

Eastech Holding Limited and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2023 and 2022 and Independent Auditors' Report

Notice to Readers

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Eastech Holding Limited

Opinion

We have audited the accompanying consolidated financial statements of Eastech Holding Limited (“Eastech”) and subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of June 30, 2023 and December 31, 2022, and the consolidated statements of comprehensive income for the three months ended and six months ended June 30, 2023 and 2022, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2023 and December 31, 2022, 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 June 30, 2023 and 2022, and its consolidated financial performance for the three months ended June 30, 2023 and 2022, as well as its consolidated financial performance and consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34 (IAS 34) recognized and issued by Financial Supervisory Commission.

Basis for Opinion

We conducted our audit of the consolidated financial statements 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 six months ended June 30, 2023. 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 six months ended June 30, 2023 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: Whether the sales orders have been supported by a corresponding orders from international brand enterprises, whether the sales orders are approved by the appropriate supervisor, delivery orders are approved by the unit manager.
3. 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34 (IAS 34) recognized and issued by Financial Supervisory Commission, 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 six months ended June 30, 2023 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

August 25, 2023

Notice to Readers

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,374,968	25.32	\$ 1,290,720	22.49
Financial assets at fair value through profit or loss (Note 7)	-	-	104	-
Accounts receivable, net (Notes 8 and 19)	1,563,995	28.80	1,786,229	31.13
Inventories (Notes 10 and 23)	978,948	18.02	1,101,281	19.19
Current tax assets	4,618	0.08	2,572	0.05
Other receivables and prepayments (Note 9)	377,380	6.95	392,519	6.84
Restricted assets (Note 6)	22,433	0.41	-	-
Total current assets	<u>4,322,342</u>	<u>79.58</u>	<u>4,573,425</u>	<u>79.70</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 23)	861,061	15.86	943,147	16.43
Financial assets at fair value through profit or loss - non-current (Note 7)	134,322	2.47	120,787	2.10
Right-of-use assets (Note 12)	86,900	1.60	71,499	1.25
Intangible assets (Notes 13 and 23)	17,490	0.32	22,887	0.40
Deferred tax assets (Note 4)	9,222	0.17	6,760	0.12
Total non-current assets	<u>1,108,995</u>	<u>20.42</u>	<u>1,165,080</u>	<u>20.30</u>
TOTAL	<u>\$ 5,431,337</u>	<u>100.00</u>	<u>\$ 5,738,505</u>	<u>100.00</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 14)	\$ -	-	\$ 5,019	0.09
Notes and accounts payable (Note 16)	2,080,020	38.30	2,340,361	40.79
Financial liabilities at fair value through profit or loss (Note 7)	80,174	1.48	-	-
Lease liabilities - current (Note 12)	50,968	0.94	43,572	0.76
Current tax liabilities (Note 4)	5,218	0.09	5,877	0.10
Other payables (Note 16)	515,263	9.49	729,474	12.71
Total current liabilities	<u>2,731,643</u>	<u>50.30</u>	<u>3,124,303</u>	<u>54.45</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 15)	298,853	5.50	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)	25,634	0.47	31,488	0.55
Deferred tax liabilities (Note 4)	6,467	0.12	6,413	0.11
Total non-current liabilities	<u>330,954</u>	<u>6.09</u>	<u>367,361</u>	<u>6.40</u>
Total liabilities	<u>3,062,597</u>	<u>56.39</u>	<u>3,491,664</u>	<u>60.85</u>
EQUITY (Note 18)				
Share capital - common stock	665,568	12.25	631,390	11.00
Capital surplus	905,230	16.67	829,969	14.46
Treasury shares	(24,019)	(0.44)	(24,019)	(0.42)
Exchange differences on translating the financial statements of foreign operations	82,627	1.52	74,012	1.29
Retained earnings				
Legal reserve	7,629	0.14	7,629	0.14
Special reserve	-	-	109,717	1.91
Unappropriated retained earnings	731,705	13.47	618,143	10.77
Total equity	<u>2,368,740</u>	<u>43.61</u>	<u>2,246,841</u>	<u>39.15</u>
TOTAL	<u>\$ 5,431,337</u>	<u>100.00</u>	<u>\$ 5,738,505</u>	<u>100.00</u>

