

Stock code: 5225



**Eastech Holding Limited**

# **2022 Annual Report**

**Notice to Readers**

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

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

**Issued on 12 May 2023**

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

Name : Chang Po Chao  
Title : Vice President  
Tel. : (886) 2 8911 3535  
Email : ir@eastech.com

**Acting spokesperson**

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

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

Name : Chang Po Chao  
Title : Vice President  
Tel. : (886) 2 8911 3535  
Email : jeno.chang@eastech.com

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

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

**Subsidiaries and branches:**

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

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

Name : Eastech (SZ) Co., Ltd.  
Address : 801-802, International Science & Technology Building, No. 3007 Shennan Zhong Road, Futian District, Shenzhen, Guangdong 518033, China.  
Tel. : (86) 755 2515 3550

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

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

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

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

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

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

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

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

Name : Eastech (Huizhou) Co., Ltd. (Shenzhen Branch)  
Address : 801-802, International Science & Technology Building, No. 3007 Shennan Zhong Road, Futian District, Shenzhen, Guangdong 518033, China.  
Tel. : (86) 755 2515 3550

Name : Eastech Holding Limited Taiwan Branch  
Address : 8/F.-1, No. 188, Baoqiao Road, Xindian District, New Taipei City, 23145, Taiwan R.O.C.  
Tel. : (886)2 8911 3535

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

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

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

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

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

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

## LIST OF DIRECTORS

Title	Name	Nationality	Major Qualifications
Chairman	Liou Jenq Lin Representative of Eastech Electronics (Taiwan) Inc.	Taiwan	Master of Electronic Engineering and MBA from University of Southern California, U.S. IBM Senior Engineer Advisor, U.S. Xerox Senior Engineer Advisor, U.S.
Directors	Pai Chin Chang	Taiwan	Executive Master of Business Administration from Hong Kong International Business College President of Eastech Holding Limited
Directors	Chang Tung I	Taiwan	MBA from California State University, U.S. Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd.
Independent Directors	Shiau Fung Shyung	Taiwan	PHD of Economics from Chinese Culture University Master of Economics from Yale University, U.S. Master of Agricultural Economics from National Chung Hsing University Dean of College of Commerce of Tamkang University Vice Council for Economic Construction Committee, Executive Yuan, R.O.C. (Taiwan)
Independent Directors	Chang Shan Juh	Taiwan	Master of Electronic Engineering from University of Southern California, U.S. Director of Planning Division of Tatung Company Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University Head of Human Resources Development Department of Tatung Company
Independent Directors	Chen Ko Hung	Taiwan	MBA of National Chengchi University (NCCU) Bachelor of Accounting, NCCU Chief Financial Officer of Ampire Co., Ltd Senior Manager of Finance Department of UniLite Corporation Senior Manager of Finance Department of Princeton Technology Corporation
Independent Directors	Jeng Shih Rong	Taiwan	Bachelor of Law, National Chung Hsing University Chief Secretary of the Internal Administration Committee, Foreign and National Defense Committee of Legislative Yuan, Republic of China (Taiwan)

# EASTECH HOLDING LIMITED

## CONTENTS

I. Letter to Shareholders. . . . .	1
II. Company Profile . . . . .	9
1. Date of incorporation. . . . .	9
2. Description of the Company and the Group. . . . .	9
3. History of the Company and the Group.....	10
III. Corporate Governance Report.....	13
1. Organization.....	13
2. Directors, supervisors, presidents, vice presidents, senior managers and heads of departments and branch offices.....	15
3. Particulars of corporate governance .....	30
4. Information on fees paid to the certified public accountant.....	89
5. Information on the change in accountant.....	90
6. The chairman, general manager, manager of financial or accounting affairs of the Company who has held a post in the certified public accountant or its affiliates in the latest year . . . . .	91
7. Movements of shareholdings and pledge thereof held by directors, managers and shareholders (whose shareholdings representing over 10% of total shares) for the latest year and as of the date of issue of annual report . . . . .	91
8. Details of shareholdings of top ten shareholders, their relationship as related parties or as spouse or second degree relatives . . . . .	94
9. The number of shares held by the Company, the Company's directors, supervisors, managers and the entities directly or indirectly controlled by the Company in the same investee, and the combined proportion of shares in aggregate: . . . . .	95
IV. Capital Overview.....	96
1. Capital and shares.....	96
(1) Source of the Company's share capital.....	96
(2) Shareholding structure .....	98
(3) Shareholding distribution.....	98
(4) List of substantial shareholders: Name of shareholders holding more than 5% of total shares or top ten shareholders, their shareholdings and proportion if there are less than ten shareholders.....	100
(5) Market price, net assets, earnings and dividends per share and the relevant information.....	101
(6) Dividend policy and its implementation.....	102
(7) The effect of the proposed stock dividend distribution at the general meeting on the Company's business performance and earnings per share.....	103
(8) Staff and directors' compensation.....	103
(9) Information on repurchase of the Company's shares.....	104
2. Corporate bonds (including overseas corporate bonds) .....	105
3. Preferred shares.....	106
4. Global depositary receipts.....	106
5. Employee stock options.....	107
6. Restricted shares for employees.....	113
7. Mergers and acquisitions.....	113
8. Issuance of new shares due to acquisition of shares of another company.....	113
9. Implementation of the fund utilization plan.....	113
V. Operational Highlights .....	114
1. Business activities .....	114
(1) Scope.....	114
(2) Industry overview.....	115
(3) Technology, research and development.....	121
(4) Long-term and short-term business development plans.....	122
2. Market and sales overview .....	125
(1) Market analysis.....	125

(2) Major purposes and production process of key products .....	133
(3) Supply of major raw materials .....	135
(4) The name of customers accounting for more than 10% of the total purchase/sales volume in any year of the past two years, their transaction amount and proportion . .	135
(5) Table of production volume and value for the past two years .....	137
(6) Table of sales volume and value for the past two years.....	137
3. Number of employees for the past two years and as of the date of publication of annual report .....	138
4. Environmental protection expenditure.....	138
5. Labour relations.....	139
6. Management of information security.....	141
7. Material contracts .....	144
VI. Financial Information.....	145
1. Condensed financial information for the last five years .....	145
2. Financial analysis for the last five years .....	147
3. Audit report of the Audit Committee on the financial report for the past year.....	151
4. Consolidated financial report for the past year audited and certified by the accountant .....	151
5. The Company's individual financial report for the past year audited and certified by the accountant . . . . .	151
6. The impact of financial difficulties (if any) of the Company and its affiliates during the past year and as of the date of publication of annual report on the Company's financial position . . . . .	151
VII. Review and Analysis of Financial Position, Operating Results and Risk Management.....	243
1. Financial position.....	243
2. Operating results .....	245
3. Cash flow.....	246
4. The impact of material capital expenditures on financial operations for the latest year .....	247
5. The equity investment policy for the latest year, the major reasons for its gain or loss, improvement plan and investment plan for the next year. . . . .	247
6. Analysis and assessment of risks for the latest year and as of the date of issue of annual report. . . . .	249
7. Other significant matters .....	257
VIII. Special Disclosure.....	258
1. Information on affiliates for the latest year.....	258
2. Private placement of securities during the latest year and as of the date of issue of annual report.....	263
3. The Company's shares held or disposed of by subsidiaries during the latest year and as of the date of issue of annual report.....	263
4. Other required supplementary notes .....	263
5. Matters which have a significant impact on shareholders' equity or securities prices as stipulated in Article 36(2)(ii) of the Securities and Exchange Act during the latest year and as of the date of issue of annual report . . . . .	263
6. Explanation for significant discrepancy with national regulations on shareholders' rights protection . . . . .	264

## I. LETTER TO SHAREHOLDERS

### Dear Shareholders

In 2022, the business was on growth track, benefiting from the economies of scale of revenue increase and the virtuous cycle of revenue growth and improved operating margins, coupled with the stabilization of raw material prices, the easing of tight freight logistics and the strength of the US dollar exchange rate, resulted in an improvement in operating margins compared to last year, and with effective control of related operating expenses, operations were able to return to pre-epidemic levels.

In 2022, the Company was one of the few companies that was growing against the odds and made steady profits. Being a first-tier OEM for major international brands, the Company had more bargaining power and was in a better position as compared to 2021 and its operation was on an upward trend. The Company will continue to explore new technologies and customers with potential, accelerate the establishment of a local supply chain for its Vietnam factory, streamline its structure and improve operational efficiency to meet the challenges it faces.

### I. 2022 Business Report

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

Unit: NT\$'000

Item \ Year	2022	2021	Increase (Decrease)	Changes (%)
Net Sales	12,810,382	9,412,311	3,398,071	36.1%
Gross Profit	1,482,836	766,260	716,576	93.5%
Net Operating Profit (Loss)	332,437	(302,484)	634,921	N/A
Profit Before Tax	382,573	321,867	60,706	18.9%
Net Profit After Tax	369,795	367,486	2,309	0.6%

#### (II) Budget: No financial forecast has been prepared by the Company for 2022.

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

Item		2022	2021
Financial Structure (%)	Debt to asset ratio	60.9%	73.8%
	Long-term capital to fixed assets ratio	277.2%	206.4%
Solvency (%)	Current ratio	146.4%	117.7%
	Quick ratio	111.1%	80.2%
Profitability (%)	Return on assets	6.5%	6.2%
	Return on equity of shareholders	18.9%	25.8%
	Net profit ratio	2.9%	3.9%
	Earnings per share (NT\$)	6.03	6.03

### (IV) Research and Development

The research and development cost in 2022 was NT\$257,564,000, representing an increase of NT\$27,085,000 as compared to the research and development cost of NT\$230,479,000 in 2021, accounting for approximately 2.01% of Net Sales.

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

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



## **II. SUMMARY OF BUSINESS PLAN FOR 2023**

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

In 2023, electronic parts shortage has eased, but under the energy crisis, high inflation, rising interest rates and global recession, the Company has to strengthen the overall integrated effect of electronics, software and acoustics on a continuous basis, accelerate the development of other markets, enhance partnerships with major international brands, and increase the expansion scale of its North American and Europe businesses, improve its home and personal entertainment products such as Portable products, and Accessories with a main focus on True Wireless Stereo as well as the business conference or personal systems. Meanwhile, the Company will commence trial production of non-medical device type hearing-aid TWS headphones with an eye on future AR/VR related audio products, develop new blue oceans for new products in the future by cooperating with ICT industry manufacturers in IoT acoustic applications to realize production flexibility, R&D refinement, and procurement diversification. With its continued efforts to optimize the allocation of production resources, the Company is cautiously optimistic about its prospects.

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

The Company has adopted the new models developed by brand customers every year and the market forecasts of the clients of developed models as the basis for sales forecast for the following year. Based on customer feedback, the Company anticipates that the revenue in 2023 will be similar to 2022 which was a record high, while gross profit margin is expected to improve.

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

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

As the pandemic is approaching the end and the economy is stagnant, and in response to the future trend of net-zero carbon emissions and green inflation, it is necessary to have vision, look forward in its resource deployment and adopt a sustainable strategy to respond to the trend of the times. In light of the changes, the Company will adopt the following policies:

- (1) The Company's long-term business growth is driven by the ESG-led and net zero carbon emission strategies of our brand customers.
- (2) The Company will strengthen its sales teams in key global markets such as US, Europe, Japan and Korea, and work with brand customers to develop new markets, new industries and new applications for mutual support and trust. It will also flatten the sales team and global network, maintain strategic partnership with existing major customers, strengthen the depth and breadth of cooperation, and further expand the international brands in key markets.
- (3) With the sales performance of existing Mainland brand customers, the Company will establish strategic cooperative relationship with Chinese IT leading and potential local Chinese international brands as well as expand the product lines.

- (4) The Company will have better positioning to pay close attention to the market, follow the trend of developing new technologies, new products and new applications, to provide customers with one-stop shopping service and comprehensive acoustic solution service from OEM, ODM to JDM and other flexible business models.
- (5) Save for existing product lines, the Company will devote more business and R&D resources in Portable and Accessories, including TWS earphones, wearing, conference or personal systems and speakers, to expand into OTC audio TWS, VR/AR audio devices to expand its market share and product mix.

## 2. Production Policy

- (1) Meet the demand of our customers: Some of the order quantity is transferred to the Vietnam factory for production. Therefore, the operation of Huiyang factory in China will be integrated according to the performance, and some parts will be changed from in house processing to outsourcing, and the organization will be flattened to improve the management mobility and management efficiency, which will in turn reduce the factory production cost and enhance the competitiveness of Huiyang factory in China.
- (2) Invest more in our major customers and in models with higher order volumes, and we are investing in automatic production and automatic inspection equipment, test their feasibility to ensure quality stability and continuity, improve customer confidence and the Company's image.
- (3) Strengthen the team of electronic, software and structural professionals in the R&D department to improve the production technology of electronic products.
- (4) Improve each production management system and strengthen system management: such as performance evaluation, KPI reward and punishment, raising quality awareness, and improving and implementing other assessment regulations.
- (5) Promote the use of smart warehouse in the Vietnam factory to simplify the inbound and outbound workload with clear and precise information.
- (6) Increase the proportion of automated and intelligent production in Vietnam by using IoT devices to improve the production efficiency and quality of the factory.
- (7) Continue to promote localization of procurement of materials in Vietnam, mainly in the area of electronic components.
- (8) In Vietnam, raise the awareness for quality of our staff, and let our cadres or employees learn from multiple channels and aspects. We are using more automatic equipment to replace simple processes with automated and intelligent ones to improve production yield.

### 3. Research and Development Policy

The Company's 2023 research and development will focus on the following:

- (1) Developing wireless speaker system with partners, mainly focuses on the development of LE Audio solutions and product, with horizontal expansion in systems (Sound Bars, BT wireless Speakers, Headphones).
- (2) Developing and further expanding the SoCs embedded in TV Sound Bars to provide a turn-key solution for a variety of packages; while also expanding the research and development of new products, such as "Neckband speakers" and "OTC Hearing-Aid TWS", to open up more applications of audio products.
- (3) Initiating in-depth research and development on Metaverse acoustic applications and solutions for the Sound Bars and HP product categories.
- (4) Strengthening and developing new products of the series of sensors of its own brand PUNKTKILDE®. Focusing on small diameter and large acoustic pressure, developing new technical capabilities and providing new ideas for new types of products.
- (5) Continuing to establish long-term goals in respect of environmental protection, energy saving and reduction in carbon emission, and recycling or natural decomposition of raw materials and packaging materials, extending the application of these materials and improving the use of environmentally friendly materials in its products, which will help it perform the corporate social responsibility (CSR) and green environment.
- (6) In response to the supply chain issues with respect to the availability of core chips, the Company will tend to adopt a diverse, multi-share and reuse design strategy for its development to reduce product risk in this regard.
- (7) Starting the strategic deployment and planning for the Company's new product categories after 2023 in terms of people, resources, marketing and new technology.

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

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

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

1. The Company has been affected by the external competitive environment:
  - (1) With the rise of subscription-based online streaming and lower cost of high-speed internet bandwidth, audio products such as Sound Bars and wireless portable speakers are still the major growth areas.
  - (2) In recent years, several IT giants have crossed the border to join in competition, due to the miniaturization and electronation of electroacoustic products, IT companies have been competing for market share, increasing the difficulty of the Company in securing orders or sacrificing gross profit to retain customers.
  - (3) For the mainstream consumption of audio-visual products, the market favors products with high-standard specification and lower price, and the prices have shown a declining trend, resulting in a more significant drop in sales amount as compared with that in production volume.
  - (4) IC chip shortages have been alleviated, but in the midst of global high inflation which affects end consumption, putting strains on the economy, and brand customers seem to respond in a conservative manner.

2. The Company has been affected by the regulatory environment:
  - (1) The European Union has proposed Carbon Border Adjustment Mechanism (CBAM) in 2021 and will start a trial run in 2023, requiring some industries to pay carbon emission fees in the transition period from 2023 to 2025, during which importers are not required to pay carbon emission fees and carbon border taxes, but are required to file their own quarterly returns recording direct and indirect carbon emissions from their imports. The U.S. will also introduce a CCA tax in 2024 at the earliest. Therefore, our manufacturing plants in China and Vietnam will accelerate the introduction of net-zero carbon emission strategies and planning in 2023. This will result in a relative increase in energy savings, carbon reduction capital expenditures and related costs.
  - (2) In response to the industrial upgrade and the promotion of environmental protection and energy saving and waste reduction, the Huiyang factory in China has launched 4R strategic measures of Recycle, Reuse, Reduce and Replace and develop new materials, renewable or recyclable raw materials, with the concept of circular economy as our vision in the next stage.
  - (3) In order to comply with the environmental laws and regulations of Vietnam, the Company has strictly controlled the waste gas emission and waste water discharge, and has used environment-friendly materials for production, all of which have affected the material costs and operating expenses.
3. The Company has been affected by the overall business environment:
  - (1) World-wide inflation and inventory clearance:

Since the war between Russia and Ukraine started in February 2022, soaring energy prices coupled with the recovery of the economy after the pandemic triggered an escalation in global inflation. The economic outlook is recessionary, technology giants have been laying off workers and consumer confidence is on the decline, the inflationary effect continues to ferment around the world. The Company still needs to take a step-by-step approach, and tighten control on inputs and inventory levels.
  - (2) Russian-Ukrainian war and geopolitical implications:
    - (a) Other than providing one-stop shopping services and products, in order to be aligned with the fragmentation trend of customer's supply chain, the construction of twin bases in Huiyang, China and Vietnam is based on local conditions and mutual needs. Since the products we manufacture are not sensitive supplies, strictly speaking they are little affected. However, contingency response strategy is needed in advance, making early response and changing the thinking from "just in time" to "just in case".

- (b) In view of the advantages of its Huiyang factory which has a well-established supply chain and stronger development capability, the Company will produce more complex and high-end products in the Huiyang factory, whereas the single and simple products will be produced in Vietnam, so that the two factories can complement each other.
- (3) China's lockdown implications:
  - (a) Since the beginning of the epidemic, the Company has constantly carried out internal reforms and accelerated digital transformation. Through digitalization, various departments of the enterprise and the internal process of the Company have been digitalized and unified, enhancing the efficient cooperation between different units.
  - (b) The unanticipated lifting of the lockdown in mainland China by the end of 2022, which led to batches of confirmed positive cases and our workers had to work on shifts, and disruption of the rhythm of production, but did not cause much disturbance as we were in the low season. It is always a glimpse of light when dealing with life as it was before the pandemic and reducing the uncertainty of disruptive factors.

In the face of adversity, the pandemic has finally come to an end, we achieved growth in both revenue and profitability in 2022, and the Company has upgraded its product market positioning and recorded increase in gross profit margin, operating profit margin and net profit margin. Looking forward to the coming year, there will always be different challenges and tests. The EPS target has been met, but ESG has become a popular issue. Sustainable management and net zero carbon emission is a topic facing us that cannot be delayed. As the old saying goes, "A journey of thousand miles always begins with a step", by commitment to practice, we can achieve the next milestone.

Eastech Electronics (Taiwan) Inc.

Representative Liou Jenq Lin

Chairman

## **II. COMPANY PROFILE**

- 1. Date of incorporation:** 1 February 2011
- 2. Description of the Company and the Group:**

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

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

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

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

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

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

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

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



In September 2022, the Company set up its Taiwan sub-branch, Eastech Holding Limited Taiwan Branch.

(b) **Group structure:** please refer to page 258 of this annual report.

(c) **Risk analysis:** please refer to pages 243 to 257 of this annual report.

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

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



Date	Important Events
2003	EAHY and ESHY were awarded “Best Financial Report of Foreign-Invested Company” by the Ministry of Finance of Huiyang City, Guang Dong Province. Participated in an exhibition of consumer electronic appliance in Las Vegas in January and was honored “Innovative Design and Engineering” award for its speaker systems for flat panel home theater, flat speaker systems for Notebook and plat speaker systems.
2008	Earphones department was set up and EMHY commenced production of earphones products.
2011	The Company was incorporated in Cayman Islands. Reorganization of the structure of the Group completed. Audit Committee and Remuneration Committee were set up.
2012	The Company was formally listed on Taiwan Stock Exchange on 5 November 2012. The Company conducted capital increase by cash through issue of 6,750 thousand ordinary shares with carrying amount of NT\$10 per share, totaling NT\$67,500 thousand. The paid-in share capital after the capital increase was NT\$607,500 thousand
2013	EAHY and EMHY were approved and recognized as “New and High Technological Enterprises”. Shenzhen MaliMaliBox Trading Corporation Limited was established to engage in the earphones retailing business.
2014	Establish Premium Sound Group and acquire Denmark-renowned high-end loudspeaker developer and manufacturer – ScS, which provide faster access to high-end speaker systems including car speakers market.
2015	In January, acquired ETT, an audio/video electronics ODM manufacturer, entering into the area of audio/video electronic and audio equipment OEM manufacturing. In June, increased capital by issuing 252 thousand shares (employee restricted shares), the issued capital was increased to NT\$610,020 thousand as a result. In September, the installation of a car speaker production line was completed and we began to introduce ISO/TS16949 certification. In October, the Company implemented treasury shares for the first time. In November, car speakers were officially shipped, signifying the Company’s entering a new business area.
2016	In August, the zero defect supply chain quality management standard ISO/TS16949 certification has been obtained for car speakers.

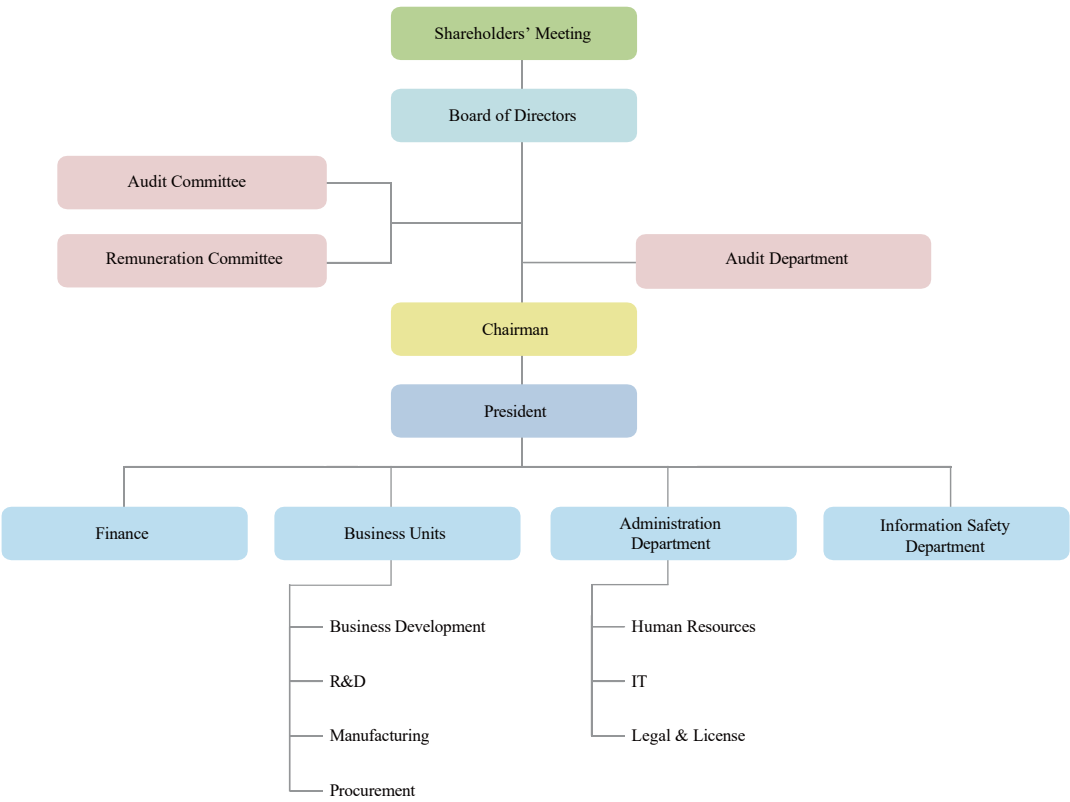
Date	Important Events
2017	<p>In January, increased capital by issuing 500 thousand shares (employee restricted shares) of NT\$10 each, totaling NT\$615,020 thousand.</p> <p>In June, for the consistency of trademark reputation and company name, the English name of the Company was changed to “Eastech Holding Limited”.</p> <p>In October, Eastech Electronics (SG) Pte. Ltd. was established to engage in the research and development of system architecture/new product concepts/state-of-the-art products/sound and acoustics advance technology.</p> <p>In December, increased capital by issuing 500 thousand shares (employee restricted shares), the issued capital was increased to NT\$619,860 thousand as a result.</p>
2018	<p>In October, the Company became a supplier of car speakers for a first-tier car manufacturer in mainland China.</p> <p>The Company became an OEM of smart speakers for a Chinese brand, which marked the milestone of the largest number of shipment quantity for a single product under one brand.</p>
2019	<p>In January, the Company set up a sub-subsidiary in Vietnam (Eastech (VN) Company Limited.) in Hai Duong Province, northern Vietnam, to engage in the production, assembly and sales of transducer speakers, Bluetooth speakers and earphones.</p> <p>In August, Eastech Microacoustics (HK) Limited was established to engage in the sales of earphones and audio-visual products.</p>
2020	<p>In March, Eastech Electronics (SG) Pte. Ltd. renamed as Eastech (SG) Pte. Ltd.</p> <p>In July, the Company set up EASTECH Innovations (TW) Inc., a research and development design center principally engaged in the research and development of TWS (True Wireless Stereo) earphones and acoustic products.</p> <p>In October, Shenzhen MaliMaliBox Trading Corporation Limited renamed as EASTECH (SZ) Co., Ltd. engaged in the import and export trade of audio and earphone products, components and mechanical equipment.</p>
2021	<p>In February, Eastech Microacoustics (Huiyang) Co., Ltd. renamed as Eastech (Huizhou) Co., Ltd., engaged in the production, installation and sales of speaker systems and components, earphones, smart speakers and audio/video electronic home entertainment systems.</p> <p>In July, the Company set up a sub-subsidiary in Vietnam called Eastech Trading (VN) Company Limited, in Hai Duong Province, northern Vietnam, to principally engage in trading business.</p> <p>In December, the Company disposed of two subsidiaries, namely EAHY and ETHY, to an external third party of the Group, all businesses and production resources of which have been transferred to and taken over by EAHZ at their original locations.</p>
2022	<p>In April, EASTECH (SZ) Co., Ltd. renamed as Eastech (SZ) Co., Ltd.</p> <p>EASTECH Innovations (TW) Inc., renamed as Eastech Innovations (TW) Inc.</p> <p>In September, Eastech Holding Limited Taiwan Branch was established.</p>

III. CORPORATE GOVERNANCE

1. Organization

(a) Organization Chart

1 January 2023



**(b) Responsibilities of each department**

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

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

### (a) Details of directors and supervisors

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

18 April 2023

Title	Nationality	Name	Gender	Age	Date of appointment	Term	Date of first appointment	Shareholdings at appointment		Current shareholdings		Current shareholdings of spouse and minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives			Remarks
								No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relationship	
Chairman	Taiwan	Eastech Electronics (Taiwan) Inc.	-		12 June 2020	3 years	30 April 2014	453,000	0.74	453,000	0.74	0	0	0	0	-	-	Nil	Nil	Nil	Nil
	Taiwan	Legal representative Liou Jenq Lin	Male	Aged 61~70	12 June 2020	3 years	24 March 2011	1,500,400	2.44	0	0	0	0	0	0	Master of Electronic Engineering and MBA from University of Southern California, U.S. IBM Senior Engineer, U.S. Xerox Senior Engineer Advisor, U.S.	Director of Eastech Electronics (HK) Limited Director of Eastech (Huizhou) Co., Ltd. Director of Scan-Speak AS	Nil	Nil	Nil	Nil
Director	Taiwan	Pai Chin Chang	Male	Aged 61~70	12 June 2020	3 years	24 March 2011	266,000	0.43	140,000	0.22	0	0	0	0	Executive Master of Business Administration from Hong Kong International Business College	Director of Eastech Asia Technology (HK) Limited President of the Company	Nil	Nil	Nil	Nil
Director	Taiwan	Chang Tung I	Male	Aged 51~60	12 June 2020	3 years	15 December 2011	68,000	0.11	37,000	0.05	0	0	0	0	MBA from California State University, U.S. Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd.	Director of Eastech Electronics (Taiwan) Inc. Director of Eastech Innovations (TW) Inc. Director of Scan-Speak A/S	Nil	Nil	Nil	Nil
Independent Director	Taiwan	Shiau Fung Shyng	Male	Aged 71~80	12 June 2020	3 years	12 August 2011	0	0	0	0	0	0	0	0	PHD of Economic from Chinese Culture University Master of Economic from Yale University, U.S. Master of Agricultural Economic from National Chung Hsing University Dean of College of Commerce of Tamkang University Vice Council for Economic Construction Committee, Executive Yuan, R.O.C. (Taiwan)	Professor of Tamkang University Independent director of Wayi International Digital Entertainment Co., Ltd. Independent director of CMC Magnetics Independent director of Transtouch Technology Inc. Supervisor of Zhong Hua Cheng Co., Ltd.	Nil	Nil	Nil	Nil
Independent Director	Taiwan	Chang Shan Juh	Male	Aged 71~80	12 June 2020	3 years	24 March 2011	0	0	0	0	0	0	0	0	Master of Electronic Engineering from University of Southern California, U.S. Head of Planning Department of Tatung Company Head of Human Resources Development Department on Tatung Company Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University	Human Resources Officer of Tatung University	Nil	Nil	Nil	Nil

Title	Nationality	Name	Gender Age	Date of appointment	Term	Date of first appointment	Shareholdings at appointment		Current shareholdings		Current shareholdings of spouse and minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives			Remarks
							No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relationship	
Independent Director	Taiwan	Chen Ko Hung	Male Aged 61~70	12 June 2020	3 years	24 March 2011	0	0	0	0	0	0	0	0	MBA of National Chengchi University (NCCU) Bachelor of Accounting, NCCU Senior Manager of Finance Department of UniLite Corporation Senior Manager of Finance Department of Princeton Technology Corporation	Chief Financial Officer of Ampire Co., Ltd.	Nil	Nil	Nil	Nil
Independent Director	Taiwan	Jeng Shih Rong	Male Aged 61~70	12 June 2020	3 years	12 June 2020	55,000	0.09	55,000	0.08	0	0	0	0	Bachelor of Law, National Chung Hsing University Chief Secretary of the Internal Administration Committee, Foreign and National Defense Committee of Legislative Yuan, Republic of China (Taiwan)	Nil	Nil	Nil	Nil	

2. Substantial shareholders of corporate director

(1) Substantial shareholders of corporate shareholder

31 March 2023

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

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

31 March 2023

Corporate Name	Substantial Shareholders
Eastech Innovations (TW) Inc	Eastern Asia Technology (HK) Limited (100%)

