Financial assets - current</u>		
Derivatives financial assets (unspecified risk)		
Forward exchange contract	\$ -	\$ 1,371
Non-derivative financial assets		
Foreign-listed stocks	<u>134</u>	<u>226</u>
	<u>\$ 134</u>	<u>\$ 1,597</u>
<u>Financial assets - non-current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted stocks	<u>\$ 124,660</u>	<u>\$ 108,912</u>

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

December 31, 2021

	<u>Currencies</u>	<u>Term</u>	<u>Amount (In Thousands)</u>
Sales of forward exchange contract	USD to RMB	January 10, 2022 to June 7, 2022	USD15,000/RMB96,421

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

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Notes receivable	\$ 7,905	\$ 10,572
Accounts receivable	2,659,515	1,991,273
Less: Allowance for impairment loss	<u>(41,840)</u>	<u>(23,487)</u>
	<u>\$ 2,625,580</u>	<u>\$ 1,978,358</u>

The Group's average credit period of sales of goods was 63 days (77 days in 2021). No interest was charged on notes and accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

September 30, 2022 (reviewed)

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 2,488,742	\$ 144,051	\$ 9,051	\$ 25,576	\$ 2,667,420
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(7,213)</u>	<u>(9,051)</u>	<u>(25,576)</u>	<u>(41,840)</u>
Amortized cost	<u>\$ 2,488,742</u>	<u>\$ 136,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,625,580</u>

December 31, 2021 (audited)

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

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

	For the Nine Months Ended September 30, 2022 (Reviewed)	For the Year Ended December 31, 2021 (Audited)
Balance at the beginning of the period	\$ 23,487	\$ 46,877
Add: Impairment losses recognized	15,191	104
Less: Amounts written off	-	(13)
Less: Amounts recovered	(1,340)	(22,725)
Effect of foreign currency exchange differences	<u>4,502</u>	<u>(756)</u>
Balance at the end of the period	<u>\$ 41,840</u>	<u>\$ 23,487</u>

The notes and accounts receivable (with recourse) pledged as collateral for bank borrowings are set out in Notes 22 and 24 (h).

9. OTHER RECEIVABLES AND PREPAYMENTS

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Other receivables, net	\$ 60,564	\$ 944,645
Prepayments for purchases	54,074	149,473
Prepayments	5,580	6,205
Prepayments for purchases of equipment and mold	8,086	34,063
Value-added tax recoverable and refundable	330,346	183,014
Guarantee deposits	<u>17,289</u>	<u>17,162</u>
	<u>\$ 475,939</u>	<u>\$ 1,334,562</u>

Other receivables of the Group mainly consist of the followings:

- a. Other receivables relating to litigations (including guarantee deposits) as described in Note 23 (a) were fully set aside for loss. There was no changes for the nine months ended September 30, 2022.
- b. As of September 30, 2022 and December 31, 2021, the amounts of temporary payments as described in Note 15 (b) were \$12,143 thousand and \$57,573 thousand, respectively, which were included in other receivables.
- c. The consideration receivables from the disposal of subsidiaries (cash and cash equivalents held in the custodian account) as described in Note 20 (c) amounting to \$800,195 thousand on December 31, 2021 was recognized as other receivables mentioned above. The aforementioned other receivables were fully received on March 25, 2022.

10. INVENTORIES

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Raw materials	\$ 713,925	\$ 759,406
Work-in-process	369,579	290,735
Finished goods	117,364	121,856
Goods in transit	<u>159,321</u>	<u>100,734</u>
	<u>\$ 1,360,189</u>	<u>\$ 1,272,731</u>

The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2022 and 2021 was \$9,030,540 thousand and \$6,554,077 thousand, respectively, which included loss of net realizable value of inventories and loss of written-off of inventories of \$18,636 thousand and \$7,423 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2022 and 2021 was \$3,619,125 thousand and \$2,522,487 thousand, respectively, which included loss of net realizable value of inventories and loss of written-off of inventories of \$7,752 thousand and \$7,011 thousand, respectively.

The inventories pledged as collateral for bank borrowing are set out in Note 22.

11. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Cost	\$ 1,461,904	\$ 1,288,568
Accumulated depreciation and impairment	<u>(454,570)</u>	<u>(339,723)</u>
Carrying amount	<u>\$ 1,007,334</u>	<u>\$ 948,845</u>
Land and buildings	\$ 323,842	\$ 264,636
Machinery and office equipment	677,127	643,757
Property under construction	<u>6,365</u>	<u>40,452</u>
Carrying amount	<u>\$ 1,007,334</u>	<u>\$ 948,845</u>

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

	Land and Buildings	Machinery and Office Equipment	Property under Construction	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 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)
Disposals of subsidiaries	(549,792)	(218,589)	-	(768,381)
Effect of exchange rates changes	<u>1,997</u>	<u>(1,125)</u>	<u>(263)</u>	<u>609</u>
Balance at December 31, 2021	272,797	975,319	40,452	1,288,568
Additions	-	67,819	29,858	97,677
Disposals	-	(7,366)	(217)	(7,583)
Reclassification	38,934	26,244	(65,310)	(132)
Effect of exchange rates changes	<u>26,841</u>	<u>54,951</u>	<u>1,582</u>	<u>83,374</u>
Balance at September 30, 2022	<u>\$ 338,572</u>	<u>\$ 1,116,967</u>	<u>\$ 6,365</u>	<u>\$ 1,461,904</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2021	\$ 400,516	\$ 706,294	\$ -	\$ 1,106,810
Depreciation	9,864	134,989	-	144,853
Disposals	(5,897)	(75,888)	-	(81,785)
Disposals of subsidiaries	(553,363)	(170,612)	-	(723,975)
Reclassification	154,793	(261,768)	-	(106,975)
Effect of exchange rates changes	<u>2,248</u>	<u>(1,453)</u>	<u>-</u>	<u>795</u>
Balance at December 31, 2021	8,161	331,562	-	339,723
Depreciation	5,473	98,253	-	103,726
Disposals	-	(5,580)	-	(5,580)
Effect of exchange rates changes	<u>1,096</u>	<u>15,605</u>	<u>-</u>	<u>16,701</u>
Balance at September 30, 2022	<u>\$ 14,730</u>	<u>\$ 439,840</u>	<u>\$ -</u>	<u>\$ 454,570</u>

For the effect from the coronavirus pandemic, the management has conducted an impairment test. Since the sales orders from main customers are still existed and shipments are just deferred, hence, the recoverable amount is still higher than net book value based on the aforementioned test result. No impairment loss is recognized as of December 31, 2021 and September 30, 2022, accordingly.