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Note 19)	\$ 2,531,281	100.00	\$ 3,322,906	100.00	\$ 4,549,019	100.00	\$ 5,900,147	100.00
COST OF REVENUE (Note 10)	<u>2,132,264</u>	<u>84.24</u>	<u>3,037,264</u>	<u>91.41</u>	<u>3,870,180</u>	<u>85.08</u>	<u>5,411,415</u>	<u>91.72</u>
GROSS PROFIT	<u>399,017</u>	<u>15.76</u>	<u>285,642</u>	<u>8.59</u>	<u>678,839</u>	<u>14.92</u>	<u>488,732</u>	<u>8.28</u>
OPERATING EXPENSES								
Selling and distribution	43,368	1.71	53,255	1.60	93,626	2.06	107,421	1.82
General and administrative	211,684	8.36	190,121	5.72	354,854	7.80	339,063	5.75
Expected credit (reversal) losses (Note 8)	<u>(252)</u>	<u>(0.01)</u>	<u>14,266</u>	<u>0.43</u>	<u>(159)</u>	<u>(0.01)</u>	<u>14,779</u>	<u>0.25</u>
Total operating expenses	<u>254,800</u>	<u>10.06</u>	<u>257,642</u>	<u>7.75</u>	<u>448,321</u>	<u>9.85</u>	<u>461,263</u>	<u>7.82</u>
PROFIT FROM OPERATIONS	<u>144,217</u>	<u>5.70</u>	<u>28,000</u>	<u>0.84</u>	<u>230,518</u>	<u>5.07</u>	<u>27,469</u>	<u>0.46</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 19)	26,322	1.04	10,673	0.32	36,384	0.80	32,783	0.55
Foreign exchange gain, net (Note 25)	46,661	1.84	35,151	1.06	30,669	0.67	28,836	0.49
Finance costs (Note 19)	(3,948)	(0.16)	(8,318)	(0.25)	(8,642)	(0.19)	(17,929)	(0.30)
Other losses (Note 19)	<u>(79,289)</u>	<u>(3.13)</u>	<u>(9,483)</u>	<u>(0.28)</u>	<u>(88,283)</u>	<u>(1.94)</u>	<u>(9,558)</u>	<u>(0.16)</u>
Total non-operating income and expense	<u>(10,254)</u>	<u>(0.41)</u>	<u>28,023</u>	<u>0.85</u>	<u>(29,872)</u>	<u>(0.66)</u>	<u>34,132</u>	<u>0.58</u>
INCOME BEFORE INCOME TAX	133,963	5.29	56,023	1.69	200,646	4.41	61,601	1.04
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 19)	<u>(1,957)</u>	<u>(0.08)</u>	<u>3,713</u>	<u>0.11</u>	<u>(404)</u>	<u>(0.01)</u>	<u>(1,341)</u>	<u>(0.02)</u>
NET PROFIT FOR THE PERIOD	<u>132,006</u>	<u>5.21</u>	<u>59,736</u>	<u>1.80</u>	<u>200,242</u>	<u>4.40</u>	<u>60,260</u>	<u>1.02</u>
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	<u>34,887</u>	<u>1.38</u>	<u>42,642</u>	<u>1.28</u>	<u>8,615</u>	<u>0.19</u>	<u>96,541</u>	<u>1.64</u>
Other comprehensive income (net of income tax) for the period)	<u>34,887</u>	<u>1.38</u>	<u>42,642</u>	<u>1.28</u>	<u>8,615</u>	<u>0.19</u>	<u>96,541</u>	<u>1.64</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 166,893</u>	<u>6.59</u>	<u>\$ 102,378</u>	<u>3.08</u>	<u>\$ 208,857</u>	<u>4.59</u>	<u>\$ 156,801</u>	<u>2.66</u>
EARNINGS PER SHARE (Note 21)								
Basic earnings per share after income tax	<u>\$ 2.04</u>		<u>\$ 0.98</u>		<u>\$ 3.14</u>		<u>\$ 0.99</u>	
Diluted earnings per share after income tax	<u>\$ 1.74</u>		<u>\$ 0.98</u>		<u>\$ 2.66</u>		<u>\$ 0.99</u>	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Retained Earnings			Total Equity
						Legal Reserve	Special Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2022	\$ 614,060	\$ 749,535	\$ (24,019)	\$ (79,767)	\$ (29,950)	\$ 5,898	\$ -	\$ 426,590	\$ 1,662,347
Appropriation of 2021 earnings									
Cash dividends	-	-	-	-	-	-	-	(36,844)	(36,844)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	272	-	-	-	-	-	-	272
Appropriation of special reserve	-	-	-	-	-	-	109,717	(109,717)	-
Compensation costs of employee stock options	-	9,686	-	-	-	-	-	-	9,686
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	29,950	-	-	(29,950)	-
Profit for the six months ended June 30, 2022	-	-	-	-	-	-	-	60,260	60,260
Other comprehensive income for the six months ended June 30, 2022	-	-	-	96,541	-	-	-	-	96,541
Total comprehensive income for the six months ended June 30, 2022	-	-	-	96,541	-	-	-	60,260	156,801
BALANCE AT JUNE 30, 2022	<u>\$ 614,060</u>	<u>\$ 759,493</u>	<u>\$ (24,019)</u>	<u>\$ 16,774</u>	<u>\$ -</u>	<u>\$ 5,898</u>	<u>\$ 109,717</u>	<u>\$ 310,339</u>	<u>\$ 1,792,262</u>
BALANCE AT JANUARY 1, 2023	\$ 631,390	\$ 829,969	\$ (24,019)	\$ 74,012	\$ -	\$ 7,629	\$ 109,717	\$ 618,143	\$ 2,246,841
Appropriation of 2022 earnings									
Cash dividends	-	-	-	-	-	-	-	(196,397)	(196,397)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	1,379	-	-	-	-	-	-	1,379
Compensation costs of employee stock options	-	4,684	-	-	-	-	-	-	4,684
Issuance of ordinary shares under employee share options	24,480	45,382	-	-	-	-	-	-	69,862
Conversion of convertible bonds	9,698	23,816	-	-	-	-	-	-	33,514
Reversal of appropriation of special reserve	-	-	-	-	-	-	(109,717)	109,717	-
Profit for the six months ended June 30, 2023	-	-	-	-	-	-	-	200,242	200,242
Other comprehensive income for the six months ended June 30, 2023	-	-	-	8,615	-	-	-	-	8,615
Total comprehensive income for the six months ended June 30, 2023	-	-	-	8,615	-	-	-	200,242	208,857
BALANCE AT JUNE 30, 2023	<u>\$ 665,568</u>	<u>\$ 905,230</u>	<u>\$ (24,019)</u>	<u>\$ 82,627</u>	<u>\$ -</u>	<u>\$ 7,629</u>	<u>\$ -</u>	<u>\$ 731,705</u>	<u>\$ 2,368,740</u>

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 200,646	\$ 61,601
Adjustments for:		
Depreciation expenses of property, plant and equipment	73,540	67,661
Depreciation expenses of right-of-use assets	13,624	12,925
Amortization - other intangible assets	8,066	10,536
(Reversal) provision for expected credit loss	(159)	14,779
Gain on modifications of lease	(33)	(29)
Allowance for inventories provision and inventories write-off	14,193	10,884
Loss on disposal of property, plant and equipment	8,850	708
Interest expense	8,642	17,929
Interest income	(8,397)	(1,290)
Compensation cost of employee stock options	4,684	9,686
Loss on fair value changes of financial instruments at fair value through profit or loss	<u>65,848</u>	<u>956</u>
Operating cash flows before working capital changes	389,504	206,346
Changes in operating assets and liabilities		
Notes and accounts receivable	222,393	25,458
Other receivables and prepayments	15,139	(114,167)
Inventories	108,140	(486,434)
Notes and accounts payable	(260,341)	580,987
Other payables	<u>(214,211)</u>	<u>(77,078)</u>
Cash generated from operations	260,624	135,112
Interest paid	(5,141)	(17,929)
Interest received	8,397	1,290
Income tax paid	<u>(5,799)</u>	<u>(568)</u>
Net cash generated from operating activities	<u>258,081</u>	<u>117,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for financial assets at fair value through profit or loss	(20)	-
Sale for financial assets at fair value through profit or loss	94	-
Payments for acquiring property, plant and equipment	(21,849)	(70,833)
Proceeds from disposal of property, plant and equipment	22,483	677
Increase in other intangible assets	(1,594)	(1,029)
(Increase) decrease in restricted assets	(22,433)	41,511
Net cash inflows from disposal of subsidiaries	<u>-</u>	<u>892,885</u>
Net cash (used in) generated from investing activities	<u>(23,319)</u>	<u>863,211</u>

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	\$ 139,473	\$ 1,805,381
Repayments of bank borrowings	(144,664)	(2,500,970)
Cash dividends	(196,397)	(36,844)
Cash dividends received from treasury shares	1,379	272
Exercise of employee share options	69,862	-
Repayments of the principal portion of lease liabilities	<u>(25,448)</u>	<u>(25,356)</u>
Net cash used in financing activities	<u>(155,795)</u>	<u>(757,517)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>5,281</u>	<u>123,599</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,248	347,198
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,290,720</u>	<u>528,617</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,374,968</u>	<u>\$ 875,815</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:		
Cash and bank deposits	\$ 1,397,401	\$ 875,815
Pledged deposits	<u>(22,433)</u>	<u>-</u>
Cash and cash equivalents	<u>\$ 1,374,968</u>	<u>\$ 875,815</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 SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (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 \$85 million.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 25, 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, 2023. 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 six months ended June 30, 2023.

b. Standards and interpretations issued but not yet effective

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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)
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 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 4)

Note 1: Unless stated otherwise, the above 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 provide some transition relief regarding disclosure requirements.