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

31 March 2023

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



<div>Qualification</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of concurrent appointment as an independent director of other public companies
Shiau Fung Shyung	<p>Obtained a PHD of Economics from Chinese Culture University, a Master of Economics from Yale University in the U.S., and a Master of Agricultural Economics from National Chung Hsing University; has been a Professor Emeritus of the Department of Finance and Economics of Tamkang University; previously served as the Dean of College of Commerce of Tamkang University and the Vice Council for Economic Construction Committee of the Executive Yuan, R.O.C.; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses expertise in accounting or finance; concurrently serves as the independent directors of CMC Magnetics, Wayi International Digital Entertainment Co., Ltd. and Transtouch Technology Inc. There are no circumstances under Section 30 of the Company Act.</p>	<p>None of the four independent Directors of the Company is the employee, manager, director, and supervisor of the Company or its affiliates, or the spouse, second degree relative or immediate blood relative within the third degree relatives, or the natural person shareholder who holds more than 1% of the Company's total issued shares in the name of his/her own and spouse, minor children or any other person, or is one of the top ten shareholders of the Company, or holds directly more than 5% of the Company's total issued shares, or the director, supervisor or employee of the corporate shareholder who directly holds more than 5% of the Company's total issued shares or is one of the top five shareholders or has appointed representatives to act as the Directors or supervisors of the Company in accordance with Item 1 or Item 2 under Article 27 of the Company Law, or the director, supervisor or employee of another company with more than half of its shares related to the number of Directors or voting rights of the Company are controlled by the same person, or the director, supervisor or employee of another company or body, in which the chairman, president or equivalent positions of the Company or his/her spouse serves the same positions, or the director, supervisor, manager or shareholder holding more than 5% of the shares of the specified company or body with which the Company has financial or business relationship, or the owner of an enterprise, partner, director, supervisor, manager and his/her spouse of the professional party, sole proprietor, company or body which has provided audit services to the Company or its affiliates or received from them the remuneration for business, legal, financial, accounting and other related services for an amount not exceeding NT\$500,000 in the last two years, and is not related to other directors within the meaning of spouse and second-degree relatives.</p>	3
Chang Shan Juh	<p>Obtained a Master of Electronic Engineering from University of Southern California in the U.S.; has been the Human Resources Officer of Tatung University; previously served as a Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University, Director of Planning Division of Tatung Company, and Head of Human Resources Development Department of Tatung Company; currently serves as an independent Director, a member of the Audit Committee and the chairman of the Remuneration Committee of the Company; possesses expertise in human resources.</p> <p>There are no circumstances under Section 30 of the Company Act.</p>		0

Qualification Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of concurrent appointment as an independent director of other public companies
Chen Ko Hung	Obtained an MBA from National Chengchi University; has been the Chief Financial Officer of Ampire Co., Ltd.; previously served as the Senior Manager of Finance Department of UniLite Corporation and the Senior Manager of Finance Department of Princeton Technology Corporation; currently serves as an independent Director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company; possesses expertise in accounting or finance. There are no circumstances under Section 30 of the Company Act.		0
Jeng Shih Rong	Obtained a Bachelor of Law from National Chung Hsing University; previously served as the Chief Secretary of the Internal Administration Committee, Foreign and National Defense Committee of Legislative Yuan, R.O.C.; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses professional qualifications in law. There are no circumstances under Section 30 of the Company Act.		0

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

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

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

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

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

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

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

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

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

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

18 April 2023

Title	Nationality	Name	Gender	Date of appointment	Shareholdings		Shareholdings of spouse and minor children		Shares held in other's name		Major Qualification	Current positions in other companies	Managers who are spouse or second-degree relatives			Remarks
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relationship	
President	Taiwan	Pai Chin Chang	Male	24 March 2011	140,000	0.22	0	0	0	0	Executive Master of Business Administrative from Hong Kong International Business College President of Eastech Holding Limited	Director and President of Eastern Asia Technology (HK) Limited	Nil	Nil	Nil	Nil
Supervisor of Information Security Department (Senior Vice President)	Taiwan	Hsu Chih Hsian	Male	2023.01.01 (Note 1)	0	0	0	0	0	0	Bachelor of Mechanical Engineering, The Tungnan University of Taiwan E-Commerce Group Director of Microsoft Taiwan Taipei Mobility Business Group Director of Microsoft Greater China Region	Nil	Nil	Nil	Nil	Nil
Vice President	Taiwan	Chang Po Chao	Male	1 December 2011	9,000	0.01	0	0	0	0	Bachelor's Degree of International Trading from National Chengchi University Vice President, Public Head of Corporate Governance and Spokesman of Eastech Holding Limited	Director of Eastech Electronics (Taiwan) Inc. Director of Eastech Innovations (TW) Inc.	Nil	Nil	Nil	Nil
Chief Financial Officer (Vice President)	Hong Kong	Lam Pui Man	Female	24 March 2011	8,000	0.01	0	0	0	0	Master of Finance from Chinese University of Hong Kong BBS from The Hong Kong University of Science and Technology Fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants Senior Manager of Finance Department of EATL Group CPA Audit Accountants of Arthur Andersen Chief Financial Officer of Eastech Holding Limited	Supervisor of Eastech Electronics (Taiwan) Inc. Director of Eastech Electronics (HK) Limited Director of Eastech (SZ) Co., Ltd. Supervisor of Eastech Innovations (TW) Inc. Director of Eastech Microacoustics (HK) Limited	Nil	Nil	Nil	Nil
Chief Audit Officer	Taiwan	Ko Chun Ming	Male	6 August 2020	0	0	0	0	0	0	Master of International Finance, National Taipei University Chief Audit Officer of Eastech Holding Limited	Nil	Nil	Nil	Nil	Nil
General Manager of EAVN	Malaysia	Low Weng Seet	Male	2023.04.27 (Note 2)	0	0	0	0	0	0	Bachelor of Electrical Engineering and Automation, Huaqiao University, Fujian, China	Legal representative of Eastech (VN) Company Limited	Nil	Nil	Nil	Nil

Note 1: Served as the head of Information Security Department of the Company since 1 January 2023.

Note 2: The appointment was approved by the Board on 27 April 2023; the number and percentage of shareholdings are as at 27 April 2023.

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

**1. Remunerations paid to directors, supervisors, presidents and vice presidents for the latest year (2022)**

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

Unit: NT\$'000

		Remunerations of Directors							Aggregated amount of A, B, C, and D and proportion to net profit after tax		Remunerations of concurrent employments						Aggregated amount of A, B, C, D, E, F and G and proportion to net profit after tax				Any remunerations from companies other than subsidiaries for investment business	
		Salary (A)		Post-employment pension (B)		Directors' compensation (C)		Fee incurred for duty performance (D)			Salary, bonus and special bonus (E)		Post-employment pension (F)		Employees' compensation (G)		The Company		All companies contained in the financial statements			
Title	Name	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	By cash	By shares	By cash		By shares
Chairman	Representative of Eastech Electronics (Taiwan) Inc. Liou Jeng Lin	-	-	-	-	2,700	2,700	145	145	2,845 0.77%	2,845 0.77%	-	21,132	-	111	-	-	7,788	-	2,845 0.77%	31,876 8.62%	Nil
Director	Pai Chin Chang																					
Director	Chang Tung I																					
Independent Director	Shiau Fung Shyung																					
Independent Director	Chang Shan Juh																					
Independent Director	Chen Ko Hung																					
Independent Director	Jeng Shih Rong																					
<div>1. Please state the remuneration policy, system, standards and structure of independent Directors' remuneration, and describe the relationship with the amount of remuneration according to the responsibilities, risks, time invested and other factors: The remuneration of the Company's independent Directors is determined by the Remuneration Committee in accordance with Article 117 of the Company's articles of association, and the pre-tax interest before deducting the distribution of employees' and directors' compensation for the current year is not more than 2%. At the discretion of the independent Directors, to consider the value of the Company's operation and contribution, to consider the proposed amount of the compensation and the principle of the payment, and to submit the proposal to the Board of Directors for approval after the resolution has been submitted.</div> <div>2. In addition to the disclosures in the above table, the Directors of the Company in the most recent year have received remuneration for providing services to all companies contained in the financial statements (such as serving as non-employee consultants of the parent company/all companies contained in the financial statements/re-investment business entities): Nil.</div>																						

Note 1: In accordance with the Company's articles of association, the directors' compensation for 2022 was approved by the Remuneration Committee and the Board of Directors on 24 February 2023.

Note 2: In accordance with the Company's articles of association, the employees' compensation for 2022 was approved by the Remuneration Committee and the Board of Directors on 24 February 2023.

## Remuneration Ranking

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

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

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

Unit: NT\$'000

Title	Name	Salary (A)		Post-employment pension (B)		Bonus and special bonus (C)		Employees' compensation amount (D) (Note 1)				Aggregated amount of A, B, C and D and proportion to net profit after tax (%)		Remuneration from companies other than subsidiaries or parent company for investment business
		The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company		All companies contained in the financial statements		The Company	All companies contained in the financial statements	
								By cash	By shares	By cash	By shares			
Chairman (administrative position)	Directors: Representative of Eastech Electronics (Taiwan) Inc. Liou Jenq Lin	–	19,810	–	394	–	1,475	–	–	5,278	–	–	26,957 7.29%	Nil
President	Pai Chin Chang													
Chief Financial Officer (Vice President)	Lam Pui Man													
Vice President	Chang Po Chao													

Note 2: In accordance with the Company's articles of association, the employees' compensation for 2022 was approved by the Remuneration Committee and the Board of Directors on 24 February 2023.

### Remuneration Ranking

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

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

Unit: NT\$'000

	Title	Name	By Shares	By Cash	Total	Percentage of total amount to net profit tax (%)
Managers	President	Pai Chin Chang	—	5,278	5,278	1.43%
	Vice President	Chang Po Chao				
	Chief Financial Officer (Vice President)	Lam Pui Man				
	Chief Audit Officer	Ko Chun Ming				

Note 1: In accordance with the Company's articles of association, the employees' compensation for 2022 was approved by the Remuneration Committee and the Board of Directors on 24 February 2023.



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

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

Unit: NT\$'000

Year	2021				2022			
Item	The Company		All companies contained in the financial statements		The Company		All companies contained in the financial statements	
	Amount	Net profit after tax (%)	Amount	Net profit after tax (%)	Amount	Net profit after tax (%)	Amount	Net profit after tax (%)
Directors (Directors' remuneration)	6,705	1.82%	6,705	1.82%	6,635	1.79%	6,635	1.79%
Chairman, President and Vice President	–	0.00%	26,631	7.25%	–	0.00%	26,957	7.29%

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

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

Remuneration of directors of the Company is determined by the Remuneration Committee of the Company in accordance with Article 117 of the Company's articles of association with reference to the performance evaluation of the Directors. The total remuneration of all Directors is proposed based on the division of expertise and the full coverage of industry, government and academia groups when forming the board of Directors, including but not limited to the degree of participation and contribution to the Company's policies, decision-making and operations. The total compensation is capped at a limit of 2% of the profit before tax, with reference to the results of the performance appraisal of the Directors, and considering their respective expertise and full coverage of the industry, government and academia group when determining the composition of the Board, including but not limited to the extent of participation and contribution to the Company's policies, decisions and operations, the total compensation of all Directors shall not exceed 2% of the pre-tax income before the distribution of employee compensation and Directors' compensation for the current year, regardless of whether profits are made for the Company's business or non-business. No compensation will be made in subsequent years if no profits were earned in prior years. The most important purpose is that the Directors will only share the profits with the shareholders when the Company has profits for the year, and there will be no self-enrichment at the expense of the shareholders. No matter how high the annual profits are, a ceiling of 2% is set for Directors' compensation to take care of the shareholders' interests and it is released only after reporting to the board of directors for resolution.

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

to the Company's performance (including the achieve rate on the Company's consolidated revenue and budget, and the consideration of the comprehensive indicators such as the performance of other business management aspects), and the issuing of bonuses (including the attainment rate on the Company's consolidated operational revenue, the attainment rate on the target budget, and the consideration of the comprehensive indicators such as the performance of other business management aspects), and the payment of bonuses and reasonable remuneration is to maintain a close link between performance and rewards.

The Company's remuneration policy is determined based on its business strategy, employment policy and ability to pay. The remuneration of the chairman, president, vice presidents and managers are reviewed by the Remuneration Committee before the submission to the Board for approval.

② Relevance to business performance and future risks:

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

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

### 3. Particulars of corporate governance

#### (a) Board of Directors

1. During the latest year (2022) and as at the date of publication of annual report, 12 Board meetings were held. The attendance of the Directors is as follows:

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

2. Other disclosure:

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

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

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
Fifth session Fifteenth meeting 21 January 2022	1. Proposed second issuance of employee stock option certificates for 2021 by the Company	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Sixteenth meeting 25 February 2022	1. Proposed distribution of employees' compensation and directors' compensation of the Company for 2021	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Sixteenth meeting 22 April 2022	1. Proposed amendments to the "Procedures for Acquisition or Disposal of Assets" of the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Eighteenth meeting 6 May 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed capital injection in cash by Eastech (Huizhou) Co., Ltd.	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Nineteenth meeting 17 June 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
Fifth session Twentieth meeting 26 August 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	3. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Twenty-first meeting 14 September 2022	1. Discussion of the issuance of the Company's first secured convertible corporate bonds in the R.O.C.	Yes	No
	2. Proposed CTBC Bank Interim Performance Guarantee and Short Term Lending	Yes	No
	3. Proposed appointment of KGI Securities as the Company's securities compliance broker	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Twenty-second meeting 14 November 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	3. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	4. Proposed capital loan to a subsidiary, Eastern Asia Technology (HK) Limited, in the amount of US\$10,000,000	Yes	No
	5. Proposed renewal of the liability insurance for Directors, supervisors and managers	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Twenty-third meeting 16 December 2022	1. Approval of the pre-sale and pre-purchase forward foreign exchange operation, with the total authorized amount of not exceeding US\$70,000,000	Yes	No
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	4. Proposed amendments to the internal control system of the Company	Yes	No
	5. Proposed establishment of Information Security Department	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
Fifth session Twenty-fourth meeting 24 February 2023	1. Proposed distribution of employees' compensation and directors' compensation of the Company for 2022	Yes	No
	2. Proposed merger of two 100%-owned subsidiaries, Eastech (Huizhou) Co., Ltd. and Eastech Systems (Huiyang) Co., Ltd.	Yes	No
	3. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		
Fifth session Twenty-fifth meeting 27 April 2023	1. Proposed appointment of the candidates of Directors and independent Directors	Yes	No
	2. Proposed relief of the Directors and their representatives of the sixth session of the Company from the prohibition of competition	Yes	No
	3. Appointment of the Company's Certified Public Accountant and their remuneration	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results of the first resolution: As Eastech Electronics (HK) Limited (Mr. Liou Jenq Lin, the Chairman, is also the legal representative of ETT, Mr. Chang Tung I, a Director, concurrently serves as the chairman of ETT) and Mr. Pai Chin Chang, a Director, and Mr. Chang Tung I abstained from voting as they are the candidates of Directors recommended by the Board in compliance with law. After deduction of the number of Directors who abstained from voting due to their interests in this resolution, the number of voters was only 4. After being appointed as the acting chairman, Mr. Chen Ko Hung, an independent Director, made consultation and it was resolved to nominate Eastech Electronics (HK) Limited, Mr. Pai Chin Chang, Mr. Chang Tung I and Ms. Teng Chiou Shiang as candidates of Directors of the Company.		
	Mr. Chang Shan Juh, an independent Director, and Mr. Jeng Shih Rong, an independent Director, abstained from voting in respect of this resolution in compliance with law as they are candidates of independent Directors recommended by the Board. After deduction of the number of Directors who abstained from voting due to their interests in this resolution, the number of voters was only 5. After consultation by the chairman, it was resolved to nominate Mr. Chang Shan Juh, Mr. Jeng Shih Rong and Mr. Su Yi Ren as candidates of independent Directors of the Company.		
	Voting results of No. 2: All attending Directors and independent Directors approved the resolution.		
	Voting results of No. 3: The resolution is approved. The Audit Committee supplemented the authorization to the Chief Financial Officer to negotiate with Deloitte & Touche Taiwan within 10% of the annual audit fee for 2022. After consultation by the Chairman, all attending Directors and independent Directors approved the resolution.		

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-3 of the Securities and Exchange Law	Objections or reservation by independent Directors
Fifth session Twenty-sixth meeting 12 May 2023	1. Appointment of the Company's Certified Public Accountant and their remuneration	Yes	No
	2. Proposed capital injection in cash by Eastech Innovations (TW) Inc., a sub-subsidiary	Yes	No
	3. Proposed disposal of shares in HT Precision Technologies, Inc. held by Eastern Asia Technology (HK) Limited to Eastech Innovations (TW) Inc.	Yes	No
	4. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited	Yes	No
	5. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	6. Proposed capital loan to a wholly-owned subsidiary, Eastern Asia Technology (HK) Limited, in the amount of US\$3,000,000	Yes	No
	Opinions of independent Directors: Nil		
	The Company's response to the opinions of independent Directors: Nil		
	Voting results: All attending Directors and independent Directors approved the resolution.		



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

**Board meeting on 22 April 2022**

Resolution Two: In respect of the proposed disposal of the shares of ETT held by Eastern Asia Technology (HK) to EASTECH, as Mr. Liou Jenq Lin, the Chairman, Mr. Chang Tung I, a Director, and Mr. Pai Chin Chang, a Director, had own interests in this resolution, they abstained from voting to avoid conflict of interests. Save for the aforementioned Directors who abstained from voting to avoid conflict of interests, the resolution was passed with agreement by the remaining Directors.

**Board meeting on 27 April 2023**

Resolution One: In respect of the proposed appointment of candidates of Directors and independent Directors, as Eastech Electronics (HK) Limited (Mr. Liou Jenq Lin, the Chairman, is also the legal representative of ETT, Mr. Chang Tung I, a Director, concurrently serves as the chairman of ETT) and Mr. Pai Chin Chang, a Director, and Mr. Chang Tung I are candidates of Directors recommended by the Board, they abstained from voting to avoid conflict of interests in compliance with law. After deduction of the number of Directors who abstained from voting due to their interests in this resolution, the number of voters was only 4. After appointed as the acting chairman, Mr. Chen Ko Hung, an independent Director, made consultation and it was resolved to nominate Eastech Electronics (HK) Limited, Mr. Pai Chin Chang, Mr. Chang Tung I and Ms. Tang Qiu Xiang as candidates of Directors of the Company.

As Mr. Chang Shan Juh, an independent Director, and Mr. Jeng Shih Rong, an independent Director are candidates of independent Directors recommended by the Board, they abstained from voting to avoid conflict of interests in compliance with law. After deduction of the number of Directors who abstained from voting due to their interests in this resolution, the number of voters was only 5. After consultation by the chairman, it was resolved to nominate Mr. Chang Shan Juh, Mr. Jeng Shih Rong and Mr. So Yi Ren as candidates of Independent Directors of the Company.

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

<b>Evaluation Cycle</b>	Internal evaluation: The Company carries out an annual performance evaluation of the Board of Directors and the results are published on the website or in the annual report of the Company
<b>Evaluation Period</b>	From 1 January 2022 to 31 December 2022
<b>Evaluation Scope</b>	(a) Performance evaluation of the Board of Directors (b) Self-evaluation of performance of members of the Board of Directors (c) Performance evaluation of the Remuneration Committee (d) Performance evaluation of the Audit Committee
<b>Evaluation Method</b>	Internal evaluation: Internal self-evaluation of the Board of Directors, self-evaluation of members of the Board of Directors, and internal self-evaluation of the Remuneration Committee and the Audit Committee
<b>Evaluation Content</b>	<p>(a) The internal performance evaluation of the Board of Directors of the Company has taken into account, among others, the following five areas: The level of participation in the Company's operations, the enhancement of quality of decisions of the Board of Directors, the composition and structure of the Board of Directors, the election and appointment and continuous education of Directors, and internal control.</p> <p>(b) The self-evaluation of performance of members of the Board of Directors has taken into account, among others, the following six areas: The mastery of the Company's goals and tasks, the awareness of Directors' responsibilities, the level of participation in the Company's operations, internal relationship management and communication, Directors' professional and continuing education, and internal control.</p> <p>(c) The performance evaluation of the Remuneration Committee has taken into account, among others, the following four areas: The level of participation in the Company's operations, the awareness of the functional committee's responsibilities, the enhancement of quality of decisions of the functional committee, and the composition of functional committee and the election and appointment of its members.</p> <p>(d) The performance evaluation of the Audit Committee has taken into account, among others, the following five areas: The level of participation in the Company's operations, the awareness of the functional committee's responsibilities, the enhancement of quality of decisions of the functional committee, the composition of functional committee and the election and appointment of its members, and internal control.</p>

On 8 November 2019, the Board of Directors of the Company approved the “Measures for Performance Evaluation of the Board of Directors”, which stipulates that the Board of Directors shall carry out performance evaluation of the Board of Directors, the members of the Board of Directors, the Remuneration Committee and the Audit Committee at least once a year. For the internal evaluation, the performance evaluation for the current year shall be carried out at the end of each year in accordance with the measures.

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

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

The Company completed the performance evaluation of the Board of Directors, the members of the Board of Directors, the Remuneration Committee and the Audit Committee in January 2023, and reported the results to the Board of Directors on 24 February 2023.

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

1. “Self-evaluation Questionnaire for Performance Appraisal of the Board of Directors”: All Directors considered that the Board of Directors of the Company performed well in all aspects in respect of the questions mentioned in the questionnaire and that the Board of Directors as a whole operated actively and effectively (evaluation result: excellent)
2. “Self-evaluation Questionnaire for Self-appraisal of Members of the Board of Directors”: All Directors considered that they performed well in all aspects in respect of the questions mentioned in the questionnaire (evaluation result: excellent)

3. “Self-evaluation Questionnaire for Performance Appraisal of the Remuneration Committee”: All four members considered that the Company's Remuneration Committee, which oversees the reasonableness of, among others, the salary payment to the Company's management team and the employees' compensation on behalf of the Board of Directors, performed well in all aspects in respect of the questions mentioned in the questionnaire (evaluation result: excellent)
4. “Self-evaluation Questionnaire for Performance Appraisal of the Audit Committee”: All four members considered that the Company's Audit Committee, which performs its responsibilities of supervision and maintains good communication with the accountants and internal auditors on behalf of the Board of Directors, performed well in all aspects in respect of the questions mentioned in the questionnaire (evaluation result: excellent)

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

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

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

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

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

In order to protect the Directors against the risks they bear when carrying out business, the Company takes out “Directors' Liability Insurance” for all Directors every year and reports to the Board of Directors the important information such as the insurance amount, coverage and premium of its liability insurance. On 14 November 2022, the Board of Directors reported the renewal of the liability insurance for all Directors.

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

#### **(B) Audit Committee**

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

The matters considered by the Audit Committee mainly include:

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

- Review of financial reports

The Board of Directors has issued the Company's 2022 business report, consolidated financial statements and surplus distribution proposal. The consolidated financial statements have been audited by Deloitte & Touche Taiwan, which has issued its audit report. The abovementioned business report, consolidated financial statements and surplus distribution proposal have been reviewed and audited by the Audit Committee and it is considered that there is no disagreement on them.

- Evaluation of the effectiveness of the internal control system

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

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

During the latest year (2022) and as at the date of publication of the annual report, the Audit Committee of the Company held 12 meetings. The attendance of the members is as follows:

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

## 2. Other disclosure

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

- ① Matters stipulated in Article 14-5 of the Securities and Exchange Law:
- ② In addition to the aforementioned matters, other resolutions not approved by the Audit Committee but approved by more than two-thirds of all Directors:

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

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
Fourth session Seventeenth meeting 22 April 2022	1. Proposed amendments to the “Procedures for Acquisition or Disposal of Assets” of the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	Voting results of the Audit Committee (22 April 2022): All members of the Audit Committee approved the resolution.		
	The Company’s response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Eighteenth meeting 6 May 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed capital injection in cash by Eastech (Huizhou) Co., Ltd.	Yes	No
	Voting results of the Audit Committee (6 May 2022): All members of the Audit Committee approved the resolution.		
	The Company’s response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Nineteenth meeting 17 June 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	Voting results of the Audit Committee (17 June 2022): All members of the Audit Committee approved the resolution.		
	The Company’s response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Twentieth meeting 26 August 2022	1. Consolidated financial statements of the Company for the first half of 2022	Yes	No
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	Voting results of the Audit Committee (26 August 2022): All members of the Audit Committee approved the resolution.		
	The Company’s response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		



Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
Fourth session Twenty-first meeting 14 September 2022	1. Discussion of the issuance of the Company's first secured convertible corporate bonds in the R.O.C.	Yes	No
	2. Proposed CTBC Bank Interim Performance Guarantee and Short Term Lending	Yes	No
	3. Proposed appointment of KGI Securities as the Company's securities compliance broker	Yes	No
	Voting results of the Audit Committee (14 September 2022): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Twenty-second meeting 14 November 2022	1. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	2. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	3. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company	Yes	No
	4. Proposed loan to a subsidiary, Eastern Asia Technology (HK) Limited, in the amount of US\$10,000,000	Yes	No
	5. Proposed renewal of the liability insurance for Directors, supervisors and managers	Yes	No
	Voting results of the Audit Committee (14 November 2022): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Twenty-third meeting 16 December 2022	1. Approval of the pre-sale and pre-purchase forward foreign exchange operation, with the total authorized amount of not exceeding US\$70,000,000	Yes	No
	2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company	Yes	No
	3. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	4. Proposed amendments to the internal control system of the Company	Yes	No
	5. Proposed establishment of new information security department	Yes	No
	Voting results of the Audit Committee (16 December 2022): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		

Board Meeting	Content of the proposal and follow-up action	Matters stipulated in Article 14-5 of the Securities and Exchange Law	Resolution not approved by the Audit Committee but approved by more than two-thirds of all Directors
Fourth session Twenty-fourth meeting 24 February 2023	1. The Company's 2022 business report and consolidated financial statements	Yes	No
	2. Proposed distribution of employees' compensation and directors' compensation of the Company for 2022	Yes	No
	3. Proposed merger of two 100%-owned subsidiaries, Eastech (Huizhou) Co., Ltd. and Eastech Systems (Huiyang) Co., Ltd.	Yes	No
	4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	5. The Company's proposed approval for the issuance of the Statement of the Internal Control System in accordance with Article 24 of the Guidelines for Public Issuers in Establishing Internal Control Systems	Yes	No
	Voting results of the Audit Committee (24 February 2023): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Twenty-fifth meeting 27 April 2023	1. Appointment of the Company's Certified Public Accountant and their remuneration	Yes	No
	Voting results of the Audit Committee (27 April 2023): Authorization was granted to the Chief Financial Officer to negotiate with Deloitte & Touche Taiwan within 10% of the annual audit fee for 2022. All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		
Fourth session Twenty-sixth meeting 12 May 2023	1. Appointment of the Company's Certified Public Accountant and their remuneration	Yes	No
	2. Proposed capital injection in cash by Eastech Innovations (TW) Inc., a sub-subsidiary	Yes	No
	3. Proposed disposal of shares in HT Precision Technologies, Inc. held by Eastern Asia Technology (HK) Limited to Eastech Innovations (TW) Inc.	Yes	No
	4. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited	Yes	No
	5. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company	Yes	No
	6. Proposed capital loan to a wholly-owned subsidiary, Eastern Asia Technology (HK) Limited, in the amount of US\$3,000,000	Yes	No
	Voting results of the Audit Committee (12 May 2023): All members of the Audit Committee approved the resolution.		
	The Company's response to the opinion of the Audit Committee: All attending Directors and independent Directors approved the resolution.		

- (2) Details of abstention from voting by independent Directors on proposals with conflict of interests (the name of directors, content of the proposal, reason for abstention and their participation in voting): Nil.
- (3) Communication between independent Directors and internal audit officer and accountant (which shall include major subjects, modes and results of communication on the Company's financial and business conditions, etc.):
  - ① Modes of communication between independent Directors and internal audit officer and accountant

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

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

② Summary of communication between independent Directors and internal audit officer

The major subjects of communication in 2022 are summarized as follows:

Date	Focus of communication	Communication results
21 January 2022 Audit Committee	1 December 2021 ~ 31 December 2021 internal audit implementation report	No disagreement
25 February 2022 Audit Committee	1. 2021 internal audit implementation summary report 2. "Statement of the Internal Control System" for 2021 3. 1 January 2022 ~ 31 January 2022 internal audit implementation report	No disagreement
22 April 2022 Audit Committee	1 February 2022 ~ 31 March 2022 internal audit implementation report	No disagreement
6 May 2022 Audit Committee	1 April 2022 ~ 30 April 2022 internal audit implementation report	No disagreement
17 June 2022 Audit Committee	1 May 2022 ~ 31 May 2022 internal audit implementation report	No disagreement
26 August 2022 Audit Committee	26 May 2022 ~ 31 July 2022 internal audit implementation report	No disagreement
14 September 2022 Audit Committee	1 August 2022 ~ 31 August 2022 internal audit implementation report	No disagreement
14 November 2022 Audit Committee	27 August 2022 ~ 31 October 2022 internal audit implementation report	No disagreement
16 December 2022 Audit Committee	16 October 2022 ~ 30 November 2022 internal audit implementation report	No disagreement
24 February 2023 Audit Committee	1. 2022 internal audit implementation summary report 2. "Statement of the Internal Control System" for 2022 3. 2022/11/21 ~ 2023/1/31 internal audit implementation report	No disagreement
27 April 2023 Audit Committee	1 February 2023 ~ 31 March 2023 internal audit implementation report	No disagreement
12 May 2023 Audit Committee	1 April 2023 ~ 30 April 2023 internal audit implementation report	No disagreement

③ Summary of communication between independent Directors and accountant

The major subjects of communication in 2022 are summarized as follows:

Date	Focus of communication	Communication results
25 February 2022 Audit Committee	Submission of the consolidated financial statements for 2021  The certified public accountant attended the meeting of the Audit Committee, communicated with the independent Directors to explain the matters to be reviewed on the Company's consolidated financial statements for 2021 and the key audit matters (KAM), and communicated to answer the questions raised by the independent Directors.	The consolidated financial statements for the year were approved by the Audit Committee and submitted to the Board of Directors for approval on 25 February 2022, and the process was completed as announced on 25 February 2022.
26 August 2022 Audit Committee	Submission of the consolidated financial statements for the first half of 2022  The certified public accountant attended the meeting of the Audit Committee, and communicated to answer the questions raised by the independent Directors.	In compliance with the requirements as stipulated in the circulars and orders of the competent authorities, the Company's financial statements for the first half of 2022 were audited and certified by the accountant, and were approved by the Audit Committee and submitted to the Board of Directors for approval on 26 August 2022, and the process was completed as announced on 26 August 2022.
16 December 2022 Audit Committee	The certified public accountant attended the meeting of the Audit Committee and the Board of Directors, and communicated with the members of the Audit Committee to explain the matters to be reviewed on the Company's consolidated financial statements for 2022 and the key audit matters (KAM).	The certified public accountant fully communicated with the members of the Audit Committee on the matters to be reviewed on the Company's consolidated financial statements for 2022 and the key audit matters (KAM).
24 February 2023 Audit Committee	Submission of the consolidated financial statements for 2022  The certified public accountant attended the meeting of the Audit Committee, communicated with the independent Directors to explain the matters to be reviewed on the Company's consolidated financial statements for 2022 and the key audit matters (KAM), and communicated to answer the questions raised by the independent Directors.	The consolidated financial statements for the year were approved by the Audit Committee and submitted to the Board of Directors for approval on 24 February 2023, and the process was completed as announced on 24 February 2023.

