Eastech Holding Limited and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

<u>*Notice to Readers*</u>

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Eastech Holding Limited

Opinion

We have audited the accompanying consolidated financial statements of Eastech Holding Limited ("Eastech") and subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2022 and 2021 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Revenue Recognition

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

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

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

1. The Group is an OEM/ODM manufacturer, its business model is according to the orders of the brand customers for stock preparation and production. Our focus is whether revenue occurs actually.

2. The tests for internal control include: Check if sales orders are approved by appropriate supervisors, delivery orders are approved by unit managers and actually delivered to customers.

3. Perform the following analytical procedures:

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

4. Perform the subsequent receipts test of accounts receivable.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,290,720	22.49	$ 528,617	8.34
Financial assets at fair value through profit or loss (Note 7)	104	-	1,597	0.03
Notes and accounts receivable (Notes 8, 19 and 24)	1,786,229	31.13	1,978,358	31.21
Inventories (Notes 10 and 24)	1,101,281	19.19	1,272,731	20.08
Restricted assets (Notes 6 and 24)	-	-	41,511	0.65
Current tax assets	2,572	0.05	-	-
Other receivables and prepayments (Note 9)	392,519	6.84	1,334,562	21.05
Total current assets	4,573,425	79.70	5,157,376	81.36
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 24)	943,147	16.43	948,845	14.97
Financial assets at fair value through profit or loss - non-current (Note 7)	120,787	2.10	108,912	1.72
Right-of-use assets (Note 12)	71,499	1.25	78,135	1.23
Intangible assets (Notes 13 and 24)	22,887	0.40	38,565	0.61
Deferred tax assets (Note 20)	6,760	0.12	6,844	0.11
Total non-current assets	1,165,080	20.30	1,181,301	18.64
TOTAL	$ 5,738,505	100.00	$ 6,338,677	100.00
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 14)	$ 5,019	0.09	$ 1,135,747	17.92
Notes and accounts payable (Note 16)	2,340,361	40.79	2,393,148	37.75
Lease liabilities - current (Note 12)	43,572	0.76	48,576	0.77
Current tax liabilities (Note 20)	5,877	0.10	6,682	0.10
Other payables (Note 16)	729,474	12.71	796,137	12.56
Total current liabilities	3,124,303	54.45	4,380,290	69.10
NON-CURRENT LIABILITIES				
Bonds payable (Note 15)	328,865	5.73	-	-
Financial liabilities at fair value through profit or loss - non-current (Note 7)	595	0.01	-	-
Lease liabilities - non-current (Note 12)	31,488	0.55	59,972	0.95
Long-term bank borrowings (Note 14)	-	-	222,890	3.52
Deferred tax liabilities (Note 20)	6,413	0.11	7,291	0.11
Other payables - non-current	-	-	5,887	0.09
Total non-current liabilities	367,361	6.40	296,040	4.67
Total liabilities	3,491,664	60.85	4,676,330	73.77
EQUITY (Note 18)				
Share capital - common stock	631,390	11.00	614,060	9.69
Capital surplus	829,969	14.46	749,535	11.83
Treasury shares	(24,019)	(0.42)	(24,019)	(0.38)
Exchange differences on translating foreign operations	74,012	1.29	(79,767)	(1.26)
Unrealized losses on financial assets at fair value through other comprehensive income	-	-	(29,950)	(0.47)
Retained earnings				
Legal reserve	7,629	0.14	5,898	0.09
Special reserve	109,717	1.91	-	-
Unappropriated earnings	618,143	10.77	426,590	6.73
Total equity	2,246,841	39.15	1,662,347	26.23
TOTAL	$ 5,738,505	100.00	$ 6,338,677	100.00

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Note 19)	$ 12,810,382	100.00	$ 9,412,311	100.00
COST OF REVENUE (Note 10)	11,327,546	88.42	8,646,051	91.86
GROSS PROFIT	1,482,836	11.58	766,260	8.14
OPERATING EXPENSES				
Selling and distribution	270,979	2.12	165,144	1.75
General and administrative	865,266	6.75	896,095	9.52
Expected credit losses (Note 8)	14,154	0.11	7,505	0.08
Total operating expenses	1,150,399	8.98	1,068,744	11.35
PROFIT (LOSS) FROM OPERATIONS	332,437	2.60	(302,484)	(3.21)
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 19)	65,454	0.51	867,374	9.21
Foreign exchange gain (loss), net (Note 26)	59,361	0.46	(28,668)	(0.31)
Finance costs (Note 19)	(37,572)	(0.29)	(36,069)	(0.38)
Other losses (Note 19)	(37,107)	(0.29)	(178,286)	(1.89)
Total non-operating income and expenses	50,136	0.39	624,351	6.63
PROFIT BEFORE INCOME TAX	382,573	2.99	321,867	3.42
INCOME TAX (EXPENSE) BENEFIT (Note 20)	(12,778)	(0.10)	45,619	0.49
NET PROFIT	369,795	2.89	367,486	3.91
OTHER COMPREHENSIVE INCOME (LOSS) (NET OF INCOME TAX)				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	153,779	1.20	(15,598)	(0.17)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 523,574	4.09	$ 351,888	3.74

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EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 21)				
Basic earnings per share after income tax	$6.03		$6.03	
Diluted earnings per share after income tax	$5.98		$6.03	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

							Retained Earnings			
	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Legal Reserve	Special Reserve	(Accumulated Deficit) Unappropriated Earnings	Total Equity
BALANCE AT JANUARY 1, 2021	$ 614,550	$ 779,951	$ (24,019)	$ (186,751)	$ (2,490)	$ (29,950)	$ 65,002	$ -	$ (34,512)	$ 1,181,781
Disposal of subsidiaries	-	-	-	122,582	-	-	(59,104)	-	59,104	122,582
Cancellation of restricted shares for employees	(490)	(1,014)	-	-	1,504	-	-	-	-	-
Compensation costs of restricted shares plan for employees	-	-	-	-	986	-	-	-	-	986
Compensation costs of employee stock options	-	5,110	-	-	-	-	-	-	-	5,110
Appropriation of profit or loss	-	(34,512)	-	-	-	-	-	-	34,512	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	-	-	-	367,486	367,486
Other comprehensive loss for the year ended December 31, 2021	-	-	-	(15,598)	-	-	-	-	-	(15,598)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	(15,598)	-	-	-	-	367,486	351,888
BALANCE AT DECEMBER 31, 2021	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 subsidiary which adjusted to capital surplus	-	272	-	-	-	-	-	-	-	272
Legal reserve of subsidiaries	-	-	-	-	-	-	1,731	-	(1,731)	-
Appropriation of special reserve	-	-	-	-	-	-	-	109,717	(109,717)	-
Compensation costs of employee stock options	-	14,398	-	-	-	-	-	-	-	14,398
Issuance of ordinary shares under employee share options	17,330	28,142	-	-	-	-	-	-	-	45,472
Proceeds from issuance of convertible bonds	-	37,622	-	-	-	-	-	-	-	37,622
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	29,950	-	-	(29,950)	-
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-	-	369,795	369,795
Other comprehensive income for the year ended December 31, 2022	-	-	-	153,779	-	-	-	-	-	153,779
Total comprehensive income for the year ended December 31, 2022	-	-	-	153,779	-	-	-	-	369,795	523,574
BALANCE AT DECEMBER 31, 2022	$ 631,390	$ 829,969	$ (24,019)	$ 74,012	$ -	$ -	$ 7,629	$ 109,717	$ 618,143	$ 2,246,841