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

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
<u>Carrying amounts</u>		
Land and buildings	\$ 64,570	\$ 75,689
Machinery and office equipment	<u>2,275</u>	<u>2,446</u>
	<u>\$ 66,845</u>	<u>\$ 78,135</u>
	For the Nine Months Ended September 30	
	2022	2021
	(Reviewed)	(Reviewed)
Additions to right-of-use assets	<u>\$ 3,655</u>	<u>\$ 19,836</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 17,907	\$ 20,970
Machinery and office equipment	<u>1,443</u>	<u>1,862</u>
	<u>\$ 19,350</u>	<u>\$ 22,832</u>
	For the Three Months Ended September 30	
	2022	2021
	(Reviewed)	(Reviewed)
Additions to right-of-use assets	<u>\$ 512</u>	<u>\$ 8,347</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 5,946	\$ 6,616
Machinery and office equipment	<u>479</u>	<u>632</u>
	<u>\$ 6,425</u>	<u>\$ 7,248</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2022 and for the year ended December 31, 2021.

b. Lease liabilities

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
<u>Carrying amounts</u>		
Current	\$ 42,679	\$ 48,576
Non-current	<u>33,548</u>	<u>59,972</u>
	<u>\$ 76,227</u>	<u>\$ 108,548</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Land and buildings	2.42%-4.23%	2.51%-4.23%
Machinery and office equipment	2.42%-4.63%	2.51%-4.63%

c. Material lease-in activities and terms

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

September 30, 2022 and December 31, 2021

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

d. Other lease information

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Expenses relating to short-term leases	<u>\$ 9,913</u>	<u>\$ 19,388</u>
Total cash outflow for leases	<u>\$ (50,084)</u>	<u>\$ (42,247)</u>
	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Expenses relating to short-term leases	<u>\$ 3,078</u>	<u>\$ 5,990</u>

13. INTANGIBLE ASSETS

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Technical knowledge (including capitalized costs of R&D)	<u>\$ 25,412</u>	<u>\$ 38,565</u>

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

Technical acknowledge (including capitalized costs at development stage) 2-18 years

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

14. BANK BORROWINGS

- a. Short-term borrowings

	<u>September 30, 2022 (Reviewed)</u>		<u>December 31, 2021 (Audited)</u>	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Factoring	2.3%-5.26%	\$ 273,727	1.55%-2.06%	\$ 152,088
Bank borrowings	1.93%-6.25%	118,575	1.42%-3.25%	890,313
Long-term borrowings due within 1 year	1.61%-5.50%	<u>87,552</u>	1.19%4.54%	<u>93,346</u>
		<u>\$ 479,854</u>		<u>\$ 1,135,747</u>

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

- b. Long-term borrowings

	<u>September 30, 2022 (Reviewed)</u>		<u>December 31, 2021 (Audited)</u>	
	Interest Rate	Amount	Interest Rate	Amount
Long-term bank borrowings	1.61%-5.50%	\$ 243,822	1.19%-4.54%	\$ 316,236
Less: Long-term bank borrowings due within 1 year		<u>(87,552)</u>		<u>(93,346)</u>
		<u>\$ 156,270</u>		<u>\$ 222,890</u>

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

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

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Due within 2 to 5 years	<u>\$ 156,270</u>	<u>\$ 222,890</u>

- c. The detail of the Group's pledged assets for the aforementioned bank borrowings please refer to Note 22.

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:

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Accrued salaries	\$ 228,534	\$ 158,944
Temporary receipts (Note)	15,020	107,776
Accrued employee's severance pay	306,240	313,056
Other payables	<u>171,805</u>	<u>216,361</u>
	<u>\$ 721,599</u>	<u>\$ 796,137</u>

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

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

The employees of the Group's subsidiary in 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 \$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of September 30, 2022 and December 31, 2021 were \$623,360 thousand and \$614,060 thousand, respectively, divided into 62,336 thousand shares and 61,406 thousand shares, each with a nominal amount of \$10 per share. All of the shares are ordinary shares, each carrying the rights to vote and receive dividends.

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

(In Thousands of Shares)

Purpose of Buy-back	Number of Shares
January 1, 2021	61,455
Write-off of restricted shares	<u>(49)</u>
December 31, 2021	61,406
Employee stock options	<u>930</u>
September 30, 2022	<u><u>62,336</u></u>

b. Treasury shares

As of September 30, 2022 and December 31, 2021, the details of treasury shares are as follows:

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

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

September 30, 2022 (reviewed)

Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Value
ETT	453	<u>\$ 24,019</u>	<u>\$ 14,428</u>

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

c. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to 10% of the Company's capital annually. As of September 30, 2022 and December 31, 2021, the capital surplus of the Company are as follows:

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of common share	\$ 704,050	\$ 686,926
<u>May not be used for any purpose</u>		
Arising from employee restricted shares	26,409	26,409
Arising from employee stock options	<u>42,633</u>	<u>36,200</u>
	<u>\$ 773,092</u>	<u>\$ 749,535</u>

d. Retained earnings and dividend policy

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

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

When a special reserve is appropriated for cumulative net debit balance reserves from prior periods, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

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 following cash dividends were approved by the board of directors on February 25, 2022, and the rest of distribution of earnings were resolved by the shareholders' meeting on June 17, 2022.

