

Eastech Holding Limited and Subsidiaries

**Consolidated Financial Statements for the
Years Ended**

**December 31, 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 December 31, 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 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 year ended December 31, 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, and the main risk is whether revenue occurs.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control, i.e. check if sales orders are approved by appropriate supervisors, delivery orders are approved by unit managers; performing test of details on samples selected from details of sale transactions, i.e. check relevant shipping supportive documents to confirm goods actually delivered to customers; analyzing the reasonableness of revenue fluctuations; performing subsequent trade receivable collection test to check the payer is consistent with sales customers to understand if there are any abnormal transaction; reviewing if there are any significant revenue allowance and discount in current and subsequent periods, if any, we will investigate further to confirm there are no significant misstatements associate with the revenue.

Please refer to Note 4 and Note 6.(13)A of the consolidated financial statements for the accounting policy and information about revenue.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2022, were audited by other auditors who expressed an unmodified conclusion on those statements on February 24, 2023.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 reviews resulting in this independent auditors' review report are Jung-Chon Liu and Tzu-Ping Huang.

Ernst & Young
Taipei, Taiwan
Republic of China

February 26, 2024

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 audit such consolidated financial statements are those generally applied in the Republic of China.

EASTECH HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS		December 31, 2023		December 31, 2022		LIABILITIES AND EQUITY		December 31, 2023		December 31, 2022	
Accounts	Notes	Amount	%	Amount	%	Accounts	Notes	Amount	%	Amount	%
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	6.(1)	\$2,186,227	36.39	\$1,290,720	22.49	Short-term bank borrowings	6.(8)	\$-	-	\$5,019	0.09
Financial assets at fair value through profit or loss	6.(2)	463	0.01	104	-	Notes and accounts payable	6.(10)	2,110,446	35.13	2,340,361	40.79
Accounts receivable, net	6.(3),6.(13) and 8	1,400,071	23.31	1,786,229	31.13	Other payables	6.(10)	716,399	11.92	729,474	12.71
Inventories	6.(5) and 8	904,727	15.06	1,101,281	19.19	Current tax liabilities	6.(14)	18,344	0.31	5,877	0.10
Other receivables and prepayments	6.(4)	358,592	5.98	392,519	6.84	Lease liabilities - current	6.(7)	68,457	1.14	43,572	0.76
Current tax assets		6,829	0.11	2,572	0.05	Current portion of long-term liabilities	6.(9)	143,226	2.38	-	-
Total current assets		<u>4,856,909</u>	<u>80.86</u>	<u>4,573,425</u>	<u>79.70</u>	Total current liabilities		<u>3,056,872</u>	<u>50.88</u>	<u>3,124,303</u>	<u>54.45</u>
NON-CURRENT ASSETS						NON-CURRENT LIABILITIES					
Financial assets at fair value through profit or loss - non-current	6.(2)	131,205	2.18	120,787	2.10	Financial liabilities at fair value through profit or loss - non-current	6.(2)	-	-	595	0.01
Property, plant and equipment	6.(6) and 8	797,354	13.27	943,147	16.43	Convertible bonds	6.(9)	-	-	328,865	5.73
Right-of-use assets	6.(7)	186,613	3.11	71,499	1.25	Deferred tax liabilities	6.(14)	8,050	0.13	6,413	0.11
Intangible assets	8	15,272	0.25	22,887	0.40	Lease liabilities - non-current	6.(7)	96,472	1.61	31,488	0.55
Deferred tax assets	6.(14)	20,104	0.33	6,760	0.12	Total non-current liabilities		<u>104,522</u>	<u>1.74</u>	<u>367,361</u>	<u>6.40</u>
Total non-current assets		<u>1,150,548</u>	<u>19.14</u>	<u>1,165,080</u>	<u>20.30</u>	Total liabilities		<u>3,161,394</u>	<u>52.62</u>	<u>3,491,664</u>	<u>60.85</u>
						EQUITY ATTRIBUTABLE TO SHAREHOLDERS					
						OF THE PARENT					
						Share capital - common stock	6.(12)	716,934	11.93	631,390	11.00
						Capital surplus	6.(12)	1,027,588	17.11	829,969	14.46
						Retained earnings	6.(12)				
						Legal reserve		8,981	0.15	7,629	0.14
						Special reserve		-	-	109,717	1.91
						Unappropriated earnings		1,063,421	17.70	618,143	10.77
						Exchange differences on translating the financial		53,158	0.89	74,012	1.29
						Treasury shares		(24,019)	(0.40)	(24,019)	(0.42)
						Total equity		<u>2,846,063</u>	<u>47.38</u>	<u>2,246,841</u>	<u>39.15</u>
TOTAL ASSETS		<u>\$6,007,457</u>	<u>100.00</u>	<u>\$5,738,505</u>	<u>100.00</u>	TOTAL LIABILITIES AND EQUITY		<u>\$6,007,457</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
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, except for earnings per share)