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

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

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
(4) Has the Company set internal standards to prohibit insiders from using undisclosed information to trade securities on the market?	Yes		(4) The Company has established the "Procedures for Prevention of Insider Trading and Handling of Material Internal Information", which, in accordance with external regulations, were approved by the Board on 16 December 2022, requiring the Company's insiders to comply with the acts related to the prevention of insider trading and not to trade the Company's shares during the closed period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of each quarterly financial report.	No substantial discrepancy
3. Composition and responsibilities of the Board of Directors (1) Does the Board of Directors set up and implement a diversity policy and specific management objective in respect of its composition?	Yes		(1) The Company has established the Code of Practice for Corporate Governance with a diversified approach. The Company's articles of association have stipulated a nomination system for election of directors to ensure the diversity and independence of its members.  According to the specific management objective of the diversity policy, an independent Director with a professional background in the legal field has been added.	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>The Company completed the re-election of seven Directors of the fifth session of the Board of Directors at the regular general meeting held on 12 June 2020, and voluntarily appointed one independent Director, in addition to that required by the laws. Mr. Jeng Shih Rong, the new independent Director as elected and appointed, has a professional background in the legal field. The management objective has thus been achieved.</p> <p>Currently, independent Directors account for 57% and Directors who are also employees account for 29% of the total number of members of the Board of Directors. Two directors are aged 71~80, four Directors are aged 61~70 and one director is aged 51~60. The nationality of each of the seven Directors is Taiwan. The Company places emphasis on the diversity and independence of its Board of Directors, with the proportion of independent Directors reaching over 50%.</p>	



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

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>early warning and advise on the legal aspects of investment and finance. Independent Director Chang Shan Juh, who concurrently serves as the chairman and member of the Remuneration Committee, with expertise in human resources and experience of manpower supervision including large listed groups and universities and facilitating industry-university cooperation with related universities, which makes progress for both teaching and learning. Independent Director Jeng Shih Rong, who has a professional background in law and had served as the secretary of the Legislative House for decades, has extensive experience in public service and clear legal reasoning, and hopes to draw on his practical experience in the public sector to provide mentor-like supervision and advice on corporate governance and legal compliance. The diversity of the seven Directors will be greatly beneficial the Company's future development.</p> <p>No substantial discrepancy</p>	

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
(2) Has the Company voluntarily established other functional committees besides the Remuneration Committee and the Audit Committee required by law?	Yes		(2) The Company has established an Audit Committee and a Remuneration Committee. Other functional committees will be established according to the actual needs of the Company.	No substantial discrepancy
(3) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform regular evaluation every year, and reported the results of performance to the Board of Directors and applied to the reference of the remuneration and renewal nomination of individual directors?	Yes		<p>(3) The Company has established the “Board Performance Evaluation Method” to regularly perform performance evaluation of the Board of Directors after the end of each year.</p> <p>The Company completed the performance evaluation of the Board of Directors, the members of the Board of Directors, the Remuneration Committee and the Audit Committee in January 2023, which were all assess as excellent in 2022. The Board of Directors overall has been giving active recommendations, positive interactions and effective operation. It has been reported to the Board of Directors on 24 February 2023.</p> <p>The remuneration of the Directors (including independent Directors) is determined in accordance with the articles of association and the results of the performance evaluation will be taken as a reference for the nomination of Directors.</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the underlying reasons
	Yes	No	Description	
(4) Does the Company regularly evaluate the independence of the certified public accountant?	Yes		(4) The Audit Committee of the Company regularly reviews the independence of the certified public accountant annually and requests the accountant to issue the Statement of Independence of CPA and Audit Quality Indicators (AQIs), and conducts the evaluation in accordance with the Accountants' Independence Evaluation Standards (please refer to page 64 of the Annual Report) and 13 AQIs of the Company. Following approval of the results of the most recent annual evaluation by the Audit Committee on 12 May 2023, the Board agreed that Shih Chin-Chuan and Chiu Yung-Ming, the accountants from Deloitte & Touche Taiwan, fulfilled the Company's independence and competence standards on 12 May 2023.	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the underlying reasons
	Yes	No	Description	
4. Does the TWSE/TPEx listed company have a qualified and appropriate number of corporate governance personnel, and appoint a corporate governance supervisor to be in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting directors and supervisors to follow laws, convening board/shareholder meetings in compliance with the law, and producing meeting minutes of board/shareholders' meetings)?	Yes		<p>In order to implement corporate governance and as approved by the Board of Directors on 26 April 2019, the Company designated Mr. Chang Po Chao, the vice president, to specifically act as chief supervisor for corporate governance related matters in order to secure the rights of the shareholders and strengthen the function of the Board. Vice President Chang Po Chao has over 20 years of management experience in finance, stock affairs or meetings of listed companies. The main duties of the person in charge of corporate governance are to handle matters related to Board meetings and shareholders' meetings according to law, to prepare minutes of Board meetings and shareholders' meetings, to assist the Directors in taking office and continuous learning and to provide the information and regulations required for the independent Directors and Directors to perform their duties in order to assist the Directors in complying with laws and regulations.</p> <p>Please refer to pages 79-81 for the continuing education of the chief supervisor for corporate governance in 2022.</p>	
5. Does the Company establish communication channels and dedicate section for stakeholders (including but not limited to shareholders, employees, clients and suppliers) on its website to properly respond to important issues of corporate social responsibility concerns?	Yes		<p>The Company has set up sections for stakeholders on the Company's website (<a href="https://easotech.com">https://easotech.com</a>), including employee section, customer section, investor section, section for partners (suppliers), etc., and sets up communication windows and mailboxes for each category of stakeholders to properly respond to material corporate social responsibility issues of concern to each category of stakeholders.</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
6. Has the Company appointed a professional agent for stock affairs for holding shareholders' meetings?	Yes		The Company appointed the Stock Transfer Agency Department of SinoPac Securities Corporation for handling the shareholders' meeting	No substantial discrepancy
7. Disclosure of information (1) Does the Company set up website to disclose financial operations and corporate governance information?	Yes		(1) The Company has set up a website in Chinese and English (website: <a href="https://easotech.com">https://easotech.com</a> ) and has successively updated information disclosure on financial business and corporate governance.	
(2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information?	Yes		(2) The Company's Chinese and English websites disclose information about financial business and corporate governance.  The Company designates personnel to be responsible for the collection and disclosure of corporate information; and the spokesperson will co-ordinate the external statements and other matters.  The briefings and audio-visual materials of the Company's investor conference have been placed on the Market Observation Post and the Company's website available for shareholders and investors.	No substantial discrepancy
(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarterly financial reports and the monthly operating situation within the prescribed time limit?	Yes		(3) The Company has announced the 2022 consolidated financial report on 24 February 2023, and announced and declared the first, second, and third quarterly financial reports and the monthly operating situation before the prescribed deadline.	No substantial discrepancy

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

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>1. Staff welfare initiatives: The Company provides various regular welfare initiatives for its staff, procures insurance for employees according to local laws and regulations, provides a humane promotion system and transfer system, organizes entertainment activities, subsidizes the tuition for the children of factory workers attending Xiu De Chinese – Anglo Kindergarten, and provides nutritious and hygienic food in staff canteens.</p> <p>2. Various staff education and training:  On the day of registration, new recruits are briefed by the HR department on HR rules and welfare system and other issues. The content of pre-employment training focuses on helping new recruits to get familiar with the work environment and get used to the situation as soon as possible.  Programmed education and training enable all employees to develop their skills at work. From time to time, the Company as a whole or each department participates in educational training courses organized by training institutions at home and abroad.</p> <p>3. Retirement system: Implemented in accordance with the local labor law.</p>	



Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>3. Investor relations:</p> <p>The Company holds a shareholders' meeting every year, giving shareholders adequate opportunity and time to ask questions and submit proposals; investor conferences are held for two-way communication between investors and analysts and the Company's management team; the Company's spokesperson is responsible for establishing a two - way communication channel between the Company and investors. The Company also makes announcements on relevant information in accordance with the regulations of the competent authority to immediately provide information that may affect the decision of investors.</p>	

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

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>6. Continuing education of directors:</p> <p>All directors of the Company possess relevant professional knowledge and have taken training courses on securities law in compliance with regulations in order to enhance their professional skills and strengthen the implementation of corporate governance. Please see pages 79-80 for details of directors' training.</p>	
			<p>7. Execution of risk management policies and risk assessment standards:</p> <p>The Company has formulated various internal regulations according to law and established a risk management mechanism to timely identify, respond to, report and monitor major risks affecting current and future operations through regular and non-scheduled risk identification operations and raise employees' risk awareness to ensure sustainable operations of the Company.</p> <p>8. Execution of customer policies:</p> <p>The Company upholds the principle of integrity, attaches importance to customer rights, provides quality services , and establishes long - term cooperative relationships with customers.</p>	

Assessment item	Implementation status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
			<p>9. Liability insurance for the Company's Directors and supervisors:</p> <p>In 2022, the Company has procured liability insurance for its Directors and managers for an insurance period from 20 November 2022 to 20 November 2023. The insured amount, coverage and insurance rate were submitted to the meeting of Audit Committee and the Board of Directors on 14 November 2022, which was announced on the Market Observation Post. No substantial discrepancy</p>	
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.	Yes		<p>The Company has been actively promoting its corporate governance performance, and completed the following major improvement projects in 2022:</p> <p>(i) Disclosure of professional qualifications and experience of Audit Committee members.</p> <p>(ii) The Chinese version of the annual report was uploaded not later than 18 days prior to the holding of the regular general meeting.</p>	No substantial discrepancy

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

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

## Assessment of the independence of accountant

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

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

## (2) Work performance and plans

1. Completed the audit and attestation of the Company's 2022 consolidated financial statements on schedule.
2. Provided the Company with financial and tax consulting services from time to time.

## (3) Assessment result

The two accountants, Shih Chin-Chuan and Chiu Yung-Ming, are independent from the Company and provided timely and appropriate financial and tax consulting and audit and attestation services for the Company.
--

**(d) Composition, responsibilities and operation of the remuneration committee (if established by the Company)**

**1. Information on the members of the remuneration committee**

31 March 2023

Position (Note 1)	Qualification  Name	Professional qualifications and experience (Note2)	Independence (Note 3)	Number of other public companies in which the person serves as a member of the remuneration committee
Independent Director (Convener)	Chang Shan Juh	Obtained a Master of Electronic Engineering from University of Southern California in the U.S.; has been the Human Resources Officer of Tatung University; previously served as a Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University, Director of Planning Division of Tatung Company, and Head of Human Resources Development Department of Tatung Company; currently serves as an independent Director, the chairman of the Remuneration Committee and a member of the Audit Committee of the Company; possesses expertise in human resources. There are no circumstances under Section 30 of the Company Act.	None of the four independent Directors of the Company is the employee, manager, director, and supervisor of the Company or its affiliates, or the spouse, second degree relative or immediate blood relative within the third degree relatives, or the natural person shareholder who holds more than 1% of the Company's total issued shares in the name of his/her own and spouse, minor children or any other person, or is one of the top ten shareholders of the Company, or holds directly more than 5% of the Company's total issued shares, or the director, supervisor or employee of the corporate shareholder who directly holds more than 5% of the Company's total issued shares or is one of the top five shareholders or has appointed representatives to act as the Directors or supervisors of the Company in accordance with Item 1 or Item 2 under Article 27 of the Company Law, or the director, supervisor or employee of another company with more than half of its shares related to the number of Directors or voting rights of the Company are controlled by the same person, or the director, supervisor or employee of another company or body, in which the chairman, president or equivalent positions of the Company or his/her spouse serves the same positions, or the director, supervisor, manager or shareholder holding more than 5% of the shares of the specified company or body with which the Company has financial or business relationship, or the owner of an enterprise, partner, director, supervisor, manager and his/her spouse of the professional party, sole proprietor, company or body which has provided audit services to the Company or its affiliates or received from them the remuneration for business, legal, financial, accounting and other related services for an amount not exceeding NT\$500,000 in the last two years, and is not related to other directors within the meaning of spouse and second-degree relatives.	0
Independent Director	Shiau Fung Shyung	Obtained a PHD of Economics from Chinese Culture University, a Master of Economics from Yale University in the U.S., and a Master of Agricultural Economics from National Chung Hsing University; has been a Professor Emeritus of the Department of Finance and Economics of Tamkang University; previously served as the Dean of College of Commerce of Tamkang University and the Vice Council for Economic Construction Committee of the Executive Yuan, R.O.C.; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses expertise in accounting or finance; concurrently serves as a member of the Remuneration Committee of each of CMC Magnetics, Wayi International Digital Entertainment Co., Ltd. and Transtouch Technology Inc. There are no circumstances under Section 30 of the Company Act.		3
Independent Director	Chen Ko Hung	Obtained an MBA from National Chengchi University; has been the Chief Financial Officer of Ampire Co., Ltd.; previously served as the Senior Manager of Finance Department of UniLite Corporation and the Senior Manager of Finance Department of Princeton Technology Corporation; currently serves as an independent Director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company; possesses expertise in accounting or finance. There are no circumstances under Section 30 of the Company Act.		0
Independent Director	Jeng Shih Rong	Obtained a Bachelor of Law from National Chung Hsing University; previously served as the Chief Secretary of the Internal Administration Committee, Foreign and National Defense Committee of Legislative Yuan, R.O.C.; currently serves as an independent Director, and a member of each of the Audit Committee and Remuneration Committee of the Company; possesses professional qualifications in law. There are no circumstances under Section 30 of the Company Act.		0

2. Duties of the remuneration committee

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

3. Operation of the remuneration committee

- (1) The Company's remuneration committee comprises three independent directors.
- (2) The term of office of the current session: 23 June 2020 to 11 June 2023. During the latest year (2022) and as at the date of publication of annual report, the remuneration committee held 7 meetings. The qualifications and attendance of the members is as follows:

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

(3) Other disclosure:

- ① If the board of directors does not adopt or amend the recommendations of the remuneration committee, the date of board meeting, session, content of the proposal, the resolution of the board of directors and the Company's response to the opinion of the remuneration committee shall be recorded (if the remuneration approved by the board of directors is better than the recommendation of the remuneration committee, the difference and the reasons therefor should be stated): No such situation.
- ② If any resolution of the remuneration committee is objected to or qualified by committee member(s) with a record or written statement, the date of remuneration committee meeting, session, content of the proposal, the opinions of all members and the response to the members' objection shall be recorded: No such situation.



Remuneration committee	Content of the proposal	Resolution	The Company's response to the opinion of the remuneration committee
Fourth session Eighth meeting 21 January 2022	1. Issuance of the second employee stock option certificates for 2021 by the Company	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Ninth meeting 25 February 2022	1. The Company's 2021 employees' compensation and directors' compensation proposal	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Tenth meeting 17 June 2022	1. Discussion about the 2022 salary adjustment plan of the Company and its subsidiaries	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Eleventh meeting 26 August 2022	1. Discussion about the 2022 salary adjustment of the Company and its subsidiaries	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Twelfth meeting 16 December 2022	1. Appointment of head of information security	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
	2. Principles of 2022 bonus distribution and distribution amount for the managers by year end	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
	3. The 2023 work plan of the Remuneration Committee of the Company	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors

Remuneration committee	Content of the proposal	Resolution	The Company's response to the opinion of the remuneration committee
Fourth session Thirteenth meeting 24 February 2023	1. The Company's 2022 employees' compensation and directors' compensation proposal	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
Fourth session Fourteenth meeting 27 April 2023	1. Discussion about the 2023 salary adjustment plan of the Company and its subsidiaries	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors
	2. Appointment of key executives of subsidiaries	All committee members approved the resolution	Submitted to the board of directors and approved by all attending directors and independent directors

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

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons												
	Yes	No	Description													
1. Does the Company establish a governance structure to promote sustainable development and set up a dedicated (part-time) unit to promote sustainable development, which is delegated by the board of directors to senior management and supervised by the board of directors?		No	1. The Company continues to promote sustainable development training on greenhouse gas inventory has been arranged in the first half of 2023 and data inventory will commence in 2023. The Company also actively evaluates the establishment of a governance structure to promote sustainable development, establishes a dedicated (part-time) unit to promote sustainable development, conducts risk assessments on environmental, social or corporate governance issues (ESG) related to the Company's operations, and formulates medium- and long-term sustainable development plans.	The Company has not yet set up a dedicated unit to promote sustainable development, but it is in planning.												
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	Yes		<div>2. The Company's assessment of the risks associated with the relevant environmental, social and corporate governance issues is as follows:</div> <table><tr><th>Material issues</th><th>Risk Assessment Items</th><th>Description</th></tr><tr><td>Environment</td><td>Environmental Protection &amp; Management</td><td>The Company has actively implemented various management and energy saving measures and greenhouse gas emission reduction measures. We have reduced pollution emissions and the impact on the environment by greening the environment, renovating waste water and exhaust systems, improving lighting and saving energy in the air compressor system, replacing old equipment with new, and choosing green labelled equipment.</td></tr><tr><td>Society</td><td>Product Safety</td><td>We continue to work with suppliers to establish long-term goals for environmental protection, energy saving and carbon reduction, and the recycling or natural decomposition of raw materials and packaging materials, and to promote the use of environmentally friendly materials in production machines, which help to fulfil our corporate social responsibility and green commitment.</td></tr><tr><td>Corporate Governance</td><td>Socio-economic and legal compliance</td><td>Through the establishment of a governance structure and the implementation of internal control mechanisms, the Company ensures that all employees and operations comply with the relevant laws and regulations.</td></tr></table>	Material issues	Risk Assessment Items	Description	Environment	Environmental Protection & Management	The Company has actively implemented various management and energy saving measures and greenhouse gas emission reduction measures. We have reduced pollution emissions and the impact on the environment by greening the environment, renovating waste water and exhaust systems, improving lighting and saving energy in the air compressor system, replacing old equipment with new, and choosing green labelled equipment.	Society	Product Safety	We continue to work with suppliers to establish long-term goals for environmental protection, energy saving and carbon reduction, and the recycling or natural decomposition of raw materials and packaging materials, and to promote the use of environmentally friendly materials in production machines, which help to fulfil our corporate social responsibility and green commitment.	Corporate Governance	Socio-economic and legal compliance	Through the establishment of a governance structure and the implementation of internal control mechanisms, the Company ensures that all employees and operations comply with the relevant laws and regulations.	No substantial discrepancy
Material issues	Risk Assessment Items	Description														
Environment	Environmental Protection & Management	The Company has actively implemented various management and energy saving measures and greenhouse gas emission reduction measures. We have reduced pollution emissions and the impact on the environment by greening the environment, renovating waste water and exhaust systems, improving lighting and saving energy in the air compressor system, replacing old equipment with new, and choosing green labelled equipment.														
Society	Product Safety	We continue to work with suppliers to establish long-term goals for environmental protection, energy saving and carbon reduction, and the recycling or natural decomposition of raw materials and packaging materials, and to promote the use of environmentally friendly materials in production machines, which help to fulfil our corporate social responsibility and green commitment.														
Corporate Governance	Socio-economic and legal compliance	Through the establishment of a governance structure and the implementation of internal control mechanisms, the Company ensures that all employees and operations comply with the relevant laws and regulations.														

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
3. Environmental issues (1) Does the Company establish an appropriate environmental management system according to its industrial characteristics?	Yes		(1) All of our mainland and Vietnam subsidiaries have established environmental management systems in accordance with ISO 14001 and continue to pass third-party certification, and carry out annual system certification in accordance with ISO 14001.	No substantial discrepancy
(2) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?	Yes		(2) The Company complies with international regulatory requirements on environmental protection, such as RoHS, WEEE, etc. It introduces green supply chain management and uses materials with low environmental impact. It also strives to improve the utilization efficiency of all resources in adherence to 3R (reduce, reuse and recycle) principle. It successfully uses recyclable wood chips to manufacture speaker housings with special casting processes.	No substantial discrepancy
(3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to address climate-related issue?	Yes		(3) With the impact of the greenhouse effect, temperature rising as a result of global warming and intensifying extreme climates, more costs must be invested in natural disaster prevention and operational energy acquisition in the future. The Company implements green supply chain management to achieve the goal of enterprise energy conservation management. The Company actively promotes energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management policies and other measures, such as strengthening the factory environment, updating environmental protection projects for wastewater and exhaust emission systems, and preventing water pollution and air pollution, which complies with relevant environmental protection emission standards.	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
(4) Does the Company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?		No	<p>(4) In order to continuously promote energy saving, carbon reduction and greenhouse gas reduction, in order to reduce the impact of climate change on its operational activities, the Company and each of its operating entities have taken the following initiatives and achieved the following:</p> <ol style="list-style-type: none"> <li>1. For the lighting equipment of the Company's Taiwan office, traditional fluorescent lamps were replaced with LED lighting.</li> <li>2. Multi-party video conferencing equipment was set to reduce the number of business trips.</li> <li>3. Promote paperless and electronic sign-off processes.</li> <li>4. Shuttle buses are provided in the factory for employees or encourage the use of public transport to reduce the fuel consumption and exhaust emissions generated by employee commuting.</li> <li>5. Each plant is committed to greening the environment, reducing indoor and outdoor temperatures, as well as reducing electricity consumption and optimising air quality.</li> <li>6. Each plant has improved its lighting and air compressor system to reduce energy consumption, replacing old machines with new ones and choosing green labelled machines and equipment.</li> <li>7. Promoting environmental protection and safe production in the mainland factory, including environmental protection emergency pool gate valve, injection moulding waste gas treatment facilities, spraying waste gas treatment facilities, spraying waste gas emission outlet rectification and other works.</li> </ol> <p>With the goal of not exceeding the carbon emissions of the previous year, we have arranged guided training on greenhouse gas emission check in the first half of 2023. We plan to start related data check in 2023 and it is expected to disclose the Company's greenhouse gas, water consumption and total weight of waste disposed in the 2024 annual report.</p>	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
4. Social issues (1) Does the Company set policies and procedures in compliance with relevant regulations and the International Bill of Human Rights?	Yes		(1) The Company complies with all relevant labor laws and regulations of the local competent authority to protect the rights and interests of employees.	No substantial discrepancy
(2) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacations and other benefits), and appropriately reflect operating performance or results in employee remuneration?	Yes		(2) A summary of the Company's employee benefit measures and their implementation is as follows: 1. Staff remuneration The Company's salary is set in accordance with internal regulations and is reasonable. The annual bonus system is allocated to all employees after considering the annual operation of the Company and taking into account the employees' seniority and annual performance, in order to motivate all employees to work together for the Company's goals. 2. Employee Welfare Measures Employees of the Company are regularly provided with various welfare measures and are insured in accordance with local laws and regulations, a humane management system for promotion and transfer, an effective incentive system for bonuses, various recreational activities, tuition subsidies for the children of our factory employees to attend Xiu De Chinese – Anglo Kindergarten, and a factory cafeteria that provides nutritional and hygienic food and beverage care for our employees. 3. Workplace diversity and equality The ratio of male to female employees is similar, with 57% of male employees and 43% of female employees in 2022, and the proportion of female senior executives (associate level and above) has reached 24%, and equal pay for equal work and equal promotion opportunities for different genders have been achieved. 4. Operational performance reflected in staff remuneration Article 117 of the Company's Articles of Association stipulates that if the Company makes a profit in the year, it should allocate 1% to 15% of the profit as employees' compensation and share the surplus result with them.	No substantial discrepancy

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons									
	Yes	No	Description										
(3) Has the Company established effective career development training plans for its staff?	Yes		<p>(3) The Company's core philosophy is disaster prevention and prevention of disasters, using appropriate management tools, proven technology and available resources to integrate occupational safety and health issues within the plant, propose effective countermeasures, and continue to refine and promote a culture of occupational safety; in addition to strengthening the protection management of workers and investing resources to strengthen occupational disease prevention in order to create a zero-hazard environment.</p> <p>In 2022, there was zero incapacities and zero occupational accidents (0% of the total number of employees at the end of 2022).</p> <p>During the past two years, the Company has organised fire safety and hygiene training and education</p> <table><tr><th>Year</th><th>Education Training (man-times)</th><th>Education Training (man-hours)</th></tr><tr><td>2021</td><td>7,227</td><td>3,614</td></tr><tr><td>2022</td><td>3,906</td><td>1,953</td></tr></table>	Year	Education Training (man-times)	Education Training (man-hours)	2021	7,227	3,614	2022	3,906	1,953	No substantial discrepancy
Year	Education Training (man-times)	Education Training (man-hours)											
2021	7,227	3,614											
2022	3,906	1,953											
(4) Has the Company established effective career development training plans for its staff?	Yes		<p>(4) The Company has a comprehensive training programme for supervisors and staff at all levels, including newcomer training for 2,038 hours (common training: introduction to the environment, information security and work safety education training), internal professional development advanced training for the department and supervisory training courses (details refer to Training for Managers on pages 79-81), to assist colleagues to continue to learn and grow through a variety of learning styles.</p>	No substantial discrepancy									
(5) With regard to topics such as customer health and safety, customer privacy, marketing and labeling of products and services, has the Company followed relevant regulations and international standards, and formulated relevant consumer protection policies or customer benefits policies and procedures for appeal?	Yes		<p>(5) The Company has followed the relevant regulations and international standards for topics such as customer health and safety, customer privacy, marketing and labeling of products and services.</p> <p>The Company has established new customer processing procedures, customer data processing procedures, etc., to maintain smooth communication channels with customers and accept customer audits. In response to customer complaints, properly determine the problem and attribution, and regularly assess customer satisfaction to ensure the best service to customers. On the basis of protecting the intellectual property rights of customers, in addition to the confidentiality agreements regulated by brand customers, the company also regularly warns and promotes the importance of confidentiality to relevant R&amp;D personnel.</p>	No substantial discrepancy									

Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	Yes		<p>(6) The Company has set up a supplier management program.</p> <p>The Company's procurement department is responsible for handling supplier management. To ensure that the supplier's quality system management and source management of raw materials comply with regulations, the suppliers are also required to comply with relevant local laws and regulations when operating the Company's business. We also require suppliers to follow the RBA (Responsible Business Alliance) human rights, environment and ethical code of conduct.</p> <p>Establish a good communication mechanism with suppliers, deal with related matters of communication with suppliers, and proactively promote social responsibility views and environmental safety and health management policies to suppliers, including green supply chain, product hazardous substance restriction regulations, environmental protection related laws and regulations and customer product quality requirements, etc., to maintain good cooperative relations with suppliers.</p> <p>The Company's requirements for suppliers are not limited to quality and service. Before cooperating with us, the supplier must sign and comply with the Company's integrity management policy. If the supplier is involved in violation of the Company's integrity management policy, the Company will also terminate the business contacts. At the same time, the implementation status is realized. The Company's auditors conduct annual inventory inspections of the suppliers' social and environmental responsibilities to assess whether the new suppliers are required by laws, regulations, customers and other relevant regulations. If they do not meet the requirements, the supplier will be assisted to improve within the specified time and reached the standard.</p>	No substantial discrepancy
5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing sustainable development reports and other reports that disclose the Company's non-financial information? Do the aforesaid reports obtain the confirmation or assurance opinion of the third-party verification unit?		No	5. The Company's goal is to promote sustainable development, and has established a "Corporate Sustainable Development Zone" on the website to expose relevant information such as environmental protection, education subsidies and social welfare, and expose sustainable development-related information in annual reports or public statements. In the future, we will prepare a sustainable development report depending on the Company's development status.	No substantial discrepancy
6. If the Company has established its own sustainable development code of practice according to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, describe the differences between its operation and the code of practice: Not applicable				



Assessment item	Implementation status			The discrepancy with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the underlying reasons
	Yes	No	Description	
7. Other important information to facilitate better understanding of the Company's implementation of sustainable development:				
(1) Environmental protection:				
<ul style="list-style-type: none"> <li>The Company adheres to the principles of 3R (reduce, reuse and recycle) and makes effective use of all resources. It successfully uses recyclable wood chips to manufacture speaker housings with special casting processes.</li> <li>For product development, the Company also complies with the environmental protection policies of the EU, the United States and other countries to develop green products, making the Company a green partner of international renowned companies.</li> </ul>				
(2) Education subsidy:				
In October 2004, a director of the Company's subsidiary established Xiu De Chinese – Anglo Kindergarten in Huiyang New Market. The kindergarten provides a quality education platform for the children of our employees and children in the surrounding communities. As part of the Company's employee benefits policy, the children of our employees are entitled to tuition subsidy and manpower and material support.				
(3) Social welfare				
In October 2004, a director of the Company's subsidiary established Xiu De Chinese – Anglo Kindergarten in Huiyang New Market. The kindergarten provides a good environment and quality education for the children of the surrounding communities and adopts the advanced education and teaching concepts of Hong Kong, Taiwan and the United States. It was awarded as a grade I kindergarten in Huizhou in March 2011, one of the four outstanding kindergartens in Huiyang in 2018, and repeatedly awarded the title of “Advanced Education Unit” in the district and county from 2019 to 2021, enrolling approximately 350 children per term and providing a quality education platform for the children of the surrounding communities				
The Vietnam subsidiary was awarded the Contribution to Urban Development Award by the Chi Linh City Government of Vietnam.				
While pursuing robust development, Eastech Group spares no effort to contribute to society and make donations to certain social welfare groups to support social welfare from time to time.				
In order to fulfill the responsibility of environmental protection and caring for the safety and health of our colleagues, and for the responsibility of pollution prevention management and social responsibility of environmental protection, the Company obtained ISO14001:2015 environmental management system certification. The certificates of subsidiaries of the Group in PRC were renewed in August 2022 and the certificate of subsidiary of the Group in Vietnam was renewed in February 2022.				
The Company obtained the ISO9001:2015 quality management system certification and the certificates of subsidiaries of the Group in PRC were renewed in April 2021 and the certificate of subsidiary of the Group in Vietnam was renewed in December 2022.				