The distribution of earnings and dividends per share for 2021 are as follows:

	2021
Ordinary share dividends - 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 of September 30, 2022.

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

e. Share-based payment arrangements

1) Information on restricted shares plan for employees

Information on restricted shares plan for employees was as below:

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

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

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

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

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

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

Information on restricted shares plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Nine Months Ended September 30, 2022	For the Years Ended December 31, 2021
Balance at the beginning of the period	-	130
Vested	-	(81)
Forfeited	<u>-</u>	<u>(49)</u>
Balance at the end of the period	<u><u>-</u></u>	<u><u>-</u></u>

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

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
The costs of restricted shares plans for employees	<u>\$ -</u>	<u>\$ 991</u>

	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
The costs of restricted shares plans for employees	<u>\$ -</u>	<u>\$ 699</u>

2) Employee stock options

Grant Date	Issued Shares	Vesting Date	Exercisable Price
2018.09.28	1,200 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$22.30 (Note)
2019.06.10	4,747 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$30.80 (Note)
2020.05.19	2,760 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$24.60 (Note)
2020.08.06	82 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$24.70 (Note)
2021.04.27	219 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$21.00 (Note)
2021.08.20	2,460 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$18.90 (Note)
2022.01.21	1,030 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$20.20 (Note)

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

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

Information on employee stock options is as follows:

Employee Stock Options	For the Nine Months Ended September 30, 2022		For the Year Ended December 31, 2021	
	Number of Options	Weighted- average Exercise Price	Number of Options	Weighted- average Exercise Price
Balance at the beginning of period	8,053	\$ 25.52	8,719	\$ 28.49
Granted	1,030	20.20	2,679	19.63
Executed	(930)	23.95	-	-
Write-off	<u>(312)</u>	20.55	<u>(3,345)</u>	28.54
Balance at end period	<u>7,841</u>	24.65	<u>8,053</u>	25.52
Options exercisable, end of period	<u>2,982</u>		<u>930</u>	
Weighted-average fair value of options granted		<u>\$ 6.79</u>		<u>\$ 6.43</u>

Information about outstanding options was as follows:

Grant Date	September 30, 2022		December 31, 2021	
	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	\$ 22.30	-	\$ 23.00	0.75
2019.06.10	30.80	0.71	31.70	1.46
2020.05.19	24.60	1.63	25.30	2.38
2020.08.06	24.70	-	25.45	2.58
2021.04.27	21.00	5.58	21.65	3.33
2021.08.20	18.90	2.92	19.45	3.67
2022.01.21	20.20	3.31	-	-

Employee stock options granted on January 21, 2022, 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:

	January 21, 2022	August 20, 2021	April 27, 2021	August 6, 2020	May 19, 2020	June 10, 2019	September 28, 2018
Grant-date share price (NTD)	20.85	19.45	21.65	25.45	25.30	33.05	23.95
Exercise price (NTD)	20.85	19.45	21.65	25.45	25.30	33.05	23.95
Expected volatility	43.96%	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	3.5 years
Expected dividend yield	-	-	-	-	-	-	-
Risk-free interest rate	0.53%	0.25%	0.24%	0.28%	0.35%	0.56%	0.66%

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

The costs of employee stock options were recognized as follows:

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Costs of employee stock options	\$ <u>11,846</u>	\$ <u>1,543</u>
	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Costs of employee stock options	\$ <u>2,160</u>	\$ <u>426</u>

f. Other equity items

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

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

2) Unrealized gain or loss on financial assets at FVTOCI

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

	For the Nine Months Ended September 30, 2022
Balance at the beginning of the period	\$ (29,950)
Disposal of financial assets at fair value through other comprehensive income	<u>29,950</u>
Balance at the end of the period	<u>\$ -</u>

3) Unearned employee benefit

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

18. CONSOLIDATED NET PROFIT

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

a. Net revenue

1) Contract information

a) Revenue from the sale of goods

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

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

Please refer to the remark in Note 15 (b).

2) Contract balances

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Notes and accounts receivable, net (Note 8)	<u>\$ 2,625,580</u>	<u>\$ 1,978,358</u>

3) Disaggregation of revenue from customer contracts

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Home audio	\$ 6,818,478	\$ 3,858,316
Personal audio	2,228,918	2,038,397
Transducers	313,694	315,225
Others	<u>727,651</u>	<u>977,263</u>
	<u>\$ 10,088,741</u>	<u>\$ 7,189,201</u>
	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Home audio	\$ 2,923,321	\$ 1,400,986
Personal audio	865,384	946,998
Transducers	111,877	104,472
Others	<u>288,012</u>	<u>323,536</u>
	<u>\$ 4,188,594</u>	<u>\$ 2,775,992</u>

b. Depreciation and amortization expenses

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Depreciation of property, plant and equipment	\$ 103,726	\$ 113,907
Amortization of other intangible assets	15,315	55,663
Depreciation of right-of-use assets	<u>19,350</u>	<u>22,832</u>
	<u>\$ 138,391</u>	<u>\$ 192,402</u>
	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Depreciation of property, plant and equipment	\$ 36,065	\$ 30,081
Amortization of other intangible assets	4,779	19,113
Depreciation of right-of-use assets	<u>6,425</u>	<u>7,248</u>
	<u>\$ 47,269</u>	<u>\$ 56,442</u>