Accounts	Notes	For the years ended December 31,			
		2023		2022	
		Amount	%	Amount	%
NET REVENUE	6.(13)	\$10,640,520	100.00	\$12,810,382	100.00
COST OF REVENUE	6.(5) and 6.(13)	8,987,270	84.46	11,327,546	88.42
GROSS PROFIT		1,653,250	15.54	1,482,836	11.58
OPERATING EXPENSES	6.(13)				
Selling and distribution		191,124	1.80	270,979	2.12
General and administrative		890,556	8.37	865,266	6.75
Expected credit (reversal gain) losses	6.(3)	(231)	-	14,154	0.11
Total operating expenses		1,081,449	10.17	1,150,399	8.98
INCOME FROM OPERATIONS		571,801	5.37	332,437	2.60
NON-OPERATING INCOME AND EXPENSES					
Other income	6.(13)	93,445	0.88	65,454	0.51
Foreign exchange (loss) gain, net		(2,378)	(0.02)	59,361	0.46
Other losses	6.(13)	(100,241)	(0.94)	(37,107)	(0.29)
Finance costs	6.(13)	(14,869)	(0.14)	(37,572)	(0.29)
Total non-operating income and expense		(24,043)	(0.22)	50,136	0.39
INCOME BEFORE INCOME TAX		547,758	5.15	382,573	2.99
INCOME TAX EXPENSE	6.(14)	(14,448)	(0.14)	(12,778)	(0.10)
NET INCOME FOR THE PERIOD		533,310	5.01	369,795	2.89
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(20,854)	(0.20)	153,779	1.20
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$512,456	4.81	\$523,574	4.09
EARNINGS PER SHARE	6.(15)				
Basic earnings per share after income tax		\$8.02		\$6.03	
Diluted earnings per share after income tax		\$7.01		\$5.98	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Accounts	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
	Share Capital - Common Stock	Capital Surplus	Retained Earnings			Other equity		Treasured Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$614,060	\$749,535	\$5,898	\$-	\$426,590	\$(79,767)	\$(29,950)	\$(24,019)	\$1,662,347
Appropriation of 2021 earnings									
Appropriation of special reserve	-	-	-	109,717	(109,717)	-	-	-	-
Cash dividend of common stock	-	-	-	-	(36,844)	-	-	-	(36,844)
Legal reserve of subsidiaries	-	-	1,731	-	(1,731)	-	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	369,795	-	-	-	369,795
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	153,779	-	-	153,779
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	369,795	153,779	-	-	523,574
Cash dividends distributed to the subsidiary which adjusted to capital surplus	-	272	-	-	-	-	-	-	272
Compensation costs of employee stock options	-	14,398	-	-	-	-	-	-	14,398
Issuance of common stock under employee share options	17,330	28,142	-	-	-	-	-	-	45,472
Proceeds from issuance of convertible bonds	-	37,622	-	-	-	-	-	-	37,622
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(29,950)	-	29,950	-	-
BALANCE AT DECEMBER 31, 2022	\$631,390	\$829,969	\$7,629	\$109,717	\$618,143	\$74,012	\$-	\$(24,019)	\$2,246,841
BALANCE AT JANUARY 1, 2023	\$631,390	\$829,969	\$7,629	\$109,717	\$618,143	\$74,012	\$-	\$(24,019)	\$2,246,841
Appropriation of 2022 earnings									
Reversal of special reserve	-	-	-	(109,717)	109,717	-	-	-	-
Cash dividend of common stock	-	-	-	-	(196,397)	-	-	-	(196,397)
Legal reserve of subsidiaries	-	-	1,352	-	(1,352)	-	-	-	-
Net income for the year ended December 31, 2023	-	-	-	-	533,310	-	-	-	533,310
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	(20,854)	-	-	(20,854)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	533,310	(20,854)	-	-	512,456
Cash dividends distributed to the subsidiary which adjusted to capital surplus	-	1,379	-	-	-	-	-	-	1,379
Compensation costs of employee stock options	-	7,082	-	-	-	-	-	-	7,082
Issuance of common stock under employee share options	30,380	52,934	-	-	-	-	-	-	83,314
Conversion of convertible bonds	55,164	136,224	-	-	-	-	-	-	191,388
BALANCE AT DECEMBER 31, 2023	\$716,934	\$1,027,588	\$8,981	\$-	\$1,063,421	\$53,158	\$-	\$(24,019)	\$2,846,063

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	For the years ended December 31,			For the years ended December 31,	
	2023	2022		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			CASH FLOWS FROM INVESTING ACTIVITIES:		
Income before income tax from continuing operations	\$547,758	\$382,573	Proceeds from disposal of financial assets at fair value through profit or loss	97	-
Depreciation of property, plant and equipment	145,651	140,202	Payments for financial assets at fair value through profit or loss	(20)	-
Depreciation of right-of-use assets	30,705	25,821	Proceeds from disposal of subsidiaries	-	892,885
Amortization of intangible assets	13,245	18,955	Payments for acquiring property, plant and equipment	(61,737)	(113,392)
Allowance for inventories provision and inventories write-off	98,288	29,512	Proceeds from disposal of property, plant and equipment	28,005	1,603
(Reversal) provision for expected credit loss	(231)	14,154	Increase in intangible assets	(4,507)	(2,085)
Loss on financial instruments at fair value through profit or loss	60,227	-	Decrease in restricted assets	-	41,511
(Gain) loss on change in fair value of convertible bonds value through profit or loss	(1,058)	1,216	Net cash (used in) generated from investing activities	(38,162)	820,522
Interest expense	14,869	37,572			
Interest income	(31,224)	(5,000)	CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend income	(10,656)	(4,921)	Proceeds from issuance of convertible bonds	-	366,287
Compensation costs of employee stock options	7,082	14,398	Proceeds from bank borrowings	138,379	3,428,004
Loss on disposal of property, plant and equipment	14,560	21,073	Repayments of bank borrowings	(143,585)	(4,892,540)
Gain on modifications of lease	(4,639)	(140)	Repayments of the principal portion of lease liabilities	(52,251)	(50,730)
Operating cash flows before working capital changes			Cash dividends	(196,397)	(36,844)
Accounts receivable	386,389	177,975	Proceeds from exercise of employee share options	83,314	45,472
Other receivables and prepayments	33,928	49,158	Cash dividend received from treasury shares	1,379	272
Inventories	98,266	141,938	Net cash used in financing activities	(169,161)	(1,140,079)
Notes and accounts payable	(229,915)	(52,787)			
Other payables	(13,074)	(72,550)	EFFECT OF EXCHANGE RATE CHANGES	(71,839)	206,882
Cash generated from operating activities	1,160,171	919,149	NET INCREASE IN CASH AND CASH EQUIVALENTS	895,507	762,103
Interest received	31,224	5,000	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,290,720	528,617
Dividends received	10,656	4,921	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$2,186,227	\$1,290,720
Interest paid	(9,121)	(36,917)			
Income tax paid	(18,261)	(17,375)			
Net cash generated from operating activities	1,174,669	874,778			

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 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 from Luster Green Limited in January 2015. The principal activities of ETT and its subsidiaries 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 registered 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\$100,000 on August 30, 2019.

In order to develop new technology and design the product, EAH established a wholly-owned subsidiary - Eastech Innovations (TW) Inc. on July 2, 2020. Eastech Innovations (TW) Inc. proceeded capital increase amount to \$185,000 thousand in the fiscal year 2023, so the accumulated capital increased to \$215,000 thousand.

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 Hong Kong and Huizhou, Guangdong Province, China and Hai Duong Province, Vietnam.

2. Approval of financial statements

The consolidated financial statements were approved by the Company's board of directors on February 26, 2024.

3. Application of new, amended and revised standards and interpretations

(1) 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 year ended December 31, 2023.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
e	Lack of Exchangeability – Amendments to IAS 21	1 January 2025
f	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB

As of the date the consolidated financial statements were authorized for issue, the Group assessed the forementioned new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) and Rule No. 10200546801 issued by the Financial Supervisory Commission (the “FSC”). Moreover, the IFRSs applicable to these consolidated financial statements have no difference with the IFRS, IAS, interpretations as well as interpretation announcement which are endorsed by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			December 31, 2023	December 31, 2022	
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 speakers and 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	-	99.98	Note 1

Note 1: On August 25, 2023, the board of directors resolved to merge ETT with ETW, and the base date was September 28, 2023. After the merger, the surviving company was ETW.