Note 4: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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 Accounting Standards 34 “Interim Financial Reporting” and Rule No. 10200546801 issued by the Financial Supervisory Commission (the “FSC”). The consolidated financial statements do not include all IFRS disclosures required by the full annual financial report. Moreover, the IFRSs applicable to these consolidated financial statements have no difference with the IFRS, IAS, interpretations as well as interpretation announcement.

b. Basis of preparation

- 1) The basis of consolidated financial statements are consistent with those applied in the consolidated financial statement for the year ended December 31, 2022.
- 2) The consolidated financial statements had been originally presented in the functional currency of the Company - NTD.
- 3) Pursuant to the above basis of preparation of the consolidated financial statements, the detail information of the subsidiaries was as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			June 30, 2023	December 31, 2022	
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	Note 2
EAH	Eastech (Huizhou) Co., Ltd. (“EAHZ”)	Production, assembly and sales of speaker systems, accessories, headphones, smart speakers and AV electronics home entertainment systems	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 (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 10, 2021
EAH	Eastech (SG) Pte. Ltd. (“ESG”)	Research and development of system architecture/new product concept/ state-of-the-art products/sound and acoustics advance technology	100.00	100.00	ESG was established by ETH in October 2017 and was transferred 100% ownership from ETH to EAH in July 2019
EAH	Eastech Microacoustics (HK) Limited (“EMH”)	Sales of headphones and AV products	100.00	100.00	EMH was established by EAH on August 30, 2019
EAH	Eastech Electronics (HK) Limited (“ETH”)	Sales of smart speaker, AV electronics home entertainment systems and headphones	100.00	100.00	ETH was acquired in January 2015 and was transferred 100% ownership from ETH to EAH in September 2021.
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	Eastech Electronics (Taiwan) Inc. (“ETT”)	Design and sales of smart speakers and AV electronics home entertainment systems	100.00	99.98	Note 1

Note 1: 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. The shareholders' meeting resolved the capital reduction for loss off-setting on June 16, 2023, and base date was set on June 30, 2023. After the capital reduction, ETW owns 100% of ETT. After the capital reduction, ETW's shareholding ratio to ETT is 100%, the capital reduction plan was approved by the competent authority on July 24, 2023.

Note 2: On February 24, 2023, the board of directors resolved to merge ESHY with EAHZ, and the base date was March 31, 2023. After the merger, the existing company was EAHZ.

c. Other significant accounting policies

Except for the following, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2022.

1) Taxation

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

2) Explanatory about the seasonality of interim operations

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

d. Basis of preparation

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same material accounting judgments and key sources of estimates and assumptions have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022
Cash on hand	\$ 1,583	\$ 2,261
Cash at bank	1,368,109	1,224,073
Fixed deposits	<u>27,709</u>	<u>64,386</u>
	1,397,401	1,290,720
Less: Pledged deposits	<u>(22,433)</u>	<u>-</u>
	<u>\$ 1,374,968</u>	<u>\$ 1,290,720</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 bank as guarantee for forward foreign exchange contracts (please refer to Note 23), and is recognized as restricted assets.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2023	December 31, 2022
<u>Financial assets - non-current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign-listed stocks	\$ -	\$ 104
<u>Financial assets - non-current</u>		
Mandatorily classified as at FVTPL		
Derivative financial assets		
Convertible bond options (Note 15)	\$ 1,039	\$ -
Non-derivative financial assets		
Domestic unlisted stocks	<u>133,283</u>	<u>120,787</u>
	<u>\$ 134,322</u>	<u>\$ 120,787</u>
<u>Financial liabilities - current</u>		
Financial liabilities designed as at FVTPL, holding for trading		
Derivative financial liabilities (unspecified risk)		
Forward foreign exchange contract	<u>\$ 80,174</u>	<u>-</u>
<u>Financial liabilities - non-current</u>		
Financial liabilities designed as at FVTPL, holding for trading		
Derivative financial liabilities		
Convertible bond options (Note 15)	<u>\$ -</u>	<u>\$ 595</u>

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

June 30, 2023

	Currencies	Term	Amount (In Thousands)
Sales of forward exchange contract	USD to RMB	July 5, 2023 to December 29, 2023	USD43,200/RMB293,169

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. ACCOUNTS RECEIVABLE

	June 30, 2023	December 31, 2022
Accounts receivable	\$ 1,604,790	\$ 1,826,783
Less: Allowance for impairment loss	<u>(40,795)</u>	<u>(40,554)</u>
	<u>\$ 1,563,995</u>	<u>\$ 1,786,229</u>

The Group's average credit period of sales of goods was 69 days (55 days in 2022). 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 notes and accounts receivable based on the Group's provision matrix.

June 30, 2023

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 1,524,098	\$ 39,897	\$ 485	\$ 40,310	\$ 1,604,790
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(485)</u>	<u>(40,310)</u>	<u>(40,795)</u>
Amortized cost	<u>\$ 1,524,098</u>	<u>\$ 39,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,563,995</u>

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)	<u>-</u>	<u>-</u>	<u>(15,767)</u>	<u>(24,787)</u>	<u>(40,554)</u>
Amortized cost	<u>\$ 1,589,700</u>	<u>\$ 196,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,786,229</u>

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

	For the Six Months Ended June 30, 2023	For the Year Ended December 31, 2022
Balance at the beginning of the period	\$ 40,554	\$ 23,487
Add: Impairment losses (reversal) recognized	(159)	14,154
Effect of foreign currency exchange differences	<u>400</u>	<u>2,913</u>
Balance at the end of the period	<u>\$ 40,795</u>	<u>\$ 40,554</u>

The notes and accounts receivable (with recourse) pledged as collateral for bank borrowings are set out in Notes 25 (h).

9. OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2023	December 31, 2022
Other receivables, net	\$ 121,422	\$ 39,712
Prepayments for purchases	59,355	76,927
Prepayments	5,671	7,285
Prepayments for purchases of equipment and mold	24,074	3,784
Value-added tax recoverable and refundable	149,542	247,796
Guarantee deposits	<u>17,316</u>	<u>17,015</u>
	<u>\$ 377,380</u>	<u>\$ 392,519</u>

Other receivables of the Group mainly consist of the followings:

- a. Other receivables relating to litigations (including guarantee deposits) as described in Note 24 (a) were fully set aside for loss. There was no changes for the six months ended June 30, 2023.
- b. As of June 30, 2023 and December 31, 2022, the amounts of temporary payments as described in Note 16 (b) were \$44,225 thousand and \$26,372 thousand, respectively, which were included in other receivables.

10. INVENTORIES

	June 30, 2023	December 31, 2022
Raw materials	\$ 528,436	\$ 610,558
Work-in-process	253,159	251,657
Finished goods	84,879	228,369
Goods in transit	<u>112,474</u>	<u>10,697</u>
	<u>\$ 978,948</u>	<u>\$ 1,101,281</u>

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2023 and 2022 was \$3,870,180 thousand and \$5,411,415 thousand, respectively, which included loss of net realizable value of inventories and loss of written-off of inventories of \$14,193 thousand and \$10,884 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2023 and 2022 was \$2,132,264 thousand and \$3,037,264 thousand, respectively, which included loss of net realizable value of inventories and loss of written-off of inventories of \$7,376 thousand and \$5,880 thousand, respectively.

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

11. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2023	December 31, 2022
Cost	\$ 1,393,413	\$ 1,426,429
Accumulated depreciation and impairment	<u>(532,352)</u>	<u>(483,282)</u>
Carrying amount	<u>\$ 861,061</u>	<u>\$ 943,147</u>
Land and buildings	\$ 312,248	\$ 312,791
Machinery and office equipment	542,558	619,124
Property under construction	<u>6,255</u>	<u>11,232</u>
Carrying amount	<u>\$ 861,061</u>	<u>\$ 943,147</u>