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 382,573	$ 321,867
Adjustments for:		
Amortization - other intangible assets	18,955	71,647
Impairment loss on trade receivables	14,154	104
Impairment loss on other receivables	-	7,401
Allowance for inventories provision and inventories write-off	29,512	17,981
Impairment loss recognized on goodwill	-	107,281
Depreciation expenses of property, plant and equipment	140,202	144,853
Depreciation expenses of right-of-use assets	25,821	29,586
Loss on disposal of property, plant and equipment	21,073	35,650
Gain on disposal of subsidiaries	-	(700,372)
Loss of write-off other intangible assets	-	1,240
Impairment loss on other intangible assets	-	21,455
Interest expense	37,572	36,069
Interest income	(5,000)	(2,110)
Dividend income	(4,921)	-
Compensation of employees restricted shares	-	986
Lease termination benefit	(140)	(66)
Compensation costs of employee stock options	14,398	5,110
Loss (gain) on fair value changes of financial instruments at fair value through profit or loss	1,216	(34,611)
Operating cash flows before working capital changes	675,415	64,071
Changes in operating assets and liabilities		
Notes and accounts receivable	177,975	(35,457)
Other receivables and prepayments	49,158	(55,533)
Inventories	141,938	(57,399)
Notes and accounts payable	(52,787)	(623,332)
Other payables	(72,550)	(137,374)
Cash generated from (used in) operating activities	919,149	(845,024)
Interest paid	(36,917)	(36,069)
Interest received	5,000	2,110
Dividend received	4,921	-
Income tax paid	(17,375)	(19,364)
Net cash generated from (used in) operating activities	874,778	(898,347)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquiring property, plant and equipment	(113,392)	(145,625)
Decrease (increase) in pledged deposits	41,511	(20,464)
Proceeds from disposal of property, plant and equipment	1,603	24,423
Net cash inflows from disposal of subsidiaries (Note 9)	892,885	589,910
Increase in other intangible assets	(2,085)	(58,164)
Net cash generated from investing activities	820,522	390,080

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EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible bonds	$ 366,287	$ -
Proceeds from bank borrowings	3,428,004	2,864,186
Repayments of bank borrowings	(4,892,540)	(2,903,857)
Repayments of the principal portion of lease liabilities	(50,730)	(27,214)
Cash dividends	(36,844)	-
Cash dividends received from treasury shares	272	-
Exercise of employee share options	45,472	-
Net cash used in financing activities	(1,140,079)	(66,885)
EFFECT OF EXCHANGE RATE CHANGES	206,882	(5,520)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	762,103	(580,672)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	528,617	1,109,289
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,290,720	$ 528,617
CASH AND CASH EQUIVALENTS AS FOLLOWS:		
Cash and bank deposits	$ 1,290,720	$ 570,128
Pledged deposits	-	(41,511)
Cash and cash equivalents	$ 1,290,720	$ 528,617

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

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 board of directors on February 24, 2023.

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 year ended December 31, 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

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

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

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

2) Pursuant to the above basis of preparation of the consolidated financial statements, the detail information of the subsidiaries was as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest December 31 2022	2021	Descriptions
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.

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest December 31 2022	2021	Descriptions
EAH	Eastech (VN) Company Limited ("EAVN")	Production, assembly and sales of transducer speakers, bluetooth speakers and headphones	100.00	100.00	EAVN was established by EAH on January 25, 2019.
EAH	Eastech Trading (VN) Company Limited ("ETV")	Sales of speaker systems and headphones	100.00	100.00	ETV was established by EAH on July 6, 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 speakers and AV electronics home entertainment systems	-	99.98	Notes 1 and 3
EAH	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speakers, AV electronics home entertainment systems and headphones	100.00	100.00	Note 1
EAH	Eastech 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	ETT	Design and sales of smart speakers and AV electronics home entertainment systems	99.98	-	Note 3

(Concluded)

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. ("EAHY") and Eastech Electronics (Huiyang) Co., Ltd. ("ETHY"), 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.

e. Revenue recognition

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

1) Revenue from sale of goods

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

2) Revenue from rendering of services

Service revenue income is recognized when services are provided.

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

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

h. Goodwill

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

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

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

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

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

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

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

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

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

k. Leasing

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

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

l. Borrowing costs

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

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

m. Government grants

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

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

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

n. Retirement benefits

Every employees of the Group adopt defined contribution retirement benefit plans. Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

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

o. Share-based payment arrangements

1) Restricted shares for employees granted to employees

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

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

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

2) Employee stock options granted to employees

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

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

p. Taxation

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

1) Current income tax

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

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

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

2) Deferred tax

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

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

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

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

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

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

3) Current and deferred tax for the year

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

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

q. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

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

2) Equity instruments

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

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

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types and calculated separately by repurchase category. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

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

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument’s maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

r. Foreign currencies

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	**2021**
Cash on hand	$ 2,261	$ 1,527
Cash at bank	1,224,073	527,090
Fixed deposits	64,386	41,511
	1,290,720	570,128
Less: Pledged deposits	-	(41,511)
	$ 1,290,720	$ 528,617

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 24), and is recognized under restricted assets.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	**2021**
Financial assets - current		
Mandatorily classified as at FVTPL		
Derivatives (not under hedge accounting)		
Forward exchange contract	$ -	$ 1,371
Non-derivative financial assets		
Foreign-listed stocks	104	226
	$ 104	$ 1,597
Financial assets - non-current		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted stocks	$ 120,787	$ 108,912
Financial liabilities - non-current		
Financial liabilities designated as at FVTPL, holding for trading		
Derivatives		
Convertible bonds options (Note 15)	$ 595	$ -

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

December 31, 2021

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

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

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2022	**2021**
Notes receivable	$ -	$ 10,572
Accounts receivable	1,826,783	1,991,273
Less: Allowance for impairment loss	(40,554)	(23,487)
	$ 1,786,229	$ 1,978,358

The Group's average credit period of sales of goods was 55 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.

December 31, 2022

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	$ 1,589,700	$ 196,529	$ 15,767	$ 24,787	$ 1,826,783
Loss allowance (Lifetime ECLs)	-	-	(15,767)	(24,787)	(40,554)
Amortized cost	$ 1,589,700	$ 196,529	$ -	$ -	$ 1,786,229

December 31, 2021

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

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

	December 31	
	2022	2021
Balance at the beginning of the period	$ 23,487	$ 46,877
Add: Impairment losses recognized	14,154	104
Less: Amounts written off	-	(22,738)
Effect of foreign currency exchange differences	2,913	(756)
Balance at the end of the period	$ 40,554	$ 23,487

The notes and accounts receivable (with recourse) pledged as collateral for bank borrowings are set out in Notes 24 and 26 (h).