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

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

Assessment Item	Implementation Status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the underlying reasons
	Yes	No	Description	
(2) Does the Company set up a unit which is dedicated to or tasked with promoting the Company's ethical standards and reports directly to the board with periodical (at least once a year) updates on its integrity management policies and plans to prevent dishonest behaviors and supervision on relevant matters?	Yes		(2) The human resources department of the Company is responsible for formulating and supervising the implementation of integrity management policies and preventive measures to ensure the implementation of integrity management policies, which reports to the board the implementation results of integrity management on an annual basis, and assists the board of directors in evaluating the effective operation of the integrity prevention measures established. On 14 November 2022, the board of directors has completed the integrity management policy and the plan to prevent dishonesty behavior, and supervised the implementation.	No substantial discrepancy
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	Yes		(3) Procedures for Ethical Management and Guidelines for Conduct and Codes of Ethical Conduct of the Company stipulate the policy of avoiding conflict of interest, and complaint channels are established for handling cases in respect of violation of laws or code of ethics and business conduct.	No substantial discrepancy
(4) To implement relevant policies on ethical conducts, does the Company establish effective accounting and internal control systems that are audited by internal auditors in accordance with the results of the assessment of the risk of dishonesty, the relevant audit plan will be drawn up and the compliance with the plan to prevent dishonesty will be checked or entrusting accountants CPA to perform the audit?	Yes		(4) The Company implements ethical management, and has established effective accounting and internal control systems, which are audited by internal auditors in accordance with the results of the assessment of the risk of dishonesty, the relevant audit plan will be drawn up and the compliance with the plan to prevent dishonesty will be checked, and the audit report is submitted to the board.	No substantial discrepancy
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	Yes		(5) In 2022, the Company held a series of internal and external training courses related to integrity management issues (including compliance with integrity management laws and regulations, the internal auditors' analysis of legal compliance and fraud prevention issues on "Information Security" and "Personal Privacy", legal compliance of information security management law under the threat of ransomware, corporate governance 3.0 from the perspective of inspection and investigation, industry thematic seminar on sustainable development pathway, the latest practical development of insider trading in Taiwan and the way to prevent and respond to corporate fraud, the role of the board of directors from the perspective of corporate fraud prevention, global net-zero emission response and corporate ESG action, ESG governance from knowing to doing, practical discussion and response to "insider trading" and "financial misrepresentation", payroll fraud prevention and auditing practice, etc.) for 1,190 participants and 1,218 person-hours in total.	No substantial discrepancy

Assessment Item	Implementation Status			The discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the underlying reasons
	Yes	No	Description	
3. Implementation of whistleblowing procedures (1) Does the company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and designate responsible individuals to handle the concerns reported?	Yes		(1) Procedures for Reporting of Illegal and Unethical Behavior or Unethical Conduct stipulate the whistleblowing and reward system, and complaint channels and communicating mailbox were established for internal and external personnel to report, and responsible personnel were designated to handle the concerns reported.	No substantial discrepancy
(2) Does the Company establish standard operation procedures for investigating the concerns reported, follow-up measures to be taken after the completion of investigation and ensuring such concerns are handled in a confidential manner?	Yes		(2) The Company established the standard procedure, follow-up measures to be taken after the completion of investigation and relevant confidentiality system for investigating the concerns received, and records of procedures and results of investigation will be stored. If violation of regulations is confirmed, report will be submitted to the management team immediately, and the violator will be punished depending on the seriousness.	No substantial discrepancy
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her reporting concerns?	Yes		(3) The Company will not accept anonymous blackmails, but will protect the confidentiality of personal information in the case of named and substantiated letters of complaint, and adopts proper measures to protect the whistleblower from retaliation for his/her concerns reported.	No substantial discrepancy
4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?	Yes		Procedures for Ethical Management and Guidelines of the Company and relevant governance information are disclosed on the website of the Company ("Investors" page) (website: <a href="https://eastech.com">https://eastech.com</a> ).	No substantial discrepancy
5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, describe any discrepancy between the policies and their implementation: The Company has established Procedures for Ethical Management and Guidelines for Conduct, and complies with it. There is no discrepancy between the Procedures for Ethical Management and Guidelines for Conduct and its implementation.				
6. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the Company's corporate conduct and ethics policy) (1) The Company established Procedures for Ethical Management and Guidelines for Conduct, and issued to each supplier to indicate the Company's determination of ethical management. (2) Rules of Procedure of the Board of Director of the Company require that if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and shall further abstain from discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. (3) The Company has established the "Procedures for Prevention of Insider Trading and Handling of Material Internal Information", which require the Company's insiders to comply with laws and regulations relating to the prevention of insider trading and not to trade the Company's shares during the closed period of 30 days prior to the announcement of annual financial reports and 15 days prior to the announcement of quarterly financial reports, and to remind insiders in good faith during the relevant period to prevent inadvertent mistakes.				

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

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

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

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

**2. Director’s training in 2022**

Title	Name	Date		Holder	Course name	Training hours
		Since	Up to			
Corporate Director Representative	Liou Jenq Lin	23 September 2022	23 September 2022	Taiwan Corporate Governance Association	The Virtual World Explosion: The Future Development of the Metaverse and the Cryptocurrency Blockchain	3
		30 September 2022	30 September 2022	Taiwan Corporate Governance Association	Variables of the International Order and Corporate Governance Responses	3
Director	Pai Chin Chang	6 July 2022	6 July 2022	Legal Foundation, Securities & Futures Institute of ROC	Audit Committee Practices	3
		14 July 2022	14 July 2022	Legal Foundation, Securities & Futures Institute of ROC	Corporate Governance 3.0 from the Perspective of Inspection and Investigation	3
Director	Chang Tung I	7 July 2022	7 July 2022	Legal Foundation, Securities & Futures Institute of ROC	The Future Development of the Metaverse and the Cryptocurrency Blockchain	3
		13 July 2022	13 July 2022	Legal Foundation, Securities & Futures Institute of ROC	The Applicability of Information Security Laws in the Face of Ransomware Threats	3
Independent Director	Shiau Fung Shyung	11 August 2022	11 August 2022	Legal Foundation, Securities & Futures Institute of ROC	The Latest Practical Development of Insider Trading in Taiwan and the Way to Preventing them	3
		10 November 2022	10 November 2022	Legal Foundation, Securities & Futures Institute of ROC	Board Functions in the Context of Corporate Fraud Prevention	3

Title	Name	Date		Holder	Course name	Training hours
		Since	Up to			
Independent Director	Chang Shan Juh	6 July 2022	6 July 2022	Legal Foundation, Securities & Futures Institute of ROC	The Benefits of Circular Economy and its Business Model	3
		16 August 2022	16 August 2022	The Corporate Operating and Sustainable Development Association of ROC	Labour Issue Law Practice	3
Independent Director	Chen Ko Hung	1 April 2022	1 April 2022	Legal Foundation, Securities & Futures Institute of ROC	Internal Auditor's Analysis of Legal Compliance and Fraud Prevention Issues on "Information Security" and "Personal Privacy"	6
		27 July 2022	27 July 2022	Over-the-Counter Securities Trading Centre of Taiwan Stock Exchange	Industry Thematic Seminar on Sustainable Development Pathway	2
Independent Director	Jeng Shih Rong	14 July 2022	14 July 2022	Legal Foundation, Securities & Futures Institute of ROC	Global Risk Awareness - Opportunities and Challenges for the Next Decade	3
		16 August 2022	16 August 2022	The Corporate Operating and Sustainable Development Association of ROC	Labour Issue Law Practice	3

### 3. Manager's training in 2022

Title	Name	Date		Holder	Course name	Training hours
		Since	Up to			
Chief Financial Officer (Vice President)	Lam Pui Man	5 April 2022	6 April 2022	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Annual Accounting Update 2021 "You Gotta Move On"	3
		16 April 2022	16 April 2022	The Hong Kong Institute of Certified Public Accountants (HKICPA)	ESG Series – Latest Trends and Updates: ESG and Climate Change 101 and Latest Trends for Accounting and Finance Professionals	2
		17 April 2022	17 April 2022	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Common application issues of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers	1
		10 July 2022	10 July 2022	The Hong Kong Institute of Certified Public Accountants (HKICPA)	China taxation conference 2022	4
		24 September 2022	24 September 2022	The Hong Kong Institute of Certified Public Accountants (HKICPA)	Transfer Pricing Documentation and Common Reporting Standard	2

Title	Name	Date		Holder	Course name	Training hours
		Since	Up to			
Audit Manger	Ko Chun Ming	26 July 2022	26 July 2022	The Institute of Internal Auditors-Chinese Taiwan	Insider Trading and Financial Misrepresentation: A Practical Review and Approach in Response	6
		27 July 2022	27 July 2022	The Institute of Internal Auditors-Chinese Taiwan	Self-Assessment Practice	6
		12 August 2022	12 August 2022	Taiwan Development & Research Academic of Economic & Technology	Payroll Fraud Prevention and Audit Practices	6
Head of Corporate Governance (Vice President)	Chang Po Chao	6 July 2022	6 July 2022	Taiwan Investor Relations Institute	Intellectual Property Rights Management - Intellectual Property Litigation Practice	3
		21 July 2022	21 July 2022	Legal Foundation, Securities & Futures Institute of ROC	Supply Chain Security Threat Hunt - Innovation Opportunities in Taiwan	3
		21 July 2022	21 July 2022	Legal Foundation, Securities & Futures Institute of ROC	Global Net Zero Emissions Response and Corporate ESG Initiatives	3
		16 August 2022	16 August 2022	Taiwan Corporate Governance Association	All Aspects of ESG Governance - From Knowing to Doing	3

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

Department	Licenses	Number of personnel
Finance department	Hong Kong Certified Public Accountant	3
	Australia Certified Public Accountant	1
	Associate Member of the Hong Kong Chartered Governance Institute	1
Audit department	International Certified Internal Auditor	1

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

1. Management's Report on Internal Control

## **Eastech Holding Limited**

### **Management's Report on Internal Control**

Date: 24 February 2023

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2022:

1. The Company's Board of Directors and managers are responsible for establishing, implementing, and maintaining an adequate internal control system. And the Company has established such system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes in environment and situation due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each criterion includes several items. For the aforesaid items, please refer to the requirement of the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the criteria of the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, in 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on 24 February 2023, with none of the seven attending directors expressing dissenting opinions, and they all affirmed the content of this Statement.

Eastech Holding Limited

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

President: Pai Chin Chang



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

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

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

1. Material resolutions of general meeting of the Company in 2022:

Date	Material resolutions	Implementation
17 June 2022	Matters for approval 1. The Company ' s 2 0 2 1 business report and consolidated financial statements	Has complied with the resolution.
	2. Proposed distribution of earnings for 2021 of the Company	The ex-dividend date is 28 March 2022 and the cash dividend payment date is 15 April 2022 with a cash dividend of NT\$0.6 per share.
	Matters for discussion 1. Proposed amendments to the "Articles of Association " of the Company	It was announced on the website of the Company and the Company is operating in accordance with the new Articles of Association.

Date	Material resolutions	Implementation
	2. Proposed amendments to the “Procedures for Acquisition or Disposal of Assets” of the Company	It was announced on the website of the Company and the Company is operating in accordance with the new Endorsement Guarantee Operation Management Measures.
	3. Proposed amendments to the “Rules of Procedures for General Meetings” of the Company	It was announced on the website of the Company and the Company is operating in accordance with the new Rules of Procedures for General Meetings.

2. Material resolutions of Board of Directors’ meeting of the Company during 2022 and up to the date of publication of the annual report:

Date	Material resolution
21 January 2022	<ol style="list-style-type: none"> <li>1. Proposed renewal of the EnTie Bank’s mid-term and long-term credit facility</li> <li>2. Proposed second issuance of employee stock option certificates for 2021 by the Company</li> </ol>
25 February 2022	<ol style="list-style-type: none"> <li>1. Whether the Company had any disguised capital loans and circumstances related to financing as at 31 January 2022</li> <li>2. The Company’s 2021 annual business report and consolidated financial statements</li> <li>3. The Company’s 2021 employees' compensation and directors' compensation proposal</li> <li>4. Proposed 2021 Surplus Distribution for Cash Dividends of the Company</li> <li>5. Proposed determination of the ex-dividend date for the 2022 cash dividends</li> <li>6. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>7. Proposed issue of the Management’s Reports on Internal Control in accordance with Article 24 of the Guidelines for the Establishment of Regulations Governing Establishment of Internal Control Systems by Public Companies</li> <li>8. Resolution of the Board of Directors in relation to the matters for convening the 2022 regular general meeting of the Company</li> </ol>

Date	Material resolution
22 April 2022	<ol style="list-style-type: none"> <li>1. Proposed capital injection in cash by Eastech Innovations (TW) Inc., a sub-subsidiary</li> <li>2. Proposed disposal of the shares of Eastech Electronics (Taiwan) Inc. held by Eastern Asia Technology (HK) to Eastech Innovations (TW) Inc.</li> <li>3. Proposed amendments to the “Articles of Association” of the Company</li> <li>4. Proposed amendments to the “Procedures for Acquisition or Disposal of Assets” of the Company</li> <li>5. Proposed amendments to the “Rules of Procedures for General Meetings” of the Company</li> <li>6. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company</li> <li>7. Proposed addition of matters for convening the 2022 regular general meeting of the Company</li> </ol>
6 May 2022	<ol style="list-style-type: none"> <li>1. Consolidated financial statements of the Company for the first quarter of 2022</li> <li>2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>3. Regular assessment of independence of the certified public accountant by the Company</li> <li>4. Proposed capital injection in cash to Eastech (Huizhou) Co., Ltd.</li> </ol>
17 June 2022	<ol style="list-style-type: none"> <li>1. Discussion of the 2022 salary adjustment plan of the Company and its subsidiaries</li> <li>2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>3. Planning of Greenhouse gas inspection and verification schedule of the Company</li> </ol>
26 August 2022	<ol style="list-style-type: none"> <li>1. Consolidated financial statements of the Company for the first half of 2022</li> <li>2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>3. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company</li> <li>4. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>5. Discussion of the 2022 salary adjustment plan of the Company and its subsidiaries</li> </ol>
14 September 2022	<ol style="list-style-type: none"> <li>1. Discussion of the issuance of the Company's first secured convertible corporate bonds in the R.O.C.</li> <li>2. Proposed CTBC Interim Performance Guarantee and Short-Term Lending</li> <li>3. Proposed appointment of KGI Securities as the Company's securities compliance broker</li> <li>4. Proposed the establishment of the Company's branch in Taiwan</li> </ol>

Date	Material resolution
14 November 2022	<ol style="list-style-type: none"> <li>1. Consolidated financial statements of the Company for the third quarter of 2022</li> <li>2. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>3. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>4. Proposed endorsements and guarantees for Eastech (VN) Company Limited by the Company</li> <li>5. Proposed loan to a subsidiary, Eastern Asia Technology (HK) Limited, in the amount of US\$10,000,000</li> <li>6. Proposed renewal of the liability insurance for Directors, supervisors and managers</li> <li>7. Proposed renewal of the China Trust's short-term facility</li> </ol>
16 December 2022	<ol style="list-style-type: none"> <li>1. Preparation of the 2023 budget of the Company</li> <li>2. Proposed approval for the 2023 operating plan of the Company</li> <li>3. Approval of the pre- sale and pre- purchase forward foreign exchange operation, with the total authorized amount of not exceeding US\$70,000,000</li> <li>4. Proposed approval for the 2023 audit plan of the Company</li> <li>5. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited by the Company</li> <li>6. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>7. Proposed amendments to the internal control system of the Company</li> <li>8. Proposed establishment of new information security department</li> <li>9. Proposed appointment of information security officer</li> <li>10. Principles of 2022 bonus distribution and distribution amount of the year-end bonus for the managers</li> <li>11. Submission of the Cayman Annual Return and Economic Substance Report</li> </ol>

Date	Material resolution
24 February 2023	<ol style="list-style-type: none"> <li>1. The Company's 2022 annual business report and consolidated financial statements</li> <li>2. The Company's 2022 employees' compensation and directors' compensation proposal</li> <li>3. Proposed 2022 Surplus Distribution for Cash Dividends of the Company</li> <li>4. Proposed determination of the ex-dividend date for the 2023 cash dividends</li> <li>5. Election for the sixth session of the Board</li> <li>6. Proposed merger of two 100%-owned subsidiaries, Eastech (Huizhou) Co., Ltd. and Eastech Systems (Huiyang) Co., Ltd.</li> <li>7. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>8. Proposed issue of the Management's Reports on Internal Control in accordance with Article 24 of the Guidelines for the Establishment of Regulations Governing Establishment of Internal Control Systems by Public Companies</li> <li>9. Resolution of the Board of Directors in relation to the matters for convening the 2023 regular general meeting of the Company</li> </ol>
27 April 2023	<ol style="list-style-type: none"> <li>1. Proposed appointment of the candidates of Directors and independent Directors</li> <li>2. Proposed relief of the Directors and their representatives of the sixth session of the Company from the prohibition of competition</li> <li>3. Proposed amendments to the "Articles of Association" of the Company</li> <li>4. Appointment of the Company's Certified Public Accountant and their remuneration</li> <li>5. Proposed formulation of the Company's "Review Method for the Selection of Certified Public Accountants"</li> <li>6. Proposed pre-approval of the provision of non-confirmatory services to the Company and its subsidiaries by a firm of certified public accountants and its affiliates</li> <li>7. Discussion about the 2023 salary adjustment plan of the Company and its subsidiaries</li> <li>8. Appointment of key executives of subsidiaries</li> <li>9. Proposed addition of matters for convening the 2023 regular general meeting of the Company</li> </ol>

Date	Material resolution
12 May 2023	<ol style="list-style-type: none"> <li>1. Appointment of the Company's Certified Public Accountant and their remuneration</li> <li>2. Consolidated financial statements of the Company for the first quarter of 2023</li> <li>3. Proposed capital injection in cash by Eastech Innovations (TW) Inc., a sub-subsidiary</li> <li>4. Proposed disposal of shares in HT Precision Technologies , Inc . held by Eastern Asia Technology (HK) Limited to Eastech Innovations (TW) Inc.</li> <li>5. Proposed endorsements and guarantees for Eastern Asia Technology (HK) Limited</li> <li>6. Proposed endorsements and guarantees for Eastech Electronics (HK) Limited by the Company</li> <li>7. Proposed capital loan to a wholly-owned subsidiary, Eastern Asia Technology (HK) Limited, in the amount of US\$3,000,000</li> </ol>

- (l) Where, during the latest year and up to the date of publication of annual report, a director or the audit committee has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: Nil.
- (m) A summary of resignations and dismissals, during the latest year and up to the date of publication of annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, head of corporate governance and principal research and development officer:

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

31 March 2023

Title	Name	On-Board Date	Date of Resignation or Dismissal	Reason of Resignation or Dismissal
Nil	Nil	Nil	Nil	Nil

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

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

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

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

Unit: NT\$'000

Accounting firm	Name of account	Period of audit by accountant	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche Taiwan	Shih Chin-Chuan Chiu Yung-Ming	2022	5,320	370	5,690	Note 1

Note 1: The non-audit fees are mainly the fees incurred for the recognition of important subsidiaries, issuance of convertible corporate bonds, Tax reports for subsidiaries and iXBRL reporting.

- (2) When the Company changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the amount of the audit fees before and after the change and the reason shall be disclosed: Not applicable.
- (3) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: Nil.

## 5. Information on the change in accountant:

### (I) Information on the previous independent auditor

Date of replacement	October 25, 2021		
Cause and details of the replacement	Internal duty adjustment of the accounting firm. CPA Shih Chin-Chuan and Liu Shu Lin were replaced by CPA Shih Chin-Chuan and Chiu Yung-Ming		
Any details for the termination or rejection of the commissioner or CPA	<div>Party</div> <div>Situation</div>	CPA	Commissioner
	Active termination of the commission		
	Rejection of (continuing) commission	V	
Opinion and reasons for audit report issued during the two past fiscal years containing an observation other than unqualified ones	Not applicable		
Any disagreement with the issuer	Yes		Generally accepted accounting principles
			Disclosure of financial reports
			Scope or procedure of audits
			Other
	None	V	
	Description		
Other items to be disclosed (items that shall be disclosed as prescribed by Article 10 Subparagraph 6 Item 1-4 to 1-7 of these standards)	Not applicable		

### (II) About the successor independent auditor

Name of the accounting firm	Deloitte & Touche Taiwan
Name of the independent auditor	CPA Shih Chin-Chuan and Chiu Yung-Ming
Date of commissioning	October 25, 2021
Accounting treatment or accounting principle for specific transactions as well as consultation items and results on audit assessment on the financial report prior to formal engagement	Not applicable
Written views on disagreements between the successor and former independent auditors	Not applicable



**(III) Response of the former independent auditors regarding Article 10, Subparagraph 6, Items 1 and 2-3 of these standards: Not applicable.**

- 6. The chairman, president, manager of financial or accounting affairs of the Company who has held a post in the certified public accountant firm or its affiliates in the latest year: Nil.**
- 7. Movements of shareholdings and pledge thereof held by directors, supervisors, managers and shareholders (whose shareholdings representing over 10% of total shares) for the latest year and as at the date of issue of annual report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship with the Company, directors, supervisors, managers and shareholders with shareholdings representing over 10% of total shares, and the number of shares transferred or pledged.**

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

Unit: share

Title	Name	2022		As at 18 April 2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Eastech Electronics (Taiwan) Inc.	0	0	0	0
Representative of Eastech Electronics (Taiwan) Inc.	Liou Jenq Lin	0	0	0	0
Director and President	Pai Chin Chang	100,000	0	(262,000)	0
Director	Chang Tung I	280,000	0	(330,000)	0
Independent Director	Shiau Fung Shyung	0	0	0	0
Independent Director	Chang Shan Juh	0	0	0	0
Independent Director	Chen Ko Hung	0	0	0	0
Independent Director	Jeng Shih Rong	0	0	0	0
Head of Information Security (Senior Vice President)	Hsu Chih Hsian (Note 1)	N/A	N/A	0	0
Chief Financial Officer (Vice President)	Lam Pui Man	0	0	0	0
Vice President	Chang Po Chao	0	0	0	0
Chief Audit Officer	Ko Chun Ming	0	0	0	0
Substantial shareholder	Taishin International Bank is entrusted to manage the investment account for Above Vantage	0	0	0	0

Note 1: Served as the head of Information Security Department of the Company since 1 January 2023.

**(2) Information on the counterparty of a share transfer or share pledge which is a related party:**

Name	Reason for change of equity interests	Date of trade	Counterparty	Relationship between the counterparty and the Company, its directors, supervisors, managers and shareholders holding more than 10% of the shares	Number of shares	Trading price
Chang Tung I	Gift	17 January 2023	Hsu Li Chuan	Spouse	255,000	—
		17 January 2023	Chang Hsuan Wei	Children	75,000	—
		10 April 2023	Hsu Li Chuan	Spouse	120,000	—
Pai Chin Chang	Gift	10 April 2023	Liang Su Hsing	Spouse	427,000	—
		10 April 2023	Pai Kai Jen	Children	55,000	—

**(3) Information on the share pledge which is a related party: Nil.**

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

18 April 2023; Unit: share

Name	Shareholdings		Spouse and minor shareholding		Total shareholdings in the names of other persons		For those who are related to the top ten shareholders or are spouses or within the second degree of kinship, their name and relationship		Remarks
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	Name	Relationship	
Taishin International Bank is entrusted to manage the investment account for Above Vantage Limited	27,956,600	42.98	0	0	0	0	Nil	Nil	Nil
Wu Shu Jhen	2,093,000	3.22	0	0	0	0	Nil	Nil	Nil
HSBC is entrusted to manage the investment account for Core Pacific Yamaichi International (H.K.) Limited	1,653,000	2.54	0	0	0	0	Nil	Nil	Nil
Jiang Ji Ru	1,454,000	2.24	0	0	0	0	Nil	Nil	Nil
Kwok King Lam Keenan Ken	1,331,000	2.05	0	0	0	0	Nil	Nil	Nil
Fuh Hwa Life Goal Balance Fund Specialized Accounts	1,000,000	1.54	0	0	0	0	Nil	Nil	Nil
Eastech Holding Limited overseas foreign-national employees collective	970,000	1.49	0	0	0	0	Nil	Nil	Nil
Wang Guo Liang	884,000	1.36	0	0	0	0	Nil	Nil	Nil
Fuh Hwa Aegis Specialized Accounts	701,000	1.08	0	0	0	0	Nil	Nil	Nil
Trustee Insurance of HSBC (Taiwan) Commercial Bank Co., Ltd.	676,000	1.04	0	0	0	0	Nil	Nil	Nil

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

**Consolidated Shareholding Percentage**

31 December 2022; Unit: share; %

Investees (Note)	Investment of the Company		Investment of the directors, supervisors, managers and directly or indirectly controlled entities		Consolidated Investment	
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %
Eastern Asia Technology (HK) Limited	80,000,000	100%	–	–	80,000,000	100%
Eastech Systems (Huiyang) Co., Ltd.	–	–	N/A	100%	N/A	100%
Eastech (Huizhou) Co., Ltd.	–	–	N/A	100%	N/A	100%
Eastech (SZ) Co., Ltd.	–	–	N/A	100%	N/A	100%
Scan-Speak A/S	–	–	1,320,045	100%	1,320,045	100%
Eastech Electronics (Taiwan) Inc.	–	–	6,530,494	99.98%	6,530,494	99.98%
Eastech Electronics (HK) Limited	–	–	115,000,000	100%	115,000,000	100%
Eastech (SG) Pte. Ltd.	–	–	50,000	100%	50,000	100%
Eastech (VN) Company Limited	–	–	N/A	100%	N/A	100%
Eastech Microacoustics (HK) Limited	–	–	100,000	100%	100,000	100%
Eastech Innovations (TW) Inc.	–	–	85,000,000	100%	85,000,000	100%
Eastech Trading (VN) Company Limited	–	–	N/A	100%	N/A	100%

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

## IV. CAPITAL OVERVIEW

### 1. Capital and shares

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

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

18 April 2023; Unit: thousand shares; Unit: NT\$'000

Month/ Year	Issue Price	Authorized Share Capital		Paid-in Share Capital		Remark		
		No. of shares	Amount	No. of shares	Amount	Source of Share Capital	Paid by assets other than cash	Others
2011.02	NT\$10	80,000	800,000	100	1,000	Initial capital	—	—
2011.03	NT\$10	80,000	800,000	54,000	540,000	Issuance of 53,900,000 new shares	Note 1	—
2012.11	NT\$60	80,000	800,000	60,750	607,500	Cash capital increase to issue 6,750,000 new shares	—	Note 2
2015.06	NT\$0	80,000	800,000	61,002	610,020	Issuance of 252,000 new shares with restricted employee rights	—	Note 3
2016.12	NT\$0	80,000	800,000	61,502	615,020	Issuance of 500,000 new shares with restricted employee rights	—	Note 4
2017.05	NT\$0	80,000	800,000	61,498	614,980	Cancellation of 4,000 shares of new share capital with restricted employee rights	—	—
2017.08	NT\$0	80,000	800,000	61,494	614,940	Cancellation of 4,000 shares of new share capital with restricted employee rights	—	—
2017.11	NT\$0	80,000	800,000	61,486	614,860	Cancellation of 8,000 shares of new share capital with restricted employee rights	—	—
2017.12	NT\$0	80,000	800,000	62,502	620,020	Issuance of 500,000 new shares with restricted employee rights	—	Note 5
2018.03	NT\$0	80,000	800,000	61,967	619,670	Cancellation of 19,000 shares of new share capital with restricted employee rights	—	—
2018.05	NT\$0	80,000	800,000	61,961	619,610	Cancellation of 6,000 shares of new share capital with restricted employee rights	—	—
2018.08	NT\$0	80,000	800,000	61,932	619,320	Cancellation of 29,000 shares of new share capital with restricted employee rights	—	—
2018.11	NT\$0	80,000	800,000	61,606	616,060	Cancellation of 300,000 shares of treasury stock Cancellation of 26,000 shares of new share capital with restricted employee rights	—	—

Month/ Year	Issue Price	Authorized Share Capital		Paid-in Share Capital		Remark		
		No. of shares	Amount	No. of shares	Amount	Source of Share Capital	Paid by assets other than cash	Others
2019.03	NT\$0	80,000	800,000	61,579	615,790	Cancellation of 27,000 shares of new share capital with restricted employee rights	—	—
2019.05	NT\$0	80,000	800,000	61,519	615,190	Cancellation of 60,000 shares of new share capital with restricted employee rights	—	—
2019.06	NT\$0	120,000	1,200,000	—	—	—	—	Note 6
2019.08	NT\$0	120,000	1,200,000	61,504	615,040	Cancellation of 15,000 shares of new share capital with restricted employee rights	—	—
2020.03	NT\$0	120,000	1,200,000	61,458	614,580	Cancellation of 46,000 shares of new share capital with restricted employee rights	—	—
2020.05	NT\$0	120,000	1,200,000	61,455	614,550	Cancellation of 3,000 shares of new share capital with restricted employee rights	—	—
2021.03	NT\$0	120,000	1,200,000	61,418	614,180	Cancellation of 37,000 shares of new share capital with restricted employee rights	—	—
2021.12	NT\$0	120,000	1,200,000	61,406	614,060	Cancellation of 12,000 shares of new share capital with restricted employee rights	—	—
2022.09	NT\$0	120,000	1,200,000	62,336	623,360	Exercise employee stock options for 930,000 shares	—	—
2022.11	NT\$0	120,000	1,200,000	62,939	629,390	Exercise employee stock options for 603,000 shares	—	—
2022.12	NT\$0	120,000	1,200,000	63,139	631,390	Exercise employee stock options for 200,000 shares	—	—
2023.02	NT\$0	120,000	1,200,000	63,354	633,540	Exercise employee stock options for 215,000 shares	—	—
2023.03	NT\$0	120,000	1,200,000	64,494	644,940	Exercise employee stock options for 1,140,000 shares	—	—
2023.04	NT\$0	120,000	1,200,000	65,050	650,497	Domestic bond conversion of 2,747 shares; Exercise employee stock options for 553,000 shares	—	—

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

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

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

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

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

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

18 April 2023; Unit: Shares

Type of shares	Authorized Share Capital			Remark
	Issued shares (Note)	Unissued shares	Total	
Ordinary shares	65,049,747 listed shares	54,950,253	120,000,000	

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

## (2) Shareholding structure

18 April 2023

Shareholding Structure Amount	Government Authority	Financial Institution	Other Legal Entity	Individual	Foreign Entity and Individual	China Entity and Individual	Total
No. of person	0	5	15	2,911	23	1	2,955
No. of shares	0	95,274	2,607,000	26,985,321	35,164,152	198,000	65,049,747
Shareholding %	0	0.15	4.01	41.48	54.06	0.30	100

## (3) Shareholding distribution

1. Ordinary Shares

18 April 2023; Unit: Shares

Ranking of Shareholdings	No. of shareholders	No. of shares held	Shareholding (%)
1 to 999	318	25,413	0.04
1,000 to 5,000	2,028	4,208,955	6.47
5,001 to 10,000	259	2,052,272	3.15
10,001 to 15,000	80	1,062,001	1.63
15,001 to 20,000	67	1,238,000	1.90
20,001 to 30,000	53	1,357,000	2.09
30,001 to 40,000	28	1,028,954	1.58
40,001 to 50,000	25	1,135,000	1.74
50,001 to 100,000	45	3,234,000	4.97
100,001 to 200,000	24	3,425,153	5.27



200,001 to 400,000	9	2,786,399	4.28
400,001 to 600,000	7	3,473,000	5.34
600,001 to 800,000	4	2,682,000	4.12
800,001 to 1,000,000	3	2,854,000	4.39
1,000,001 and above	5	34,487,600	53.02
Total	2,955	65,049,747	100

2. Preferred shares: Nil

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

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

18 April 2023

Shares	No. of shares held	Shareholding (%)
Name of substantial shareholders		
Taishin International Bank is entrusted to manage the investment account for Above Vantage Limited	27,956,600	42.98
Wu Shu Jhen	2,093,000	3.22
HSBC is entrusted to manage the investment account for Core Pacific Yamaichi International (H.K.) Limited	1,653,000	2.54
Jiang Ji Ru	1,454,000	2.24
Kwok King Lam Keenan Ken	1,331,000	2.05
Fuh Hwa Life Goal Balance Fund	1,000,000	1.54
Eastech Holding Limited overseas foreign-national employees collective	970,000	1.49
Wang Guo Liang	884,000	1.36
Fuh Hwa Aegis	701,000	1.08
Trustee Insurance of HSBC (Taiwan) Commercial Bank Co., Ltd.	676,000	1.04

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

Unit: NT\$; thousand Shares

Item \ Year		2021	2022	As at 31 March 2023
Market price per share	Highest	28.00	43.50	44.25
	Lowest	17.50	19.80	32.30
	Average	21.54	26.74	37.61
Net assets per share (Notes 1 & 2)	Before distribution	27.07	35.59	33.36
	After distribution	26.47	32.48	33.36
Earnings (loss) per share (Notes 1 & 2)	Weighted average no. of shares	60,970 thousand shares	61,291 thousand shares	63,069 thousand shares
	Earnings (loss) per share	6.03	6.03	1.08
Dividend per share	Cash dividend (Notes 2 & 4)		0.60	3.05
	Stock Dividend Distribution	Surplus shares distribution	–	–
		Capital reserve shares distribution	–	–
	Accumulated unpaid dividend		–	–
Analysis of return on investment	Price-Earnings Ratio (Note 5)		3.57	4.43
	Price-Dividend Ratio (Note 6)		35.90	8.78
	Cash Dividend Yield (Note 7)		2.79%	11.39%

Note 1: The net assets and earnings per share for 2021 and 2022 were calculated based on the audited consolidated financial statements. The net assets and earnings per share as at 31 March 2023 were calculated based on the reviewed consolidated financial statements.