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

	Land and Buildings	Machinery and Office Equipment	Property under Construction	Total
<u>Cost</u>				
Balance at January 1, 2022	\$ 272,797	\$ 975,319	\$ 40,452	\$ 1,288,568
Additions	-	74,815	38,577	113,392
Disposals	-	(29,128)	(218)	(29,346)
Reclassification	39,034	27,240	(69,698)	(3,424)
Effect of exchange rates changes	<u>17,246</u>	<u>37,874</u>	<u>2,119</u>	<u>57,239</u>
Balance at December 31, 2022	329,077	1,086,120	11,232	1,426,429
Additions	-	20,180	1,669	21,849
Disposals	-	(54,840)	-	(54,840)
Reclassification	-	6,182	(6,841)	(659)
Effect of exchange rates changes	<u>3,595</u>	<u>(3,156)</u>	<u>195</u>	<u>634</u>
Balance at June 30, 2023	<u>\$ 332,672</u>	<u>\$ 1,054,486</u>	<u>\$ 6,255</u>	<u>\$ 1,393,413</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2022	\$ 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 rates changes	<u>681</u>	<u>12,636</u>	<u>-</u>	<u>13,317</u>
Balance at December 31, 2022	16,286	466,996	-	483,282
Depreciation	3,913	69,627	-	73,540
Disposals	-	(23,507)	-	(23,507)
Effect of exchange rates changes	<u>225</u>	<u>(1,188)</u>	<u>-</u>	<u>(963)</u>
Balance at June 30, 2023	<u>\$ 20,424</u>	<u>\$ 511,928</u>	<u>\$ -</u>	<u>\$ 532,352</u>

Management assesses no indication of impairment, therefore, no impairment loss is recognized as of June 30, 2023 and December 31, 2022 accordingly.

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

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2023	December 31, 2022
<u>Carrying amounts</u>		
Land and buildings	\$ 81,850	\$ 66,178
Machinery and office equipment	<u>5,050</u>	<u>5,321</u>
	<u>\$ 86,900</u>	<u>\$ 71,499</u>
	For the Six Months Ended June 30	
	2023	2022
Additions to right-of-use assets	<u>\$ 32,204</u>	<u>\$ 3,143</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 9,579	\$ 11,961
Machinery and office equipment	<u>4,045</u>	<u>964</u>
	<u>\$ 13,624</u>	<u>\$ 12,925</u>
	For the Three Months Ended June 30	
	2023	2022
Additions to right-of-use assets	<u>\$ 5,699</u>	<u>\$ 2,213</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 3,443	\$ 2,304
Machinery and office equipment	<u>3,484</u>	<u>532</u>
	<u>\$ 6,927</u>	<u>\$ 2,836</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2023 and for the year ended December 31, 2022.

b. Lease liabilities

	June 30, 2023	December 31, 2022
<u>Carrying amounts</u>		
Current	\$ 50,968	\$ 43,572
Non-current	<u>25,634</u>	<u>31,488</u>
	<u>\$ 76,602</u>	<u>\$ 75,060</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2023	December 31, 2022
Land and buildings	2.42%-5%	2.42%-4.23%
Machinery and office equipment	2.56%-4.15%	2.42%-4.63%

c. Material lease-in activities and terms

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

June 30, 2023 and December 31, 2022

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

d. Other lease information

	For the Six Months Ended June 30	
	2023	2022
Expenses relating to short-term leases	<u>\$ 4,251</u>	<u>\$ 6,835</u>
Total cash outflow for leases	<u>\$ (31,145)</u>	<u>\$ (33,556)</u>
	For the Three Months Ended June 30	
	2023	2022
Expenses relating to short-term leases	<u>\$ 2,154</u>	<u>\$ 3,284</u>

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

13. INTANGIBLE ASSETS

	June 30, 2023	December 31, 2022
Technical knowledge (including capitalized costs of R&D)	<u>\$ 17,490</u>	<u>\$ 22,887</u>

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

Technical acknowledge (including capitalized costs at development stage) 2-15 years

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

14. BANK BORROWINGS

- a. Short-term bank borrowings

	June 30, 2023		December 31, 2022	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Bank borrowings	-	\$ <u> -</u>	3.25%-7.47%	\$ <u> 5,019</u>

The above amounts represent revolving facility (for operating capital demand) of bank loan.

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

15. BONDS PAYABLE

	June 30, 2023	December 31, 2022
The first secured domestic convertible bonds	\$ 298,853	\$ 328,865
Less: Current portion	<u> -</u>	<u> -</u>
	<u>\$ 298,853</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. As of June 30, 2023, the conversion price was \$36.4.
 - 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.

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	328,865
Exercise of conversion	(33,514)
Amortization of discount on bonds payable	<u>3,502</u>
Liability component at June 30, 2023	<u>\$ 298,853</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 from 30 to 120 days. No interest is charged by notes and accounts payable in general. The Group has financial risk management policies to ensure settlement of all payables within payment term.

b. Details of other payables were as follows:

	June 30, 2023	December 31, 2022
Accrued salaries	\$ 108,830	\$ 223,721
Temporary receipts (Note)	16,255	12,783
Accrued employee's severance pay	261,456	290,962
Other payables	<u>128,722</u>	<u>202,008</u>
	<u>\$ 515,263</u>	<u>\$ 729,474</u>

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

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, the PRC, Singapore, Denmark and Vietnam are members of a state-managed retirement benefit plan operated by the government of Hong Kong, the 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 NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of June 30, 2023 and December 31, 2022 were \$665,568 thousand, and \$631,390 thousand, respectively, divided into 66,557 thousand shares and 63,139 thousand shares, each with a nominal amount of NT\$10 per share. All of the shares are ordinary shares, each carrying the rights to vote and receive dividend.

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

	(In Thousands of Shares)
	Number of Shares
January 1, 2022	61,406
Employee stock options	<u>1,733</u>
December 31, 2022	63,139
Conversion of convertible bonds	970
Employee stock options	<u>2,448</u>
June 30, 2023	<u>66,557</u>

b. Treasury shares

As of June 30, 2023 and December 31, 2022, the details of treasury shares are as follows:

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

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

June 30, 2022

Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Value
ETT	453	<u>\$ 24,019</u>	<u>\$ 20,997</u>

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

c. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to 10% of the Company's capital annually. As of June 30, 2023 and December 31, 2022, the capital surplus of the Company are as follows:

	June 30, 2023	December 31, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of common share	\$ 795,718	\$ 727,867
Arising from convertible bonds	27,611	-
Lapsed employee stock options	2,401	-
<u>May not be used for any purpose</u>		
Arising from employee restricted shares	26,409	26,409
Arising from employee stock options	19,264	38,071
Convertible bonds	<u>33,827</u>	<u>37,622</u>
	<u>\$ 905,230</u>	<u>\$ 829,969</u>

d. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining net profit together with any undistributed 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 dividend shall not be less than 50% of the total dividends/bonus distribution and the remaining distribution may be in shares dividends. However, if the Company only distributes cash dividend, it can be resolved by special resolution of the board of the directors. For information about the accrual basis of the employees' and directors' 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.

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

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

	<u>2021</u>
Ordinary share dividends - cash	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 were resolved by the shareholders' meeting on June 16, 2023.

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

	<u>2022</u>
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 of June 30, 2023.