9. OTHER RECEIVABLES AND PREPAYMENTS

	December 31	
	2022	**2021**
Other receivables, net	$ 39,712	$ 944,645
Prepayments for purchases	76,927	149,473
Prepayments	7,285	6,205
Prepayments for purchases equipment and mold	3,784	34,063
Value-added tax recoverable and refundable	247,796	183,014
Guarantee deposits	17,015	17,162
	$ 392,519	$ 1,334,562

Other receivables of the Group mainly consist of the followings:

a. Other receivables relating to litigations (including guarantee deposits) as described in Note 24 (a) were fully set aside for loss. There was no change for the years ended December 31, 2022.

b. As of December 31, 2022 and 2021, the amounts of temporary payments as described in Note 16 (b) were $24,767 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 $800,915 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

	December 31	
	2022	**2021**
Raw materials	$ 610,558	$ 759,406
Work-in-process	251,657	290,735
Finished goods	228,369	121,856
Goods in transit	10,697	100,734
	$ 1,101,281	$ 1,272,731

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2022 and 2021 was $11,327,546 thousand and $8,646,051 thousand, respectively, which included loss of net realizable value of inventories and loss of written-off of inventories of $29,512 thousand and $17,981 thousand, respectively.

The inventories pledged as collateral for bank borrowings are set out in Note 24.

11. PROPERTY, PLANT AND EQUIPMENT

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

	December 31 2022	December 31 2021
Cost	$ 1,426,429	$ 1,288,568
Accumulated depreciation and impairment	(483,282)	(339,723)
Carrying amount	$ 943,147	$ 948,845
Land and buildings	$ 312,791	$ 264,636
Machineries and office equipment	619,124	643,757
Property under construction	11,232	40,452
Carrying amount	$ 943,147	$ 948,845

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

	Land and Buildings	Machinery Equipment and Office Equipment	Property under Construction	Total
Cost				
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)
Disposal of subsidiaries	(549,792)	(218,589)	-	(768,381)
Effect of exchange rate changes	1,997	(1,125)	(263)	609
Balance at December 31, 2021	272,797	975,319	40,452	1,288,568
Additions	-	74,815	38,577	113,392
Disposals	-	(29,128)	(218)	(29,346)
Reclassification	39,034	27,240	(69,698)	(3,424)
Effect of exchange rate changes	17,246	37,874	2,119	57,239
Balance at December 31, 2022	$ 329,077	$ 1,086,120	$ 11,232	$ 1,426,429
Accumulated depreciation and impairment				
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)
Disposal of subsidiaries	(553,363)	(170,612)	-	(723,975)
Reclassification	154,793	(261,768)	-	(106,975)
Effect of exchange rate changes	2,248	(1,453)	-	795
Balance at December 31, 2021	8,161	331,562	-	339,723
Depreciation	7,435	132,767	-	140,202
Disposals	-	(6,670)	-	(6,670)

(Continued)

	Land and Buildings	Machinery Equipment and Office Equipment	Property under Construction	Total
Reclassification	$ 9	$ (3,299)	$ -	$ (3,290)
Effect of exchange rate changes	681	12,636	-	13,317
Balance at December 31, 2022	$ 16,286	$ 466,996	$ -	$ 483,282

(Concluded)

For the shutdown effect from the COVID-19 pandemic, the management has conducted an impairment test for the years ended December 31, 2021. Since the sales orders from main customers were still existed and shipments were just deferred, the recoverable amount was still higher than net book value based on the aforementioned test result; no impairment assessment was performed for the year ended December 31, 2022, as there was no indication of impairment. No impairment loss is recognized for the years ended December 31, 2022 and 2021, accordingly.

c. The above items of property, plant and equipment were 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 by 2 to 10 years.
Machinery equipment	5 years or 10 years
Office equipment	1 year to 10 years

d. Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 24.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amounts		
Land and buildings	$ 66,178	$ 75,689
Machinery and office equipment	5,321	2,446
	$ 71,499	$ 78,135

	For the Years Ended December 31	
	2022	2021
Additions to right-of-use assets	$ 19,483	$ 20,999
Depreciation charge for right-of-use assets		
Land and buildings	$ 23,868	$ 27,179
Machinery and office equipment	1,953	2,407
	$ 25,821	$ 29,586

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

b. Lease liabilities

	December 31	
	2022	2021
Carrying amounts		
Current	$ 43,572	$ 48,576
Non-current	31,488	59,972
	$ 75,060	$ 108,548

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land and buildings	2.42%-4.23%	2.51%-4.23%
Machinery and office equipment	2.75%-4.63%	2.51%-4.63%

c. Material lease - activities and terms

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

December 31, 2022 and 2021

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

d. Other lease information

	For the Years Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 12,900	$ 19,447
Total cash outflow for leases	$ (66,063)	$ (49,166)

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

13. INTANGIBLE ASSETS

	December 31	
	2022	2021
Technical knowledge (including capitalized costs of R&D)	$ 22,887	$ 38,565

a. Details of goodwill were as follows:

	December 31, 2021
Related to ScS	$ -
Related to EAHZ	-
	$ -

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

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

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

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

1) Expected sales growth rate: The suppose values assigned to the assumption reflect past experience, which is consistent with management's plans for focusing operations in these markets.

2) Net operating profit margin: The suppose values were reflected for expected operating profit margin based on past experience.

3) Depreciation and amortization: The suppose values were estimated from equipment capex during budget period and equipment's useful life based on past experience.

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

The movements of goodwill were as follows:

	2021
Balance at January 1	$ 115,530
Impairment loss	(107,281)
Effect of exchange rate changes	(8,249)
Balance at December 31	$ -

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

	2022	2021
Balance at January 1	$ 38,565	$ 159,676
Additions	2,085	58,164
Amortization	(18,955)	(71,647)
Reclassification from property, plant and equipment	134	-
Write-off	-	(1,240)
Disposal of subsidiaries	-	(74,751)
Impairment loss	-	(21,455)
Effect of exchange rate changes	1,058	(10,182)
Balance at December 31	$ 22,887	$ 38,565

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

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

d. The intangible assets pledged as collateral for bank borrowings are set out in Note 24.

14. BANK BORROWINGS

a. Short-term bank borrowings:

	December 31			
	2022		2021	
	Interest Rate	Amount	Interest Rate	Amount
Secured borrowings				
Factoring	-	$ -	1.55%-2.06%	$ 152,088
Bank borrowings	3.25%-7.47%	5,019	1.42%-3.25%	890,313
Long-term borrowings due within 1 year	-	-	1.19%-4.54%	93,346
		$ 5,019		$ 1,135,747

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

b. Long-term bank borrowings:

	December 31			
	2022		2021	
	Interest Rate	Amount	Interest Rate	Amount
Long-term bank borrowings	-	$ -	1.19%-4.54%	$ 316,236
Less: Long-term bank borrowings due within 1 year		-		(93,346)
		$ -		$ 222,890

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

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

	December 31	
	2022	2021
Due within 2 to 5 years	$ -	$ 222,890

c. The detail of the Group's pledged assets for obtaining bank facilities please refer to Note 24.

15. BONDS PAYABLE

	December 31, 2022
The first secured domestic convertible bonds	$ 328,865
Less: Current portion	-
	$ 328,865

On November 28, 2022, the Company issued 3,500 of the first secured convertible bonds in Taiwan, with a coupon rate of 0%, which total amount was $350,000 thousand, with face value of $100 thousand. Besides, the terms and conditions of the bonds were as follows:

a. Conversion period: From March 1, 2023 to November 28, 2025.

b. Conversion price:

1) The initial conversion price was $39.2 per share. Afterwards, if there were any changes in share capital (including but not limited to capital increase by cash, earnings or capital reserves, etc.), the conversion price shall be adjusted according to the prescribed calculation.