Note 2: The net assets per share for 2021 were calculated based on the number of shares of the Company issued as at the end of 2021, being 61,406 thousand shares. The net assets and dividends per share for 2022 were calculated based on the number of shares issued as at the end of 2022, being 63,139 thousand shares. The net assets per share as at 31 March 2023 were calculated based on the number of shares issued as at the end of March 2023, being 64,494 thousand shares.

Note 3: The profit per share for 2021 was calculated based on the weighted average number of shares of the Company, being 60,970 thousand shares. The earnings per share for 2022 were calculated based on the weighted average number of shares of the Company, being 61,291 thousand shares. The earnings per share as at 31 March 2023 were calculated based on the weighted average number of shares of the Company, being 63,039 thousand shares.

Note 4: The dividends per share for 2021 was calculated based on 61,406 thousand shares outstanding as at 25 February 2022.

The dividends per share for 2022 was calculated based on 64,494 thousand shares outstanding as at 9 March 2023.

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

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

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

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

### **1. Dividend Policy**

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

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

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

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

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

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

On 24 February 2023, the Board approved the resolution to distribute a cash dividend of NT\$3.1 per share for the year 2022 and authorized the chairman of the board to handle dividend distribution and other related matters.

The cash dividend was adjusted to NT\$3.04520420 per share due to the exercise of the employee stock options for the subscription of ordinary shares of the Company, and was paid on 20 April 2023.

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

It is expected that the Company will report the status and results of the cash dividend distribution at the general meeting to be held on 16 June 2023.

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

**(8) Staff and directors' compensation**

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

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

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

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

The compensation of staff and directors for the current period was estimated in accordance with the requirements of the articles of association and was approved by the Board of Directors on 24 February 2023 and there is no difference.

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

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

As approved by the Board of Directors on 24 February 2023, the Company intended to distribute the compensation of staff and directors of NT\$22,369,917 and NT\$6,300,000 respectively. All of the abovementioned amounts will be paid in cash.

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

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

It is expected that the compensation of staff and directors to be reported by the Company at the general meeting to be held on 16 June 2023 will be NT\$22,369,917 and NT\$6,300,000, respectively.

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

On 25 February 2022, the Board resolved to distribute employees' compensation and director's compensation in the amount of NT\$10,523,000 and NT\$6,300,000, respectively. There is no difference in the amount of employees' compensation and director compensation resolved by the Board from the actual amount paid and the amount of employees' compensation and director compensation recognized in the financial statements of 2021.

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

## 2. Corporate Bonds (including overseas corporate bonds):

### (I) Corporate bonds outstanding and in process

Type of Corporate Bonds	First secured convertible corporate bonds in the R.O.C.
Date of Issue (Processing)	28 November 2022
Denomination	Denomination of NT\$100,000 per bond
Place of issuance and trading	Taipei Exchange
Issuance price	NT\$106,420
Total amount	Total amount of issuance is NT\$350,000,000
	The amount raised is NT\$372,471,810
Interest	0% coupon rate
Term	A term of 3 years with maturity date at 28 November 2025
Guarantor	CTBC Bank Co., Ltd
Trustee	Yuanta Commercial Bank Co., Ltd.
Underwriter	KGI Securities Co., Ltd.
Attorney	Chiu Shih Fang Managing Attorney of Der Kai Law Firm
Certified Public Accountant	Deloitte Taiwan
	Shi Jin Chuan and Qiu Yong Ming, CPA
Repayment method	The convertible bonds shall be repaid in cash in one lump sum upon maturity at the nominal amount of the bonds, except for the conversion of the bonds into ordinary shares of the Company in accordance with Article 11 of this Regulation, exercise of the right to repurchase in accordance with Article 22 of this Regulation, or early redemption by the Company in accordance with Article 21 of this Regulation, or the purchase and cancellation by the securities dealer's office.
Outstanding principal amount	NT\$349,900,000 (as of 18 April 2023)
Terms of Redemption or Early Repayment	In accordance with Article 21 of the Regulations Governing the Issuance and Conversion of Bonds, if (1) the closing price of the Company's ordinary shares is 30% higher than the conversion price of the Bonds for 30 consecutive business days, the Company may redeem the Bonds in cash at any time during the period from the date after the third month of issuance to 40 days prior to maturity, or (2) if the outstanding balance of the Bonds is less than 10% of the total nominal value of the original issue.
Restrictive terms	Nil
Credit Rating Agency Name, Date of rating, corporate bond rating results	N/A

Additional rights	Amount of ordinary shares, overseas depositary receipts or other marketable securities converted (exchanged or warrants) as of the date of publishing of the annual report	As of 18 April 2023, a total of 1 corporate bond was applied for conversion and converted into 2,747 ordinary shares.
	Issuance and Conversion (Exchange or Stock Purchase)	Please refer to the Regulations Governing the Issuance and Conversion of the Company's First Secured Convertible Corporate Bonds in the Republic of China.
The method of issuance and conversion, exchange or subscription, the possible dilution of shareholdings from the issuance and impact on the interests of existing shareholders		Based on the current issued share capital of 65,050,000 shares and the current conversion price of NT\$36.4 per share, the number of unconverted shares is 3,499 as of 18 April 2023. If all the outstanding bonds are converted into ordinary shares, the number of shares will increase by approximately 9,612,000 shares, which is a dilution ratio of 14.78%, and the impact on shareholders' equity will be limited.
Name of entrusted custodian for the bond exchange		Nil

## (II) Convertible Corporate Bonds

Unit: NTD

Type of Corporate Bond		The first guaranteed convertible corporate bonds in the R.O.C.	
Item	Year	2022	Current year up to 18 April 2023
	High	113.90	125
Market Value of Convertible Corporate Bonds	Low	106.40	109
	Average	110.15	117
Conversion price		28 November 2022~31 December 2022: NT\$39.20	1 January 2023~31 March 2023: NT\$39.20
			1 April 2023~18 April 2023: NT\$36.40 (Note)
Issuance (processing) date and conversion price at issuance		Issued on 28 November 2022 with a conversion price of NT\$39.20 at issuance	
Method for performing the conversion obligation		Issuance of new shares	

Note: The conversion price is adjusted due to the ex-dividend process.

3. Preferred shares: Nil.

4. Global depositary receipts: Nil.



## 5. Employee Stock Options

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

12 May 2023

Type of Employee Stock Options	First issuance of employee stock option certificates by the Company
Effective date and total units of issuance	19 September 2018 1,600 units
Date of issuance	10 June 2019
Subscription period	4 years from the date of granting
Unit of issuance	400 units
Number of units remaining to be issued	—
Number of shares issued as a percentage of the total number of shares in issue	0.61%
Subscription period	10 June 2019~9 June 2023
Way of performance	Issuance of new shares
Restriction period and ratio (%) of subscription	100% of the stock options are exercisable after 3 years from issuance
Number of shares issued upon exercise of options	300,000 shares
Amount of options exercised	NT\$9,020,000
Number of unexercised shares lapsed (Note)	0 share
Number of outstanding stock options	100,000 shares
Subscription price per share for unexercised stock options	NT\$28.6
Number of shares issuable pending exercise of options as a percentage of the total number of shares in issue (%)	0.15%
Impact on shareholders' equity	The Company's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted. Therefore, the dilution effect on the original shareholders is limited.

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

Type of Employee Stock Options	Second issuance of employee stock option certificates by the Company	
Effective date and total units of issuance	23 May 2019 4,550 units	
Date of issuance	10 June 2019	19 May 2020
Subscription period	4 years from the date of granting	4 years from the date of granting
Unit of issuance	4,347 units	203 units
Number of units remaining to be issued	—	—
Number of shares issued as a percentage of the total number of shares in issue	6.68%	0.31%
Subscription period	10 June 2019~9 June 2023	19 May 2020~18 May 2024
Way of performance	Issuance of new shares	Issuance of new shares
Restriction period and ratio (%) of subscription	100% of the stock options are exercisable after 3 years of issuance	100% of the stock options are exercisable after 3 years of issuance
Number of shares issued upon exercise of options	2,411,000	0
Amount of options exercised	NT\$73,262,200	0
Number of unexercised shares lapsed (Note)	1,765,000 shares	203,000 shares
Number of outstanding stock options	171,000 shares	0 share
Subscription price per share for unexercised stock options	NT\$28.60	—
Number of shares issuable pending exercise of options as a percentage of the total number of shares in issue (%)	0.26%	0%
Impact on shareholders' equity	The Company's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted . Therefore ,the dilution effect on the original shareholders is limited.	The Company's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted . Therefore ,the dilution effect on the original shareholders is limited.

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

Type of Employee Stock Options	Third issuance of employee stock option certificates by the Company	
Effective date and total units of issuance	25 September 2019 2,639 units	
Date of issuance	19 May 2020	6 August 2020
Subscription period	4 years from the date of grant	4 years from the date of grant
Unit of issuance	2,557 units	82 units
Number of units remaining to be issued	—	—
Number of shares issued as a percentage of the total number of shares in issue	3.93%	0.13%
Subscription period	19 May 2020~ 18 May 2024	6 August 2020~ 5 August 2024
Way of performance	Issuance of new shares	Issuance of new shares
Restriction period and ratio (%) of subscription	100% of the stock options are exercisable after 3 years of issuance	100% of the stock options are exercisable after 3 years of issuance
Number of shares issued upon exercise of options	0	0
Amount of options exercised	0	0
Number of unexercised shares lapsed (Note)	1,177,000 shares	82,000 shares
Number of outstanding stock options	1,380,000 shares	0 share
Subscription price per share for unexercised stock options	NT\$22.80	—
Number of as a percentage of the total number of shares in issue (%)	2.12%	0%
Impact on shareholders' equity	The Company's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted. Therefore, the dilution effect on the original shareholders is limited.	The Company's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted. Therefore, the dilution effect on the original shareholders is limited.

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

Type of Employee Stock Options	Fourth issuance of employee stock option certificates by the Company	Fifth issuance of employee stock option certificates by the Company	Sixth issuance of employee stock option certificates by the Company
Effective date and total units of issuance	7 May 2020 219 units	9 July 2021 2,461 units	24 December 2021 1,158 units
Date of issuance	27 April 2021	20 August 2021	21 January 2022
Subscription period	4 years from the date of grant	4 years from the date of grant	4 years from the date of grant
Unit of issuance	219 units	2,460 units	1,030 units
Number of units remaining to be issued	–	–	128 units
Number of shares issued as a percentage of the total number of shares in issue	0.34%	3.78%	1.58%
Subscription period	27 April 2021~ 26 April 2025	20 August 2021~ 19 August 2025	21 January 2022~ 20 January 2026
Way of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restriction period and ratio (%) of subscription	100% of the stock options are exercisable after 3 years of issuance	100% of the stock options are exercisable after 3 years of issuance	100% of the stock options are exercisable after 3 years of issuance
Number of shares issued upon exercise of options	0	0	0
Executed stock options	0	0	0
Number of unexercised shares lapsed (Note)	0 share	370,000 shares	30,000 shares
Number of outstanding stock options	219,000 shares	2,090,000 shares	1,000,000 shares
Subscription price per share for unexercised stock options	NT\$19.50	NT\$17.50	NT\$18.70
Number of shares issuable pending exercise of options as a percentage of the total number of shares in issue (%)	0.34%	3.21%	1.54%
Impact on shareholders' equity	The Company 's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted . Therefore, the dilution effect on the original shareholders is limited.	The Company 's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted . Therefore, the dilution effect on the original shareholders is limited.	The Company 's stock option holders may not exercise their stock options in full until three years after the employee stock option certificates have been granted . Therefore, the dilution effect on the original shareholders is limited.

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

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

12 May 2023; Unit: thousand shares

	Position	Name	No. of shares acquired	No. of shares acquired as a percentage of total no. of shares in issue	Exercised				Not Yet Exercised			
					No. of shares subscribed	Subscription price	Subscription amount	No. of shares subscribed as a percentage of total no. of shares in issue	No. of shares subscribed	Subscription price (NT\$)	Subscription amount (NT\$'000)	No. of shares subscribed as a percentage of total no. of shares in issue
Management officers	Director (Note 1)	Pai Chin Chang	1,881	2.89%	1,070	28.60 ~ 30.80	32,780	1.64%	811	17.50 ~ 28.60	18,543	1.25%
	Director (Note 2)	Chang Tung I										
	Senior Vice President (Note 4)	Hsu Chih Hsian										
	Vice President	Chang Po Chao										
	Chief Financial Officer	Lam Pui Man										
	Chief Audit Officer	Ko Chun Ming										
	EAVN General Manager (Note 5)	Low Weng Seet										

	Position	Name	No. of shares acquired	No. of shares acquired as a percentage of total no. of shares in issue	Exercised				Not Yet Exercised			
					No. of shares subscribed	Subscription price	Subscription amount	No. of shares subscribed as a percentage of total no. of shares in issue	No. of shares subscribed	Subscription price (NT\$)	Subscription amount (NT\$'000)	No. of shares subscribed as a percentage of total no. of shares in issue
Staff (Note 3)	Senior Associate	Wang Yu Rong	2,741	4.21%	1,641	28.60 ~ 30.80	49,502	2.52%	1,100	18.70 ~ 28.60	25,414	1.69%
	Associate	Wang Zhi Hong										
	Associate	Wang Feng Shi										
	Deputy General Manager	Lee Kheng Wee										
	Senior Manager	Goh Ngak Mee										
	Senior Associate	Lim Sou Eng Hwa										
	Senior Associate	Lin Jixiong										
	Senior Associate	Kim Haeng Seon										
	Senior Vice President	Hsu Chih Hsian										
	Deputy General Manager	Chan Hoi Lung										
	Deputy General Manager	Teng Chiou Shiang										
	Senior Associate	Low Weng Seet										

Note 1: Being the President of the Company.

Note 2: Being the Vice Executive President of a subsidiary.

Note 3: Being a staff of a subsidiary.

Note 4: Served as the head of Information Security Department of the Company since 1 January 2023.

Note 5: Appointed by the Board on 27 April 2023.

**6. Restricted shares for employees**

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

**7. Mergers and acquisitions**

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

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

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

## V. OPERATIONAL HIGHLIGHTS

### 1. Business activities

#### (1) Scope

##### 1. Principal Business

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

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

Unit: NT\$'000

Item \ Year	2021		2022	
	Amount	%	Amount	%
Home Audio	4,804,276	51.05	8,673,517	67.70
Personal Audio	2,897,382	30.78	2,814,340	21.97
Transducer Speaker	421,663	4.48	416,113	3.25
Others	1,288,990	13.69	906,412	7.08
Total	9,412,311	100	12,810,382	100

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

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

Home Audio	Home theater, Sound Bars
Personal Audio	Portable wireless speakers, AI music center and earphones
Transducer Speaker	Premium transducers, automotive transducers, acoustic kits
Others	Molds, CKD (speaker units, plastic parts, semi-finished products)

##### 4. Planned development of new products (service) project

###### (1) Introduction of new technology: Bluetooth Low Energy, BLE

In respect of audio technology, new models of Bluetooth Low Energy audio (BLE audio) in 2022 and 2023 under research and development will be fully launched including a complete range of home and personal audio products and earphones. LE Audio which uses low-energy Bluetooth spectrum for communication has the feature of saving power consumption during operation. LE Audio is not only compatible with Classic Audio devices which use Bluetooth Classic spectrum, but also supports more new functions. In addition to saving power through



wireless communication, LE Audio also introduces a more power-efficient (Low Complexity Communications Codec (LC3), which can maintain sound quality while reducing the computing requirements of the source devices, Bluetooth earphones, and speakers for audio processing.

- (2) Environmental protection application: We have researched and developed products which use environmentally friendly materials in packaging and products, including the use of solar panels for charging to increase the diversity of power sources and increase the usage time.
- (3) Research and development of new material: Development of differentiated technology content such as new material for diaphragm and sputtering method to improve the performance of acoustic sound quality.

## **(2) Industry overview**

### **1. Current Industry Status and Development**

#### **(1) Home Audio**

The Company is a holding company established in the Cayman Islands in February 2011. Its operating subsidiaries focus on the research and development, manufacture and sales of speaker systems, audio/video electronic home entertainment systems, headphones, acoustic kits, transducer speaker, as well as smart speakers and smart wears for a wide range of applications in downstream end markets, including home theatres, audio combinations, computers/tablets, game consoles, digital music players, smart phones, mobile wireless speakers, smart audio and other consumer electronic products.

The main products of the Company and its subsidiaries are electro-acoustic products, which can be divided into microphones and speakers, commonly known as loudspeakers. The loudspeaker industry (also known as the electro-acoustic industry), of which the Company and its subsidiaries belong to, has been developed for years. A loudspeaker is a device that converts electrical signals into audio signals, an important component for sound output of electronic audio-visual products. The structure of a loudspeaker is divided into three main parts: the vibration system, the magnetic circuit and the body. Most of the beautiful sounds heard by human beings are transmitted through loudspeakers, which are used in a wide range of applications. The main products of the Company and its subsidiaries, speaker systems and earphones, are described below:

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

As a component of consumer electronics, the demand and supply of loudspeakers is closely related to the standard of living of the population and the popularity of technology products. Economic growth has been slow in recent years due to the impact of the epidemic, and high unemployment and inflation have put pressure

on the global loudspeaker market. However, thanks to the development of wireless technology, there are now a large number of speaker systems, especially small and portable ones, that use Bluetooth technology, allowing them to play music from a mobile phone or other Bluetooth-enabled device without the need for a cable.

In terms of personal audio, the trend is to go wireless and electronic. In the future, voice recognition will become the main interactive interface for IoT (Internet of Things) devices, smart home systems and AI service applications. As more information is accumulated using virtual personal assistants (VPA), AI, deep learning and machine learning all require huge ecosystems to provide and accumulate large amounts of data and information, and wireless speakers play an important role, while voice control has become the biggest highlight and buying point in recent years and will bring exponential growth. In terms of home audio, the popularization of LED TV, Smart TV and other related hardware devices, coupled with consumers' access to OTT (Over-the-top media services; a type of streaming media service provided directly to viewers over the Internet) and the digitization of TV viewing, has led to a rise in demand for high-definition audio and video entertainment and increasing consumer demand for home theatres and Sound Bars. With home theatre systems and Sound Bars (one-piece audio systems), Dolby Digital surround sound can be perfectly reproduced. Digital audio technology has significantly improved the quality of home audio and video enjoyment. In addition, with the rapid development of wireless transmission technologies such as Bluetooth and Wi-Fi, transmission speed, power consumption and stability are becoming more and more in line with the needs of electro-acoustic products, and with the continued launch of smart home devices, technological innovation and market demand for home theatre products are increasing, as well as the demand for audio-visual electronics in terms of quantity and quality.

In recent years, smart speakers have become increasingly popular with consumers, mainly due to growing number of applications, in addition to great demand for SmartHome, the Smart Office, commercial and automotive markets are also trending on smart devices, driving demand for smart speakers. According to market research firm GII Global Information, the global market for smart audio is estimated to reach US\$14.83 billion in 2022 and US\$26.77 billion in 2028, with a compound annual growth rate of 10.34% from 2022 to 2028. The market for smart speakers is expected to grow significantly. In addition, according to a report by Strategy Analytics, the impact of the epidemic has increased the likelihood of future smart device adoption, with the global smart home device market forecast to grow at a 15% compound annual growth rate by 2025 to reach US\$88 billion. The epidemic is changing people's lifestyles, catalyzing the growth of remote and zero-touch technology, which is in effect driving the smart home forward and will continue to boost smart speaker shipments.

## ② Headphones

Headphones, the main products of the Company and its subsidiaries, are devices that convert electronic signals into acoustic signals and serve as an indispensable component of audio output in various devices. Headphones are generally independent of the source and are connected by wired or wireless means. In recent years, with the rapid development of the tablet computer and smartphone industries, headphones have become more and more important to consumers as an external output device for these audio sources, and the demand for their appearance and sound quality has also increased.

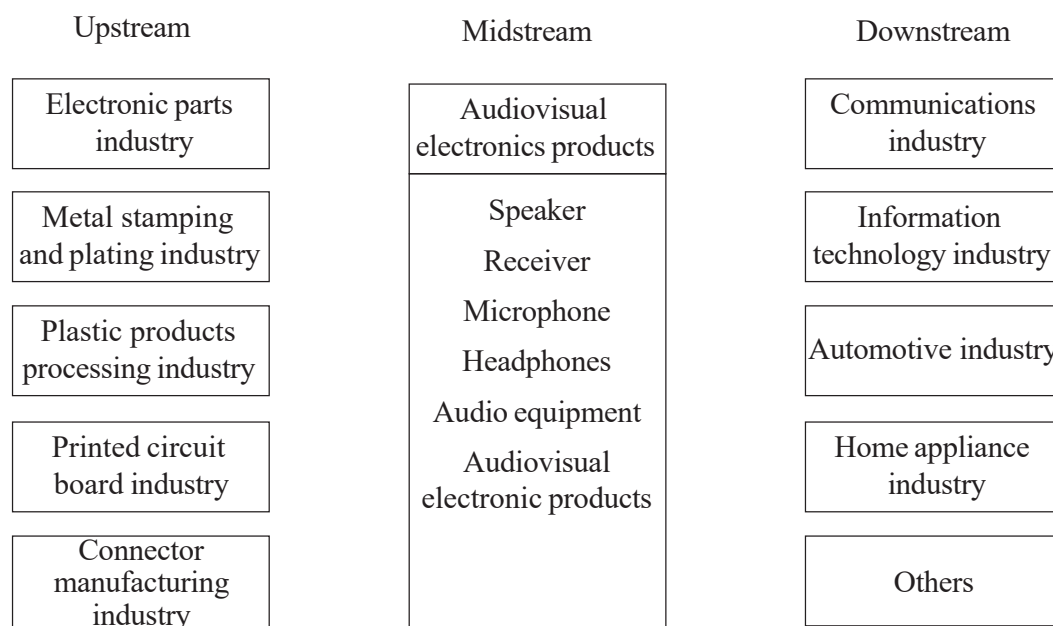
With the development of wireless headphones and technologies such as Bluetooth, the quality and efficiency of wireless transmission has improved and the technology and applications continue to evolve and change. In addition, the outbreak of the epidemic has drastically changed people's lifestyles, with activities ranging from remote work to home gym increasing in popularity and driving sales of wireless headsets. According to Grand View Research, global headphone shipments are expected to grow from 590 million units in 2021 to 1.3 billion units in 2027, representing a compound annual growth rate of 14.6%, while end-use production will grow from US\$42 billion to US\$127 billion, representing a compound annual growth rate of 20.3%. In particular, true wireless headsets (TWS) are expected to reach 500 million units worldwide in 2022, up 38% from 2021, according to market research firm Strategy Analytics.

In general, the increasing demand for tablet computer, smartphones and various digital audio and video products, as well as the introduction of new products and the application of digital technology in digital audio, headphone amplifiers and wireless transmission, will increase the demand for portable listening and will certainly expand the earphone market. As the current usage of true wireless headphones is still mainly with mobile phones, the penetration rate of true wireless headphones is low as reflected by the ownership of mobile phones and headphones, and there is still plenty of room for future development.

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

In the industrial supply chain of the audio-visual electronic products manufacturing industry, upstream manufacturers of plastic injection, metal stamping, wire processing and electronic parts provide relevant components which are tested by electro-acoustic manufacturers in terms of assembly nature and then sold to the downstream industry for use through the electro-acoustic manufacturers' or their agents' distribution channels. The downstream and product end-use industries include the communications, information technology, automotive and home appliance industries. The

audio-visual electronics and headphones produced by the Company are mainly used in downstream end-use products such as home theaters, audio combinations, computers/tablets, game consoles, digital music players and smart phones.



Source: Taiwan Industry Economics Services

### 3. Development Trend and Competition of Products

#### (1) Development Trend of Products

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

In recent years, the rapid evolvement of digitalization and networking, and the popularity of portable electronic consumer products namely LCD TV, notebook, tablet computer and smart phones have drastically changed the demand of consumer for audio and video entertainment. To cater for the consumers' demand for audio/video experience, the whole speaker industry is under considerable transformation. Different kinds of speaker systems are unveiled in line with the transformation of the downstream electronic consumer products. As such, the life cycle of product is diminished, the technologies of speaker products and electronic digital system integrate, and the industry is developing towards multi-functions, wireless and miniature in size.

Audio products have been supplied by Driver and Loader. Recently, however, it has been gradually shifted to the mode of supply by wireless transmission or by streaming mode. The size of main unit is thus greatly reduced. This trend has enabled the shift to product unification of main unit and speakers from the separate installation of main unit and speakers. The size of sound products is reduced and the popularity among customers is greatly enhanced. In addition, the smart speakers with voice as an

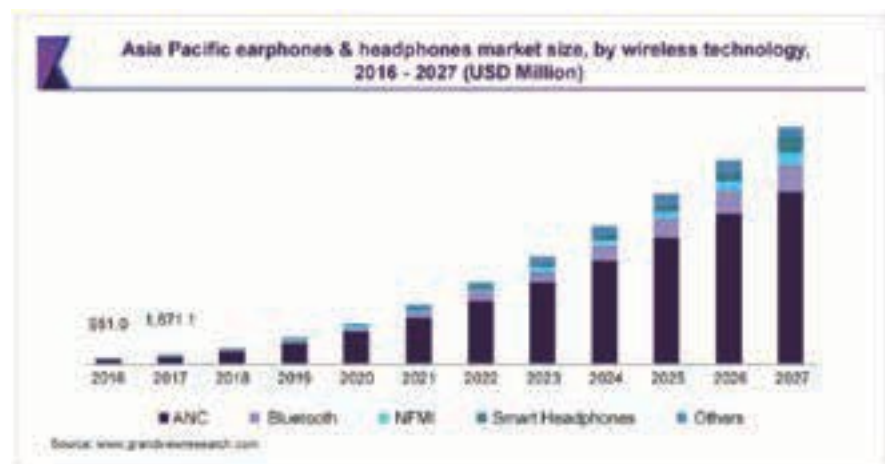
interface and with connection to the Cloud become a household intelligent assistant or digital hub. As the use of AI music center increased and the expansion of the popularity of Smart homes, wireless streaming of audio content became popular. According to the statistics from GII Global Information, the global AI music center market is expected to grow to US\$26.77 billion between 2022 and 2028, with an estimated compound annual growth rate of 10.34%. It is expected that these products will continue to grow.

Currently, loudspeakers have gradually become an essential consumer product in most places. In view of the rising standard of living around the world and the popularity of loudspeakers and its application products, manufacturers are committed to developing more advanced acoustic technology and creating high-quality audio and video experiences for home entertainment. TV equipped with single-unit surround sound and high-end Bluetooth speakers offers high resolution sound quality player, LDAC audio coding and smart wireless Multi-room streaming functions as well as advantages such as online music streaming services. The acoustic technology enables the sound quality and real sensation of music when it is created and recorded can be demonstrated. With the booming development of next-generation consumer electronics, the global production value and market scale of loudspeakers will show a steady growth trend in the coming years.

## ② Earphones

In the earphone market, the coronavirus epidemic in 2020 is a crucial point in its course of development. As affected by the epidemic, earphones have changed from a tool simply for music listening to an important peripheral accessory for online classes, video games, and video conferences, directly expanding the demand for earphone products. Consumers' preference for an enhanced portable audio experience, coupled with streaming music consumption habits created by mobile technology and broadband wireless network, are the main reasons for the growth of the earphone industry. TWS, the products that benefitted from the trend, are small in size, stored in a charging case for portable use, and free from wire connection between the left and right, making them popular among young people, sports enthusiasts, and those who are keen on maintaining their posture. Further, intelligent features such as smart assistant, hand gesture recognition, to automatic music playing or stopping by detecting users' wearing and taking off the earphones, have accelerated people's adoption of TWS earphones. In particular, adding sensors to the earphones to track the user's physical condition (such as heartbeat detection) will enable earphones to find new application value in the healthcare market.

According to Grand View Research's World Earphone Trends Survey, the Bluetooth earphone market is expected to continue to grow from 2020 to 2027, of which the strongest growth is Bluetooth earphones in the middle to lower price range, and the main countries recording sales growth include the U.S., Canada, England, Germany, France, China, Japan and India. The TWS continues to improve in technology, such as stability of connection, power, sound quality, and latency, which makes it more convenient for consumer use, and the new generation of sound-based social media, such as Podcast and ClubHouse, has boosted the growth of TWS Bluetooth earphones. Although the global industry has been severely impacted by the recent coronavirus epidemic and the consumption power has been reduced, the popularity of coronavirus vaccination and the gradual relaxation of the epidemic prevention restrictions by most countries have gradually recovered the economy, therefore, in the post-epidemic era, it seems that TWS Bluetooth earphones will grow from strength to strength in the future.