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

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Remuneration of directors and key management		
Short-term employment benefits	\$ 76,564	\$ 71,462
Post-employment benefits	2,032	1,902
Share-based payments	6,829	1,141
Employee benefits		
Short-term benefits	1,294,677	1,155,261
Post-employment benefits	76,704	68,854
Share-based payments	<u>5,017</u>	<u>1,393</u>
	<u>\$ 1,461,823</u>	<u>\$ 1,300,013</u>
	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Remuneration of directors and key management		
Short-term employment benefits	\$ 22,306	\$ 19,197
Post-employment benefits	702	553
Share-based payments	941	(141)
Employee benefits		
Short-term employment benefits	532,854	416,704
Post-employment benefits	24,847	28,151
Share-based payments	<u>1,219</u>	<u>1,266</u>
	<u>\$ 582,869</u>	<u>\$ 465,730</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 three months and nine months ended September 30, 2022, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2022
Employees' compensation	5%	5%
Remuneration of directors and supervisors	2%	2%

Amount

	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2022
Employees' compensation	<u>\$ 14,018</u>	<u>\$ 17,330</u>
Remuneration of directors and supervisors	<u>\$ 5,607</u>	<u>\$ 6,932</u>

Due to deficit for the nine months ended September 30, 2021, the Group did not accrue employees' compensation and remuneration of directors and supervisors.

The Group held the board of directors on February 25, 2022 and had the resolution of the employees' compensation and the remuneration of directors and supervisors of 2021. For the year ended 2021, the employees' compensation and the remuneration of directors and supervisors are as follows:

Amount

	For the Year of 2021
Employees' compensation	<u>\$ 10,523</u>
Remuneration of directors and supervisors	<u>\$ 6,300</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, 2021.

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

e. Other income

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Government grants revenue	\$ 6,391	\$ 4,654
Project service revenue	14,643	45,911
Dividend income	4,841	-
Interest income	2,064	1,890
Scrap income	2,635	9,053
Rent revenue	86	639
Gain on disposal of property, plant and equipment	260	1,042
Gain on fair value change of financial instrument at FVTPL	-	17,936
Reversal of accrued employee's severance pay	11,710	-
Bad debt recovered	1,340	18,742
Others	<u>4,041</u>	<u>5,799</u>
	<u>\$ 48,011</u>	<u>\$ 105,666</u>

	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Government grants revenue	\$ 4,350	\$ 1,291
Project service revenue	1,406	8,379
Dividend income	4,841	-
Interest income	774	329
Scrap income	850	(219)
Rent revenue	28	213
Gain on disposal of property, plant and equipment	129	11
Gain on fair value change of financial instrument at FVTPL	-	1,795
Reversal of accrued employee's severance pay	1,849	-
Bad debt recovered	27	18,742
Others	<u>974</u>	<u>2,575</u>
	<u>\$ 15,228</u>	<u>\$ 33,116</u>

f. Other losses

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Losses on fair value change of financial instruments at FVTPL	\$ 1,033	\$ 12,690
Losses on disposal of property, plant and equipment	1,140	2,774
Others	<u>14,287</u>	<u>9,503</u>
	<u>\$ 16,460</u>	<u>\$ 24,967</u>

	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Losses on fair value change of financial instruments at FVTPL	\$ 77	\$ -
Losses on disposal of property, plant and equipment	301	-
Others	<u>6,524</u>	<u>-</u>
	<u>\$ 6,902</u>	<u>\$ -</u>

g. Finance costs

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Interest expense arising from bank borrowings	\$ 25,513	\$ 25,804
Interest on lease liabilities	<u>1,921</u>	<u>2,045</u>
	<u>\$ 27,434</u>	<u>\$ 27,849</u>

	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Interest expense arising from bank borrowings	\$ 8,949	\$ 8,995
Interest on lease liabilities	<u>556</u>	<u>613</u>
	<u>\$ 9,505</u>	<u>\$ 9,608</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Current tax		
In respect of the current year	\$ 12,123	\$ 23,465
Adjustments for prior years	111	(1,048)
Deferred tax		
In respect of the current year	<u>(208)</u>	<u>(48,730)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 12,026</u>	<u>\$ (26,313)</u>

	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Current tax		
In respect of the current year	\$ 9,692	\$ 7,130
Adjustments for prior years	2	2
Deferred tax		
In respect of the current year	<u>991</u>	<u>(56,204)</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ 10,685</u>	<u>\$ (49,072)</u>

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

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

The local tax rate for the subsidiaries in the PRC is 25%. EAHZ obtained the innovation and high technology enterprise certificates issued by local tax authorities in December 2021. Therefore, EAHZ is subject to the applicable preferential income tax rate. The enterprise income tax rate has been reduced from 25% to 15%. EAHZ obtained the proof of review. Therefore, EAHZ is subject to the applicable preferential income tax rate from 2021 to 2023.

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

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

The local tax rates for the subsidiaries in Denmark, Singapore and Vietnam are 22%, 17% and 20%, respectively. 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. 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 and ETW up to 2020.

20. EARNINGS PER SHARE

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Basic earnings per share	<u>\$ 5.09</u>	<u>\$ 0.14</u>
Diluted earnings per share	<u>\$ 5.08</u>	<u>\$ 0.14</u>
	For the Three Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Basic earnings per share	<u>\$ 4.10</u>	<u>\$ 1.95</u>
Diluted earnings per share	<u>\$ 4.09</u>	<u>\$ 1.95</u>

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

	For the Nine Months Ended September 30	
	2022	2021
Profit for the period attributable to owners of the Company	<u>\$ 310,314</u>	<u>\$ 8,518</u>
	For the Three Months Ended September 30	
	2022	2021
Profit for the period attributable to owners of the Company	<u>\$ 250,054</u>	<u>\$ 118,883</u>

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

	For the Nine Months Ended September 30	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	60,981	60,973
Effect of potentially dilutive ordinary shares		
Employee stock options	<u>50</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>61,031</u>	<u>60,973</u>
	For the Three Months Ended September 30	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	61,033	60,965
Effect of potentially dilutive ordinary shares		
Employee stock options	<u>50</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>61,083</u>	<u>60,965</u>

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

In addition, for the nine months and three months ended September 30, 2021, the total execution price of employee stock options of the Group was higher than the average outstanding stock price during the period, hence, employee stock options are not as dilutive potential ordinary shares, therefore, calculation for diluted earnings per share is not applicable.