2) After the issuance of this convertible bonds, if the Company distributes cash dividends to common stock, the conversion price shall be reduced on the ex-dividend date by the adjustment formula of conversion price. This provision of reduction of the conversion price shall not be applied to those requested converting before the ex-dividend date.

c. Redemption:

1) Redeem the bonds upon maturity: The principal is fully redeemed upon maturity.

2) Redeem the bonds in advance:

The Company may redeem all or part of the bonds at face value from March 1, 2023, which is 3 months after the issuance date to October 19, 2025, which is 40 days before the expiry date, when the closing price of the ordinary shares on the TWSE exceeds the conversion price by 30% for 30 consecutive trading days.

The Company may redeem the bonds at face value from March 1, 2023, which is 3 months after the issuance date to October 19, 2025, which is 40 days before the expiry date, when the bonds outstanding balance is lower than 10% of the total issuance amount.

3) Sell back the bonds in advance:

After two years from the issuance date, November 28, 2024, the bondholders may sell back the bonds at the face value.

d. The convertible bonds consist of liability and equity component. The equity component was presented in equity under capital surplus - options. The effective interest rate of the liability component was 2.1426% per annum on initial recognition.

Proceeds from issuance (less transaction costs of $6,185 thousand)	$ 366,287
Equity component	(37,622)
Financial liabilities at FVTPL	(455)
Liability component at issuance date	328,210
Amortization of discount on bonds payable	655
Liability component at December 31, 2022	$ 328,865

16. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

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

b. Details of other payables were as follows:

	December 31	
	2022	**2021**
Accrued salaries	$ 223,721	$ 158,944
Temporary receivables (Note)	17,348	107,776
Accrued employee's severance pay	290,962	313,056
Other payable	197,443	216,361
	$ 729,474	$ 796,137

Note: Temporary receivables were mainly sample fee, test fee, safety certification fee, etc. received in advance. Since the Group produced 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, were recorded in temporary payments (please refer to Note 9) and temporary receivables, respectively. After completion of the project (customer confirmed), the Group will reverse the aforementioned temporary payments and temporary receipts at the same time and the differences are recorded as income.

17. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

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

18. EQUITY

a. Share capital

The initial setup capital of the Company is $1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of December 31, 2022 and 2021 were $631,390 thousand and $614,060 thousand, respectively, divided into 63,139 thousand shares and 61,406 thousand shares, each with a nominal amount of NT$10 per share. All of the shares were ordinary shares, each carrying the rights to vote and receive dividend.

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

(In Thousands of Shares)

	For the Years Ended December 31	
	2022	**2021**
January 1	61,406	61,455
Employee stock options	1,733	-
Write-off of restricted shares	-	(49)
December 31	63,139	61,406

b. Treasury shares

As of December 31 of 2022 and 2021, the detail of treasury shares were as follows:

Purpose of Buy-back	**Number of Shares (In Thousands of Shares)**
Shares held by its subsidiaries	453

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

December 31, 2022

Subsidiary	**Number of Shares Held (In Thousands of Shares)**	**Carrying Amount**	**Market Price**
ETT	453	$ 24,019	$ 16,263

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

c. Capital surplus

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

	December 31	
	2022	**2021**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of common share	$ 727,867	$ 686,926
May not be used for any purpose		
Arising from employee restricted shares	26,409	26,409
Arising from employee share options	38,071	36,200
Convertible bonds payable options	37,622	-
	$ 829,969	$ 749,535

d. Earnings distribution 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 earnings shall be used by the 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 dividend, it can be resolved by special resolution of the board of the directors. For information about the accrual basis of the employees' and directors' compensation and the actual appropriations, please refer to Note 19 (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 were as follows:

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

The following cash dividends were approved by the board of directors on February 24, 2023, and the rest of distribution of earnings will be resolved by the shareholders' meeting on June 16, 2023.

The distribution of earnings and dividends per share for 2022 were as follows:

	2022
Ordinary shares - cash dividends	NT$3.1 per share totaling NT$196,397 thousand
Reversal of special reserve	NT$109,717 thousand

Legal reserve

Subsidiaries in China shall appropriate reserve fund (recognized under legal reserves) and provide employees' award and benefit fund (recognized under liabilities items) from the profit after tax in accordance to Section 58 of the "Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises", subject to a proportion of no less than 10% of the profit after tax. No appropriation shall be made when the accumulated amount reaches 50% of the registered capital. The provision in respect of employees' award and benefit fund shall be determined by the Company upon passing of directors' resolution, however, it has not yet been approved as at December 31, 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 each paid-in capital, the excess may be transferred to capital or distributed in cash.

e. Share-based payment arrangements

1) Information on restricted shares plan for employees

Information on restricted shares plan for employees was as below:

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

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

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 were 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, share 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 Years Ended December 31	
	2022	**2021**
Balance at the beginning of the period	-	130
Vested	-	(81)
Forfeited	-	(49)
Balance at the end of the period	-	-

Information on cost of restricted shares plan for employees was as follows:

	For the Years Ended December 31	
	2022	**2021**
Costs of restricted shares plans for employees	$ -	$ 986

2) Employee share options

Grant Date	**Issued Shares**	**Vesting Date**	**Exercisable Price**
2018.09.28	1,200 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted date	$22.30 (Note)
2019.06.10	4,747 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted 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 share options is equal to the closing price on the grant date. After the options are granted, upon the occurrence of certain events relating to the change in the number of common shares of the Company and distribute cash dividend, the exercise price shall be adjusted in accordance with the regulated formula.

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

Information on employee stock options was as follows:

	For the Years Ended December 31			
	2022		2021	
Employee Share Options	**Number of Options**	**Weighted-Average Exercise Price (NT$)**	**Number of Options**	**Weighted-Average Exercise Price (NT$)**
Balance at the beginning of period	8,053	$ 23.63	8,719	$ 28.49
Granted	1,030	20.20	2,679	19.63
Executed	(1,733)	26.24	-	-
Write-off	(392)	20.21	(3,345)	28.54
Balance at end period	6,958	24.01	8,053	23.63
Options exercisable, end of period	2,179		930	
Weighted-average fair value of options granted (NT$)	$ 6.79		$ 6.43	

As of December 31, 2022 and 2021, the information about outstanding options was as follows:

	December 31			
	2022		2021	
Grant Date	**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	0.46	31.70	1.46
2020.05.19	24.60	1.38	25.30	2.38
2020.08.06	24.70	1.58	25.45	2.58
2021.04.27	21.00	2.33	21.65	3.33
2021.08.20	18.90	2.67	19.45	3.67
2022.01.21	20.20	3.06	-	-

Employee share 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, 2021	**August 20, 2021**	**April 27, 2021**	**August 6, 2020**	**May 19, 2020**	**June 10, 2019**	**September 28, 2018**
Grant-date share price (NT$)	20.85	19.45	21.65	25.45	25.30	33.05	23.95
Exercise price (NT$)	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 compensation costs for the years ended December 31, 2022 and 2021 were recognized at $14,398 thousand and $5,110 thousand, respectively.

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 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 Years Ended December 31, 2022
Balance at the beginning of the period	$ (29,950)
Disposal of financial assets at fair value through other comprehensive income	29,950
Balance at the end of the period	$ -

3) Unearned employee benefit

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

19. CONSOLIDATED NET PROFIT

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 16 (b).