## (2) Competition

The loudspeaker industry is labor- and capital-intensive, and has entered a mature stage after a long period of development. The industry chain clustering effect is obvious, mainly OEM/ODM order taking with fierce price competition in the industry. Manufacturers need to achieve economy of scale in production through cheap labor, equipment expansion and technology standardization, and gain profits through strategies such as cost control or product differentiation.

The Company and its subsidiaries have been engaged in acoustic product manufacturing for many years, and have a professional engineering team in the fields of acoustics, electronics, hardware, software and systems. They have accumulated rich experience in the field of loudspeaker manufacturing and have mastered the core technology of loudspeaker manufacturing. With our superior product design and development capabilities and vertically integrated production supply chain, we have provided OEM services for audio/video electronics and earphone systems for various international well-



known brands and have established long-term sound partnership with our brand-name customers. In addition, the Company and its subsidiaries strive to explore new potential applications, new technologies and new customers, adopt differentiation in place of price competition to achieve better business performance, and provide customers with one-stop shopping and comprehensive acoustic solution services from OEM, ODM to JDM (Joint Design Manufacturer) with flexible business models, which will help the Company and its subsidiaries to maintain their market position and competitiveness.

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

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

In the manufacturing industry of audio-visual electronic products, R&D and product innovation capabilities are the key factors to success for the Company in competing with its peers in the world. The Company has cultivated its own R&D unit for many years, which has formed a complete work division flow and integration system, comprising functions of acoustic and electronic R&D, structural development, software/hardware engineering capabilities. In the meantime, the Company has developed the speaker unit development technology for more than 20 years. In the 2019 CES, the Company successfully launched the “PUNKTKILDE™”, which is a new brand of quality sensors. This product line is a series of sensors designed by Scan-Speak and produced by the Company, which introduces the Danish design, a functionalistic design style, to more customers around the world by providing superior sound quality and economies of scale. Coupled with its advanced wood carving technique of loudspeaker and plastic injection technology as well as the electronic technologies of sound devices, we can provide customers with high standards of R&D design with international standard audition studio and cutting-edge speaker development technology by using Klippel® and installing world-leading design tools such as COMSOL. Since being able to cater for the new product development of international manufacturers, the Company obtained ISO9001 and ISO14001 international quality assurance systems in 2006 and obtained TS16949 certification in 2016. In addition, the key components of the speaker systems are mainly made in its own factory to ensure the stability of product quality and delivery guarantee.

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

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

Unit: No. of individual

No. of individual/Year		2021	2022	As at 31 March 2023
Education Background Distribution	Doctoral	0	0	0
	Postgraduate	6	4	5
	Degree/Professional	184	188	185
	Senior High School	40	28	28
	Below Senior High School	5	6	5

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

Unit: NT\$'000

Year	2021	2022
R&D Expenses (A)	230,479	257,564
Net Revenues (B)	9,412,311	12,810,382
The Proportion of R&D Expenses%= (A)/(B)	2.45	2.01

4. Results of Research and Development

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

Year	Results of Research and Development
2021	Hi-Res Full Range
	Super power Subwoofer
2022	Glass diaphragm
	Front cooling magnetic system
	Patented ultra-thin full range transducer (23mm thickness)

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

1. Short-term business development plan

(1) Research and development strategies and plan

- A. Enhance the R&D on connectivity of voice-controlled and various wireless transmission (e.g. Wi Fi, Bluetooth, 5G, Chromecast, Airplay 2, etc.) and audio products.
- B. Utilize the self-developed patent high-efficiency speakers, providing audio cavity modules and kit modules for international brands.



- C. Enhance the R&D of production process of the customized high-end (HI-FI) speakers and Pro Audio speakers.
- D. Increase the R&D of high-end earphones such as TWS, High Resolution drive unit and smart sports Bluetooth earphone.
- E. Collaborate with major customers in software technology to provide the latest technology solutions to customers of the brands and enhance competitiveness.

(2) Production strategies and plans

- A. Understand the market trend, and set the production direction accordingly and clarify the positioning of the factory.
- B. Actively reform and improve the production efficiency and processing technology.
- C. Invest in assembly automation and energy-saving equipment to reduce labour force and energy. Accelerate the automation equipment that enlarges the speaker unit.
- D. Keep improving the production to enhance productivity of the plant. Set up independent production lines according to different categories of customers to meet customer needs. Set annual cost indicators to reduce the costs of material and expenses.
- E. Gradually integrate upwards to increase the added value of the product. Establish a dust-free constant temperature and humidity production line for the production of high-end products.
- F. Establish more professional plants and carry out grading transformation of plant areas and plants.

(3) Operating and financial strategies and plans

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

## 2. Long Term Development Strategies and Plans

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

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

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

### (2) Production Strategies and Plans

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

### (3) Operational and Financial Strategies and Plans

- A. Promoting the idea of internationalization and strengthening the international management capability, while at the same time recruiting different talents from the world, so as to reach excellent standards in terms of R&D, production, marketing, sales and operation management.

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

## 2. Market and sales overview

### (1) Market analysis

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

Unit: NT\$'000

Year Regions	2021		2022	
	Amount	Ratio (%)	Amount	Ratio (%)
South Korea	2,155,051	22.90	4,170,193	32.57
Japan	1,336,454	14.20	3,568,197	27.85
China (Note)	2,384,421	25.33	1,725,490	13.47
Sweden	1,003,102	10.66	1,680,075	13.11
Denmark	1,076,895	11.44	706,399	5.51
Other	1,456,388	15.47	960,028	7.49
Total	9,412,311	100.00	12,810,382	100.00

Note: Including indirect export

#### 2. Market Share

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

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

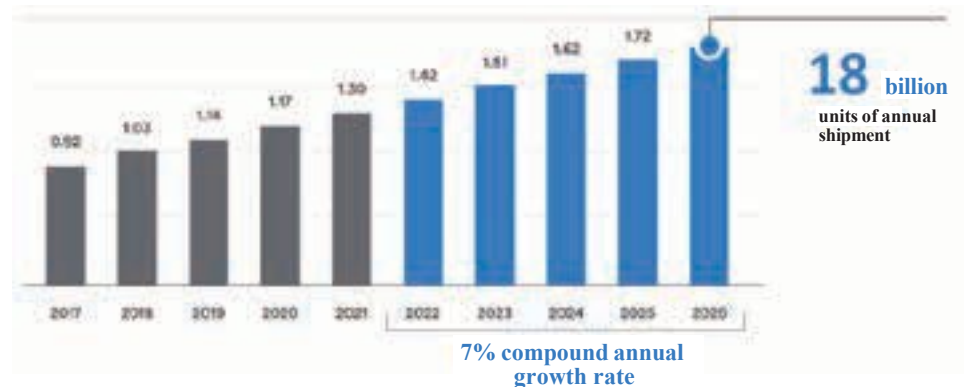
#### (1) Speaker Systems

As the lifestyle of consumers have changed in recent years and with the advent of the Internet of Things era, application of wireless systems equipped with Bluetooth technology has brought much convenience to our everyday life and increased the demand for home entertainment, which is the key driver for the growing demand for speaker systems. In addition, the ability to connect to portable devices such as smartphones, tablets and laptops is also expanding the market scope. The demand for home theater products is also accelerated by the surging number of smart home applications in the global market. According to the 2020 GlobeNewswire Report, the global home theater market is estimated to increase from US\$15 billion in 2020 to US\$48.1 billion in 2027, with a compound annual growth rate of 18.1%. In addition, the demand for Sound Bars will grow due to the advantages of reduced space consumption and easy installation, improved stability in the quality of wireless transmission and penetration of the Internet of Things technology, higher connectivity with smart homes, and increased utilization of the audio and video streaming market. According to forecast by Mordor Intelligence, the global Sound Bars market will reach US\$8.303 billion in 2026 with a compound annual growth rate of 8.06% from 2021 to 2026.

Moreover, Bluetooth technology eliminates the hassle of physical cables in connecting earphones and speaker devices, and completely changes the audio transmission mode. Bluetooth audio transmission is mainly used in wireless earphones, wireless audio and in-car systems. Due to the convenience of Bluetooth wireless speakers and the maturity of wireless transmission technology for mobile devices, Bluetooth wireless speakers have gradually become the mainstream of audio equipment in recent years, contributing to the growth of audio speakers. According to the estimation in ABI Research's report on 2022 Bluetooth Market Trends, Bluetooth wireless audio shipments are expected to reach 374 million units in 2022 and increase to 425 million units by 2026. The annual shipment of Bluetooth audio transmission devices is expected to reach 1.42 billion units, an expansion of 1.4 times from 2022 to 2026 with compound annual growth rate reaching 7%. Along with the overall market development and increasing demand for highly flexible and mobile products, Bluetooth technology will continue to expand the scale of wireless audio applications and drive the growth of smart audio products.

## Annual shipment of Bluetooth audio transmission device

Unit: billion



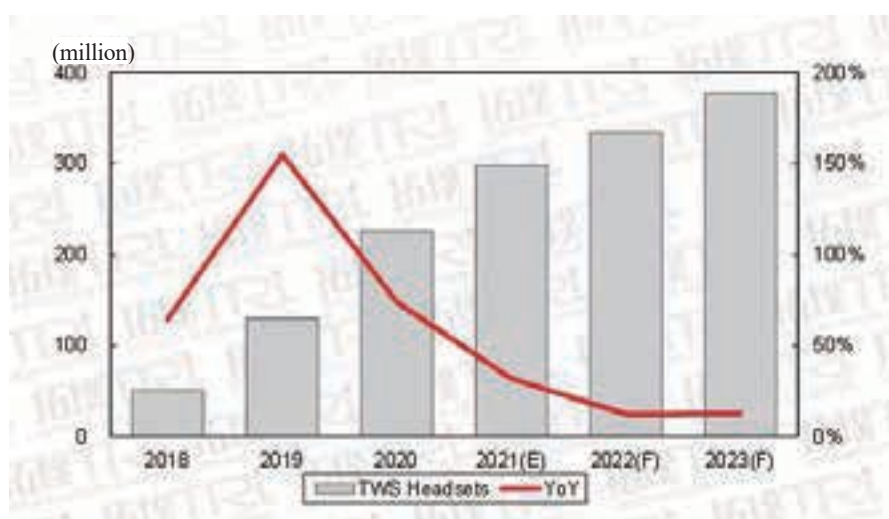
Sources: ABI Research, 2022

Generally speaking, with the increasing demand for quality of life and entertainment, the popularization of digital audio and video equipment and smart home devices, and the increasing demand for stay-at-home economy, telecommuting or distance learning, the demand for professional speaker products in the consumer market will continue to grow steadily.

### (2) Earphones

Since Apple's AirPods have created a new wave of purchasing frenzy in the market for TWS, the TWS issue has been popular since 2019, and many manufacturers have entered the TWS Bluetooth earphone market and launched new products in 2020 which driven the rapid expansion of this market. Hence acoustic performance and audio quality have become features of the products marketed by manufacturers, it also promoted the penetration of the active noise reduction function. In addition to listening to music, call applications and auditory assistance are also becoming the direction of TWS Bluetooth earphone development to meet more users' needs. Looking ahead, according to the TWS market and product development trend report published by Topology Research Institute, it is estimated that the global shipment of TWS Bluetooth earphones will continue to grow year by year from 2018 to 2023.

### Estimated Global Shipment of TWS Bluetooth Earphones for the years from 2018 to 2023



Sources: Topology Research Institute, July 2021

#### 4. Competition Niche

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

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

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

In the recent years, the Company and its subsidiaries actively participated in the R&D of different fields such as digitalization, network music, new broadcasting method and wireless application so as to cope with the market trend and technology. After many years of development, the Company's R&D department has a team with clear duty allocation and strong capability in the R&D of acoustic, electronic, structural devices and software/hardware, and has built up development foundation for digitalization and wireless broadcasting. Thus, it can swiftly commence design and development upon receipt of the clients' OEM/ODM proposals. The Company set up research and development centers in Taiwan, Shenzhen, Huiyang, Singapore to attract more professionals.

(3) Scale of Economy

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

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

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

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

The key components of speaker systems are mainly self-made, to ensure the quality of the products and to meet the delivery period as demand by clients. The Company and its subsidiaries have experience of years in R&D of speaker units, along with the solid R&D of speaker woodwork and plastic injection technology, and the R&D of digital speaker systems and the manufacturing technology, together with the audition room with international standards and Klippel®, the top notch R&D technology of speakers, the Company can accommodate the demand of international branded clients for R&D of new products.



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

(1) Favorable factors

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

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

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

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

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

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



(2) Unfavorable factors and the responsive measures

A. Shortage of labor and increase in labor cost

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

**Responsive measures:**

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

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

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

**Responsive measures:**

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

C. Swift changes in consumer electronic products

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

**Responsive measures:**

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

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

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

**Responsive measures:**

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

## E. Impacts brought by the coronavirus epidemic

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

### **Responsive measures:**

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

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

### 1. Major purposes of key products

Key Products	Major Purposes
Home Audio	Home theater, Sound Bars
Personal Audio	Portable wireless speakers, AI music center and earphones
Transducer Speaker	Premium transducers, automotive transducers, acoustic kits
Others	Molds, CKD (speaker units, plastic parts, semi-finished products)

### 2. The production process of key products

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

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

(3) Transducer speakers

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

(4) Earphones

The production procedure of earphones: pull the cable through the back case → weld the speakers → inspection on the appearance of the welding point → check the phase → inject plastic to the front case (pug in the screws) → assemble the front and back cases → check the resistance → appearance inspection → audio test → electroacoustic test → insert silicon ear cushion → packaging.

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

The main raw materials for the products of the Company are IC, circuit boards, electronic components, modules, batteries, plastic particles, planks, drum paper, T-iron, holders, magnets and copper wires, etc. Based on the considerations such as quality, yield rate, stability of delivery as well as cost control, the Company chose to maintain long-term cooperation relationship with excellent manufacturers, and there were at least two or more suppliers to provide main raw materials to decentralize the source. The supply of raw materials was in good condition.

In addition, some components required for Sound Bars and earphones, such as ANC/Bluetooth chips, MCU, power IC, DSP, codec, are in shortage. The shortage of electronic components and the increase of raw material prices and shipping fee are common after the epidemic and the Company will strengthen the integration of electronics, software and acoustics, accelerate the replacement of key electronic components, strengthen the partnership with major international brands, and develop new markets, businesses and applications with brand customers to reduce the crisis of electronic component shortage in the future. Due to the shortage of IC semiconductors and IC chips, the Company has been actively seeking other qualified IC suppliers to mitigate the risk of material shortage, and made bulk purchases and shortened payment term to shorten the lead time for raw materials as response.

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

1. The name of suppliers accounting for more than 10% of the total purchase volume in any year of the past two years, their sales amount and proportion, and the explanation for the movements: The Company has diverse suppliers, for the past two years and as at the end of the first quarter of 2023, the Company did not have purchases from a single supplier accounting for 10% or more of the total purchases.
2. The name of customers accounting for more than 10% of the total sales volume in any year of the past two years, their sales amount and proportion, and the explanation for the movements

Unit: NT\$'000

2021					2022				As at the end of the first quarter of 2023			
Item	Company	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Company	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Company	Amount	Percentage of annual net sales (%)	Relationship with the issuer
1	Company A	2,153,867	22.88	Nil	Company A	4,166,388	32.54	Nil	Company A	624,155	30.93	Nil
2	Company B	1,016,064	10.80	Nil	Company B	3,296,898	25.74	Nil	Company B	513,580	25.45	Nil
3	Company C	1,068,890	11.36	Nil	Company C	1,677,494	13.09	Nil	Company D	285,153	14.13	Nil
4	Company D	1,132,230	12.03	Nil	–	–	–	–	Company C	237,002	11.75	Nil
5	Others	4,041,260	42.93	–	Others	3,669,602	28.63	–	Others	357,848	17.74	–
	Net sales	9,412,311	100	–	Net sales	12,810,382	100.00	–	Net sales	2,017,738	100	–

**Explanation for the movements:**

- (1) The sales of specific products to customers by Company A were satisfactory, and the sales order increased as a result of the increased market demand from the customers.
- (2) The sales of specific products to customers by Company B were satisfactory, and the sales order increased as a result of the increased market demand from the customers.
- (3) The sales of specific products to customers by Company C were satisfactory, and the sales order increased as a result of the increased market demand from the customers.
- (4) Company D was affected by the impact of the South American market and the COVID-19, which reduced customer market demand and resulted in a decrease in sales orders.

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

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

Year Quantity and Value Key products	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Home Audio	6,450	4,479	4,571,467	5,907	4,205	7,878,939
Personal Audio	9,076	5,572	2,607,014	5,198	4,481	2,281,127
Transducer Speaker	3,021	2,621	344,908	2,603	2,322	386,102
Others	11,780	9,243	709,550	5,830	5,222	681,891
Total	30,327	21,915	8,232,939	19,538	16,230	11,228,059

**Explanation for the movements:**

As the business growth turned positive in 2022, revenue increased as compared to 2021, together with the enhanced capacity utilization rate and the increased average production value in 2022 as compared to 2021.

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

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

Year Sales quantity and Value Key Products	2021				2022			
	Domestic sales (Note)		Export sales		Domestic sales (Note)		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Home Audio	271	275,746	4,076	4,528,530	57	147,781	4,091	8,525,736
Personal Audio	4,050	847,746	1,276	2,049,636	3,400	776,069	1,361	2,038,271
Transducer Speaker	1,875	111,715	1,335	309,948	1,167	83,774	1,431	332,339
Others	30,623	319,480	85,354	969,510	20,589	255,686	17,029	650,726
Total	36,819	1,554,687	92,041	7,857,624	25,213	1,263,310	23,912	11,547,072

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

**Explanation for the movements:**

Sales value in 2022 increased as compared to 2021, mainly attributable to the increase in revenue as compared to 2021 as a result of the fact that the business growth turned positive in 2022.

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

Unit: Person; %

Person/Year		2021	2022	As at 31 March 2023
No. of employee	Management officers (Note)	26	33	35
	Production	1,222	1,251	1,214
	General	1,363	1,341	1,272
	Total	2,611	2,625	2,521
Average age		42.83	37.59	37.94
Average year of service		5.97	6.46	6.57
Academic qualification (%)	Doctoral	0	0	0
	Master	1.03	1.14	1.19
	University	24.55	23.89	24.36
	Senior high school	34.47	33.71	33.44
	Below senior high school	39.95	41.26	41.01

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

**4. Environmental protection expenditure**

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



## 5. Labour relations

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

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

#### (1) Employees' Benefits

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

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

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

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

##### ① Orientation Training:

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

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

② On-the-job Training:

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

(3) Pension System and its Execution

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

The Group maintains a Mandatory Provident Fund Scheme (the “MPF Scheme”), according to the Mandatory Provident Fund Schemes Ordinance for its employees of the subsidiaries in Hong Kong. MPF is an employment-based retirement protection system, the Company and the employees are each required to make regular mandatory contributions with a specified percentage of payroll costs to the Personal Employee Retirement Fund Account. Employees are free to make voluntary contributions in addition to mandatory contributions.

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

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

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

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

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

The Company is committed to maintaining the harmony between the Company and its employees, and resolve problems by carrying out two-way communication and cooperation. Until now, harmonious labor relations are maintained and no material labor disputes have occurred.

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

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

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

By upholding the spirit of being customer-oriented for order taking, production, material control, financial cash flows and information infrastructure, the Company has developed a diversified system framework, and has summarized the hierarchical information system structure as follows:

- Application layer  
Communication and collaboration applications: MAIL, TEAMS, BPM, SHAREPOINT  
Business system applications: SAP ERP, SAP BI, HR  
Production: MES  
Research and development: PLM  
Database: Oracle Database, MS SQL Server, BI
- Session layer  
Certification Center: MS AD
- Network layer  
Virtual private network (VPN), IPSEC virtual network, Core Switch, Fire Wall, VPN

In respect of these hierarchical information structure, a data backup mechanism has been established and the backup media is stored off-site; a daily inspection system has been adopted for the server room; various simulation tests and emergency measures are conducted on a quarterly basis to ensure the normal operation of critical systems and data security, thereby reducing the risk of system outages caused by unpredictable natural disasters and human error and ensuring that the following objectives are met:

Sustainable operation capability:	minimize service interruptions and maximize service resumption
No intrusion and fraud:	Unauthorized personnel cannot access the network and system, and unauthorized information is not accepted or spoofed
Maximized cost effectiveness:	using the latest technology and innovation to improve results and reduce costs

Meanwhile, the "Information Risk Management Framework" has been specially set up such that the emergency measures for and control and management of disasters can be reported level by level. Such framework is an IT policy and standard, and can ensure the continuous compliance and the satisfaction of the standards of the latest security measures.

At present, the SAP and Mail System of the IT information strategy have been completely migrated to a cloud platform. With the characteristics of cloud services, it can avoid the risk of any company base being unable to operate due to natural disasters, which in turn affects the IT system of a single node, and reduce cyber-attacks such as APT, DDoS, and Zero-day Vulnerability through the cloud platform. Besides, it can also avoid the risk of total disruption of the Group's IT services due to the closure of specific operating sites.

IT has fully implemented Microsoft MFA (Multi-factor Authentication) for Microsoft 365 users in 2022 to minimize the risk of information security caused by human error, password misplacement and device loss, so as to prevent losses from material data leakage of the Company due to personal account password leakage by employees;

In addition, in order to ensure the Company's network information security, our IT department has completed the replacement of network firewall in Taiwan office and Vietnam factory in Q1, 2023 to prevent cyber attacks from external hackers;

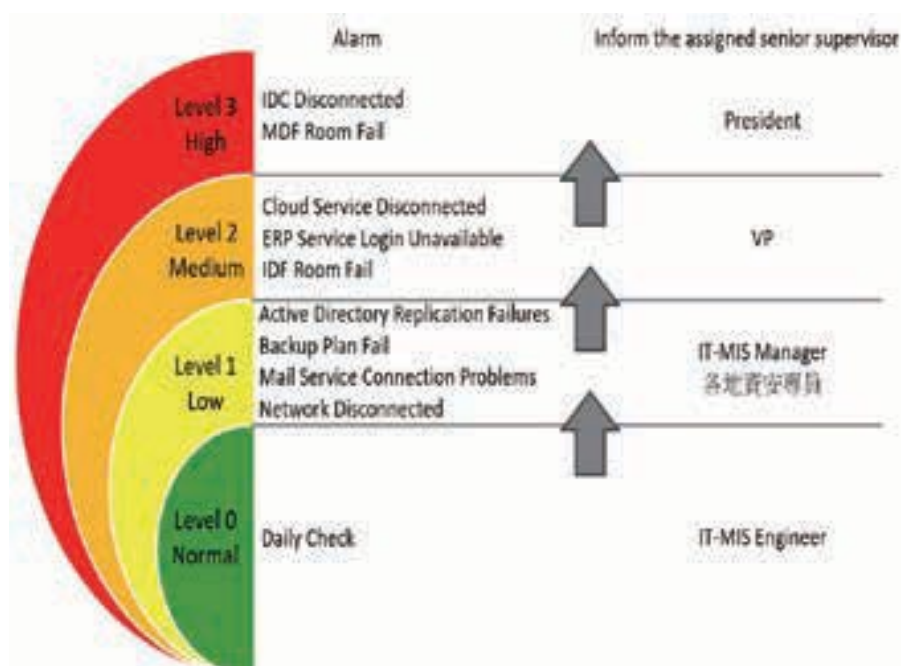
In view of the international trend of joint information security and defense, the Company has successfully applied to join the TWCERT/CC on 6 September 2022 to obtain prior warning information on information security, raise awareness of information security threats and its vulnerabilities, and report information security incidents, so as to effectively enhance the Company's own protection capability through joint information security and defense.

In order to integrate the promotion of information security policy and resource deployment, the Company established the "Information Security Department" on 1 January 2023, comprising a department head and a designated staff of information security to be responsible for the Group's information security risk management structure.

The Information Security Department will carry out the following information security work in 2023 and regularly report to the Board on the effectiveness of the execution of the overall information security work based on the implementation results.

- Start using Microsoft Defender for Office365 to enhance email protection, anti-phishing, and anti-fraud
- Check on the information communication system
- Conduct information security risk assessment
- Information security vulnerability scan (server)
- Conduct information security awareness courses
- Email social engineering drills

Information risk management framework:



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

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

**7. Material contracts: Nil.**

## VI. FINANCIAL INFORMATION

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

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

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

Unit: NT\$'000

Item	Year	Financial Information for the last five years					As at 31 March 2023
		2018	2019	2020	2021	2022	
Current Assets		3,847,439	4,031,248	4,793,305	5,157,376	4,573,425	4,050,269
Property, Plant and Equipment		743,556	751,071	1,052,738	948,845	943,147	907,903
Intangible Assets		260,941	245,175	275,206	38,565	22,887	19,773
Other Assets		175,031	277,989	281,525	193,891	199,046	217,201
Total Assets		5,026,967	5,305,483	6,402,774	6,338,677	5,738,505	5,195,146
Current Liabilities	Before allocation	3,160,334	3,080,018	4,742,352	4,380,290	3,087,459	2,488,284
	After allocation	3,203,711	3,160,018	4,773,695	4,380,290	3,124,303	2,684,681
Non-current Liabilities		131,089	273,050	447,298	296,040	367,361	373,890
Total Liabilities	Before allocation	3,291,463	3,353,068	5,189,650	4,676,330	3,454,820	2,862,174
	After allocation	3,334,800	3,433,068	5,220,993	4,676,330	3,491,664	3,058,571
Interests attributable to the owners of the parent company		1,692,167	1,872,415	1,181,781	1,662,347	2,246,841	2,136,575
Share Capital		616,060	615,040	614,550	614,060	631,390	644,940
Capital Reserve		751,962	759,962	779,951	749,535	829,969	860,586
Retained Earnings	Before allocation	499,029	761,200	(3,169)	426,590	654,987	686,379
	After allocation	455,652	681,200	(34,512)	426,590	618,143	489,982
Other Interests		(107,488)	(159,768)	(154,189)	(103,819)	191,358	165,086
Stock Inventory		(24,019)	(24,019)	(24,019)	(24,019)	(24,019)	(24,019)
Non-controlling Interests		–	–	–	–	–	–
Total Interests	Before allocation	1,735,544	1,952,415	1,213,124	1,662,347	2,283,685	2,332,972
	After allocation	1,692,167	1,872,415	1,181,781	1,662,347	2,246,841	2,136,575

Sources: Consolidated financial reports for the years from 2018 to 2022 which were audited and certified by the accountant; the consolidated financial report on the financial information as at 31 March 2023 which was audited and certified by the accountant.

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

Unit: NT\$'000

Item \ Year	Financial Information for the last five years					First quarter of 2023
	2018	2019	2020	2021	2022	
Operating Revenue	9,213,755	10,530,374	8,941,255	9,412,311	12,810,382	2,017,738
Operating Gross Profit	1,181,675	1,490,451	516,223	766,260	1,482,836	279,822
Operating (Loss) Profit (Note 1)	289,580	357,885	(605,086)	(302,484)	332,437	86,301
Non-operating Income and Expenses	40,254	22,096	(75,972)	624,351	50,136	(19,618)
Net Profit (Loss) Before Tax	329,834	379,981	(681,058)	321,867	382,573	66,683
Net Profit (Loss) from Continuing Operations during the current period	247,707	308,155	(676,356)	367,486	369,795	68,236
Loss from Discontinued Operations	–	–	–	–	–	–
Net Profit (Loss) from during the current period	247,707	308,155	(676,356)	367,486	369,795	68,236
Other Comprehensive Profit (Loss) during the current period (Net amount after tax)	(72,015)	(64,482)	(8,745)	(15,598)	153,779	(26,272)
Total Comprehensive Profit (Loss) during the period	175,692	243,673	(685,101)	351,888	523,574	41,964
Net Profit (Loss) attributable to owners of the parent company	247,707	308,155	(676,356)	367,486	369,795	68,236
Net Profit attributable to non-controlling interests	–	–	–	–	–	–
Total Comprehensive Profit (Loss) attributable to owners of the parent company	175,692	243,673	(685,101)	351,888	523,574	41,964
Total Comprehensive Profit (Loss) attributable to non-controlling interests	–	–	–	–	–	–
Earnings (losses) per share (Note 2)	4.05	5.04	(11.09)	6.03	6.03	1.08

Sources: Consolidated financial reports for the years from 2018 to 2022 which were audited and certified by the accountant; the consolidated financial report on the financial information as at 31 March 2023 which was audited and certified by the accountant.

Note 1: Operating (loss) profit is calculated by operating gross profit – selling and distribution expenses – general and administrative expenses – expected credit impairment losses.

Note 2: The calculation of earnings per share for the year 2018 is based on the Company's weighted average number of 61,237 thousand shares. The calculation of earnings per share for the year 2019 is based on the Company's weighted average number of 61,087 thousand shares. The calculation of losses per share for the year 2020 is based on the Company's weighted average number of 61,011 thousand shares. The calculation of earnings per share for the year 2021 is based on the Company's weighted average number of 60,970 thousand shares. The calculation of earnings per share for the year 2022 is based on the Company's weighted average number of 61,291 thousand shares. The calculation of earnings per share for the first quarter of 2023 is based on the Company's weighted average number of 63,069 thousand shares.