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 each of their 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

Employee stock options

Information on issuance of employee stock options was as follow:

Grant Date	Issued Shares	Vesting Date	Exercisable Price
2018.09.28	1,200 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$22.30 (Note)
2019.06.10	4,747 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$28.60 (Note)
2020.05.19	2,760 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$22.80 (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	\$19.95 (Note)
2021.08.20	2,460 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$17.50 (Note)
2022.01.21	1,030 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$18.70 (Note)

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

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

Information outstanding on employee stock options was as follows:

Employee Stock Options	For the Six Months Ended June 30, 2023		For the Year Ended December 31, 2022	
	Number of Options	Weighted- average Exercise Price	Number of Options	Weighted- average Exercise Price
Balance at the beginning of period	6,958	\$ 24.01	8,053	\$ 23.63
Granted	-	-	1,030	20.20
Executed	(2,448)	28.54	(1,733)	26.24
Write-off	<u>(361)</u>	26.18	<u>(392)</u>	20.21
Balance at end period	<u>4,149</u>	18.97	<u>6,958</u>	24.01
Options exercisable, end of period	<u>840</u>		<u>2,179</u>	
Weighted-average fair value of options granted	<u>\$ -</u>		<u>\$ 6.79</u>	

Information about outstanding options was as follows:

Grant Date	June 30, 2023		December 31, 2022	
	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
2020.05.19	\$ 22.80	0.88	\$ 24.60	1.38
2021.04.27	19.50	1.83	21.00	2.33
2021.08.20	17.50	2.17	18.90	2.67
2022.01.21	18.70	2.55	20.20	3.05

Employee stock options granted on January 21, 2022, August 20, 2021, April 27, 2021 and May 19, 2020 were priced using the black-scholes pricing model and the inputs to the model were as follows:

	January 21, 2023	August 20, 2022	April 27, 2022	August 6, 2021	May 19, 2021	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 costs of employee stock options were as follows:

	Number of Shares (In Thousands) For the Six Months Ended June 30	
	2023	2022
Costs of employee stock options	\$ 4,684	\$ 9,686
	For the Three Months Ended June 30	
	2023	2022
Costs of employee stock options	\$ 2,251	\$ 4,671

f. Other equity items

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

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

2) Unrealized gain or loss on financial assets at FVTOCI

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

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) Contract balances

	June 30, 2023	December 31, 2022
Accounts receivable, net (Note 8)	<u>\$ 1,563,995</u>	<u>\$ 1,786,229</u>

3) Disaggregation of revenue from customer contracts

	For the Six Months Ended June 30	
	2023	2022
Home audio	\$ 2,922,745	\$ 3,895,157
Personal audio	1,053,312	1,363,534
Transducer speaker	184,770	201,817
Others	<u>388,192</u>	<u>439,639</u>
	<u>\$ 4,549,019</u>	<u>\$ 5,900,147</u>

	For the Three Months Ended June 30	
	2023	2022
Home audio	\$ 1,644,614	\$ 2,280,065
Personal audio	641,096	750,805
Transducer speaker	83,915	103,115
Others	<u>161,656</u>	<u>188,921</u>
	<u>\$ 2,531,281</u>	<u>\$ 3,322,906</u>

b. Depreciation and amortization expenses

	For the Six Months Ended June 30	
	2023	2022
Depreciation of property, plant and equipment	\$ 73,540	\$ 67,661
Amortization of other intangible assets	8,066	10,536
Depreciation of right-of-use assets	<u>13,624</u>	<u>12,925</u>
	<u>\$ 95,230</u>	<u>\$ 91,122</u>

	For the Three Months Ended June 30	
	2023	2022
Depreciation of property, plant and equipment	\$ 36,497	\$ 34,598
Amortization of other intangible assets	4,117	5,180
Depreciation of right-of-use assets	<u>6,927</u>	<u>2,836</u>
	<u>\$ 47,541</u>	<u>\$ 42,614</u>

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

	For the Six Months Ended June 30	
	2023	2022
Remuneration of directors and key management		
Short-term employment benefits	\$ 81,213	\$ 54,258
Post-employment benefits	1,598	1,330
Share-based payments	1,614	5,888
Employee benefits		
Short-term employment benefits	570,003	761,823
Post-employment benefits	46,055	51,857
Share-based payments	<u>3,070</u>	<u>3,798</u>
	<u>\$ 703,553</u>	<u>\$ 878,954</u>

	For the Three Months Ended June 30	
	2023	2022
Remuneration of directors and key management		
Short-term employment benefits	\$ 28,501	\$ 19,406
Post-employment benefits	706	624
Share-based payments	673	2,775
Employee benefits		
Short-term employment benefits	325,309	406,359
Post-employment benefits	23,474	26,704
Share-based payments	<u>1,578</u>	<u>1,896</u>
	<u>\$ 380,241</u>	<u>\$ 457,764</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 three months and six months ended June 30, 2023 and 2022, the employees' compensation and directors' compensation and supervisors are as follows:

Accrual rate

	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2023
Employees' compensation	5.6%	5.5%
Directors' compensation	1.5%	1.5%

Amount

	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2023
Employees' compensation	<u>\$ 8,000</u>	<u>\$ 11,900</u>
Directors' compensation	<u>\$ 2,100</u>	<u>\$ 3,200</u>

Accrual rate

	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2022
Employees' compensation	5%	5%
Directors' compensation	2%	2%

Amount

	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2022
Employees' compensation	<u>\$ 3,012</u>	<u>\$ 3,312</u>
Directors' compensation	<u>\$ 1,205</u>	<u>\$ 1,325</u>

The Group held the board of directors on February 24, 2023 and February 25, 2022, and had the resolution of the employees' and directors' compensation of 2022 and 2021. For the year ended 2022 and 2021, the employees' and directors' compensation are as follows:

Amount

	For the Year of 2022	For the Year of 2021
Employees' compensation	<u>\$ 22,370</u>	<u>\$ 10,523</u>
Directors' compensation	<u>\$ 6,300</u>	<u>\$ 6,300</u>

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

There was no significant difference between the actual amounts of employees' and directors' compensation paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022.

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

e. Other income

	For the Six Months Ended June 30	
	2023	2022
Government grants revenue	\$ 92	\$ 2,041
Project service revenue	3,114	13,237
Interest income	8,397	1,290
Scrap income	486	1,785
Rental revenue	229	58
Gain on disposal of property, plant and equipment	169	131
Net gain on financial instruments at fair value through profit or loss	13,070	-
Reversal of accrued employee's severance pay	4,272	9,861
Others	<u>6,555</u>	<u>4,380</u>
	<u>\$ 36,384</u>	<u>\$ 32,783</u>

	For the Three Months Ended June 30	
	2023	2022
Government grants	\$ 7	\$ 2,031
Project service revenue	1,992	4,836
Interest income	3,927	973
Scrap income	290	1,491
Rental revenue	200	29
Gain on disposal of property, plant and equipment	15	-
Net (loss) gain on financial instruments at fair value through profit or loss	12,160	(3,469)
Reversal of employee severance pay	2,104	3,376
Others	<u>5,627</u>	<u>1,406</u>
	<u>\$ 26,322</u>	<u>\$ 10,673</u>

f. Other losses

	For the Six Months Ended June 30	
	2023	2022
Losses on fair value change of financial instruments at fair value through profit or loss	\$ 78,918	\$ 956
Losses on disposal of property, plant and equipment	9,019	839
Others	<u>346</u>	<u>7,763</u>
	<u>\$ 88,283</u>	<u>\$ 9,558</u>

	For the Three Months Ended June 30	
	2023	2022
Losses on fair value change of financial instruments at fair value through profit or loss	\$ 72,951	\$ 924
Losses on disposal property, plant and equipment	6,275	814
Others	<u>63</u>	<u>7,745</u>
	<u>\$ 79,289</u>	<u>\$ 9,483</u>

g. Finance costs

	For the Six Months Ended June 30	
	2023	2022
Interest expense arising from bank borrowings	\$ 760	\$ 16,564
Guarantee interest on bonds payable	2,934	-
Interest expense on bonds payable	3,502	-
Interest expense on lease liabilities	<u>1,446</u>	<u>1,365</u>
	<u>\$ 8,642</u>	<u>\$ 17,929</u>