2) Contact balances

	December 31	
	2022	2021
Notes and accounts receivable, net (Note 8)	$ 1,786,229	$ 1,978,358

3) Disaggregation of revenue from customer contracts

	For the Years Ended December 31	
	2022	2021
Home audio	$ 8,673,517	$ 4,804,276
Personal audio	2,814,340	2,897,382
Transducer speaker	416,113	421,663
Others	906,412	1,288,990
	$ 12,810,382	$ 9,412,311

b. Depreciation and amortization expenses

	For the Years Ended December 31	
	2022	2021
Depreciation of property, plant and equipment	$ 140,202	$ 144,853
Amortization of other intangible assets	18,955	71,647
Depreciation of right-of-use assets	25,821	29,586
	$ 184,978	$ 246,086

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

	For the Years Ended December 31	
	2022	2021
Remuneration of directors and key management		
Short-term benefits	$ 112,929	$ 105,418
Post-employment benefits	2,774	2,742
Share-based payments	7,769	4,186
Employee benefits		
Short-term benefits	1,637,708	1,588,674
Post-employment benefits	101,845	90,054
Share-based payments	6,629	1,910
	$ 1,869,654	$ 1,792,984

d. Employees' and directors' compensation

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

For the year of 2022, employees' and directors' compensation were as follows:

Accrual rate

	For the Year of 2022
Employees' compensation	5.4%
Directors' compensation	1.5%

Amount

	For the Year of 2022
Employees' compensation	$ 22,730
Remuneration of directors and supervisors	$ 6,300

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

Amount

	For the Year of 2021
Employees' compensation	$ 10,523
Directors' compensation	$ 6,300

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' compensation paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

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

e. Other income

	For the Years Ended December 31	
	2022	2021
Government grants revenue	$ 8,505	$ 9,871
Project service income	24,381	68,471
Gain on disposal of subsidiaries	-	700,372
Interest income	5,000	2,110
Rental revenue	114	842
Dividend income	4,921	-
Scrap income	3,144	6,710
Gains on disposal of property, plant and equipment	267	1,044
Net gain on financial instruments at fair value through profit or loss	-	47,331
Bad debts recovered	-	22,725
Reversal of accrued employee's severance pay	13,577	-
Others	5,545	7,898
	$ 65,454	$ 867,374

f. Other losses

	For the Years Ended December 31	
	2022	2021
Losses on fair value change of financial instruments at FVTPL	$ 1,216	$ 12,720
Losses on disposal of property, plant and equipment	21,340	36,694
Impairment loss on intangible assets	-	12,061
Impairment loss on goodwill	-	107,281
Others	14,551	9,530
	$ 37,107	$ 178,286

g. Finance costs

	For the Years Ended December 31	
	2022	2021
Interest expense arising from bank borrowings	$ 34,484	$ 33,564
Interest expense on bonds payable	655	-
Interest expense on lease liabilities	2,433	2,505
	$ 37,572	$ 36,069

20. INCOME TAXES

a. Income tax benefit recognized in profit or loss

	For the Years Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 13,815	$ 24,933
Adjustments for prior years	75	(1,049)
Deferred tax		
In respect of the current year	(1,112)	(69,503)
Income tax benefit recognized in profit or loss	$ 12,778	$ (45,619)

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

	For the Years Ended December 31	
	2022	2021
Profit before tax	$ 382,573	$ 321,867
Income tax benefit calculated at the statutory rate (16.5%)	$ 63,125	$ 53,108
Tax-exempt income and non-deductible expenses in determining taxable income	(42,837)	(72,496)
Adjustments for prior years	75	(1,049)
Effect on deferred tax assets unrecognized in prior years	13,237	(34,419)
Effect on unrecognized loss carry forwards	359	13,287
Effect of different tax rate of foreign operations in other jurisdictions	(21,181)	(4,050)
Income tax benefit recognized in profit or loss	$ 12,778	$ (45,619)

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

The local tax rate for the subsidiaries in the PRC is 25%. EAHY 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. Deferred tax assets

	December 31	
	2022	**2021**
Allowance of inventories provision	$ 914	$ 921
Others	5,846	5,923
	$ 6,760	$ 6,844

The movements of deferred tax assets were as follows:

	Allowance of Inventories Provision	**Others**	**Total**
Balance at January 1, 2021	$ 6,936	$ 5,218	$ 12,154
Recognized in profit or loss	(6,034)	704	(5,330)
Effect of exchange rate changes	19	1	20
Balance at December 31, 2021	921	5,923	6,844
Recognized in profit or loss	(20)	(77)	(97)
Effect of exchange rate changes	13	-	13
Balance at December 31, 2022	$ 914	$ 5,846	$ 6,760

c. Deferred tax liabilities

	December 31	
	2022	**2021**
Temporary differences on other intangible assets	$ 5,120	$ 5,836
Temporary differences on inventory and depreciation of property, plant and equipment	1,111	1,273
Unappropriated earnings of subsidiaries	182	182
	$ 6,413	$ 7,291

The movements of deferred tax liabilities were as follows:

	Temporary Differences on Other Intangible Assets	Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment	Unappropriated Earnings of Subsidiaries	Total
Balance at January 1, 2021	$ 34,085	$ 17,685	$ 57,493	$ 109,263
Recognized in profit or loss	(15,203)	(2,393)	(57,237)	(74,833)
Disposal of subsidiaries	-	(13,435)	-	(13,435)
Others	(10,919)	(369)	-	(11,288)
Effect of exchange rate changes	(2,127)	(215)	(74)	(2,416)
Balance at December 31, 2021	5,836	1,273	182	7,291
Recognized in profit or loss	(846)	(363)	-	(1,209)
Effect of exchange rate changes	130	201	-	331
Balance at December 31, 2022	$ 5,120	$ 1,111	$ 182	$ 6,413

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

	December 31	
	2022	2021
Loss carryforwards	$ 22,383	$ 126,868
Deductible temporary difference		
Investments in equity instruments at FVTOCI	$ -	$ 29,950

e. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong, Singapore, Vietnam and Denmark. The aforementioned tax authorities will not take the initiative to send a tax returns assessment to enterprises. When there are tax disputes, they issued a tax payment notice to enterprises and reserve the right to propose additional taxes. The tax authorities have assessed income tax returns of ETT and ETW up to 2020.

21. EARNINGS PER SHARE

Unit: $ Per Share

	For the Years Ended December 31	
	2022	2021
Basic earnings per share	$ 6.03	$ 6.03
Diluted earnings per share	$ 5.98	$ 6.03

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

Net Profit for the Year

	For the Years Ended December 31	
	2022	**2021**
Profit for the year attributable to owners of the Company	$ 369,795	$ 367,486

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

	For the Years Ended December 31	
	2022	**2021**
Weighted average number of ordinary shares used in the computation of basic earnings per share	61,291	60,970
Effect of potentially dilutive ordinary shares		
Employee share options	530	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	61,821	60,970

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

The exercise price of the convertible bond options for the year ended December 31, 2022 was higher than the average share price during the outstanding period, therefore, the convertible bond options did not have a dilutive effect on potential common shares and were not included in the calculation of diluted earnings per share.

In addition, for the year ended December 31, 2021, the total execution price of employee stock options of the Group was higher than the average outstanding stock price during the period, hence, employee stock options were not as dilutive potential ordinary shares, therefore calculation for diluted earnings per share was not applicable.