21. TRANSACTIONS WITH RELATED PARTIES

Balance transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below:

Remuneration of Key Management Personnel

The remuneration of directors and key management was determined by the remuneration committee based on the performance of individuals and market trends. Please refer to Note 18 (c) for details.

22. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Other intangible assets	\$ 9,145	\$ 16,180
Accounts receivable with recourse	273,727	152,088
Machinery and office equipment	9,955	12,230
Construction in progress	4,390	3,437
Inventories and other assets	73,438	82,637
Pledge deposits (recognized under restricted assets)	<u>-</u>	<u>41,511</u>
	<u>\$ 370,655</u>	<u>\$ 308,083</u>

23. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil for the nine months ended September 30, 2022. The status of litigation in the current phase please refers to Note 24 (a) of the consolidated financial statements for the year ended December 31, 2021.

ETT received a separate litigation by the consumer from U.S. in September 2022, the Company have cooperated with the insurance company which has applied for insurance to defend and to deal with the litigation. The responsibility of the Group have not been clarified yet. As of September 30, 2022, the amount of claim has not specifically, so there is currently no material impact on the Company's financial business.

b. Financial guarantees within the Group refer to Table 2 of Note 27.

24. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's capital risk management policy is consistent as consolidated financial statements for the year ended December 31, 2021. In addition, the Group is not subject to any externally imposed capital requirements.

b. Fair value of financial instruments

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

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

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

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

Fair value hierarchy

September 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 134	\$ -	\$ -	\$ 134
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>124,660</u>	<u>124,660</u>
	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 124,660</u>	<u>\$ 124,794</u>

December 31, 2021

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

There is no transfer between Level 1 and Level 2 fair value measurements for the nine months ended September 30, 2022 and the year of 2021.

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

For the nine months ended September 30, 2022.

Financial Assets	<u>Financial Assets at FVTPL Equity Instruments</u>	Total
Balance at January 1, 2022	\$ 108,912	\$ 108,912
Recognized in profit or loss	-	-
Effect of foreign currency exchange differences	<u>15,748</u>	<u>15,748</u>
Balance at September 30, 2022	<u>\$ 124,660</u>	<u>\$ 124,660</u>
Recognized in other gains and losses - unrealized	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL	
	Equity Instruments	Total
Balance at January 1, 2022	\$ 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 September 30, 2022	<u>\$ 108,912</u>	<u>\$ 108,912</u>
Recognized in other gains and losses - unrealized	<u>\$ 25,416</u>	<u>\$ 25,416</u>

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

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

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

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

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

Significant Unobservable Inputs	Relationship Between Inputs and Fair Value
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 NT\$9,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by NT\$9,000 thousand.

Since the Group's portfolio of financial instruments measured at Level 3 fair value on a recurring basis is not much and the amount is also not significant, secondly, the business model of the Group is not aimed at investment earnings, the Group will perform Level 3 fair value on a recurring basis measurement in the end of the year based on the Group's valuation policy. Unless, the underlying investment has significant operating and financial changes in the reporting period, the Group will perform additional and timely fair value valuation and measurement. After understanding the operating status of the underlying investment has not significant change during the first three quarters of 2022. According to the Group's valuation policy, the Group doesn't have to perform fair value assessments and expect the fair value as of September 30, 2022 is minor difference with the fair value as of December 31, 2021.

c. Categories of financial instruments

	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ 134	\$ 1,597
Mandatorily at FVTPL	124,660	108,912
Financial assets at amortized cost (Note 1)	<u>3,758,860</u>	<u>3,511,712</u>
	<u>\$ 3,883,654</u>	<u>\$ 3,622,221</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	<u>\$ 4,448,045</u>	<u>\$ 4,553,809</u>

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

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

d. Financial risk management objectives and policies

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

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

e. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	Assets	
	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
USD	\$ 3,189,842	\$ 2,050,202
HKD	<u>435</u>	<u>2,133</u>
	<u>\$ 3,190,277</u>	<u>\$ 2,052,335</u>
	Liabilities	
	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
USD	\$ 1,286,290	\$ 2,110,314
HKD	<u>16,840</u>	<u>32,547</u>
	<u>\$ 1,303,130</u>	<u>\$ 2,142,861</u>

The following table details the Company's sensitivity to a 5% increase and decrease in the foreign currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with currency strengthen 5% against the relevant currency. For a 5% weakening of currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit would be negative.

	Currency USD Impact	
	For the Nine Months Ended September 30, 2022	For the Year Ended December 31, 2021
Profit or loss	\$ 95,178	\$ (3,006)

	Currency H.K. Dollars Impact	
	For the Nine Months Ended September 30, 2022	For the Year Ended December 31, 2021
Profit or loss	\$ (820)	\$ (1,521)

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

3) Interest rate risk

Management of interest rate risk

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

Sensitivity analysis of interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the nine months ended September 30, 2022 and for the years ended December 31, 2021 would have been decreased by \$2,086 thousand and \$3,950 thousand, respectively.

4) Credit risk

The Group is exposed to credit risk in the event of the counterparties' failure to perform their obligations under the contracts. The credit risk of the Group is assessed based on the contracts with positive fair values as at the end of the reporting period. Counterparties of the Group are creditworthy financial institutes and corporate entities, and the extent of credit risk that may arise from the counterparties and their creditworthiness are reviewed annually by a special team. Therefore, it is expected that the credit risk is insignificant.

The accounts receivables of the Group concentrate in certain clients who are mainly internationally renowned brands of media players and are not connected. Credit assessments on the financial status of the clients have been conducted. Therefore, it is expected that the credit risk from accounts receivables is minimal.