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 surviving company was EAHZ.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Revenue recognition

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

ii. Revenue from sale of goods

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

B. Revenue from rendering of services

Service revenue income is recognized when services are provided.

(8) Inventories

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

The main operation of the Group is a contract manufacturer for internationally renowned brand enterprises and it is similar to Taiwan common business model - ODM and OEM, which the manufacturer is contracted by buyers to engage in the detailed engineering and design work required for manufacturing the specific products that are eventually branded in the trademark by buyers for sale. In such business model, the Group will prepare and control production materials and components based on the budget purchase orders from internationally renowned brand enterprises. Therefore, the Group's risk of inventory impairment is arising from the decrease or cancellation of customer orders and which specific materials and components are with no alternative use. The Group will recognize inventory obsolescence loss accordingly.

(9) Property, plant and equipment

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

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

Property, plant and equipment are measured by cost less accumulated depreciation and accumulated impairment.

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

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

(10) Impairment of property, plant and equipment, right-of-use asset, contract cost and intangible assets (excluding goodwill)

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

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

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

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

(11) Leasing

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

ii. The Group as lessor

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

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

B. The Group as lessee

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

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

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

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

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

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

(12) Retirement benefits

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

(13) Share-based payment arrangements

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

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

(14) Taxation

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

A. Current income tax

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

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

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

B. Deferred tax

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

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

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

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

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

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

C. Current and deferred tax for the year

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

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

(15) Financial instruments

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

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

A. Financial assets

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

(a) Measurement categories

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

(i) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 6(2).

(ii) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Credit-impaired financial assets are occurred when the issuer or the borrower has significant financial difficulty, a breach of contract, it is becoming probable that the borrower will enter bankruptcy or other financial reorganization or the disappearance of an active market for that financial asset because of financial difficulties.

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

(b) Impairment of financial assets and contract assets

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

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

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

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

- (i) Internal or external information shows that the debtor is unlikely to pay its creditors.
- (ii) Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

(c) Derecognition of financial assets

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

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

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

B. Equity instruments

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

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

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

C. Financial liabilities

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

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

D. Convertible bonds

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

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

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

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

(16) Climate Change

Items that may be impacted by climate-related risks, but which are not considered to be key areas of judgements or sources of estimation uncertainty in the current financial year are outlined below:

A. Property, plant and equipment

Climate change and decarbonisation plans may require the Group to direct its expenditure in ways not previously expected, including purchasing new, ‘greener’ assets or making alterations to existing assets. In addition, the Group need to consider whether the useful economic life has changed as a result of legislation, advancing technology or even a commitment to reaching net zero carbon emissions. By the end of 2023, the management assessed that no adjustment was required to the useful economic lives.

B. Inventory valuation

The Carbon Border Adjustment Mechanism (CBAM) will enter into application in its transitional phase since October 1, 2023. In its transitional phase, CBAM will only apply to imports of cement, iron and steel, aluminium, fertilisers, electricity and hydrogen. EU importers of those goods will have to report on the volume of their imports and the greenhouse gas (GHG) emissions embedded during their production, but without paying any financial adjustment at this stage. CBAM enters into force on 1 January 2026.

As the Group does not belong to the above-mentioned specific industries, by the end of 2023, the management assessed CBAM had no significant impact on the Group. However, the Group must begin to consider how to confirm the carbon emissions of products which will export to the EU and how to allocate the carbon cost into the unit cost to ensure calculation of embedded emissions and pay CBAM correctly prior to 2026.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Critical Accounting Judgments

None.

(2) Estimates and assumptions

Trade receivables—estimation of impairment loss

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6.(3) for more details.

Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgements and estimate to determine the net realizable value of inventory at the end of each reporting period.

The Group estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon. Please refer to note 6(5).

6. Contents of significant accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$568	\$2,261
Cash at bank	2,112,832	1,224,073
Fixed deposits	72,827	64,386
Total	<u>\$2,186,227</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.

(2) Financial instruments at fair value through profit or loss

	December 31, 2023	December 31, 2022
<u>Financial assets - current</u>		
Designation as at FVTPL		
Derivative financial assets		
Convertible bond options (Note 6.(9))	\$463	\$-
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign-listed stocks	-	104
Total	<u>\$463</u>	<u>\$104</u>
 <u>Financial assets - non-current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted stocks	<u>\$131,205</u>	<u>\$120,787</u>

	December 31, 2023	December 31, 2022
<u>Financial liabilities - non-current</u>		
Designation as at FVTPL		
Derivative financial liabilities		
Convertible bond options (Note 6.(9))	\$-	\$595

(3) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$1,440,402	\$1,826,783
Less: Allowance for impairment loss	(40,331)	(40,554)
Total	\$1,400,071	\$1,786,229

The Group's average credit period of sales of goods was 56 days (55 days in 2022). No interest was charged on 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 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 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 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 accounts receivable are over 180 days past due, whichever occurs earlier.

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

December 31, 2023

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$1,371,485	\$28,586	\$7	\$40,324	\$1,440,402
Loss allowance (Lifetime ECLs)	-	-	(7)	(40,324)	(40,331)
Amortized cost	\$1,371,485	\$28,586	\$-	\$-	\$1,400,071

December 31, 2022

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

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

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Balance at the beginning of the period	\$40,554	\$23,487
Add (Less): (Reversal) Impairment losses recognized	(231)	14,154
Effect of foreign currency exchange differences	8	2,913
Balance at the end of the period	<u>\$40,331</u>	<u>\$40,554</u>

(4) Other receivables and prepayments

	December 31, 2023	December 31, 2022
Other receivables, net	\$66,866	\$39,712
Prepayments for purchases	55,795	76,927
Prepayments	7,089	7,285
Prepayments for purchases of equipment and mold	16,760	3,784
Value-added tax recoverable and refundable	194,116	247,796
Guarantee deposits	17,966	17,015
Total	<u>\$358,592</u>	<u>\$392,519</u>

As of December 31, 2023 and 2022, the amounts of temporary payments as described in Note 6.(10) were \$28,825 thousand and \$26,372 thousand, respectively.

(5) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$530,781	\$610,558
Work-in-process	199,207	251,657
Finished goods	100,122	228,369
Goods in transit	74,617	10,697
Total	<u>\$904,727</u>	<u>\$1,101,281</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$8,987,270 thousand and \$11,327,546 thousand, respectively, which included \$98,288 thousand and \$29,512 thousand, allowance for inventories provision and inventories write-off, respectively.