	For the Three Months Ended June 30	
	2023	2022
Interest expense arising from bank borrowings	\$ 254	\$ 7,673
Guarantee interest on bonds payable	1,247	-
Interest expense on bonds payable	1,761	-
Interest expense on lease liabilities	<u>686</u>	<u>645</u>
	<u>\$ 3,948</u>	<u>\$ 8,318</u>

20. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Six Months Ended June 30	
	2023	2022
Current tax		
In respect of the current year	\$ 3,191	\$ 2,431
Adjustments for prior years	(95)	109
Deferred tax		
In respect of the current year	<u>(2,692)</u>	<u>(1,199)</u>
Income tax expense recognized in profit or loss	<u>\$ 404</u>	<u>\$ 1,341</u>

	For the Three Months Ended June 30	
	2023	2022
Current tax		
In respect of the current year	\$ 3,092	\$ (2,645)
Adjustments for prior years	(1)	2
Deferred tax		
In respect of the current year	<u>(1,134)</u>	<u>(1,070)</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ 1,957</u>	<u>\$ (3,713)</u>

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

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

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

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

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

The local tax rates for the subsidiaries in Denmark, 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 is 20%.

b. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong, Singapore, Vietnam and Denmark. The aforementioned tax authorities will not take the initiative to send a tax returns assessment to enterprises. When there are tax disputes, they issued a tax payment notice to enterprises and reserve the right to propose additional taxes. The tax authorities have assessed income tax returns of ETT and ETW up to 2021 and 2020, respectively.

21. EARNINGS PER SHARE

	For the Six Months Ended June 30	
	2023	2022
Basic earnings per share	<u>\$ 3.14</u>	<u>\$ 0.99</u>
Diluted earnings per share	<u>\$ 2.66</u>	<u>\$ 0.99</u>
	For the Three Months Ended June 30	
	2023	2022
Basic earnings per share	<u>\$ 2.04</u>	<u>\$ 0.98</u>
Diluted earnings per share	<u>\$ 1.74</u>	<u>\$ 0.98</u>

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

	For the Six Months Ended June 30	
	2023	2022
Profit for the period attributable to owners of the Company	<u>\$ 200,242</u>	<u>\$ 60,260</u>
Profit used in the computation of basic earnings per share	\$ 200,242	\$ 60,260
Effect of potentially dilutive ordinary shares		
Net profit of income tax on convertible bonds	<u>1,868</u>	<u>-</u>
Profit used in the computation of dilutive earnings per share	<u>\$ 202,110</u>	<u>\$ 60,260</u>

	For the Three Months Ended June 30	
	2023	2022
Profit for the period attributable to owners of the Company	<u>\$ 132,006</u>	<u>\$ 59,736</u>
Profit used in the computation of basic earnings per share	\$ 132,006	\$ 59,736
Effect of potentially dilutive ordinary shares		
Net profit of income tax on convertible bonds	<u>1,037</u>	<u>-</u>
Profit used in the computation of dilutive earnings per share	<u>\$ 133,043</u>	<u>\$ 59,736</u>

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

	For the Six Months Ended June 30	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	63,820	60,953
Effect of potentially dilutive ordinary shares		
Employee stock options	2,460	7
Convertible bonds	<u>9,592</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>75,872</u>	<u>60,960</u>

	For the Three Months Ended June 30	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	64,564	60,953
Effect of potentially dilutive ordinary shares		
Employee stock options	2,401	7
Convertible bonds	<u>9,570</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>76,535</u>	<u>60,960</u>

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

In addition, for the six months ended June 30, 2022, the total execution price of partial employee stock options of the Group was higher than the average outstanding stock price during the period, hence, partial employee stock options are not as dilutive potential ordinary shares, therefore, calculation for diluted earnings per share is not applicable.

22. TRANSACTIONS WITH RELATED PARTIES

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

Remuneration of Key Management Personnel

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

23. ASSETS PLEDGED

The following assets were provided as collateral for bank borrowings and entering into forward exchange guarantee deposits with the banks. Part of loan guarantees is provided by the Chairman of the Company.

	June 30, 2023	December 31, 2022
Other intangible assets	\$ 11,072	\$ 9,553
Machineries and office equipment	13,142	12,296
Inventories and other assets	77,424	76,903
Construction in progress	4,816	4,187
Pledged deposits (recognized under restricted assets)	<u>22,433</u>	<u>-</u>
	<u>\$ 128,887</u>	<u>\$ 102,939</u>

24. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil and ETT's customers' litigation in America for the six months ended June 30, 2023. The status of litigation in the current phase please refer to Note 25 (a) of the consolidated financial statements for the year ended December 31, 2022.

b. Financial guarantees within the Group refer to Table 2 of Note 28.

25. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's capital risk management policy is consistent as consolidated financial statements for the year ended December 31, 2022. In addition, the Group is not subject to any externally imposed capital requirements.

b. Fair value of financial instruments

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

If a non-derivative instrument has short maturity, its future amount receivable and payable approximate its carrying amount, and its carrying amount provides a reasonable basis for estimation of fair value, then the fair value of which shall be estimated based on its carrying amount as shown in the balance sheet. Hence, 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, accounts payable, other payables, lease liabilities, and bank borrowings approach other fair values.

	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Convertible bonds	\$ 298,853	\$ 304,189	\$ 328,865	\$ 334,425

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

Fair value hierarchy

June 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic-unlisted stocks	\$ -	\$ -	\$ 133,283	\$ 133,283
Convertible bonds options	-	-	1,039	1,039
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,322</u>	<u>\$ 134,322</u>

Financial liabilities at FVTPL

Derivatives	<u>\$ -</u>	<u>\$ 80,174</u>	<u>\$ -</u>	<u>\$ 80,174</u>
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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>

Financial liabilities at FVTPL

Convertible bonds options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595</u>	<u>\$ 595</u>
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There is no transfer between Level 1 and Level 2 fair value measurements for the six months ended June 30, 2023 and for the year ended December 31, 2022.

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

For the six months ended June 30, 2023

Financial Assets (Liabilities)	Financial Assets at FVTPL		Total
	Derivatives	Equity Instruments	
Balance at January 1, 2022	\$ (595)	\$ 120,787	\$ 120,192
Additions	-	20	20
Recognized in profit or loss	1,634	11,436	13,070
Effect of foreign currency exchange differences	-	1,040	1,040
Balance at June 30, 2022	<u>\$ 1,039</u>	<u>\$ 133,283</u>	<u>\$ 134,322</u>
Recognized in other gains and losses - unrealized	<u>\$ 1,634</u>	<u>\$ 11,436</u>	<u>\$ 13,070</u>

For the year ended December 31, 2022

Financial Assets (Liabilities)	Financial Assets at FVTPL		Total
	Derivatives	Equity Instruments	
Balance at January 1, 2021	\$ -	\$ 108,912	\$ 108,912
Additions	(455)	-	(455)
Recognized in profit or loss	(140)	-	(140)
Effect of foreign currency exchange differences	-	11,875	11,875
Balance at December 31, 2021	<u>\$ (595)</u>	<u>\$ 120,787</u>	<u>\$ 120,192</u>
Recognized in other gains and losses - unrealized	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 140</u>

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

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

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

The fair 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 June 30, 2023 and December 31, 2022, both ranged from 45.44% to 47.76%.