The maximum exposure of the Group to credit risk is the net amount of carrying amount less amount required to be offset and impairment loss required to be recognized under relevant rules (i.e. carrying amount of financial assets), without taking into account any security and other credit enhancement. The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

5) Liquidity risk

Appropriate management structure addressing liquidity risk is formulated by the management to monitor short, medium and long term financing and solvency. As such, the Group is not exposed to any liquidity risk attributable to failure to perform obligation under the contract due to inability to finance funds.

The table below analyzes the remaining unexpired maturity of non-derivative financial liabilities with fixed term of repayment based on the undiscounted cash flow of the financial liabilities on the earliest date that repayment shall be made on demand, and the interest and principal are included in the analysis. In respect of the interest cash flow payable at floating rates, the undiscounted interests are estimated based on yield curve as at the end of the reporting period. Maturities of contracts are estimated on the earliest date of repayment on demand. When the amount payable or receivable is not fixed, disclosure of such amount is determined based on the estimated interest rate derived from the yield curve on the balance sheet date.

September 30, 2022 (Reviewed)					
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	\$ -	\$ 3,090,322	\$ -	\$ -	\$ 3,090,322
Other payables	-	721,599	-	-	721,599
<u>Interest bearing liabilities</u>					
Lease liabilities	2.42%-4.63%	43,864	33,936	-	77,800
Bank borrowings	3.07%	494,585	161,067	-	655,652

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>\$ 43,864</u>	<u>\$ 33,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021 (Audited)					
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	\$ -	\$ 2,393,148	\$ -	\$ -	\$ 2,393,148
Other payables	-	796,137	5,887	-	802,024
<u>Interest bearing liabilities</u>					
Lease liabilities	2.51%-4.63%	53,349	60,888	-	114,237
Bank borrowings	2.27%	1,161,572	227,958	-	1,389,530

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 53,349</u>	<u>\$ 60,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

f. Financial facilities

Bank borrowings

	Liabilities	
	September 30, 2022 (Reviewed)	December 31, 2021 (Audited)
Secured borrowings		
Amount unused	<u>\$ 1,641,957</u>	<u>\$ 822,038</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:

September 30, 2022

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NTD)
<u>Financial assets</u>				
Monetary items				
USD	\$ 95,481	HKD	31.81	\$ 3,037,249
USD	1,380	NTD	31.81	43,913
USD	412	RMB	31.81	13,100
USD	244	DKK	31.81	7,754
USD	<u>2,761</u>	VND	31.81	<u>87,826</u>
	<u>\$ 100,278</u>			<u>\$ 3,189,842</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 23,336	HKD	31.81	\$ 742,334
USD	10,583	RMB	31.81	336,649
USD	3,000	NTD	31.81	95,430
USD	474	DKK	31.81	15,065
USD	<u>3,043</u>	VND	31.81	<u>96,812</u>
	<u>\$ 40,436</u>			<u>\$ 1,286,290</u>
HKD	\$ 4,079	RMB	4.0617	\$ 16,566
HKD	<u>67</u>	NTD	4.0617	<u>274</u>
	<u>\$ 4,146</u>			<u>\$ 16,840</u>

December 31, 2021

Unit: Foreign Currencies (In Thousands)

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

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

Information of foreign exchange gains and losses are as follow:

	For the Nine Months Ended September 30	
	2022 (Reviewed)	2021 (Reviewed)
Realized foreign exchange gain (loss)	\$ 69,235	\$ (47,118)
Unrealized foreign exchange gain	<u>19,897</u>	<u>44,484</u>
	<u>\$ 89,132</u>	<u>\$ (2,634)</u>

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

h. Information of transferred financial assets

As of September 30, 2022 and December 31, 2021, the Group entered into several trade receivable factoring agreements with the banks. According to the factoring agreement, the Group received certain percentage of trade receivable in cash from the bank in advance. If the trade receivables are uncollected at maturity, the bank has the right to request the Group to repay the unsettled difference. As the Group

has not transferred the significant risks and rewards relating to these trade receivables, the Group continues to recognize the full carrying amount of the receivables and the factoring amount as secured bank borrowings.

As of September 30, 2022 and December 31, 2021, 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 22, respectively.

25. OTHERS

The management of the Group assessed that the impact of Covid-19 pandemic did not have a significant impact on the Group's ability to continue operations, asset impairment and financing. Since the first quarter of 2022, Europe and the United States have been unblocked one after another, and energy prices will rise due to revenge growth of consumption, broken chains and port congestion, geopolitics and wars. The second quarter of 2022 shows a reversal of the consumer sentiment, with high inflation leading to recessionary concerns. The third quarter of 2022, sales have been sustained growth by orders from clients of Japan and South Korea increased significantly, the Group will continue to evaluate the related impacts.

26. SEGMENT INFORMATION

Operating Segments

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

Since the Group's speaker systems, headphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the nine months ended September 30, 2022 and 2021, the revenue and operating results of the operating segment can be found in the consolidated income statement for the nine months ended September 30, 2022 and 2021. The product revenue of the Group please refer to Note 18 (a).

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions (Table 7)
 - 11) Information on investees (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 9):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
 - 3) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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		
1	EAH	EAVN	Other receivables from related parties	Yes	\$ 443,200	\$ 254,480	\$ 254,480	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,581,926	\$ 1,581,926
		ETH	Other receivables from related parties	Yes	190,860	190,860	-	-	The need for short-term financing	-	Operating capital	-	-	-	1,581,926	1,581,926
2	EAHZ	ESZ	Other receivables from related parties	Yes	44,930	44,557	-	4	The need for short-term financing	-	Operating capital	-	-	-	1,142,769	1,142,769
3	ETH	EAH	Other receivables from related parties	Yes	286,290	286,290	190,860	-	The need for short-term financing	-	Operating capital	-	-	-	2,706,459	2,706,459
		ETT	Other receivables from related parties	Yes	12,357	-	-	-	Overdue other receivables	-	Overdue other receivables transferred to financing provided	-	-	-	360,861	360,861