The inventories pledged as collateral for bank borrowing are set out in Note 8.

(6) Property, plant and equipment

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

	December 31, 2023	December 31, 2022
Cost	\$1,380,533	\$1,426,429
Accumulated depreciation and impairment	(583,179)	(483,282)
Carrying amount	<u>\$797,354</u>	<u>\$943,147</u>
Land and buildings	\$296,728	\$312,791
Machinery and office equipment	488,170	619,124
Construction in progress	12,456	11,232
Carrying amount	<u>\$797,354</u>	<u>\$943,147</u>

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

	Land and Buildings	Machinery and Office Equipment	Construction in progress	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 rate change	17,246	37,874	2,119	57,239
Balance at December 31, 2022	<u>329,077</u>	<u>1,086,120</u>	<u>11,232</u>	<u>1,426,429</u>
Additions	-	52,269	9,468	61,737
Disposals	(641)	(79,572)	(992)	(81,205)
Reclassification	-	7,577	(7,577)	-
Effect of exchange rate change	(8,251)	(18,502)	325	(26,428)
Balance at December 31, 2023	<u>\$320,185</u>	<u>\$1,047,892</u>	<u>\$12,456</u>	<u>\$1,380,533</u>

	Land and Buildings	Machinery and Office Equipment	Construction in progress	Total
<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 rate change	681	12,636	-	13,317
Balance at December 31, 2022	16,286	466,996	-	483,282
Depreciation	7,918	137,733		145,651
Disposals	(75)	(38,565)		(38,640)
Effect of exchange rate change	(672)	(6,442)		(7,114)
Balance at December 31, 2023	\$23,457	\$559,722	\$	\$583,179

Management assesses no indication of impairment, therefore, no impairment loss is recognized as of December 31, 2023 and 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 8.

(7) Lease arrangements

A. Right-of-use assets

	December 31, 2023	December 31, 2022
<u>Carrying amount</u>		
Land and buildings	\$169,197	\$66,178
Machinery and office equipment	17,416	5,321
Total	\$186,613	\$71,499

	For the Years Ended December 31	
	2023	2022
Additions to right-of-use assets	\$158,063	\$19,483
Depreciation charge for right-of-use assets		
Land and buildings	\$22,237	\$23,868
Machinery and office equipment	8,468	1,953
Total	\$30,705	\$25,821

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

B. Lease liabilities

	December 31, 2023	December 31, 2022
<u>Carrying amount</u>		
Current	\$68,457	\$43,572
Non-current	96,472	31,488
Total	\$164,929	\$75,060

Range of discount rate for lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Land and buildings	2.42% ~ 6.75%	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 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 Vietnam have been paid in full at the inception of the lease. The details of land use right held by the Group were as follows:

December 31, 2023 and 2022

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

D. Other lease information

	For the Years Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$7,960	\$12,900
Total cash outflow for leases	\$(63,358)	\$(66,063)

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.

(8) Bank borrowings

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

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

The detail of the Group's pledged assets for obtaining bank facilities please refer to Note 8.

(9) Bonds payable

	December 31, 2023	December 31, 2022
The first secured domestic convertible bonds	\$143,226	\$328,865
Less: Current portion	(143,226)	-
Total	\$-	\$328,865

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

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

B. Conversion price:

- (a) 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 December 31, 2023, the conversion price was \$36.4.

- (b) 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:

- (a) Redeem the bonds upon maturity: The principal is fully redeemed upon maturity.

- (b) 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.

- (c) 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. As of December 31, 2023, the convertible bonds no longer qualified for the right of deferred, therefore, the convertible bonds were converted to current portion of long-term liabilities.

The convertible bonds consist of liability and equity component. The equity component was presented in equity under capital surplus – convertible bonds. 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 conversion right	(191,388)
Amortization of discount on bonds payable	<u>5,749</u>
Liability component at December 31, 2023	<u><u>\$143,226</u></u>

(10) 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:

	December 31, 2023	December 31, 2022
Accrued salaries	\$266,297	\$223,721
Temporary receivables (Note)	28,026	17,348
Accrued employee's severance pay	230,634	290,962
Other payables	191,442	197,443
Total	<u>\$716,399</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 6.(4)) and temporary receivables, respectively. After completion of the project (customer confirmed), the Group will reverse the aforementioned temporary payments and temporary receivables at the same time and the differences are recorded as income.

(11) Retirement benefit plans

Defined Contribution Plans

ETW adopt 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.

(12) Equity

A. Share capital

The initial setup capital of the Company is NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of December 31, 2023 and 2022 were \$716,934 thousand and \$631,390 thousand, respectively, divided into 71,693 thousand shares and 63,139 thousand shares, each with a nominal amount of NT\$10 per share. All of the shares were ordinary shares, each carrying the rights to vote and receive dividend.

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

	(In Thousands of Shares)
	<u>Number of Shares</u>
January 1, 2022	61,406
Employee stock options	1,733
December 31, 2022	<u>63,139</u>
Conversion of convertible bonds	5,516
Exercise of employee stock options	3,038
December 31, 2023	<u><u>71,693</u></u>

B. Treasury shares

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

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

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

December 31, 2023

<u>Subsidiary</u>	Number of Shares Held (In Thousands of Shares)	<u>Carrying Amount</u>	<u>Market Value</u>
ETW	453	<u><u>\$24,019</u></u>	<u><u>\$27,225</u></u>

The subsidiaries holding treasury shares, however, are bestowed shareholder's rights, except the rights to participate in any share issuance for cash and to vote.

C. Capital surplus

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

	December 31, 2023	December 31, 2022
<u>May be used to offset a deficit, distributed as</u> <u>cash dividends, or transferred to share capital</u>		
Arising from issuance of common share	\$807,843	\$727,867
Arising from convertible bonds	157,807	-
Expired employee stock option	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	17,090	38,071
Convertible bonds	16,038	37,622
Total	<u>\$1,027,588</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 6.(13)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 were as follows:

	2021
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:

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

The following cash dividends were approved by the board of directors on February 26, 2024.

The dividends per share for 2023 were as follows:

	2023
Ordinary shares - cash dividends	NT\$6.61466011 per share, totaling NT\$494,275 thousand

The Company has issued convertible bonds and employee stock options which then lead to the total amount of the outstanding common shares may vary subsequently. Hence, the Company will adjust dividend distribution ratio before ex-dividend base date.