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

The significant unobservable inputs as of June 30, 2023 are as follows:

<u>Significant Unobservable Inputs</u>	<u>Relationship Between Inputs and Fair Value</u>
P/E is 13.97; P/B is 1.96	The higher the ratios, the higher the fair value estimates
Discount rate for lack of marketability is 30%	The higher the discount rate for lack of marketability, the lower the fair value estimates

The significant unobservable inputs as of December 31, 2022 are as follows:

<u>Significant Unobservable Inputs</u>	<u>Relationship Between Inputs and Fair Value</u>
P/E is 8.79; P/B is 1.75	The higher the ratios, the higher the fair value estimates
Discount rate for lack of marketability is 30%	The higher the discount rate for lack of marketability, the lower the fair value estimates

If the inputs to the valuation model change so as to reflect reasonably possible alternative assumptions while all the other variables remain constant, the fair value changes as follows:

If discount rate for lack of marketability increases by 5%, the fair value will decrease by NT\$17,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by NT\$17,000 thousand.

c. Categories of financial instruments

	June 30, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$ 134,322	\$ 120,891
Financial assets at amortized cost (Note 1)	<u>3,100,546</u>	<u>3,229,091</u>
	<u>\$ 3,234,868</u>	<u>\$ 3,349,982</u>
<u>Financial liabilities</u>		
Financial assets at FVTPL	\$ 80,174	\$ 595
Held for trading	<u>2,894,136</u>	<u>3,403,719</u>
Financial liabilities at amortized cost (Note 2)	<u>\$ 2,974,310</u>	<u>\$ 3,404,314</u>

Note 1: The balance includes financial assets at amortized cost, which comprise cash and bank deposit, accounts receivable, other receivables and guarantee deposits, etc.

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

d. Financial risk management objectives and policies

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

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

e. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	Assets	
	June 30, 2023	December 31, 2022
USD	\$ 2,308,839	\$ 2,546,163
HKD	<u>744</u>	<u>424</u>
	<u>\$ 2,309,583</u>	<u>\$ 2,546,587</u>

	Liabilities	
	June 30, 2023	December 31, 2022
USD	\$ 547,904	\$ 391,770
HKD	<u>3,098</u>	<u>12,679</u>
	<u>\$ 551,002</u>	<u>\$ 404,449</u>

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

	Currency USD Impact	
	For the Six Months Ended June 30, 2023	For the Year Ended December 31, 2022
Profit or loss	\$ 88,047	\$ 107,720

	Currency H.K. Dollars Impact	
	For the Six Months Ended June 30, 2023	For the Year Ended December 31, 2022
Profit or loss	\$ (118)	\$ (613)

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 six months ended June 30, 2023 and for the year ended December 31, 2022 would have been increased by \$6,979 thousand and \$6,417 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.

	June 30, 2023				Total
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 2,080,020	\$ -	\$ -	\$ 2,080,020
Other payables	-	515,263	-	-	515,263
Bonds payable	-	-	298,853	-	298,853
<u>Interest bearing liabilities</u>					
Lease liabilities	2.42%-5.00%	52,646	26,342	-	78,988

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 52,646</u>	<u>\$ 26,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2022				Total
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 2,340,361	\$ -	\$ -	\$ 2,340,361
Other payables	-	729,474	-	-	729,474
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	<u>\$ 45,037</u>	<u>\$ 31,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

f. Financial facilities

Bank borrowings

	<u>Liabilities</u>	
	<u>June 30, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings</u>		
Amount unused	<u>\$ 1,428,620</u>	<u>\$ 1,818,390</u>

g. Significant assets and liabilities denominated in foreign currencies

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

June 30, 2023

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 71,810	HKD	31.07	\$ 2,231,123
USD	1,594	NTD	31.07	49,523
USD	31	RMB	31.07	954
USD	529	DKK	31.07	16,431
USD	<u>348</u>	VND	31.07	<u>10,808</u>
	<u>\$ 74,312</u>			<u>\$ 2,038,839</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 7,253	HKD	31.07	\$ 225,346
USD	6,617	RMB	31.07	205,603
USD	102	DKK	31.07	3,162
USD	<u>3,662</u>	VND	31.07	<u>113,793</u>
	<u>\$ 17,634</u>			<u>\$ 547,904</u>
HKD	\$ 649	RMB	3.9635	\$ 2,572
HKD	<u>133</u>	NTD	3.9635	<u>526</u>
	<u>\$ 782</u>			<u>\$ 3,098</u>

December 31, 2022

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<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	<u>5,138</u>	VND	30.66	<u>157,539</u>
	<u>\$ 83,045</u>			<u>\$ 2,546,163</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 5,017	HKD	30.66	\$ 153,824
USD	7,533	RMB	30.66	230,959
USD	<u>228</u>	DKK	30.66	<u>6,987</u>
	<u>\$ 12,778</u>			<u>\$ 391,770</u>
HKD	\$ 3,108	RMB	3.9355	\$ 12,231
HKD	90	NTD	3.9355	353
HKD	<u>24</u>	SGD	3.9355	<u>95</u>
	<u>\$ 3,222</u>			<u>\$ 12,679</u>

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

Information of foreign exchange gains and losses are as follow:

	For the Six Months Ended June 30	
	2023	2022
Realized foreign exchange (loss) gain	\$ (29,400)	\$ 31,411
Unrealized foreign exchange gain (loss)	<u>60,069</u>	<u>(2,575)</u>
	<u>\$ 30,669</u>	<u>\$ 28,836</u>

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

h. Information of transferred financial assets

As of June 30, 2023 and December 31, 2022, 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 June 30, 2023 and December 31, 2022, the carrying amount of the trade receivables that have been transferred but have not been recognized.

26. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To simplify the group structure, the board of directors of the Group resolved to merge ETW with its 100%-owned subsidiary ETT on August 25, 2023, and the surviving company is ETW.

27. SEGMENT INFORMATION

Operating Segments

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

Since the Group's speaker systems, headphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the six months ended June 30, 2023 and 2022, the revenue and operating results of the operating segment can be found in the consolidated income statement for the six months ended June 30, 2023 and 2022. The product revenue of the Group please refer to Note 19 (a).

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)

- 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 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 9) Trading in derivative instruments (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions (Table 6)
 - 11) Information on investees (Table 7)
- 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 8)
 - 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 8):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
 - 3) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
													Item	Value		
0	The Company	EAH	Other receivables from related parties	Yes	\$ 304,000	\$ 279,630	\$ 226,811	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 947,496	\$ 947,496
1	EAH	EAVN	Other receivables from related parties	Yes	341,770	341,770	341,770	-	The need for short-term financing	-	Operating capital	-	-	-	1,693,250	1,693,250
2	ETH	EAH	Other receivables from related parties	Yes	310,700	310,700	-	-	The need for short-term financing	-	Operating capital	-	-	-	2,368,262	2,368,262

Note 1: 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 ETH hold, directly or indirectly, 100% of the voting shares shall not exceed 300% of the net worth of ETH.