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

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

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

Year	Accountant	Name of the Firm	Audit Opinion
2018	Shih Chin-Chuan, Liu Shu-Lin	Deloitte & Touche Taiwan	Unqualified opinion
2019	Shih Chin-Chuan, Liu Shu-Lin	Deloitte & Touche Taiwan	Unqualified opinion
2020	Shih Chin-Chuan, Liu Shu-Lin	Deloitte & Touche Taiwan	Unqualified opinion
2021	Shih Chin-Chuan, Chiu Yung-Ming	Deloitte & Touche Taiwan	Unqualified opinion
2022	Shih Chin-Chuan, Chiu Yung-Ming	Deloitte & Touche Taiwan	Unqualified opinion

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

## 2. Financial analysis for the last five years

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

Analysis Item \ Year		Financial analysis for the last five years					As at 31 March 2023
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt to asset ratio	66.34	64.71	81.54	73.77	60.85	58.87
	Long-term capital to property, plant and equipment ratio	245.21	285.65	154.75	206.40	277.18	276.51
Debt repaying ability (%)	Current ratio	120.09	127.57	100.41	117.74	146.38	150.87
	Quick ratio	96.68	101.73	66.85	80.21	103.44	101.51
	Interest coverage ratio	9.63	11.58	(22.78)	9.92	11.18	15.21
Operating ability	Receivables turnover ratio (times)	4.87	5.55	4.85	4.72	6.69	5.08
	Average collection days	74.94	65.76	75.26	77.33	54.56	71.85
	Inventory turnover ratio (times)	12.71	14.02	8.60	6.80	9.44	6.13
	Payables turnover ratio (times)	4.74	4.77	3.32	3.20	4.79	3.30
	Average sales days	28.71	26.03	42.44	53.68	38.67	59.54
	Property, plant and equipment turnover ratio (times)	12.39	14.02	8.49	9.92	13.58	8.89
	Total assets turnover ratio (times)	1.90	2.04	1.53	1.46	2.09	1.48

Profitability	Return on assets (%)	5.78	6.57	(11.15)	6.23	6.52	5.30
	Return on equity (%)	15.37	17.29	(44.29)	25.84	18.92	12.45
	Return before tax to paid-in capital ratio (%)	53.54	61.78	(110.82)	52.42	60.59	41.36
	Net profit margin	2.69	2.93	(7.56)	3.90	2.89	3.38
	Earnings (losses) per share (NT\$) (Note 2)	4.05	5.04	(11.09)	6.03	6.03	1.08
Cash Flows	Cash flow ratio (%)	12.03	45.73	(9.54)	(20.51)	28.00	0.32
	Cash flow adequacy ratio (%)	85.16	188.92	88.58	12.42	67.09	N/A
	Cash re-investment ratio (%)	11.83	43.01	(16.65)	(39.09)	27.05	0.29
Leverage	Operating Leverage	1.78	1.72	0.57	0.19	1.56	1.55
	Financial Leverage	1.15	1.11	0.95	0.89	1.13	1.06

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

1. Net equity increased at the end of the year as compared to the end of 2021 due to the profit made in 2022, and long term liabilities increased at the end of 2022 as compared to the end of 2021 due to the issuance of convertible bonds in 2022. As a result of the above factors, the long-term capital to property, plant and equipment ratio increased to 277.18% in 2022.
2. As mentioned in No. 1, the issuance of convertible bonds in 2022 and receipt of cash consideration from disposal of the subsidiaries included in other receivables at the end of 2021 resulted in a significant decrease in short-term bank borrowings, which led to a larger decrease in current liabilities than current assets as at the end of 2022. As a result of the above factors, the current ratio and quick ratio increased to 146.38 and 103.44, respectively, in 2022.
3. Sales revenue and sales cost both increased significantly in 2022 as compared to 2021 due to the positive growth of business. In addition, the proportion of sales to customers with shorter credit period of receivables increased significantly as compared to the same period of last year, resulting in an increase in the turnover ratio of receivables from 4.72 times to 6.69 times, such that the number of days for collecting receivables reduced remarkably to 54.56 days as compared to 2021. Moreover, the Company strived to enhance the effective management of inventory to improve working capital efficiency, resulting in a significant reduction in average selling days to 38.67 days and an increase in inventory turnover ratio from 6.8 times to 9.44 times as compared to 2021. Due to the early payment made by the Company in order to obtain a better purchase price from suppliers, the proportion of suppliers with shorter credit terms increased in 2022 as compared to the end of last year, resulting in an increase in the payables turnover ratio from 3.2 times to 4.79 times.
4. As mentioned in No. 3, due to the significant increase in sales revenue as compared to 2021 and the depreciation expense being greater than the amount of additional purchases, the property, plant and equipment in 2022 decreased as compared with the end of 2021. Due to the above factors, the turnover ratio of property, plant and equipment increased to 13.58 in 2022. In addition, as mentioned in No. 2, the turnover ratio of total assets increased to 2.09 due to the decrease in total assets as compared to the end of last year caused by the decrease in other receivables in 2022 as compared to the end of last year as a result of the receipt of cash consideration from disposal of subsidiaries which was recorded under other receivables at the end of 2021.

5. The profit and loss after tax was similar in both periods due to the positive growth of business in 2022. Total shareholder's equity increased as compared to the end of the same period of last year due to the significant increase in "Retained Earnings", the increase in "Translation Differences on Financial Statements of Foreign Operating Institutions" and the impact of the disposal of subsidiaries. Return on equity in 2022 decreased from 25.84% to 18.92%. The net income ratio decreased from 3.9% to 2.89%, as the profit and loss after tax were similar in both periods while there was a significant increase in sales revenue in 2022 as compared to 2021.
6. The operating cash flow ratio and cash re-investment ratio changed from negative to positive and the cash flow adequacy ratio increased to 67.09 due to the increase in profit before tax in 2022 as compared to the same period of last year and the increase in actual operating cash flow at the end of 2022 after adjustments to income and expenses that did not affect cash flows and adjustments to net changes in current assets and liabilities.
7. As mentioned in No. 5, operating leverage and financial leverage increased to 1.56 and 1.13, respectively, due to a turnaround in operating loss to operating profit during the period.

Note 1: No calculation of cash flow adequacy ratio as only net cash flows for the first quarter were recorded in 2023.

Note 2: The calculation of earnings per share for the year 2018 is based on the Company's weighted average number of 61,237 thousand shares. The calculation of earnings per share for the year 2019 is based on the Company's weighted average number of 61,087 thousand shares. The calculation of losses per share for the year 2020 is based on the Company's weighted average number of 61,011 thousand shares. The calculation of earnings per share for the year 2021 is based on the Company's weighted average number of 60,970 thousand shares. The calculation of earnings per share for the year 2022 is based on the Company's weighted average number of 61,291 thousand shares. The calculation of earnings per share for the first quarter of 2023 is based on the Company's weighted average number of 63,069 thousand shares.

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

1. Financial Structure
  - (1) Debt to asset ratio = total debts/total assets
  - (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities)/property, plant and equipment
2. Debt repaying ability
  - (1) Current ratio = current assets/current liabilities
  - (2) Quick ratio = (current assets – inventory – prepaid expenses)/current liabilities
  - (3) Interest coverage ratio = profit before income tax and interest expenses/interest expenses for the current period
3. Operating ability
  - (1) Receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales amount/balance of average receivables for each period (including accounts receivable and notes receivable arising from operation).
  - (2) Average collection days = 365/receivables turnover ratio
  - (3) Inventory turnover ratio = Sales cost/average inventory amount
  - (4) Payables (including accounts payable and notes payable arising from operation) turnover ratio = sales cost/balance of average payables for each period (including accounts payable and notes payable arising from operation)
  - (5) Average sales days = 365/inventory turnover ratio
  - (6) Property, plant and equipment turnover ratio = net sales amount/average net amount of property, plant and equipment
  - (7) Total assets turnover ratio = net sales amount/average total assets
4. Profitability
  - (1) Return on assets = (profit or loss after tax + interest expenses × (1 – tax rate))/average total assets
  - (2) Return on equity = profit or loss after tax/average total equity
  - (3) Profit before tax to paid-in capital ratio = profit before tax/paid-in capital
  - (4) Net profit margin = profit or loss after tax/net sales amount
  - (5) Earnings per share = (profit or loss attributable to the owners of the parent company – dividends for preferred shares)/weighted average number of issued shares

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

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

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

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

1. Net cash flows from operation refer to the net cash inflows from operating activities in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflows of capital investment per year.
3. The increase in inventory shall only be included when the closing balance is greater than the opening balance. If inventory is reduced at the end of the year, it shall be calculated as nil.
4. Cash dividends include cash dividends for ordinary shares and preferred shares.
5. Gross amount of property, plant and equipment refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

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

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

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

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

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

The Board of Directors has prepared the Company's 2022 annual business report, consolidated financial statements and surplus distribution proposal. The consolidated financial statements have been audited by Deloitte & Touche Taiwan, which has issued its audit report. The above business report, consolidated financial statements and surplus distribution proposal have been reviewed and audited by the Audit Committee and it is considered that there is no disagreement on them. The report is hereby made in accordance with the relevant provisions of the Securities Exchange Act as above for review.

#### **Eastech Holding Limited**

Convener of the Audit Committee: Chen Ko Hung

24 February 2023

- 4. Consolidated financial report for the past year audited and certified by the accountant: Please refer to pages 152 to 257**
- 5. The Company's individual financial report for the past year audited and certified by the accountant: Not applicable.**
- 6. The impact of financial difficulties (if any) of the Company and its affiliates during the past year and as at the date of publication of the annual report on the Company's financial position: Nil.**

# **INDEPENDENT AUDITORS’ REPORT**

The Board of Directors and Shareholders  
Eastech Holding Limited

## **Opinion**

We have audited the accompanying consolidated financial statements of Eastech Holding Limited (“Eastech”) and subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 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)

ASSETS	2022		2021	
	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

(Continued)

	2022		2021	
ASSETS	Amount	%	Amount	%
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
	<u>3,124,303</u>	<u>54.45</u>	<u>4,380,290</u>	<u>69.10</u>
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
	<u>367,361</u>	<u>6.40</u>	<u>296,040</u>	<u>4.67</u>
Total non-current liabilities				
	<u>3,491,664</u>	<u>60.85</u>	<u>4,676,330</u>	<u>73.77</u>

(Continued)

ASSETS	2022		2021	
	Amount	%	Amount	%
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
	<u>2,246,841</u>	<u>39.15</u>	<u>1,662,347</u>	<u>26.23</u>
TOTAL	<u>\$ 5,738,505</u>	<u>100.00</u>	<u>\$ 6,338,677</u>	<u>100.00</u>

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

# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 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

(Continued)

	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)

	Share Capital – Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings			Total Equity
							Legal Reserve	Special Reserve	(Accumulated Deficit) Unappropriated Earnings	
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

(Continued)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings (Accumulated Deficit)			Total Equity
							Legal Reserve	Special Reserve	Unappropriated Earnings	
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	<u>\$ 631,390</u>	<u>\$ 829,969</u>	<u>\$ (24,019)</u>	<u>\$ 74,012</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 7,629</u>	<u>\$ 109,717</u>	<u>\$ 618,143</u>	<u>\$ 2,246,841</u>

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



# EASTECH HOLDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 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)

(Continued)

	2022	2021
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)
	<u>820,522</u>	<u>390,080</u>
Net cash generated from investing activities		
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	–
	<u>(1,140,079)</u>	<u>(66,885)</u>
Net cash used in financing activities		
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	<u>\$1,290,720</u>	<u>\$528,617</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:		
Cash and bank deposits	\$ 1,290,720	\$ 570,128
Pledged deposits	–	(41,511)
	<u>–</u>	<u>(41,511)</u>
Cash and cash equivalents	<u>\$ 1,290,720</u>	<u>\$ 528,617</u>

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

# **EASTECH HOLDING LIMITED AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

---

### **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		Descriptions
			2022	2021	
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and headphones	100.00	100.00	The Company acquired EAH 100% ownership interest on March 31, 2011 and thereby obtained 100% controlling power over EAH and its subsidiaries.
EAH	Eastech Systems (Huiyang) Co., Ltd. ("ESHY")	Production and sales of speaker systems	100.00	100.00	"
EAH	Eastech (Huizhou) Co., Ltd. (Formerly known as Huiyang Dongmei Audio Products Co., Ltd. ("EAHZ"))	Production, assembly and sales of speaker systems, accessories, headphones, smart speakers and AV electronics home entertainment systems	100.00	100.00	"
EAH	Eastech (SZ) Co., Ltd. ("ESZ")	Import and export trading of audio, accessories, machinery and equipment, etc.	100.00	100.00	ESZ was established by EAH on November 13, 2013
EAH	Scan-Speak A/S ("ScS")	Research and development, production and sales of high-end transducers	100.00	100.00	EAH acquired ScS 100% ownership interest on April 1, 2014.
EAH	Eastech (VN) Company Limited ("EAVN")	Production, assembly and sales of 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.

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			2022	2021	
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)
	<u>\$ 1,290,720</u>	<u>\$ 528,617</u>

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 24), and is recognized under restricted assets.

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets – current</u>		
Mandatorily classified as at FVTPL		
Derivatives (not under hedge accounting)		
Forward exchange contract	\$ –	\$ 1,371
Non-derivative financial assets		
Foreign-listed stocks	104	226
	<u>\$ 104</u>	<u>\$ 1,597</u>
<u>Financial assets – non-current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted stocks	\$ 120,787	\$ 108,912
<u>Financial liabilities – non-current</u>		
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)
	<u>\$ 1,786,229</u>	<u>\$ 1,978,358</u>

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	<u>\$ 1,589,700</u>	<u>\$ 196,529</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,786,229</u>

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	<u>\$ 1,887,953</u>	<u>\$ 90,405</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,978,358</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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	<u>\$ 40,554</u>	<u>\$ 23,487</u>

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
	<u>\$ 392,519</u>	<u>\$ 1,334,562</u>

Other receivables of the Group mainly consist of the followings:

- 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.
- 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.
- 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
	<u>\$ 1,101,281</u>	<u>\$ 1,272,731</u>

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:

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

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

	<b>Land and Buildings</b>	<b>Machinery Equipment and Office Equipment</b>	<b>Property under Construction</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 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	<u>1,997</u>	<u>(1,125)</u>	<u>(263)</u>	<u>609</u>
Balance at December 31, 2021	<u>272,797</u>	<u>975,319</u>	<u>40,452</u>	<u>1,288,568</u>
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	<u>17,246</u>	<u>37,874</u>	<u>2,119</u>	<u>57,239</u>
Balance at December 31, 2022	<u><u>\$ 329,077</u></u>	<u><u>\$ 1,086,120</u></u>	<u><u>\$ 11,232</u></u>	<u><u>\$ 1,426,429</u></u>

(Continued)

	Land and Buildings	Machinery Equipment and Office Equipment	Property under Construction	Total
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2021	\$ 400,516	\$ 706,294	\$ –	\$ 1,106,810
Depreciation	9,864	134,989	–	144,853
Disposals	(5,897)	(75,888)	–	(81,785)
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)
Reclassification	\$ 9	\$ (3,299)	\$ –	\$ (3,290)
Effect of exchange rate changes	681	12,636	–	13,317
Balance at December 31, 2022	<u>\$ 16,286</u>	<u>\$ 466,996</u>	<u>\$ –</u>	<u>\$ 483,282</u>
				(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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amounts</u>		
Land and buildings	\$ 66,178	\$ 75,689
Machinery and office equipment	5,321	2,446
	<u>\$ 71,499</u>	<u>\$ 78,135</u>
	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 19,483</u>	<u>\$ 20,999</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 23,868	\$ 27,179
Machinery and office equipment	1,953	2,407
	<u>\$ 25,821</u>	<u>\$ 29,586</u>

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

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amounts</u>		
Current	\$ 43,572	\$ 48,576
Non-current	31,488	59,972
	<u>\$ 75,060</u>	<u>\$ 108,548</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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

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

d. Other lease information

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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	—
	<u>\$ —</u>

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:

	<b>2021</b>
Balance at January 1	\$ 115,530
Impairment loss	(107,281)
Effect of exchange rate changes	<u>(8,249)</u>
Balance at December 31	<u><u>\$ —</u></u>

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

	<b>2022</b>	<b>2021</b>
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	<u>1,058</u>	<u>(10,182)</u>
Balance at December 31	<u><u>\$ 22,887</u></u>	<u><u>\$ 38,565</u></u>

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

Technical knowledge (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
<u>Secured borrowings</u>				
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
		<u>\$ 5,019</u>		<u>\$ 1,135,747</u>

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)
		<u>\$ –</u>		<u>\$ 222,890</u>

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	<u>\$ –</u>	<u>\$ 222,890</u>

- 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	<u>—</u>
	<u>\$ 328,865</u>

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		<u>(455)</u>
Liability component at issuance date		328,210
Amortization of discount on bonds payable		<u>655</u>
Liability component at December 31, 2022	\$	<u><u>328,865</u></u>

## 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:

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

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:

	<b>(In Thousands of Shares)</b>	
	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
January 1	61,406	61,455
Employee stock options	1,733	–
Write-off of restricted shares	–	(49)
December 31	<u>63,139</u>	<u>61,406</u>

b. Treasury shares

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

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

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

December 31, 2022

<b>Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
ETT	453	\$ 24,019	\$ 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:

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

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:

	<b>2021</b>
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:

	<b>2022</b>
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:

	<b>Number of Shares (In Thousands)</b>	
	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at the beginning of the period	—	130
Vested	—	(81)
Forfeited	—	(49)
	<u>—</u>	<u>(120)</u>
Balance at the end of the period	<u>—</u>	<u>—</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Costs of restricted shares plans for employees	\$ <u>—</u>	\$ <u>986</u>



## 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	<u>6,958</u>	24.01	<u>8,053</u>	23.63
Options exercisable, end of period	<u>2,179</u>		<u>930</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ 6.79</u>		<u>\$ 6.43</u>	

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

Grant Date	December 31			
	2022		2021	
	Range of Exercise Price (NT\$ )	Weighted-Average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$ )	Weighted-Average Remaining Contractual Life (Years)
2018.09.28	\$ 22.30	–	\$ 23.00	0.75
2019.06.10	30.80	0.46	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.

	<b>For the Years Ended December 31, 2022</b>
Balance at the beginning of the period	\$ (29,950)
Disposal of financial assets at fair value through other comprehensive income	<u>29,950</u>
Balance at the end of the period	<u><u>\$ —</u></u>

- 3) Unearned employee benefit

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

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

3) Disaggregation of revenue from customer contracts

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<u>\$ 12,810,382</u>	<u>\$ 9,412,311</u>

b. Depreciation and amortization expenses

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<u>\$ 184,978</u>	<u>\$ 246,086</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<u>\$ 1,869,654</u>	<u>\$ 1,792,984</u>

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

	<b>For the Year of 2022</b>
Employees' compensation	5.4%
Directors' compensation	1.5%

Amount

	<b>For the Year of 2022</b>
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

	<b>For the Year of 2021</b>
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

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<u>\$ 65,454</u>	<u>\$ 867,374</u>

f. Other losses

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<u>\$ 37,107</u>	<u>\$ 178,286</u>

g. Finance costs

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<u>\$ 37,572</u>	<u>\$ 36,069</u>

## 20. INCOME TAXES

- a. Income tax benefit recognized in profit or loss

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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	<u>\$ 12,778</u>	<u>\$ (45,619)</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax	<u>\$ 382,573</u>	<u>\$ 321,867</u>
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	<u>\$ 12,778</u>	<u>\$ (45,619)</u>

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Allowance of inventories provision	\$ 914	\$ 921
Others	5,846	5,923
	<u>\$ 6,760</u>	<u>\$ 6,844</u>

The movements of deferred tax assets were as follows:

	<b>Allowance of Inventories Provision</b>	<b>Others</b>	<b>Total</b>
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
	<u>921</u>	<u>5,923</u>	<u>6,844</u>
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
	<u>13</u>	<u>—</u>	<u>13</u>
Balance at December 31, 2022	<u>\$ 914</u>	<u>\$ 5,846</u>	<u>\$ 6,760</u>

c. Deferred tax liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<u>\$ 6,413</u>	<u>\$ 7,291</u>

The movements of deferred tax liabilities were as follows:

	<b>Temporary Differences on Other Intangible Assets</b>	<b>Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment</b>	<b>Unappropriated Earnings of Subsidiaries</b>	<b>Total</b>
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)
	<u>5,836</u>	<u>1,273</u>	<u>182</u>	<u>7,291</u>
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
	<u>130</u>	<u>201</u>	<u>–</u>	<u>331</u>
Balance at December 31, 2022	<u>\$ 5,120</u>	<u>\$ 1,111</u>	<u>\$ 182</u>	<u>\$ 6,413</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Loss carryforwards	<u>\$ 22,383</u>	<u>\$ 126,868</u>
Deductible temporary difference		
Investments in equity instruments at FVTOCI	<u>\$ –</u>	<u>\$ 29,950</u>

e. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong, Singapore, Vietnam and Denmark. The aforementioned tax authorities will not take the initiative to send a tax returns assessment to enterprises. When there are tax disputes, they issued a tax payment notice to enterprises and reserve the right to propose additional taxes. The tax authorities have assessed income tax returns of ETT 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	<u>\$ 631,505</u>	<u>\$ 947,257</u>

### b. Gain on disposal of subsidiaries

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

c. Net cash inflows from disposal of subsidiaries

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

## 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.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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)	<u>—</u>	<u>41,511</u>
	<u><u>\$ 102,939</u></u>	<u><u>\$ 308,083</u></u>

## 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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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)	<u>\$ 956,836</u>	<u>\$ (788,509)</u>
Equity	<u>\$ 2,246,841</u>	<u>\$ 1,662,347</u>
Cash (debt) – equity ratio	<u>43%</u>	<u>(47%)</u>

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

b. Fair value of financial instruments

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

If a non-derivative instrument has short maturity, its future amount receivable and payable approximate its carrying amount, and its carrying amount provides a reasonable basis for estimation of fair value, then the fair value of which shall be estimated based on its carrying amount as shown in the balance sheet. Hence, 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
<u>Financial liabilities</u>				
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
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 104	\$ –	\$ –	\$ 104
Domestic-unlisted stocks	–	–	120,787	120,787
	<u>\$ 104</u>	<u>\$ –</u>	<u>\$ 120,787</u>	<u>\$ 120,891</u>
<u>Financial liabilities at FVTPL</u>				
Convertible bonds options	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 595</u>	<u>\$ 595</u>

December 31, 2021

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

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	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	<u>\$ 595</u>	<u>\$ 120,787</u>	<u>\$ 121,382</u>
Recognized in other gains and losses – unrealized	<u>\$ 140</u>	<u>\$ –</u>	<u>\$ 140</u>

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	<u>\$ 108,912</u>	<u>\$ 108,912</u>
Recognized in other gains and losses – unrealized	<u>\$ 25,416</u>	<u>\$ 25,416</u>



#### 4) Valuation techniques and inputs applied for Level 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
<u>Financial assets</u>		
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
	<u>\$ 3,349,982</u>	<u>\$ 3,622,221</u>
<u>Financial liabilities</u>		
Financial assets at FVTPL		
Designated as at FVTPL	\$ 595	\$ –
Financial liabilities at amortized cost (Note 2)	3,403,719	4,553,809
	<u>\$ 3,404,314</u>	<u>\$ 4,553,809</u>

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

		<b>Assets</b>	
		<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
USD		\$ 2,546,163	\$ 2,050,202
HKD		424	2,133
		<u>\$ 2,546,587</u>	<u>\$ 2,052,335</u>
		<b>Liabilities</b>	
		<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
USD		\$ 391,770	\$ 2,110,314
HKD		12,679	32,547
		<u>\$ 404,449</u>	<u>\$ 2,142,861</u>

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.

	<b>Currency USD Impact</b>	
	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	\$ 107,720	\$ (3,006)

	<b>Currency H.K. Dollars Impact</b>	
	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	–	\$ 2,340,361	\$ –	\$ –	\$ 2,340,361
Other payables	–	729,747	–	–	729,747
Bonds payable	–	–	328,865	–	328,865
<u>Interest bearing liabilities</u>					
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
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	–	\$ 2,393,148	\$ –	\$ –	\$ 2,393,148
Other payables	–	796,137	5,887	–	802,024
<u>Interest bearing liabilities</u>					
Lease liabilities	2.51%-4.63%	53,349	60,888	–	114,237
Bank borrowings	2.27%	1,161,572	227,958	–	1,389,530

Additional information about the maturity analysis for lease liabilities

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

f. Financial facilities

Bank borrowings

	<b>Liabilities</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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

	<b>Foreign Currencies</b>	<b>Function Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount</b>
<u>Financial assets</u>				
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
	<u>\$ 83,045</u>			<u>\$ 2,546,163</u>
				(Continued)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount
<u>Financial liabilities</u>				
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
	<u>\$ 12,778</u>			<u>\$ 391,770</u>
HKD	\$ 3,108	RMB	3.9355	\$ 12,231
HKD	90	NTD	3.9355	353
HKD	24	SGD	3.9355	95
	<u>\$ 3,222</u>			<u>\$ 12,679</u>
				(Concluded)

December 31, 2021

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 71,529	HKD	27.68	\$ 1,979,928
USD	1,261	NTD	27.68	34,896
USD	326	RMB	27.68	9,012
USD	366	DKK	27.68	10,134
USD	586	VND	27.68	16,232
	<u>\$ 74,068</u>			<u>\$ 2,050,202</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 43,823	HKD	27.68	\$ 1,213,008
USD	9,996	RMB	27.68	276,700
USD	9,502	NTD	27.68	263,004
USD	287	DKK	27.68	7,932
USD	12,633	VND	27.68	349,670
	<u>\$ 76,241</u>			<u>\$ 2,110,314</u>
HKD	\$ 9,082	RMB	3.5486	\$ 32,227
HKD	90	NTD	3.5486	320
	<u>\$ 9,172</u>			<u>\$ 32,547</u>

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:

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

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

h. Information of transferred financial assets

In 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.

	<b>Revenue from External Customers</b>	
	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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
	<b>\$ 12,810,382</b>	<b>\$ 9,412,311</b>

	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)

TABLE 1

## 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:

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

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

- The total amount of the guarantee provided by the Company to other entities shall not exceed four hundred percent (400%) of the Company's consolidated net worth.
- The total amount of the guarantee provided by the Company and its subsidiaries to any individual entity shall not exceed five hundred percent (500%) of the Company's consolidated net worth.

b. EAH, ESHY and ETH's limitation of the endorsements/guarantees are set forth below:

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

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	<u>Oversea publicly traded stocks</u> Audio Pixels Holdings Limited	—	FVTPL — current	500	<u>\$ 104</u>	—	<u>\$ 104</u>	Note
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	<u>\$ 16,263</u>	—	<u>\$ 16,263</u>	
EAH	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	—	FVTPL — non-current	6,659,141	<u>\$ 120,787</u>	—	<u>\$ 120,787</u>	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE 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 NTS100 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,	(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.

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)
0	<u>2022</u> EASTECH	EAH EAH	a, b a, b	Other receivables from and other payables to related parties Dividend income	\$ 306,851 161,189	Short-term financing and collection and payment Dividend	5 1
1	EAH	EAVN ESHY EAVN EAHZ EAVN	a, b a, b a, b a, b a, b	Other receivables from and other payables to related parties Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Receivables from and payables to related parties	337,260 130,995 1,017,385 32,341 202,936	Short-term financing, 1 year loan Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy 90 days	6 1 8 — 4
2	ESHY	EAH EAH	a, b a, b	Net revenue from sale of goods and purchases Receivables from and payables to related parties	732,766 172,262	Credit on transfer pricing policy 90 days	6 3
3	EAVN	EAH ETH ETH	a, b c c	Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Receivables from and payables to related parties	3,910,603 836,483 67,394	Credit on transfer pricing policy Credit on transfer pricing policy 90 days	31 7 1
4	EAHZ	EAVN EAH ETH EMH ETH	c a, b c c c	Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Receivables from and payables to related parties	34,004 146,144 5,163,717 69,404 927,080	Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy 90 days	— 1 40 1 16
5	ESZ	ETH EAH EAVN EAVN	c a, b c c	Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Receivables from and payables to related parties	73,655 56,150 1,144,677 171,077	Credit on transfer pricing policy Credit on transfer pricing policy Credit on transfer pricing policy 90 days	1 — 9 3
6	ETH	EAHZ ESHY EAH ESHY	c c a, b c	Net revenue from sale of goods and purchases Net revenue from sale of goods and purchases Other receivables from and other payables to related parties Receivables from and payables to related parties	44,566 146,455 122,640 46,785	Credit on transfer pricing policy Credit on transfer pricing policy Short-term financing, 1 year loan 90 days	— 1 2 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)

TABLE 8

## EASTECH HOLDING LIMITED AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

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.



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

### 1. Financial position

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

Unit: NT\$'000; %

Account Items \ Year	2021	2022	Differences	
			Amount	%
Current assets	5,157,376	4,573,425	(583,951)	-11.32%
Fixed assets	948,845	943,147	(5,698)	-0.60%
Other assets	232,456	221,933	(10,523)	-4.53%
Total assets	6,338,677	5,738,505	(600,172)	-9.47%
Current liabilities	4,380,290	3,124,303	(1,255,987)	-28.67%
Long-term liabilities	288,749	360,948	72,199	25.00%
Other liabilities	7,291	6,413	(878)	-12.04%
Total liabilities	4,676,330	3,491,664	(1,184,666)	-25.33%
Share capitals	614,060	631,390	17,330	2.82%
Capital reserves	749,535	829,969	80,434	10.73%
Treasury shares	(24,019)	(24,019)	0	0.00%
Unrealized loss of financial assets measured at fair value through other comprehensive income (loss)	(29,950)	0	29,950	-100%
Retained earnings (including common stock dividend)	432,488	735,489	303,001	70.06%
Exchange differences on translation of foreign operations	(79,767)	74,012	153,779	-192.79%
Total shareholders' equity	1,662,347	2,246,841	584,494	35.16%

Description of significant changes: (amount changed over 10% and reached 1% of the total assets of the year)

1. Decrease in current assets: mainly due to the net effect of the decrease in other receivables (mainly due to the collection of cash consideration for the disposal of subsidiaries and the reduction in prepayments for goods, equipment and moulds included in other receivables at the end of last year in 2022), accounts receivable and inventories, net of the increase in cash.
2. Decrease in current liabilities: mainly due to decrease in bank loans, accounts payable and other payables.
3. Increase in long-term liabilities: mainly due to the net effect of the new convertible bonds in 2022, net of the decrease in long-term bank loans and non-current lease liabilities.
4. Decrease in total liabilities: mainly due to the net effect of the decrease in current liabilities (mainly due to a decrease in bank loans, accounts payable and other payable), net of the increase in long-term liabilities (mainly due to new convertible bonds).
5. Increase in capital reserve: mainly due to the issuance of convertible bonds in 2022 and the increase in capital surplus related to employee stock options.
6. Increase in retained earnings: mainly due to the net income after tax generated between the two balance sheet periods, resulting in a significant increase in retained earnings as compared to the same period of last year.
7. Exchange differences on translation of foreign operations: exchange differences arising from the transfer of net assets of foreign operating entities from their functional currency to the functional currency of the consolidated financial statements, the NTD. The exchange gain at 31 December 2022 is mainly due to the appreciation of RMB and HKD against NTD at the end of 2022 as compared to the end of same period of last year.
8. Increase in total shareholders' equity: the increase in total shareholders' equity was mainly due to the significant increase in "retained earnings", the increase in "exchange differences on translation of foreign operations" and the disposal of subsidiaries as compared to the end of the same period of last year.