Legal reserve

Subsidiaries in China shall appropriate legal reserve fund (recognized under legal reserves) and provide other fund (recognized under liabilities items) from the profit after tax. Legal reserve fund subject to a proportion not less than 10% of the profit after tax after offsetting accumulated losses in prior years and no appropriation shall be made when the accumulated amount reaches 50% of the registered capital. The provision in respect of other fund shall be determined by the Company upon passing of directors' resolution; however, it has not yet been approved as of December 31, 2023.

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

E. Share-based payment arrangements

Employee stock options

Information on outstanding employee stock options is as follow:

Grant Date	Issued Shares	Vesting Date	Exercisable Price
2020.05.19	2,760 units (equivalent 1,000 outstanding shares per unit)	Within 4 years after the grant date	\$22.80 (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 on employee stock options is as follows:

Employee Stock Options	For the Year Ended December 31, 2023		For the Year Ended December 31, 2022	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
Balance at the beginning of period	6,958	\$24.01	8,053	\$23.63
Granted	-	-	1,030	20.20
Executed	(3,038)	27.42	(1,733)	26.24
Write-off	(601)	22.92	(392)	20.21
Balance at the end of period	<u>3,319</u>	18.39	<u>6,958</u>	24.01
Options exercisable, end of period	<u>250</u>		<u>2,179</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$-</u>		<u>\$6.79</u>	

Information about outstanding options was as follows:

Grant Date	December 31, 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	0.38	\$24.60	1.38
2021.04.27	19.50	1.33	21.00	2.33
2021.08.20	17.50	1.67	18.90	2.67
2022.01.21	18.70	2.05	20.20	3.05

Employee stock options granted were priced using the black-scholes pricing model and the inputs to the model were as follows:

	January 21, 2022	August 20, 2021	April 27, 2021	May 19, 2020
Grant-date share price (NT\$)	20.85	19.45	21.65	25.30
Exercise price (NT\$)	20.85	19.45	21.65	25.30
Expected volatility	43.96%	44.87%	44.32%	41.50%
Expected life (in 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%	0.35%

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

The costs of employee stock options were as follows:

	For the Years Ended December 31	
	2023	2022
Compensation costs of employee stock options	\$7,082	\$14,398

F. Other equity items

Exchange differences on translating the financial statements of foreign operations.

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

(13) Consolidated net profit

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

A. Net revenue

(a) 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 6.(10)B.

(b) Contract balances

	December 31, 2023	December 31, 2022
Accounts receivable, net (Note 6.(3))	\$1,400,071	\$1,786,229

(c) Disaggregation of revenue from customer contracts

Product category	For the Years Ended December 31	
	2023	2022
Home audio	\$7,089,333	\$8,673,517
Personal audio	2,477,029	2,814,340
Transducer speaker	334,730	416,113
Others	739,428	906,412
Total	\$10,640,520	\$12,810,382

B. Depreciation and amortization expenses

	For the Years Ended December 31	
	2023	2022
Depreciation of property, plant and equipment	\$145,651	\$140,202
Amortization of intangible assets	13,245	18,955
Depreciation of right-of-use assets	30,705	25,821
Total	<u>\$189,601</u>	<u>\$184,978</u>

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

	For the Years Ended December 31	
	2023	2022
Remuneration of directors and key management		
Short-term benefits	\$152,304	\$112,929
Post-employment benefits	3,226	2,774
Share-based payments	2,423	7,769
Employee benefits		
Short-term benefits	1,375,102	1,637,708
Post-employment benefits	97,827	101,845
Share-based payments	4,659	6,629
Total	<u>\$1,635,541</u>	<u>\$1,869,654</u>

D. Employees' and directors' compensation

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

For the year ended December 31, 2023, the employees' compensation and directors' compensation and supervisors are as follows:

Accrual rate

	For the Year Ended December 31, 2022
Employees' compensation	6.1%
Directors' compensation	1.8%

Amount

	For the Year Ended December 31, 2023
Employees' compensation	\$36,431
Directors' compensation	\$10,500

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.

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

Amount

	For the Year Ended December 31, 2022
Employees' compensation	\$22,370
Directors' compensation	\$6,300

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 Years Ended December 31	
	2023	2022
Government grants	\$619	\$8,505
Project service revenue	10,055	24,381
Dividend income	10,656	4,921
Interest income	31,224	5,000
Scrap income	1,752	3,144
Rental revenue	799	114
Gains on disposal of property, plant and equipment	910	267
Gains on evaluation and disposal financial instruments at fair value through profit or loss	12,711	-
Reversal of accrued employee's severance	11,917	13,577
Others	12,802	5,545
	<u>\$93,445</u>	<u>\$65,454</u>

F. Other losses

	For the Years Ended December 31	
	2023	2022
Losses on fair value change of financial instruments at FVTPL	\$71,880	\$1,216
Losses on disposal and scrap property, plant and equipment	15,470	21,340
Others	12,891	14,551
Total	<u>\$100,241</u>	<u>\$37,107</u>

G. Finance costs

	For the Years Ended December 31	
	2023	2022
Interest expense arising from bank borrowings	\$918	\$34,484
Guarantee interest on convertible bonds	5,056	-
Interest expense on bonds payable	5,748	655
Interest on lease liabilities	3,147	2,433
Total	<u>\$14,869</u>	<u>\$37,572</u>

(14) Income taxes

A. Income tax recognized in profit or loss

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

	For the Years Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$16,382	\$13,815
Adjustments for prior years	10,249	75
Deferred tax		
In respect of the current year	(12,183)	(1,112)
Income tax expense recognized in profit or loss	<u>\$14,448</u>	<u>\$12,778</u>

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

	For the Years Ended December 31	
	2023	2022
Profit before tax	\$547,758	\$382,573
Income tax benefit calculated at the statutory rate (16.5%)	\$90,380	\$63,125
Tax-exempt income and non-deductible expenses in determining taxable income	(106,672)	(42,837)
Adjustments for prior years	10,249	75
Effect on deferred tax assets unrecognized in prior years	2,585	13,237
Effect on unrecognized loss carry forwards	5,031	359
Effect of different tax rate of foreign operations in other jurisdictions	12,875	(21,181)
Income tax expenses recognized in profit or loss	\$14,448	\$12,778

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 jointly issued by the local tax authority and the Departments of Ministry of Science and Technology and Ministry of Finance of the PRC in December 2021. Therefore, EAHZ is subject to the applicable preferential income tax rate. Its enterprise income tax rate has been reduced from 25% to 15%. EAHZ has obtained the approval by the local government. 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 and Singapore are 22% and 17%, respectively. The local tax rate for the subsidiary in Vietnam is 20%. EAVN can enjoy the income tax exemption for the first two years after making profit and proceed with fifty percent reduction for the four subsequent years. The local tax rate for the subsidiaries in Taiwan is 20%.