22. DISPOSAL OF SUBSIDIARIES

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

a. Total consideration

	EAHY	**ETHY**
Cash and cash equivalents	$ 631,505	$ 947,257
Total consideration	$ 631,505	$ 947,257

b. Gain on disposal of subsidiaries

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

c. Net cash inflows from disposal of subsidiaries

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

23. TRANSACTIONS WITH RELATED PARTIES

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

Remuneration of Key Management Personnel

The remuneration of directors and key management was determined by the remuneration committee based on the performance of individuals and market trends. Please refer to Note 19 (c) for details.

24. PLEDGED ASSETS

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

	December 31	
	2022	2021
Other intangible assets	$ 9,553	$ 16,180
Accounts receivable with recourse	-	152,088
Machineries and office equipment	12,296	12,230
Inventories and other assets	76,903	82,637
Construction in progress	4,187	3,437
Pledged deposits (recognized under restricted assets - current)	-	41,511
	$ 102,939	$ 308,083

25. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There was no significant progress regarding EAH's litigation in Brazil for the year ended December 31, 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 claim in a lawsuit by individual consumer from the U.S. in September 2022. Since the plaintiffs have agreed that the Court lacks both general and specific personal jurisdiction over ETT, accordingly ETT was dismissed from the lawsuit. ETT's insurer has confirmed to defense for this claim. The attribution of any responsibility of the claim is still to be determined and there is not yet any specific claim amount as of December 31, 2022. Therefore, there is no significant impact on the Group's financial and business aspects as of December 31, 2022.

b. Financial guarantees within the Group refer to Table 2 of Note 30.

26. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return through the optimization of the capital and debt structure balance. The Group's overall strategy remains unchanged in 2022.

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

As of December 31, 2022 and 2021, the cash and cash equivalents, restricted assets - current (pledged deposit) and bank borrowings were as follows:

	December 31	
	2022	**2021**
Debt (bank borrowings and bonds payable)	$ (333,884)	$ (1,358,637)
Cash and cash equivalents (including pledged deposit)	1,290,720	570,128
Net cash (debt)	$ 956,836	$ (788,509)
Equity	$ 2,246,841	$ 1,662,347
Cash (debt) - equity ratio	43%	(47%)

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

b. Fair value of financial instruments

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

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

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

	December 31			
	2022		2021	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities				
Convertible bonds	$ 328,865	$ 334,425	$ -	$ -

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

Fair value hierarchy

December 31, 2022

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Foreign-listed stocks	$ 104	$ -	$ -	$ 104
Domestic-unlisted stocks	-	-	120,787	120,787
	$ 104	$ -	$ 120,787	$ 120,891
Financial liabilities at FVTPL				
Convertible bonds options	$ -	$ -	$ 595	$ 595

December 31, 2021

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

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

For the year ended December 31, 2022

Financial Assets	Financial Assets at FVTPL: Derivatives	Financial Assets at FVTPL: Equity Instruments	Total
Balance at January 1, 2022	$ -	$ 108,912	$ 108,912
Recognized in profit or loss	140	-	140
Additions	455	-	455
Effect of foreign currency exchange differences	-	11,875	11,875
Balance at December 31, 2022	$ 595	$ 120,787	$ 121,382
Recognized in other gains and losses - unrealized	$ 140	$ -	$ 140

For the year ended December 31, 2021

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

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

The fair value of the redemption rights and sell back rights embedded in the convertible bonds was estimated using a binary tree convertible bond valuation model, and the significant unobservable input value used was the stock price volatility. As the volatility of the stock price increases, the fair value of these redemption rights and resale rights will increase. The stock price volatility used as of December 31, 2022, ranged from 46.36% to 47.76%, respectively.

The fair value of equity investments at FVTPL was originally determined by using the income approach. However, it was difficult to obtain important operation financial information and forecasts of the investment target in this period. Therefore, the market approach was using instead. Fair values was 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 were Price-Earnings (P/E) ratio of comparable listed companies and Price-Book (P/B) ratio of comparable listed companies and gave 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, 2022 were as follows:

Significant Unobservable Inputs	Relationship Between Inputs and Fair Value
P/E was 8.79; P/B was 1.75	The higher the ratios, the higher the fair value estimates
Discount rate for lack of marketability was 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$$11,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by NT$11,000 thousand.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial assets at FVTPL		
Held for trading	$ 104	$ 1,597
Mandatorily at FVTPL	120,787	108,912
Amortized cost (Note 1)	3,229,091	3,511,712
	$ 3,349,982	$ 3,622,221
Financial liabilities		
Financial assets at FVTPL		
Designated as at FVTPL	$ 595	$ -
Financial liabilities at amortized cost (Note 2)	3,403,719	4,553,809
	$ 3,404,314	$ 4,553,809

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

Note 2: The balance includes financial liabilities at amortized cost, which comprise bank borrowings, bonds payable, accounts payable and other payables, etc.

d. Financial risk management objectives and policies

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

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

e. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	Assets	
	December 31	
	2022	**2021**
USD	$ 2,546,163	$ 2,050,202
HKD	424	2,133
	$ 2,546,587	$ 2,052,335

	Liabilities	
	December 31	
	2022	**2021**
USD	$ 391,770	$ 2,110,314
HKD	12,679	32,547
	$ 404,449	$ 2,142,861

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

	Currency USD Impact	
	For the Years Ended December 31	
	2022	**2021**
Profit or loss	$ 107,720	$ (3,006)

	Currency H.K. Dollars Impact	
	For the Years Ended December 31	
	2022	**2021**
Profit or loss	$ (613)	$ (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 years ended 2022 and 2021 would have been increased and decreased by $6,417 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.

	December 31, 2022				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 2,340,361	$ -	$ -	$ 2,340,361
Other payables	-	729,747	-	-	729,747
Bonds payable	-	-	328,865	-	328,865
Interest bearing liabilities					
Lease liabilities	2.42%-4.63%	45,037	31,991	-	77,028
Bank borrowings	5.36%	5,288	-	-	5,288

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	$ 45,037	$ 31,991	$ -	$ -	$ -	$ -

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

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 53,349	$ 60,888	$ -	$ -	$ -	$ -

f. Financial facilities

Bank borrowings

	Liabilities	
	December 31	
	2022	2021
Secured borrowings		
Amount unused	$ 1,818,390	$ 822,038

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:

Unit: Foreign Currencies (In Thousands)

December 31, 2022

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount
Financial assets				
Monetary items				
USD	$ 74,045	HKD	30.66	$ 2,270,218
USD	3,195	NTD	30.66	97,963
USD	320	RMB	30.66	9,818
USD	347	DKK	30.66	10,625
USD	5,138	VND	30.66	157,539
	$ 83,045			$ 2,546,163

(Continued)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount
Financial liabilities				
Monetary items				
USD	$ 5,017	HKD	30.66	$ 153,824
USD	7,533	RMB	30.66	230,959
USD	228	DKK	30.66	6,987
	$ 12,778			$ 391,770
HKD	$ 3,108	RMB	3.9355	$ 12,231
HKD	90	NTD	3.9355	353
HKD	24	SGD	3.9355	95
	$ 3,222			$ 12,679

(Concluded)

December 31, 2021

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount
Financial assets				
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	586	VND	27.68	16,232
	$ 74,068			$ 2,050,202
Financial liabilities				
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	12,633	VND	27.68	349,670
	$ 76,241			$ 2,110,314
HKD	$ 9,082	RMB	3.5486	$ 32,227
HKD	90	NTD	3.5486	320
	$ 9,172			$ 32,547

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

Information of foreign exchange gains and losses in 2022 and 2021 were as follow:

	For the Years Ended December 31	
	2022	2021
Realized foreign exchange gain (loss)	$ 102,406	$ (66,229)
Unrealized foreign exchange (loss) gain	(43,045)	37,561
	$ 59,361	$ (28,668)

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

h. Information of transferred financial assets

In 2022 and 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 December 31, 2022 and 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 24, respectively.