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

**2. Operating results**

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

Unit: NT\$'000; %

Account Items \ Year	2021	2022	Differences	
			Amount	%
Operating income	9,419,390	12,885,567	3,466,177	36.80%
Less: Sales returns and allowance	7,079	75,185	68,106	962.09%
Net operating income	9,412,311	12,810,382	3,398,071	36.10%
Operating costs	8,646,051	11,327,546	2,681,495	31.01%
Operating gross profit	766,260	1,482,836	716,576	93.52%
Operating expenses	1,068,744	1,150,399	81,655	7.64%
Operating net profit (loss)	(302,484)	332,437	634,921	N/A
Non-operating income	838,706	124,815	(713,891)	-85.12%
Non-operating expenses and losses	214,355	74,679	(139,676)	-65.16%
Profit before tax	321,867	382,573	60,706	18.86%
Less: income tax expenses (profits)	(45,619)	12,778	58,397	N/A
Net profit after tax	367,486	369,795	2,309	0.63%
Description of significant changes: (amount changed over 10% and reached 1% of the total assets of the year)				
<p>1. Increase in net operating income, operating costs and operating gross profit: business was on track to grow in 2022, with an increase in net sales revenue and sales cost by NT\$3,398,071 thousand and NT\$2,681,495 thousand as compared to last year, respectively. Operating gross profit margin was up to 11.58%, as compared to last year at 8.14%, resulting in an increase in operating gross profit of NT\$716,576 thousand as compared to last year.</p> <p>2. Increase in operating net profit: the change from loss to gain was mainly due to a significant increase in operating income during the period as compared to last year, resulting in an increase in operating gross profit of NT\$716,576 thousand, net of the increase in operating expenses of NT\$81,655 thousand.</p> <p>3. Decrease in non-operating income: mainly due to the gains on disposal of subsidiaries of NT\$700,372 thousand were recognized in last year.</p> <p>4. Decrease in non-operating expenses and losses: mainly due to the recognition of goodwill impairment of NT\$107,281 thousand in last year.</p>				

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

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

## 3. Cash flow

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

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

Unit: NT\$'000; %

Items \ Year	2021	2022	Increase (decrease) amount	Percentage of increase (decrease) (%)
Operating activities	(898,347)	874,778	1,773,125	N/A
Investing activities	390,080	820,522	430,442	110.35%
Financing activities	(66,885)	(1,140,079)	(1,073,194)	-1,604.54%
Analysis of changes:				
1. Operating activities: mainly due to an increase in profit before tax in 2022 as compared to last year, coupled with the adjustments to income and expenses that did not affect cash flows and adjustments to net changes in current assets and liabilities at the end of last year, resulting in a net cash inflow from operating activities of NT\$874,778 thousand. Net cash outflow from operating activities was NT\$898,347 thousand in the same period of last year.				
2. Investing activities: mainly due to an increase in net cash inflow from disposal of subsidiaries in 2022 of NT\$302,975 thousand as compared to same period of last year and the reduction of purchase of property, plant and equipment and other intangible assets of NT\$88,312 thousand during the period, resulting in an increase of net cash inflow from investing activities as compared to same period of last year.				
3. Financing activities: mainly due to the repayment of bank loans in 2022, which was more than the new bank loans, resulting in a cash outflow of NT\$1,464,536 thousand, net of the cash inflow of NT\$366,287 thousand from the issuance of new convertible bonds in 2022, and an increase in new cash outflow from financing activities as compared to same period of last year.				

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

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

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

The Company anticipates that with the carrying amount of cash in 2023 and by utilizing banking facilities, the overall cash requirement for capital expenditures and operation needs could be met, and its cash liquidity will be good in the coming year.

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

The Company's acquisition of fixed assets in 2022 amounted to NT\$113,392,000 which was regular capital expenditures, mainly for the acquisition of automated machinery and equipment and replacement of existing production equipment. The source of funds was partly funded by self-owned funds and partly by bank borrowings, and the aforesaid capital investment is expected to bring about production efficiency improvements and lower production costs in the future, so it will not have a significant impact on the financial position of the Company.

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

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

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

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

Unit: NT\$'000

Investment business \ Item	Gain or (loss) recognized in 2022	Major reasons for the gain or loss	Improvement plan
Eastern Asia Technology (HK) Limited (“EAH”)	68,545	In good position with both holding and physical operations.	N/A
Eastech Systems (Huiyang) Co., Ltd. (“ESHY”)	24,348	In good operating conditions.	N/A
Eastech (Huizhou) Co., Ltd. (“EAHZ”)	426	Maintain good operating conditions.	N/A
Eastech (SZ) Co., Ltd. (“ESZ”)	70,125	In good operating conditions.	N/A
Scan-Speak A/S (“ScS”)	18,669	Designing the Group’s high-end products and shaping the image of the Group’s acoustic flagship products. The Group is self-sustaining and does not rely on profit-making as an aspiration to maintain good-operating conditions.	N/A
Eastech Electronics (Taiwan) Inc. (“ETT”)	17,247	In good operating conditions.	N/A
Eastech Electronics (HK) Limited (“ETH”)	91,586	In good operating conditions.	N/A
Eastech (SG) Pte. Ltd. (“ESG”)	(2,177)	The operation did not reach the scale of economy, which resulting in a loss.	Improve product development time and increase the number of products developed in response to customer requirements to increase profitability.
Eastech (VN) Company Limited (“EAVN”)	187,170	In good operating conditions.	N/A
Eastech Microacoustics (HK) Limited (“EMH”)	1,685	In good operating conditions.	N/A
Eastech Innovations (TW) Inc. (“ETW”)	2,655	In good operating conditions.	N/A
Eastech Trading (VN) Company Limited (“ETV”)	137	Maintain good operating conditions.	N/A

### **(3) Investment Plan for the Next Year:**

The following projects are under our potential investment plan for the next year:

- (1) The Group's production bases are in the Mainland and Vietnam, operating on a division of labour and back-up connection system with coordinated production and sales to achieve the optimal production scale and capacity. The Group continues to promote intelligent production by replacing old equipment and instruments to enhance production efficiency.
- (2) Actively increase the proportion of production automation in China and Vietnam, promote intelligent manufacturing and visualisation, of production, introduce professional talents and combine with information technology to increase efficiency.
- (3) Actively integrate and optimise our plants in Huizhou, Mainland China, restructure workshops, upgrade the logistics and warehouse functions and hardware, adjust the economy of scale and professional division of labour.
- (4) Accelerate the establishment of local supply chain for the Vietnam factory, optimise logistics, set up VMI warehouse, invest in injection moulding and SMT equipment for further vertical integration in production.
- (5) Plan for ESG sustainable development, upgrade environmental protection facilities, advocate carbon neutral and green production, strengthen the management of greenhouse gas emissions, energy, water resources and wastes.
- (6) Enhance the core value of R&D in its business, hire industry experts, invest in innovative new technologies, and adopt new manufacturing and environmentally friendly materials.
- (7) Strengthen information security and risk management by investing in information security management systems and equipment, increasing network protection, and promoting employee awareness of information security risks.

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

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

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

The Company's interest expense in 2022 was NT\$37,572 thousand, representing a low ratio of approximately 0.29% of net operating income. With the Federal Reserve's successive interest rate hikes in 2022, the Company has been able to reduce the impact of interest rate hikes on the Company's profit and loss by disposing of subsidiaries and issuing convertible bonds to obtain cash and repay bank loans. The net impact on the Company is therefore not material.

**Countermeasures:**

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

The Company's sales and purchases are mostly settled in USD and RMB. The exchange loss in 2022 was NT\$59,361 thousand, accounting for about 0.46% of its net operating income; the ratio was minor and the changes in foreign exchange rates has no material impact on the Company.

**Countermeasures:**

Participate in financial institution forecast, adherence to the principle of holding the same currency as the transaction currency for payment and take the net position to avoid risks, maintain foreign exchange

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



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

The world is currently in the aftermath of the COVID-19, yet the Russian-Ukrainian war has brought about geopolitical tensions leading to a sharp rise in crude oil and other energy prices and escalating transport costs. Geopolitical risks and monetary policies of major central banks had pushed up inflation, and enterprises may face increased raw material costs and labour costs. With its original intention in mind, the Company will continue to adjust the pace of its operations and shift to launch products that are in line with market trends in order to improve the quality and quantity of its products and increase profitability. At the same time, adjustments will be made to the sales strategy, cost structure and trading conditions in the light of changing market sentiment and international conditions, so as to cope with the impact of rising inflation. So far there is no material immediate impact on the Company in an era of high inflation as a result of rapid changes in the overall economic environment.

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

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

- (1) As of 31 March 2023, the Company did not engage in high-risk, high-leverage investments.
- (2) In addition, based on the operation of each operating entity's subsidiaries and the Group's financial scheduling flexibility, the Company and its subsidiaries provide capital loans and endorsement guarantees to the 100% of the reinvested subsidiaries (or sub-subsidiaries) to reduce the Group's uneven capital allocation and reduce capital borrowing or idle cost. Actual capital loan of EAH amounted to US\$6 million (approximately NT\$182,370 thousand), the actual capital loan of EAH and EAVN amounted to US\$11 million (approximately NT\$334,345 thousand), the actual capital loan of ETH with EAH amounted to US\$4 million (approximately NT\$121,585 thousand), the aforesaid loans and all are dealt in accordance with the relevant operating procedures regulations;

- (3) Saved as the financing endorsement guarantees for bank borrowings provided by the Company to the Company's subsidiaries, namely EAH, ETH and EAVN, the Company has not given any other endorsement or guarantee for others, and EAH and ETH, subsidiaries of the Company, issued guaranteed convertible bonds for the Company and appointed banks to provide medium-term performance guarantees, and EAH and ETH provided endorsement guarantees for the medium-term performance guarantees in accordance with the terms and conditions approved by the banks. The above endorsement guarantees are all carried out in accordance with the relevant operating procedures. Overall, the loans of subsidiaries and the guarantees of the parent company are the same loan while the risk is not doubled, and there is no adverse impact on the consolidated loss.
- (4) ETH, a subsidiary of the Company, engages in derivative transactions in response to hedging needs and pre-sells RMB to USD forward transactions to hedge the exchange rate risk of a significant appreciation of RMB, dealt in accordance with the relevant operating procedures regulations.

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

1. The research and development of products is the driving force for the development of the Company, and the focuses of research and development of the Company in 2023 are as follows:
  - (1) Cooperate with partners on the joint research and development of wireless speakers system, main focus of which is on LE Audio solutions and product development, with horizontal expansion in systems (Sound Bars, BT wireless Speakers, Headphones).
  - (2) Development and further expansion of SoCs of the TV Sound Bars embedded standard to provide multiple choices of turn-key solution; we are also developing new product categories such as "Neckband speakers" and "OTC Hearing-Aid TWS" to expand the application of audio products.
  - (3) Start in-depth research and development on Metaverse acoustic applications and solutions for the Sound Bars and HP product categories.
  - (4) Enhancement and development of new products under our own brand, the PUNKTKILDE® series sensors. Focusing on small size and large sound pressure models, we are exploring new technical capabilities and providing new ideas for new species of products.
  - (5) Continue to establish long-term goals with suppliers on environmental protection, energy saving and carbon reduction, recycling or natural decomposition of raw materials and packaging materials, etc., make better use of environmentally friendly materials in the production of various types of products, which will help in fulfilling our green commitment and CSR practice.

- (6) In response to the supply chain's supply of master chips, the Company will develop a strategy of multi-sourcing, multi-sharing and reuse in design to reduce the risks faced by products in this area.
  - (7) Begin planning for 2023 of the Company's new product category strategy in terms of manpower, resources, planning and new technology.
2. Research and development plan, intellectual property rights acquisition plan and estimated investment costs

The research and development expenses of the Company in 2022 was NT\$257,564,000, representing approximately 2.01% of the operating income, which increased NT\$27,085,000 when compared with the research and development expenses in 2021 of NT\$230,479,000. In 2023, the research and development expenses required to invest continuously for the sustainable development of the Company and expected to account for 2%-4% of the revenue amount.

- **Intellectual property strategy:**

The Group continues to pursue innovation in acoustic products through a strategic model of intellectual property development that combines the Company's operational objectives with its research and development capabilities, in order to integrate the Group's innovation capability and transform it into intellectual property with competitive strength.

**[Management measures]**

- **Patent**

The intellectual property management strategy of the Group has gradually optimized the Group's patent proposal management and incentive system from 2019 onwards to encourage R&D innovation within the Group, and through the BPM online patent proposal system, we are able to search and analyse the technical features of the proposals or create alert for patent risks to effectively strengthen our technological capabilities in the field of acoustic products.

- **Trademark**

The Group's trademark EASTECH and the speaker units brand trademark PUNKTKILDE® have been properly positioned for the regional markets to strengthen the Group's brand image and deepen the marketing efforts of the brand.

- **Business secrets**

The Group will continue to build and improve our business secrets registration and management system to promote the effectiveness of management tracking. At present, it has implemented the business secrets protection project for the unit production automation lines in Huiyang factory.

- **Copyright**

In accordance with the Group's intellectual property rights policy on copyright, we continue to visit our Huiyang factory, Vietnam factory and Shenzhen R&D office on a regular basis to promote the software legalization and other copyright respect management and organise handling teams to effectively implement the use of compliant software. Also, in response to external parties, we will tighten horizontal inter-departmental liaison and coordination, establish and dynamically adjust the mechanism for handling copyrights and other intellectual properties, so that they can be more properly and promptly investigated and dealt with.

**[Implementation]**

In recent years, the Company has continued to actively promote its intellectual property management program, and implementation is mainly as follows:

- In 2022, the Group visited the Huiyang factory, Vietnam factory and Shenzhen R&D office to promote the implementation of software legalization management and related contingency handling.
- In 2022, the Group continued to plan for patent exploration and application to enhance its competitiveness and maintain its certification as a high-tech enterprise.

**[List of intellectual property currently obtained]**

- **Patents:**

As of 2022, the Group filed a total of approximately 100 patent applications, including patent applications in China, the United States, Japan, Taiwan and Vietnam.

- **Trademark:**

As of 2022, more than 150 trademarks were registered.

- **Business secrets:**

As of 2022, the Group implemented the business secrets protection project for the unit automation lines in Huiyang factory.

- **Copyright:**

As of 2022, the Group established and continued to tour the Huiyang and Vietnam factories and the Shenzhen R&D office to promote the promotion and management of software legalization, as well as the cross-unit immediate relief mechanism for external copyright warning letters.

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

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

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

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

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

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

The Company is a OEM/ODM/JDM manufacturer of speaker system. Since its establishment, it focused on the operation of its main business and providing one-stop full-service acoustic solutions. The Company has the most comprehensive team in audio, structure and speaker development and engineering, and establishes good and long-term relationship with the clients of the brand. The operating results and reputation of the Company are good. Therefore, the Company should have no issue of corporate risk brought by the changes in corporate image.

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

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

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

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

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

1. The risks and countermeasures of concentration of purchasing:

In 2022, there are no companies which account for over 5% of the purchasing of the Company. The speakers industry has become mature with various upstream supplying plants and sufficient resources, and thus the risk of supply interruption is minor. Overall, there is no risk of over-concentration on purchasing.

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

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

- (10) The impacts, risks and countermeasures of a large number of shares transferred or replaced by directors, supervisors or shareholders holding more than 10% of the Shares of the Company: Nil.**
- (11) The impacts, risks and countermeasures of changes in operating rights of the Company: Nil.**
- (12) Litigation or non-litigation events - major litigation, non-litigation or administrative arbitration event which involves the Company and its directors, supervisors, presidents, actual responsible person, major shareholders holding more than 10% of the shares and its subsidiaries with judgment confirmed or still in litigation, and its consequences may have material impact on the interests of shareholders or security prices:**

Eastech Electronics (Taiwan) Inc., a subsidiary of the Company, is involved in a lawsuit initiated by an individual consumer in the United States in September 2022, the plaintiff has consented to dismiss the case due to lack of general and specific jurisdiction of the receiving court over ETT. The Group has cooperated with the insured insurers to defend and handle the litigation, which is still pending the determination of attribution of responsibility and has no material impact on the Group's financial and business aspects as at 12 May 2023 as no specific amount has been claimed.

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

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



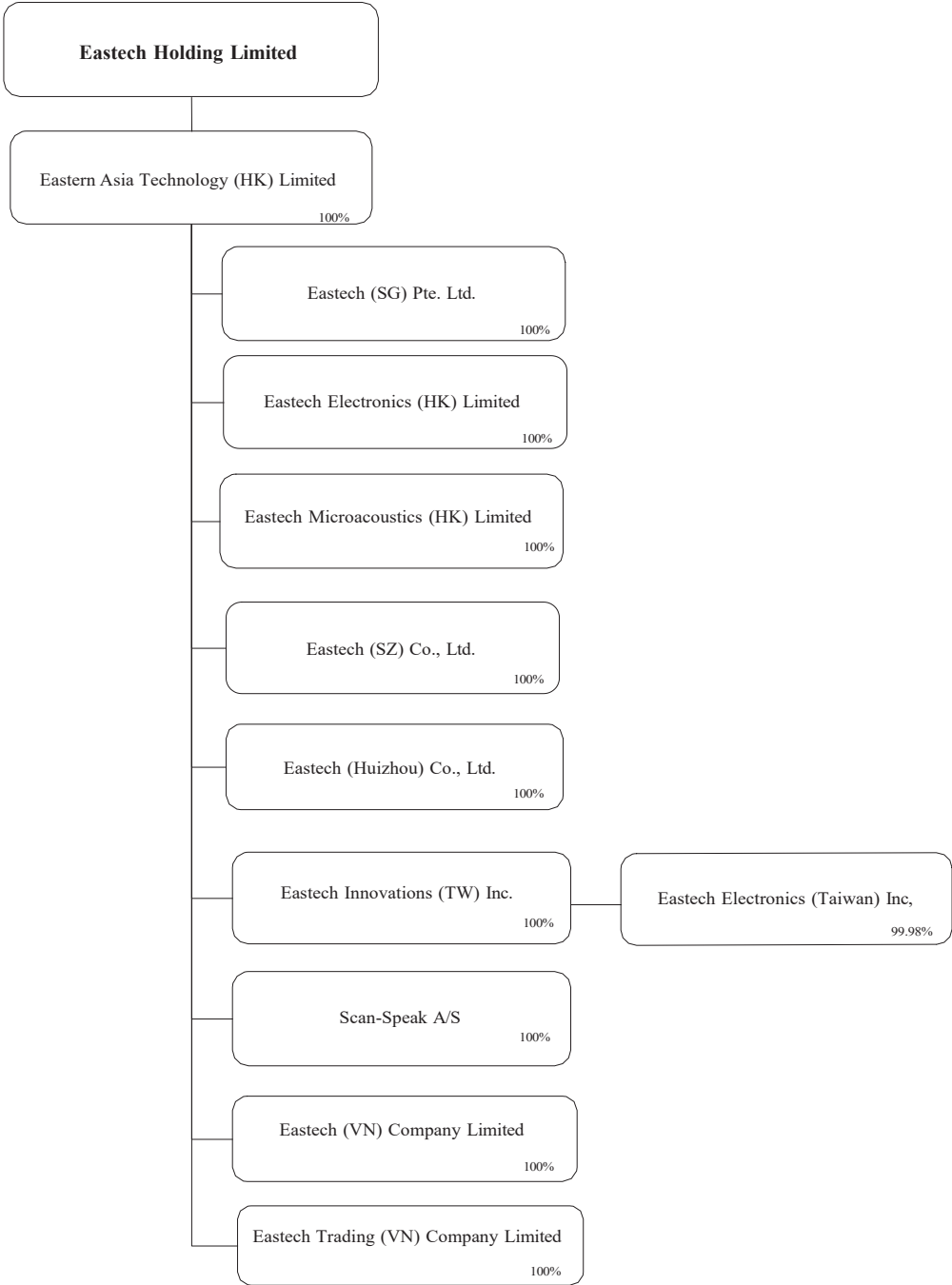
VIII. SPECIAL DISCLOSURE

1. Information on affiliates for the latest year

(a) Consolidated business reports of affiliated enterprises

1. Affiliated enterprises diagram

12 May 2023





## 2. Basic information of each affiliated enterprises

31 December 2022 Unit: dollar

Company	Date of Establishment	Contact Address	Paid-in capital	Principal Business or Products
EAH	12 January 1988	Unit 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	HKD 80,000,000	Sale of speaker systems and headphones
EAHZ	07 November 2002	Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC	USD 18,144,900	Manufacture, assembly and sale of speaker systems and accessories, headphones, smart speakers and audio/video electronic home entertainment systems
ESHY	06 October 1995	Dong Fong Administrative Area, Xinxu City, Hui Yang District, Huizhou, Guangdong province, the PRC	HKD 9,000,000	Production and sale of speaker systems
ESZ	13 November 2013	8 Floor, International KeJi Mansion, 3007 Shen Nan Middle Road, Futian District, Shenzhen, Guangdong Province, the PRC	RMB 2,000,000	Import and export trading of audio accessories, machinery and equipment, etc.
ScS	30 August 1983	N.C. Madsensvej 1, 6920 Videbaek, Denmark	DKK 1,320,045	Research and development, production and sale of high-end unit transducers
ETT	04 November 1992	8F, No.188, Baoqiao Rd., Xindian Dist., New Taipei City	NTD 65,316,430	Design and sale of smart speakers and audio/video electronic home entertainment systems
ETH	14 March 1996	Unit 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	HKD 80,000,000	Sale of smart speakers and audio/video electronic home entertainment systems and headphones
ESG	04 October 2017	1 Pemimpin Drive, #08-06 One Pemimpin, Singapore 576151	SGD 50,000	Research and development of system frameworks/new product concepts/state-of-the-art products and sound and acoustic advanced technology
EAVN	25 January 2019	Lot B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	USD 8,000,000	Production, assembly and sale of unit speakers/ Bluetooth speakers and headphones
EMH	30 August 2019	Room 906, 9/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	HKD 100,000	Sale of headphones and AV products
ETW	2 July 2020	One of the 8th Floor, No. 188, Baoqiao Road, Xindian District, New Taipei City	NTD 85,000,000	New technology development and product design development
ETV	10 July 2021	Lot B2-4, Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	USD 200,000	Sale of speaker systems and headphones

3. Presumption of relationship of control or subordination, information of the shareholders in common: Nil.
4. The industries covered by the business of the overall affiliated company
  - (1) The business operations of the Company and its affiliates include: manufacture and sale of speaker systems and headphones products; design, manufacture and sale of high-end/ smart speakers and audio/video electronic home entertainment systems; research and development of system architecture/new product concept/state-of-the-art products and sound and acoustic advanced technology.

(2) Details of segregation of functions:

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

5. Operational results of each affiliate enterprise

31 December 2022; Unit: except the amount of capital is denominated in foreign currency, the rest are denominated in NTD thousands

Company	Amount of capital	Total Assets	Total Liabilities	Net Assets	Operating revenue	Operating profit (loss)	Current profit and loss	Earnings (loss) per share (dollar)
EAH	HKD80,000,000	2,357,998	815,685	1,542,313	6,278,238	13,554	68,545	0.86
EAHZ	USD18,144,900	2,343,110	1,977,911	365,199	6,169,428	(92,902)	426	N/A
ESHY	HKD 9,000,000	288,537	168,303	120,234	757,779	23,616	24,348	N/A
ESZ	RMB 2,000,000	360,987	333,398	27,589	1,274,484	39,735	70,125	N/A
ScS	DKK1,320,045	166,126	57,519	108,607	221,611	23,996	18,669	14.14
ETT	NTD 65,316,430	90,290	17,662	72,628	0	(51,933)	17,247	2.64
ETH	HKD 80,000,000	2,016,522	1,106,445	910,077	6,793,845	88,415	91,586	0.80
ESG	SGD50,000	9,513	5,954	3,559	0	(19,972)	(2,177)	(43.54)
EAVN	USD8,000,000	1,583,296	1,230,608	352,688	4,789,811	213,289	187,170	N/A
EMH	HKD100,000	2,282	380	1,902	85,101	1,798	1,685	16.85
ETW	NTD85,000,000	61,591	4,741	56,850	0	(15,455)	2,655	0.31
ETV	USD200,000	5,688	25	5,663	0	(81)	137	N/A

Note: Limited company without shares.

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

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

(b) **Consolidated financial statements of affiliated enterprises:** same with the consolidated financial statements, please refer to pages 152 to 257.

(c) **Declaration on consolidated statement:** not applicable.

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

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

Unit: NTD thousands; shares; %

Subsidiary (note 1)	Paid-in capital	Source of funds	Shareholding percentage of the Company	Date of acquisition or disposal	Number of shares acquired and amount	Number of shares disposed of and amount	Investment gains or losses	Number of shares held and amount as at the publication date of the annual report (note 2)	Creation of pledge	Endorsement and guarantee amount for subsidiaries by the Company	Loans to subsidiaries by the Company
Eastech Electronics (Taiwan) Inc.	65,316	Self- owned funds	99.98%	Acquired in February 2013	453,000 shares and \$27,617	0	0	Number of shares: 453,000 shares Amount: 18,143	0 share	0	0

Note 1: Acquired in January 2015.

Note 2: Based on the closing price of NTD40.05 on 31 March 2023.

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

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

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

Important matters for shareholders' rights protection	Provisions under the Articles of Association and explanation for discrepancy
<ol style="list-style-type: none"> <li>1. A general meeting shall be convened at least once per year; it shall be held within six months after the end of each accounting year. The shareholders' meeting shall be convened by the Board.</li> <li>2. The Articles of Association may specify that meetings of shareholders shall be held via video conference or other means announced by the competent authority under the Company Law of the ROC. However, for reason of natural disasters, accidents or other force majeure, the competent authority under the Company Law of the ROC may announce that the Company may hold meeting via video conference or other means as announced which is not provided for in the Articles of Association within a specified period of time.</li> <li>3. If a general meeting is held via video conference, shareholders who participate in the meeting by video communication are deemed to be present in person.</li> <li>4. The conditions, procedures and other matters to be complied with by the Company in connection with the holding of a shareholders' meeting via video conference shall be in accordance with the Securities and Exchange Act of the ROC.</li> <li>5. The Company shall hold a physical general meeting in the ROC. If a physical general meeting is held outside of the ROC, it should be reported to the stock exchange for consent within two days after the Board has resolved or the shareholders have obtained permission from the competent authority to convene the meeting.</li> </ol>	<p>The Board of the Company has proposed an amendment to the 2022 Annual General Meeting for the shareholders' rights protection as amended in March 2022.</p>

Important matters for shareholders' rights protection	Provisions under the Articles of Association and explanation for discrepancy
<p>6. A shareholder holding at least one percent of the total number of issued shares may submit a resolution to the Company for an ordinary general meeting in writing or by electronic means. The Board shall include the resolution as a resolution, except when the resolution is not a resolution of the general meeting, when the proposing shareholder holds less than one percent of the shares, when the resolution is submitted outside of the announcement for submission period, when the resolution exceeds 300 words, or when more than one resolution is proposed. The Board may also include a resolution from shareholder to urge the Company to promote the public interest or to fulfill its social responsibility.</p> <p>7. A shareholder who has held at least three percent of the total number of issued shares for at least one year may request the Board to convene an extraordinary meeting of shareholders in writing and stating the matters and reasons for proposing the resolution. If the Board does not give notice of convening the meeting within 15 days after the requisition is made, the shareholder may report to the competent authority for permission to convene the meeting on his or her own.</p> <p>8. Shareholders who hold more than half of the total number of issued shares for more than three months may convene an extraordinary general meeting on their own. The period and number of shares held by such shareholders shall be calculated based on the shares held at the time of closure of share transfer.</p>	

Important matters for shareholders' rights protection	Provisions under the Articles of Association and explanation for discrepancy
<p>9. The major contents of the following matters shall be set out in the notice of the reasons for convening the general meeting, and shall not be raised by provisional motion (the major contents of which shall be published on the websites designated by the competent authorities or the company, and the website link shall be set out in the notice):</p> <ol style="list-style-type: none"> <li>(1) Election or dismissal of directors and supervisors;</li> <li>(2) Alteration of the Articles of Association;</li> <li>(3) Reduction of capital;</li> <li>(4) Application for the ceasing of public issue;</li> <li>(5) Dissolution, merger, conversion of shares and demerger of the company;</li> <li>(6) Enter into, amend, or terminate any contract for lease of the company's entire business, or for entrusted business, or for regular joint operation with others;</li> <li>(7) Assignment of the whole or any essential part of its business or assets;</li> <li>(8) Taking up of the whole business or assets of other parties which has great significance on the business operation of the company;</li> <li>(9) Private placement of quoted equity securities;</li> <li>(10) Approval of engagement in competing activities with the company by directors;</li> <li>(11) Distribution of whole or part of the dividends and bonuses by way of issuing new shares;</li> <li>(12) Distribution of statutory surplus reserve and capital reserve arising from share issue at a premium or gift or donation to the original shareholders by way of issuing new shares or cash.</li> </ol>	<p>The Board of the Company has proposed an amendment to the 2022 Annual General Meeting for the shareholders' rights protection as amended in March 2022.</p>



Important matters for shareholders' rights protection	Provisions under the Articles of Association and explanation for discrepancy
<ol style="list-style-type: none"> <li>1. When the Company convenes a general meeting, written and electronic means shall be included as one of the means of exercising the right to vote.</li> <li>2. When the Company exercises its voting rights in writing or by electronic means, the method of exercise shall be set out in the notice of convening the general meeting. A shareholder who exercises his voting rights in writing or by electronic means shall be deemed to be present in person at the general meeting. However, a shareholder shall be deemed to have abstained from voting on extempore motion and an amendment to an original resolution at that meeting.</li> </ol>	<p>In relation to the shareholders' rights protection as amended in January 2023, the Company will comply with the requirements of the stock exchange and complete the amendment to its Articles of Association by 30 June 2023, and the Board will propose an amendment to the Articles of Association at the 2023 Annual General Meeting.</p>
<ol style="list-style-type: none"> <li>1. A shareholder who votes against or abstains from voting at a general meeting may request the Company to purchase all of his or her shares for the reasons set forth in item 1 in paragraph 1. If no agreement is reached between the shareholder and the Company on the purchase price within 60 days from the date of the resolution at the general meeting, the Company shall, within 30 days of the expiration of this period, apply to the court, with all shareholders who have not reached an agreement as opponents, for a determination of the price, and the Taipei District Court of Taiwan shall be the court of first instance.</li> <li>2. The number of shares in respect of which voting rights have been abstained from as aforesaid shall not be counted towards the votes of the members present.</li> </ol>	
<p>Where a director of the Company has personal interest in a matter at the Board meeting, he/she shall state the materiality of his/her personal interest at that Board meeting. In the event of a merger or acquisition, the directors of the Company shall explain to the Board and the general meeting the materiality of their interest in the merger or acquisition and the reasons for or against the resolution of the merger or acquisition, and the Company shall state the materiality of the directors' interest and the reasons for or against the resolution of the merger or acquisition in the grounds for convening the general meeting, which may be placed on the website designated by the securities authority of the ROC or the Company, and the website address shall be included in the notice.</p>	<p>In relation to the shareholders' rights protection as amended in January 2023, the Company will comply with the requirements of the stock exchange and complete the amendment to its Articles of Association by 30 June 2023, and the Board will propose an amendment to the Articles of Association at the 2023 Annual General Meeting.</p>

# **Eastech Holding Limited**

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