B. Deferred tax assets

	December 31, 2023	December 31, 2022
Allowance of inventories provision	\$14,258	\$914
Others	5,846	5,846
Total	\$20,104	\$6,760

The movements of deferred tax assets were as follows:

	Allowance of Inventories Provision	Others	Total
Balance at January 1, 2022	\$921	\$5,923	\$6,844
Recognized in profit or loss	(20)	(77)	(97)
Effect of exchange rate changes	13	-	13
Balance at December 31, 2022	914	5,846	6,760
Recognized in profit or loss	13,590	-	13,590
Effect of exchange rate changes	(246)	-	(246)
Balance at December 31, 2023	\$14,258	\$5,846	\$20,104

C. Deferred tax liabilities

	December 31, 2023	December 31, 2022
Temporary differences on depreciation of property, plant and equipment and intangible assets	\$7,868	\$6,231
Unappropriated earnings of subsidiaries	182	182
Total	\$8,050	\$6,413

The movements of deferred tax liabilities were as follows:

	Temporary differences on depreciation of property, plant and equipment and intangible assets	Unappropriated earnings of subsidiaries	Total
Balance at January 1, 2022	\$7,109	\$182	\$7,291
Recognized in profit or loss	(1,209)	-	(1,209)
Effect of exchange rate changes	331	-	331
Balance at December 31, 2022	6,231	182	6,413
Recognized in profit or loss	1,407	-	1,407
Effect of exchange rate changes	230	-	230
Balance at December 31, 2023	\$7,868	\$182	\$8,050

D. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2023	December 31, 2022
Loss carryforwards	\$327,161	\$391,833

E. Income tax assessments

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

(15) Earnings per share

	For the Years Ended December 31	
	2023	2022
Basic earnings per share	\$8.02	\$6.03
Diluted earnings per share	\$7.01	\$5.98

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

	For the Years Ended December 31	
	2023	2022
Net income the period attributable to owners of the Company	\$533,310	\$369,795
Net income used in the computation of basic earnings per share	\$533,310	\$369,795
Effect of potentially dilutive net income:		
Convertible bonds (after tax)	4,690	-
Net income used in the computation of diluted earnings per share	\$538,000	\$369,795

No. of Share

(In Thousands of Shares)

	For the Years Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	66,483	61,291
Effect of potentially dilutive ordinary shares		
Employee stock options	2,459	530
Convertible bonds	7,788	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>76,730</u>	<u>61,821</u>

7. 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 6.(13)C. for details.

8. Assets pledged

The following assets were provided as collateral for bank borrowings.

	December 31, 2023	December 31, 2022
Intangible assets	\$12,623	\$9,553
Machineries and office equipment	12,137	12,296
Inventories and other assets	75,712	76,903
Construction in progress	6,295	4,187
Total	<u>\$106,767</u>	<u>\$102,939</u>

9. Commitments and contingent liabilities

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(1) DISCLOSURE ON FINANCIAL INSTRUMENTS

A. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return through the optimization of the capital and debt structure balance. The Group's overall strategy remains unchanged in 2023.

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

As of December 31, 2023 and 2022, the cash and cash equivalents and debt were as follows:

	December 31, 2023	December 31, 2022
Debt (bank borrowings and bonds payable)	\$(143,226)	\$(333,884)
Cash and cash equivalents (including pledged deposit)	2,186,227	1,290,720
Net cash (debt)	\$2,043,001	\$956,836
Equity	\$2,846,063	\$2,246,841
Cash (debt) - equity ratio	72%	43%

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

B. Fair value of financial instruments

(a) 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.

	December 31			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Convertible bonds	\$143,226	\$145,216	\$328,865	\$334,425

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

Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic - unlisted stocks	\$-	\$-	\$131,205	\$131,205
Convertible bonds options	-	-	463	463
Total	<u>\$-</u>	<u>\$-</u>	<u>\$131,668</u>	<u>\$131,668</u>

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
Total	<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 were no measurement transfers between Level 1 and Level 2 of fair value during 2023 and 2022.

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

For the year ended December 31, 2023:

Financial Assets (Liabilities)	FVTPL		Total
	Derivatives	Equity Instruments	
Beginning balance	\$(595)	\$120,787	\$120,192
Additions	-	20	20
Recognized in profit or loss	1,058	10,410	11,468
Effect of foreign currency exchange differences	-	(12)	(12)
Ending balance	<u>\$463</u>	<u>\$131,205</u>	<u>\$131,668</u>
Recognized in other gains and losses - unrealized	<u>\$1,058</u>	<u>\$10,410</u>	<u>\$11,468</u>

For the year ended December 31, 2022:

Financial Assets (Liabilities)	FVTPL		Total
	Derivatives	Equity Instruments	
Beginning balance	\$-	\$108,912	\$108,912
Additions	(455)	-	(455)
Recognized in profit or loss	(140)	-	(140)
Effect of foreign currency exchange differences	-	11,875	11,875
Ending balance	<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>

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

None.

(e) The valuation techniques and hypothesis for Level 3 fair value measurements.

The fair value of the redemption rights and sell back rights embedded in the convertible bonds was estimated using a binary tree convertible bond valuation model, and the significant unobservable input value used was the stock price volatility. As the volatility of the stock price increases, the fair value of these redemption rights and resale rights will increase. The stock price volatility used as of December 31, 2023 and 2022, was 41.79% and 47.76%, respectively.

The fair value of non-publicly traded equity investments without an active market is estimated at the lower of the asset approach or market approach. The asset approach takes into account the net asset value measured at the fair value by independent parties. The market approach is used to arrive at their fair values, for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered.

C. Categories of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$131,205	\$120,891
Designated as at FVTPL	463	-
Financial assets at amortized cost (Note 1)	<u>3,675,957</u>	<u>3,229,091</u>
Total	<u>\$3,807,625</u>	<u>\$3,349,982</u>

	December 31, 2023	December 31, 2022
<u>Financial liabilities</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$-	\$595
Financial assets at amortized cost (Note 2)	2,970,071	3,403,719
Total	<u>2,970,071</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 balance includes financial assets at amortized cost, which comprise cash and bank deposit, accounts receivable, other receivables and guarantee deposits, etc.

D. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash in bank, 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.

(a) Market risk

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

(b) Foreign exchange risk

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

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

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

	Assets	
	December 31, 2023	December 31, 2022
USD	\$2,986,344	\$2,546,163

	Liabilities	
	December 31, 2023	December 31, 2022
USD	\$591,670	\$391,770

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 Year Ended December 31, 2023	For the Year Ended December 31, 2022
Profit or loss	\$119,734	\$107,720

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.