27. OTHERS

Entering the third year since the outbreak of Covid-19 pandemic, the pandemic did not have a significant impact on the group’s operating continuation or asset impairment. The first convertible bonds had been issued in the fourth quarter, raising NT$370 million, which means that the fundraising capacity was not affected. Since the first quarter of 2022, Europe and the United States have been lifted lockdown one after another, and energy prices have risen due to retaliatory consumption, broken chains and port congestion, geopolitics, and Russo-Ukrainian wars. The second quarter of 2022 shows a reversal of global consumer sentiment, with high inflation leading to recessionary concerns. In the third quarter, the Group’s revenue reached a record high due to the adverse growth of SoundBar, by significant increase in orders from Japanese and Korean customers. However, the Group will keep improving its business structure and evaluate the related impacts of the future trends prudently so as to sustain with profitability.

28. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On February 24, 2023, the board of directors resolved to merge ESHY with EAHZ for streamlining the operations, and the surviving company is EAHZ.

29. SEGMENT INFORMATION

a. Operating segments

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

Since the Group's speaker systems, earphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the years ended December 31, 2022 and 2021, the revenue and operating results of the operating segment can be found in the consolidated income statement for the years from January 1 to December 31, 2022 and 2021. The product revenue of the Group please refer to Note 19 (a).

b. Geographic information

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

	Revenue from External Customers	
	For the Years Ended December 31	
	2022	**2021**
South Korea	$ 4,170,193	$ 2,155,051
Japan	3,568,197	1,336,454
China	1,725,490	2,384,421
Sweden	1,680,075	1,003,102
Denmark	706,399	1,076,895
Others	960,028	1,456,388
	$ 12,810,382	$ 9,412,311

	Non-current Assets	
	December 31	
	2022	**2021**
Vietnam	$ 596,718	$ 539,286
China	367,627	458,174
Denmark	46,076	41,119
Taiwan	17,734	11,145
Hong Kong	7,747	15,215
Singapore	1,631	606
	$ 1,037,533	$ 1,065,545

c. Information of key customers

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

	For the Years Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Company A	$ 4,166,388	33	$ 2,153,867	23
Company B	3,296,898	26	1,016,064	11
Company C	1,677,494	13	1,068,890	11
Company D	NA (Note)	-	1,132,230	12

Note: Income from the customer was less than 10% of the Group's total income for the years ended December 31, 2022.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

9) Trading in derivative instruments (Note 7)

10) Intercompany relationships and significant intercompany transactions (Table 7)

11) Information on investees (Table 8)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 9):

    a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

    b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

    c) The amount of property transactions and the amount of the resultant gains or losses

    d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

    e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds

    f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

3) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
													Item	Value		
0	The Company	EAH	Other receivables from related parties	Yes	$ 310,100	$ 306,600	$ 306,600	-	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 898,736	$ 898,736
1	EAH	EAVN	Other receivables from related parties	Yes	589,190	582,540	337,260	-	The need for short-term financing	-	Operating capital	-	-	-	1,542,313	1,542,313
		ETH	Other receivables from related parties	Yes	193,530	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	1,542,313	1,542,313
2	EAHZ	ESZ	Other receivables from related parties	Yes	44,930	43,979	-	4	The need for short-term financing	-	Operating capital	-	-	-	1,095,598	1,095,598
3	ETH	EAH	Other receivables from related parties	Yes	290,295	275,940	122,640	-	The need for short-term financing	-	Operating capital	-	-	-	2,730,230	2,730,230
		ETT	Other receivables from related parties	Yes	12,530	-	-	-	Overdue other receivables	-	Financing provided	-	-	-	364,031	364,031

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

The individual financing amount provided to the Company holds, directly or indirectly, 100% of the voting shares shall not exceed 40% of the net worth of the Company.
The individual financing amount provided to parent and a subsidiary that EAH holds, directly or indirectly, 100% of the voting shares shall not exceed 100% of the net worth of EAH.
The individual financing amount provided to parent and a subsidiary that EAHZ and ETH hold, directly or indirectly, 100% of the voting shares shall not exceed 300% of the net worth of EAHZ and ETH.
The individual financing amount provided to a Taiwan subsidiary that the Company holds, directly or indirectly, 100% of the voting shares shall not exceed 40% of the net worth of ETH.

Note 2: According to the Company's guidance of financing provided to others, the amount of financing limit is based on the net value of the most recent financial statements reviewed or audited by CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2022 is different from the amounts listed above, the reason is that the financial statements of the Company, EAH, EAHZ and ETH for the year ended December 31, 2022 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the nine months ended September 30, 2022.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 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	a.	$ 8,987,364	$ 883,414	$ 494,908	$ -	$ -	22.03	$ 8,987,364	Yes	No	No
		ETH	a.	8,987,364	1,583,641	1,143,207	-	-	50.88	8,987,364	Yes	No	No
		EAVN	a.	8,987,364	327,621	323,923	-	-	14.42	8,987,364	Yes	No	No
1	EAH	The Company	b.	1,542,313	350,000	350,000	350,000	-	22.69	1,542,313	No	Yes	No
		EAHZ	a.	1,542,313	88,379	84,008	13,159	-	5.45	1,542,313	Yes	No	Yes
		ETH	a.	1,542,313	334,680	-	-	-	-	1,542,313	Yes	No	No
2	ESHY	ESZ	c.	120,234	10,154	-	-	-	-	120,234	No	No	Yes
3	ETH	The Company	b.	910,077	35,000	35,000	-	-	3.85	910,077	No	Yes	No

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 consolidated 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 December 2022 is different from the amounts listed above, the reason is that the financial statements of the Company, EAH, ESHY and ETH for the year ended December 31, 2022 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statements for the nine months ended September 30, 2022.