Note 1: 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 parent and a subsidiary that ETH and EAHZ hold, directly or indirectly, 100% of the voting shares shall not exceed 300% of the net worth of ETH and EAHZ.
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 September 2022 is different from the amounts listed above, the reason is that the financial statements of EAH, ETH and EAHZ for the nine months ended September 30, 2022 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the six months ended June 30, 2022.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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	b	\$ 8,789,560	\$ 871,227	\$ 871,227	\$ 162,952	\$ -	39.65	\$ 8,789,560	Y	N	N
		ETH	b	8,789,560	1,583,641	1,169,550	273,727	-	53.22	8,789,560	Y	N	N
		EAVN	b	8,789,560	322,872	322,872	96,812	-	14.69	8,789,560	Y	N	N
1	EAH	The Company	c	1,581,926	350,000	350,000	-	-	22.12	1,581,926	N	Y	N
		EAHZ	b	1,581,926	87,159	87,159	28,429	-	5.51	1,581,926	Y	N	Y
		ETH	b	1,581,926	334,680	-	-	-	-	1,581,926	Y	N	N
2	ESHY	ESZ	d	117,528	10,154	-	-	-	-	117,528	N	N	Y
3	ETH	The Company	c	902,153	35,000	35,000	-	-	3.88	902,153	N	Y	N

Note 1: Relationship of the guarantee:

- a. Entities that Company hold, directly or indirectly, more than 50% of voting shares.
- b. Companies hold, directly or indirectly, more than 50% of voting share of entities.
- c. 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:

- 1) 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.
- 2) 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, ESHY and ETH's limitation of the endorsements/guarantees are set forth below:

- 1) The total amount of the guarantee provided by EAH to other entities shall not exceed one hundred percent (100%) of the EAH's net worth.
- 2) The total amount of the guarantee provided by ESHY to other entities shall not exceed one hundred percent (100%) of the ESHY's net worth.
- 3) The total amount of the guarantee provided by ETH to other entities shall not exceed one hundred percent (100%) of the ETH's net worth.

Note 3: According to the Company's guidance of endorsement/guarantees provided, the amount of endorsement/guarantees is based on the net value of the most recent financial statements reviewed or audited by CPA. The information on the limit of endorsements/guarantees announced by the Company in September 2022 is different from the amounts listed above, the reason is that the financial statements for the nine months ended September 30, 2022 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statements for the six months ended June 30, 2022.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				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>134</u>	-	\$ <u>134</u>	
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	\$ <u>14,428</u>	1	\$ <u>14,428</u>	Note
EAH	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	-	FVTPL - non-current	6,659,141	\$ <u>124,660</u>	19	\$ <u>124,660</u>	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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	EAHZ	Long-term investment	EAHZ	Subsidiary	-	\$ 204,551	-	\$ 320,441	-	\$ -	\$ -	\$ -	-	\$ 524,992

Note 1: On December 14, 2021 the board of directors of the company resolved that EAHZ made a cash capital increase of US\$5,000 thousand (equivalents to NT\$138,877 thousand) which were fully subscribed by EAH on January 12 and February 10, 2022, respectively.

Note 2: On May 6, 2022 the board of directors of the company resolved that EAHZ made a cash capital increase of US\$6,000 thousand (equivalents to NT\$181,564 thousand) which were fully subscribed by EAH on August 2, 2022.

TABLE 5

EASTECH HOLDING LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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	
ESHY	EAH	Parent and subsidiary	Purchase	\$ 128,906	23	90 days	\$ -	-	\$ 200,074	98	Note
EAH	ESHY	Parent and subsidiary	Sale	(128,906)	(3)	90 days	-	-	(200,074)	(25)	Note
EAH	ESHY	Parent and subsidiary	Purchase	583,363	12	90 days	-	-	(200,074)	(25)	Note
ESHY	EAH	Parent and subsidiary	Sale	(583,363)	(97)	90 days	-	-	200,074	98	Note
EAH	EAVN	Parent and subsidiary	Purchase	3,247,876	65	90 days	-	-	439,196	53	Note
EAVN	EAH	Parent and subsidiary	Sale	(3,247,876)	(83)	90 days	-	-	(439,196)	(31)	Note
EAVN	EAH	Parent and subsidiary	Purchase	830,262	23	90 days	-	-	(439,196)	(31)	Note
EAH	EAVN	Parent and subsidiary	Sale	(830,262)	(16)	90 days	-	-	439,196	53	Note
EAH	EAHZ	Fellow subsidiary	Purchase	107,153	2	90 days	-	-	(29,323)	(4)	Note
EAHZ	EAH	Fellow subsidiary	Sale	(107,153)	(2)	90 days	-	-	29,323	2	Note
ETH	EAHZ	Fellow subsidiary	Purchase	4,086,583	82	90 days	-	-	(1,258,986)	(82)	Note
EAHZ	ETH	Fellow subsidiary	Sale	(4,086,583)	(83)	90 days	-	-	1,258,986	86	Note
ETH	EAVN	Fellow subsidiary	Purchase	617,238	12	90 days	-	-	(152,171)	(10)	Note
EAVN	ETH	Fellow subsidiary	Sale	(617,238)	(16)	90 days	-	-	152,171	26	Note
EAVN	ESZ	Fellow subsidiary	Purchase	964,362	26	90 days	-	-	(187,774)	(13)	Note
ESZ	EAVN	Fellow subsidiary	Sale	(964,362)	(90)	90 days	-	-	187,774	82	Note

Note: Intercompany transactions are eliminated in consolidated financial statement.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