(c) 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 of the Group for the years ended December 31, 2023 and 2022 would have been increased by \$10,928 thousand and \$6,417 thousand, respectively.

(d) 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.

(e) Liquidity risk

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

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

	December 31, 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	-	\$2,110,446	\$-	\$-	\$2,110,446
Other payables	-	716,399	-	-	716,399
Convertible bonds	-	143,226	-	-	143,226
<u>Interest bearing liabilities</u>					
Lease liabilities	2.42%~6.75%	70,504	103,766	-	174,270

December 31, 2022					
	Effective Interest Rate	On Demand			Total
		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
Convertible bonds	-	-	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

F. Financial facilities

	December 31, 2023	December 31, 2022
Secured borrowings		
Amount unused	\$815,183	\$1,818,390

G. Significant assets and liabilities denominated in foreign currencies

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

December 31, 2023

	Unit: Foreign Currencies (In Thousands)			
	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$91,921	HKD	30.72	\$2,823,826
USD	3,315	NTD	30.72	101,841
USD	85	RMB	30.72	2,608
USD	525	DKK	30.72	16,132
USD	1,365	VND	30.72	41,937
	<u>\$97,211</u>			<u>\$2,986,344</u>

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$9,879	HKD	30.72	303,472
USD	6,429	RMB	30.72	197,501
USD	84	DKK	30.72	2,592
USD	2,868	VND	30.72	88,105
	<u>\$19,260</u>			<u>\$591,670</u>
 <u>December 31, 2022</u>				
	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$74,045	HKD	30.66	\$2,270,218
USD	3,195	NTD	30.66	97,963
USD	320	RMB	30.66	9,818
USD	347	DKK	30.66	10,625
USD	5,138	VDN	30.66	157,539
	<u>\$83,045</u>			<u>\$2,546,163</u>
 <u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$5,017	HKD	30.66	\$153,824
USD	7,533	RMB	30.66	230,959
USD	228	DKK	30.66	6,987
	<u>\$12,778</u>			<u>\$391,770</u>
HKD	\$3,108	RMB	3.9355	\$12,231
HKD	90	NTD	3.9355	353
HKD	24	HKD	3.9355	95
	<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 Years Ended December 31	
	2023	2022
Realized foreign exchange gains	\$(4,955)	\$102,406
Unrealized foreign exchange gains	2,577	(43,045)
	<u>\$(2,378)</u>	<u>\$59,361</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.

(2) Reconciliation of liabilities arising from financing activities

For the year ended of 2023:

	Bank Borrowings	Convertible Bonds	Lease Liability	Total Liabilities from Financing Activities
2023.1.1	\$5,019	\$328,865	\$75,060	\$408,944
Cash flow	(5,206)	-	(55,398)	(60,604)
Non-cash changes (Note)	-	(185,639)	148,037	(37,602)
Exchange rate fluctuations	187	-	(2,770)	(2,583)
2023.12.31	<u>\$-</u>	<u>\$143,226</u>	<u>\$164,929</u>	<u>\$308,155</u>

For the year ended of 2022:

	Bank Borrowings	Convertible Bonds	Lease Liability	Total Liabilities from Financing Activities
2022.1.1	\$1,358,637	\$-	\$108,548	\$1,467,185
Cash flow	(1,464,536)	366,287	(53,163)	(1,151,412)
Non-cash changes (Note)	-	(37,422)	17,448	(19,974)
Exchange rate fluctuations	110,918	-	2,227	113,145
2022.12.31	<u>\$5,019</u>	<u>\$328,865</u>	<u>\$75,060</u>	<u>\$408,944</u>

Note: Including amortization of convertible bonds, conversion of convertible bonds into equity, acquiring assets by leasing and financial costs of lease liabilities.

13. Segment information

A. Operating Segments

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

Since the Group's speaker systems, earphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the years ended December 31, 2023 and 2022, the revenue and operating results of the operating segment can be found in the consolidated income statement for the years ended December 31, 2023 and 2022. The product revenue of the Group please refer to Note 6.(13)A.

B. Geographic information

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

	Revenue from External Customers	
	For the Years Ended December 31	
	2023	2022
South Korea	\$3,664,628	\$4,170,193
Japan	3,069,896	3,568,197
Sweden	1,714,195	1,680,075
China	1,167,174	1,725,490
Denmark	500,631	706,399
Others	523,996	960,028
Total	<u>\$10,640,520</u>	<u>\$12,810,382</u>

	Non-current Assets	
	December 31, 2023	December 31, 2022
Vietnam	\$546,363	\$596,718
China	378,143	367,627
Denmark	42,851	46,076
Taiwan	20,171	17,734
Hong Kong	11,055	7,747
Singapore	656	1,631
Total	\$999,239	\$1,037,533

C. Information of key customers

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

	For the Years Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Company A	\$3,662,876	34	\$4,166,388	33
Company B	2,883,308	27	3,296,898	26
Company C	1,711,377	16	1,677,494	13

14. Separately disclosed items

(1) Information about significant transactions and investees:

A. Financing provided to others (Table 1)

B. Endorsements/guarantees provided (Table 2)

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

D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)

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

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

- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - I. Trading in derivative instruments (Note 6(2))
 - J. Intercompany relationships and significant intercompany transactions (Table 6)
- (2) Information on investees
- Information of investee companies (not including investees in Mainland China) (table 7).
- (3) Information on investments in mainland China
- A. 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)
 - B. 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
- (4) 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 YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 1

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)	Note
													Item	Value			
0	The Company	EAH	Other receivables from related parties	Yes	\$417,300	\$215,040	\$215,040	-	The need for short-term financing	\$-	Operating capital	\$-	-	\$-	\$1,138,425	\$1,138,425	-
1	EAH	EAVN	Other receivables from related parties	Yes	379,560	368,640	368,640	-	The need for short-term financing	-	Operating capital	-	-	-	1,735,746	1,735,746	-
2	ETH	EAH	Other receivables from related parties	Yes	323,100	307,200	-	-	The need for short-term financing	-	Operating capital	-	-	-	2,523,882	2,523,882	-

Note1 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.

Note2 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 December 2023 is different from the amounts listed above, the reason is that the financial statements of EAH and ETH for the year ended December 31, 2023 have not been reviewed by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the nine months ended September 30, 2023.