TABLE 3

EASTECH HOLDING LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ETH	Oversea publicly traded stocks Audio Pixels Holdings Limited	-	FVTPL - current	500	$ 104	-	$ 104	
ETT	Taiwan publicly traded stocks Eastech Holding Limited	Subsidiary	FVTPL	453,000	$ 16,263	-	$ 16,263	Note
EAH	Taiwan non-publicly traded stocks HT Precision Technologies, Inc.	-	FVTPL - non-current	6,659,141	$ 120,787	-	$ 120,787	

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 YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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	
EAH	ESHY	Parent and subsidiary	Purchase	$ 732,766	12	90 days	$ -	-	$ (172,262)	(22)	Note
ESHY	EAH	Parent and subsidiary	Sale	(732,766)	(97)	90 days	-	-	172,262	98	Note
ESHY	EAH	Parent and subsidiary	Purchase	130,995	18	90 days	-	-	172,262	98	Note
EAH	ESHY	Parent and subsidiary	Sale	(130,995)	(2)	90 days	-	-	(172,262)	(22)	Note
EAH	EAHZ	Parent and subsidiary	Purchase	146,144	2	90 days	-	-	(23,902)	(3)	Note
EAHZ	EAH	Parent and subsidiary	Sale	(146,144)	(2)	90 days	-	-	23,902	2	Note
EAH	EAVN	Parent and subsidiary	Purchase	3,910,603	65	90 days	-	-	540,196	66	Note
EAVN	EAH	Parent and subsidiary	Sale	(3,910,603)	(82)	90 days	-	-	(540,196)	(45)	Note
EAVN	EAH	Parent and subsidiary	Purchase	1,017,385	23	90 days	-	-	(540,196)	(45)	Note
EAH	EAVN	Parent and subsidiary	Sale	(1,017,385)	(16)	90 days	-	-	540,196	66	Note
ESHY	ETH	Fellow subsidiary	Purchase	146,455	21	90 days	-	-	(46,785)	(43)	Note
ETH	ESHY	Fellow subsidiary	Sale	(146,455)	(2)	90 days	-	-	46,785	3	Note
ETH	EAHZ	Fellow subsidiary	Purchase	5,163,717	79	90 days	-	-	(927,080)	(87)	Note
EAHZ	ETH	Fellow subsidiary	Sale	(5,163,717)	(84)	90 days	-	-	927,080	86	Note
ETH	EAVN	Fellow subsidiary	Purchase	836,483	13	90 days	-	-	(67,394)	(6)	Note
EAVN	ETH	Fellow subsidiary	Sale	(836,483)	(17)	90 days	-	-	67,394	23	Note
EAVN	ESZ	Fellow subsidiary	Purchase	1,144,677	25	90 days	-	-	(171,077)	(14)	Note
ESZ	EAVN	Fellow subsidiary	Sale	(1,144,677)	(90)	90 days	-	-	171,077	87	Note

Note: Intercompany transactions are eliminated in consolidated financial statement.

TABLE 6

EASTECH HOLDING LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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	$ 172,262	4.92	$ -	-	$ 45,954	$ -
EAHZ	ETH	Fellow subsidiary	927,080	8.46	-	-	545,411	-
EAH	EAVN	Parent and subsidiary	540,196	2.10	337,260	Financing provided	95	-
ESATECH	EAH	Parent and subsidiary	306,851	Note	306,600	Financing provided	-	-
ESZ	EAVN	Fellow subsidiary	171,077	7.67	-	-	-	-
ETH	EAH	Parent and subsidiary	122,640	0.01	122,640	Financing provided	123	-

Note: It is financing provided 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 YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
	2022						
0	EASTECH	EAH	a, b	Other receivables from and other payables to related parties	$ 306,851	Short-term financing and collection and payment	5
		EAH	a, b	Dividend income	161,189	Dividend	1
1	EAH	EAVN	a, b	Other receivables from and other payables to related parties	337,260	Short-term financing, 1 year loan	6
		ESHY	a, b	Net revenue from sale of goods and purchases	130,995	Credit on transfer pricing policy	1
		EAVN	a, b	Net revenue from sale of goods and purchases	1,017,385	Credit on transfer pricing policy	8
		EAHZ	a, b	Net revenue from sale of goods and purchases	32,341	Credit on transfer pricing policy	-
		EAVN	a, b	Receivables from and payables to related parties	202,936	90 days	4
2	ESHY	EAH	a, b	Net revenue from sale of goods and purchases	732,766	Credit on transfer pricing policy	6
		EAH	a, b	Receivables from and payables to related parties	172,262	90 days	3
3	EAVN	EAH	a, b	Net revenue from sale of goods and purchases	3,910,603	Credit on transfer pricing policy	31
		ETH	c	Net revenue from sale of goods and purchases	836,483	Credit on transfer pricing policy	7
		ETH	c	Receivables from and payables to related parties	67,394	90 days	1
4	EAHZ	EAVN	c	Net revenue from sale of goods and purchases	34,004	Credit on transfer pricing policy	-
		EAH	a, b	Net revenue from sale of goods and purchases	146,144	Credit on transfer pricing policy	1
		ETH	c	Net revenue from sale of goods and purchases	5,163,717	Credit on transfer pricing policy	40
		EMH	c	Net revenue from sale of goods and purchases	69,404	Credit on transfer pricing policy	1
		ETH	c	Receivables from and payables to related parties	927,080	90 days	16
5	ESZ	ETH	c	Net revenue from sale of goods and purchases	73,655	Credit on transfer pricing policy	1
		EAH	a, b	Net revenue from sale of goods and purchases	56,150	Credit on transfer pricing policy	-
		EAVN	c	Net revenue from sale of goods and purchases	1,144,677	Credit on transfer pricing policy	9
		EAVN	c	Receivables from and payables to related parties	171,077	90 days	3
6	ETH	EAHZ	c	Net revenue from sale of goods and purchases	44,566	Credit on transfer pricing policy	-
		ESHY	c	Net revenue from sale of goods and purchases	146,455	Credit on transfer pricing policy	1
		EAH	a, b	Other receivables from and other payables to related parties	122,640	Short-term financing, 1 year loan	2
		ESHY	c	Receivables from and payables to related parties	46,785	90 days	1
7	ETW	EAH	a, b	Equity method investment	53,550	Equity transaction transfer	-
8	ETT	ETH	c	Other income and general and administrative expense	44,100	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 INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 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	$ 68,545	$ -	
EAH	ScS	Denmark	Research and development, production and sales of high-end transducers	225,530	225,530	1,320,045	100.00	106,652	18,669	-	
	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	(2,177)	-	
	EAVN	Vietnam	Production, assembly and sales of transducer speakers, bluetooth speakers and headphones	238,206	238,206	-	100.00	238,206	187,170	-	
	EMH	Hong Kong	Sales of headphones and AV products	386	386	100,000	100.00	386	1,685	-	
	ETW	Taiwan	New technology research, product design and development	85,000	30,000	8,500,000	100.00	55,000	2,655	-	
	ETH	Hong Kong	Sales of smart speakers, AV electronics home entertainment systems and headphones	201,653	201,653	115,000,000	100.00	201,653	91,586	-	
	ETV	Vietnam	Sales of speaker systems and headphones	5,599	5,599	-	100.00	5,599	137	-	
ETW	ETT	Taiwan	Design and sales of smart speakers and AV electronics home entertainment systems	53,550	-	6,530,494	99.98	53,550	17,247	-	

Note 1: Based on paragraph 10 of 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 YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated 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 December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2022 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK$ 9,000	c.	$ -	$ -	$ -	$ -	$ 24,348	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.	-	-	-	-	426	100.00	(3)	524,992	-
ESZ	Import and export trading of audio accessories, machinery and equipment, etc.	RMB 2,000	b.	-	-	-	-	70,125	100.00	(3)	-	-

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

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

(Continued)

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

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

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

Note 1: The amounts are represented registered capital.

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

a. Direct investment from the Company.

b. Indirect investment via the Company's subsidiary in Hong Kong.

c. The Company was established in the Cayman Islands and is a foreign company listed in Taiwan. The companies located in China (except ETHY) had established before the Company listed in Taiwan, so the main source of investment funds were not come from Taiwan.

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 YEAR ENDED DECEMBER 31, 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	44.27

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.