Note 2: According to the Company and its subsidiaries' guidance of financing provide 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 June 2023 is different from the amounts listed above, the reason is that the financial statements of EAH and ETH for the six months ended June 30, 2023 have not been reviewed or audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the three months ended March 31, 2023.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(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 (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	The Company	EAH	b.	\$ 9,474,960	\$ 493,964	\$ 264,095	\$ -	\$ -	11.15	\$ 9,474,960	Yes	No	No
		ETH	b.	9,474,960	1,276,977	1,276,977	-	-	53.91	9,474,960	Yes	No	No
		EAVN	b.	9,474,960	321,176	186,420	-	-	7.87	9,474,960	Yes	No	No
		EAHZ	b.	9,474,960	214,330	214,330	-	-	9.05	9,474,960	Yes	No	Yes
1	EAH	The Company	c.	1,693,250	350,000	350,000	314,700	-	20.67	1,693,250	No	Yes	No
		EAHZ	b.	1,693,250	85,132	85,132	16,933	-	5.03	1,693,250	Yes	No	Yes
2	ETH	The Company	c.	789,421	35,000	35,000	-	-	4.43	789,421	No	Yes	No

Note 1: Relationship of the guarantee:

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

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

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

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

- 1) The total amount of the guarantee provided by EAH to other entities shall not exceed one hundred percent (100%) of the EAH's net worth.
- 2) The total amount of the guarantee provided by 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 June 2023 is different from the amounts listed above, the reason is that the financial statements for the six months ended June 30, 2023 have not been reviewed or audited by CPA at the announcement moment, thus the Company announced the information based on the financial statements of EAH and ETH for the three months ended March 31, 2023.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2023

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	<u>\$ 20,997</u>	1	<u>\$ 20,997</u>	Note
EAH	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	-	FVTPL - non-current	6,659,141	<u>\$ 133,263</u>	19	<u>\$ 133,263</u>	
ETW	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	-	FVTPL - non-current	1,000	<u>\$ 20</u>	-	<u>\$ 20</u>	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(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	EAVN	Parent and subsidiary	Purchase	\$ 1,376,979	74	90 days	\$ -	-	\$ 351,004	62	Note
EAVN	EAH	Parent and subsidiary	Sale	(1,376,979)	(78)	90 days	-	-	(351,004)	(31)	Note
	EAH	Parent and subsidiary	Purchase	398,681	25	90 days	-	-	(351,004)	(31)	Note
EAH	EAVN	Parent and subsidiary	Sale	(398,681)	(21)	90 days	-	-	351,004	62	Note
ETH	EAHZ	Fellow subsidiary	Purchase	1,859,367	84	90 days	-	-	(765,759)	(74)	Note
EAHZ	ETH	Fellow subsidiary	Sale	(1,859,367)	(75)	90 days	-	-	765,759	79	Note
ETH	EAVN	Fellow subsidiary	Purchase	372,424	17	90 days	-	-	(258,465)	(25)	Note
EAVN	ETH	Fellow subsidiary	Sale	(372,424)	(21)	90 days	-	-	258,465	49	Note
	ESZ	Fellow subsidiary	Purchase	381,765	24	90 days	-	-	(202,019)	(18)	Note
ESZ	EAVN	Fellow subsidiary	Sale	(381,765)	(98)	90 days	-	-	202,019	100	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

JUNE 30, 2023

(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		
EAHZ	ETH	Fellow subsidiary	\$ 765,759	4.39	\$ -	-	\$ 292,404	\$ -
EAH	EAVN	Parent and subsidiary	351,004	1.79	341,770	Financing provided	70,523	-
EASTECH	EAH	Parent and subsidiary	226,636	Note	-	-	-	-
ESZ	EAVN	Fellow subsidiary	202,019	4.09	-	-	62,768	-
EAVN	ETH	Fellow subsidiary	258,465	4.57	-	-	128,419	-

Note: It is a fund loan and collection 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 SIX MONTHS ENDED JUNE 30, 2023
(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	2023 Q2 The Company	EAH	a, b	Other receivables from and other payables to related parties	\$ 226,636	Short-term financing and collection and payment	4
1	EAH	ETH EAVN EAVN	a, b a, b a, b	Dividend income Other receivables from and other payables to related parties Net revenue from sale of goods and purchases	134,578 341,770 398,681	Dividend Short-term financing, 1 year loan Credit on transfer pricing policy	3 6 9
2	ESHY	EAHZ	c	Net revenue from sale of goods and purchases	42,280	Credit on transfer pricing policy	1
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	1,376,979 372,424 258,465	Credit on transfer pricing policy Credit on transfer pricing policy 90 days	30 8 5
4	EAHZ	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	59,511 1,859,367 765,759	Credit on transfer pricing policy Credit on transfer pricing policy 90 days	1 41 14
5	ESZ	EAVN EAVN	c c	Net revenue from sale of goods and purchases Receivables from and payables to related parties	381,765 202,019	Credit on transfer pricing policy 90 days	8 4

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; and No. 5: ESZ.

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.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				June 30, 2023	December 31, 2022	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	\$ 136,392	\$ -	
EAH	ScS	Denmark	Research and development, production and sales of high-end transducers	225,530	225,530	1,320,045	100.00	106,652	(477)	-	
	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	469	-	
	EAVN	Vietnam	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones	238,206	238,206	-	100.00	238,206	127,499	-	
	EMH	Hong Kong	Sales of headphones and AV products	386	386	100,000	100.00	386	6	-	
	ETW	Taiwan	New technology research, product design and development	85,000	85,000	8,500,000	100.00	55,000	2,027	-	
	ETH	Hong Kong	Sales of smart speaker, AV electronics home entertainment systems and headphones	201,653	201,653	115,000,000	100.00	201,653	8,769	-	
	ETV	Vietnam	Sales of speaker systems and headphones	5,599	5,599	-	100.00	5,599	178	-	
ETW	ETT	Taiwan	Design and sales of smart speaker and AV electronics home entertainment systems	53,550	53,550	10,000	100.00	53,550	10,065	-	

Note 1: Based on IAS 27 Paragraph 10: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE SIX MONTHS ENDED JUNE 30, 2023

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan at the Beginning of the Period	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of June 30, 2023 (Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2023
					Outward	Inward						
ESHY (Note 4)	Production and sales of speaker systems	\$ -	c.	\$ -	\$ -	\$ -	\$ -	\$ 4,560	-	(3)	\$ -	\$ -
EAHZ	Production, assembly and sales of speaker systems, accessories, headphones, smart speakers and AV electronics home entertainment systems	US\$ 19,303	c.	-	-	-	-	57,725	100.00	(3)	560,860	-
ESZ	Import and export trading of audio accessories, machinery and equipment, etc.	RMB 2,000	b.	-	-	-	-	8,795	100.00	(3)	-	-

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

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A (Note 2)	N/A (Note 2)	N/A (Note 2)

3. The significant transactions (including purchases and sales, property transactions, and the rendering or receipt of services) with investee companies in mainland China, either directly or indirectly through a third party: Table 6.

4. The negotiable instrument endorsements or guarantees or pledges with investee companies in mainland China, either directly or indirectly through a third party: Table 2.

5. The financing of funds with investee companies in mainland China, either directly or indirectly through a third party: Table 1.

(Continued)

Note 1: The amounts are represented registered capital.

Note 2: The method of investment is divided into 3 types as follows:

- a. Direct investment from the Company.
- b. Indirect investment via the Company's subsidiary in Hong Kong.
- c. The Company was established in the Cayman Islands and is a foreign company listed in Taiwan. The companies located in China had established before the Company listed in Taiwan, so the main source of investment funds were not come from Taiwan.

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

b. Recognized investment income (loss):

- 1) The basis for investment income (loss) recognition is from the financial statements audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- 2) The basis for investment income (loss) recognition is from the financial statements audited and attested by R.O.C. parent company's CPA.
- 3) Others. (Based on IAS 27 Paragraph 10: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.)

Note 4: On February 24, 2023, the board of directors resolved to merge ESHY with EAHZ, and the base date was March 31, 2023. After the merger, the surviving company was EAHZ. The cancellation of registration was completed by ESHY on May 16, 2023.

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

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	42.00

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.