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

SEPTEMBER 30, 2022

(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	\$ 200,074	4.78	\$ -	-	\$ 62,645	\$ -
EAH	EAVN	Parent and subsidiary	439,196	2.55	254,480	Financing provided	94,758	-
ETH	EAH	Parent and subsidiary	191,353	Note	190,860	Financing provided	-	-
EAHZ	ETH	Fellow subsidiary	1,258,986	7.02	-	-	543,028	-
ESZ	EAVN	Fellow subsidiary	187,774	8.16	-	-	48,335	-
EAVN	ETH	Fellow subsidiary	152,171	8.11	-	-	94,952	-

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	The Company	EAH EAH	a, b a, b	Other receivables from and other payables to related parties	\$ 79,651	Dividends receivable and collection and payment	1
				Dividend income	161,189	Dividend	2
1	EAH	EAVN ESHY EAVN EAVN EAHZ	a, b a, b a, b a, b a, b	Other receivables from and other payables to related parties	254,480	Short-term financing, 1 year loan	4
				Net revenue from sale of goods and purchases	128,906	Credit on transfer pricing policy	1
				Net revenue from sale of goods and purchases	830,262	Credit on transfer pricing policy	8
				Receivables from and payables to related parties	184,716	90 days	3
				Net revenue from sale of goods and purchases	38,290	Credit on transfer pricing policy	-
2	ESHY	EAH EAH	a, b a, b	Net revenue from sale of goods and purchases	583,363	Credit on transfer pricing policy	6
				Receivables from and payables to related parties	200,074	90 days	3
3	EAVN	EAH ETH ETH	a, b c c	Net revenue from sale of goods and purchases	3,247,876	Credit on transfer pricing policy	32
				Net revenue from sale of goods and purchases	617,238	Credit on transfer pricing policy	6
				Receivables from and payables to related parties	152,171	90 days	2
4	EAHZ	EAH ETH EMH ETH EAVN	a, b c c c c	Net revenue from sale of goods and purchases	107,153	Credit on transfer pricing policy	1
				Net revenue from sale of goods and purchases	4,086,583	Credit on transfer pricing policy	41
				Net revenue from sale of goods and purchases	69,638	Credit on transfer pricing policy	1
				Receivables from and payables to related parties	1,258,986	90 days	19
				Net revenue from sale of goods and purchases	32,562	Credit on transfer pricing policy	-
5	ESZ	EAH EAVN EAVN ETH ETH	a, b c c c c	Net revenue from sale of goods and purchases	58,401	Credit on transfer pricing policy	1
				Net revenue from sale of goods and purchases	964,362	Credit on transfer pricing policy	10
				Receivables from and payables to related parties	187,774	90 days	3
				Net revenue from sale of goods and purchases	45,763	Credit on transfer pricing policy	-
				Receivables from and payables to related parties	41,648	90 days	1
6	ETH	EAHZ ESHY EAH ESHY	c c a, b c	Net revenue from sale of goods and purchases	37,688	Credit on transfer pricing policy	-
				Net revenue from sale of goods and purchases	99,074	Credit on transfer pricing policy	1
				Other receivables from and other payables to related parties	190,860	Short-term financing, 1 year loan	3
				Receivables from and payables to related parties	86,232	90 days	1
7	ETW	EAH	a, b	Equity method investment	53,550	Equity transaction transfer	1
8	ETT	ETH	c	Other income and general and administrative expense	34,950	90 days	-

(Continued)

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

a. No. 0 represents the parent company.

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

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				September 30, 2022	December 31, 2021	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	\$ 59,047	\$ -	
EAH	ScS	Denmark	Research and development, production and sales of high-end transducers	225,530	225,530	1,320,045	100.00	106,652	16,890	-	
	ETT	Taiwan	Design and sales of smart speakers and AV electronics home entertainment systems	-	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	(3,125)	-	
	EAVN	Vietnam	Production, assembly and sales of transducers, Bluetooth speakers and headphones	238,206	238,206	-	100.00	238,206	151,184	-	
	EMH	Hong Kong	Sales of headphones and AV products	386	386	100,000	100.00	386	1,711	-	
	ETW	Taiwan	New technology research, product design and development	85,000	30,000	8,500,000	100.00	55,000	1,751	-	
	ETH	Hong Kong	Sales of smart speakers and AV electronics home entertainment systems and headphones	201,653	201,653	115,000,000	100.00	201,653	56,275	-	
	ETV	Vietnam	Sales of speaker systems and headphones	5,599	5,599	-	100.00	5,599	115	-	
ETW	ETT	Taiwan	Design and sales of smart speakers and AV electronics home entertainment systems	53,550	-	6,530,494	99.98	53,550	14,517	-	

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

Note 2: Please refer to Table 9 for the information on investments in mainland China.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Information of investee company, main business and products, paid-in capital, method of investment, remittance of funds, net income of the investee, % of ownership, carrying amount of investments and repatriation of investment income

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan at the Beginning of the Period	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of September 30, 2022 (Note 3)	Accumulated Repatriation of Investment Income as of September 30, 2022
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK\$ 9,000	c.	\$ -	\$ -	\$ -	\$ -	\$ 20,245	100.00	(3)	\$ 35,810	\$ -
EAHZ	Production, assembly and sales of speaker systems, accessories, headphones, smart speakers and AV electronics home entertainment systems	US\$ 18,145	c.	-	-	-	-	12,118	100.00	(3)	524,992	-
ESZ	Import and export trading of audio, accessories, machinery and equipment, etc.	RMB 2,000	b.	-	-	-	-	72,596	100.00	(3)	-	-

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

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2022	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)

3. The significant transactions (including purchases and sales, property transactions, and the rendering or receipt of services) with investee companies in mainland China, either directly or indirectly through a third party: Please see Table 7.

4. The negotiable instrument endorsements or guarantees or pledges with investee companies in mainland China, either directly or indirectly through a third party: None.

5. The financing of funds with investee companies in mainland China, either directly or indirectly through a third party: None.

(Continued)

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 had established before the Company listed in Taiwan, so the main source of investment funds were not come from Taiwan.

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

b. Recognized investment income (loss):

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

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	44.84

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.