EASTECH HOLDING LIMITED AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 2

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 (Note2)	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	Note
		Name	Relationship (Note1)											
0	The Company	EAH	(2)	\$11,384,252	\$493,964	\$261,120	\$-	\$-	9.17%	\$11,384,252	Y	N	N	
0	The Company	ETH	(2)	11,384,252	1,327,941	709,632	-	-	24.93%	11,384,252	Y	N	N	
0	The Company	EAVN	(2)	11,384,252	321,176	184,320	-	-	6.48%	11,384,252	Y	N	N	
0	The Company	EAHZ	(2)	11,384,252	221,275	215,750	-	-	7.58%	11,384,252	Y	N	Y	
1	EAH	The Company	(3)	1,735,746	350,000	199,800	149,200	-	11.51%	1,735,746	N	Y	N	
1	EAH	EAHZ	(2)	1,735,746	87,242	30,720	-	-	1.77%	1,735,746	Y	N	Y	
2	ETH	The Company	(3)	841,294	35,000	19,980	-	-	2.37%	841,294	N	Y	N	

Note 1 : Relationship of the guarantee:

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

Note 2 : The Company's limitations 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.
- 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 Company's consolidated net worth.
- (2)The total amount of the guarantee provided by ETH to other entities shall not exceed one hundred percent (100%) of the Company's consolidated net worth.

Note 3 : According to the Company's guidance of endorsement/guarantees provided, the amount of endorsement/guarantees is based on the net value of the most recent financial statements reviewed or audited by CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2023 is different from the amounts listed above, the reason is that the financial statements for the year ended December 31 2023 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statements of EAH and ETH for the nine months ended September 30, 2023.

EASTECH HOLDING LIMITED AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 3

Holding Company Name	Type and Name of Marketable	Type and Name of Marketable	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note (Note 4)
					Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
ETW	Taiwan publicly traded stocks	Eastech Holding Limited	Parent and subsidiary	FVTPL - non-current	453,000	\$27,225	1%	\$27,225	Note 1
ETW	Taiwan non-publicly traded stocks	HT Precision Technologies, Inc.	-	FVTPL - non-current	6,660,141	131,205	19%	131,205	

Note 1 : 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 YEAR ENDED DECEMBER 31, 2023

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

Table 4

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	EAHZ	Parent and subsidiary	Purchase	\$124,180	3%	90 days	\$-	-	\$(25,576)	(6%)	Note 1
EAH	EAVN	Parent and subsidiary	Purchase	3,432,456	74%	90 days	-	-	(147,927)	(35%)	Note 1
ETH	EAHZ	Fellow subsidiary	Purchase	4,009,229	78%	90 days	-	-	(960,285)	(73%)	Note 1
ETH	EAVN	Fellow subsidiary	Purchase	1,085,918	21%	90 days	-	-	(313,893)	(24%)	Note 1
EAVN	EAH	Parent and subsidiary	Purchase	1,007,309	24%	90 days	-	-	147,927	32%	Note 1
EAVN	ESZ	Fellow subsidiary	Purchase	981,393	24%	90 days	-	-	(323,663)	(53%)	Note 1
EAHZ	EAH	Parent and subsidiary	Sale	(124,180)	(2%)	90 days	-	-	25,576	2%	Note 1
EAHZ	ETH	Fellow subsidiary	Sale	(4,009,229)	(78%)	90 days	-	-	960,285	84%	Note 1
EAH	EAVN	Parent and subsidiary	Sale	(1,007,309)	(21%)	90 days	-	-	(147,927)	(35%)	Note 1
ESZ	EAVN	Fellow subsidiary	Sale	(981,393)	(99%)	90 days	-	-	323,663	100%	Note 1
EAVN	EAH	Parent and subsidiary	Sale	(3,432,456)	(76%)	90 days	-	-	147,927	32%	Note 1
EAVN	ETH	Fellow subsidiary	Sale	(1,085,918)	(24%)	90 days	-	-	313,893	68%	Note 1

Note 1 : 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

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Table 5

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	\$960,285	4.25	\$-	-	\$489,619	\$-
ESZ	EAVN	Fellow subsidiary	323,663	3.97	-	-	147,760	-
EAVN	ETH	Fellow subsidiary	313,893	5.70	-	-	120,683	-
EAVN	EAH	Parent and subsidiary	147,927	23.20	-	-	147,927	-

EASTECH HOLDING LIMITED AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 6

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Payment Terms			% of Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	The Company	EAH	1、2	Other receivables from and other payables to related parties	\$228,660	Short-term financing and collection and payment	4%
1	EAH	ETH	1、2	Dividend income	137,131	Dividend	1%
1	EAH	EAVN	1、2	Other receivables from and other payables to related parties	368,640	Short-term financing, 1 year loan	6%
1	EAH	EAVN	1、2	Net revenue from sale of goods and purchase	1,007,309	Credit on transfer pricing policy	9%
2	ESHY	EAHZ	3	Net revenue from sale of goods and purchase	42,208	Credit on transfer pricing policy	0%
3	EAVN	EAH	1、2	Net revenue from sale of goods and purchase	3,432,456	Credit on transfer pricing policy	32%
3	EAVN	ETH	3	Net revenue from sale of goods and purchase	1,085,918	Credit on transfer pricing policy	10%
3	EAVN	ETH	3	Receivables from and payables to related parties	313,893	90 days	5%
3	EAVN	EAH	1、2	Receivables from and payables to related parties	147,927	90 days	2%
4	EAHZ	EAH	1、2	Net revenue from sale of goods and purchase	124,180	Credit on transfer pricing policy	1%
4	EAHZ	ETH	3	Net revenue from sale of goods and purchase	4,009,229	Credit on transfer pricing policy	38%
4	EAHZ	ETH	3	Receivables from and payables to related parties	960,285	90 days	16%
5	ESZ	EAVN	3	Net revenue from sale of goods and purchase	981,393	Credit on transfer pricing policy	9%
5	ESZ	EAVN	3	Receivables from and payables to related parties	323,663	90 days	5%

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:

(1)No. 0 represents the parent company.

(2)The code number for the subsidiaries is listed below:

No. 1 ; EAH; No. 2: ESHY; No. 3: EAVN; No. 4: EAHZ; No. 5: ESZ.

Note 2 : There are three categories of the related party transactions:

(1)Parent company to its subsidiary.

(2)Subsidiary to its parent company.

(3)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 YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 7

Investor Company	Investee Company (Note 1、2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 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	\$202,220	\$-	
EAH	ScS	Denmark	Research, development, production and sales of high-end transducers	225,530	225,530	1,320,045	100.00%	106,652	7,298	-	
EAH	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	1,066	-	
EAH	EAVN	Vietnam	Production, assembly and sales of transducer speakers, bluetooth speakers and headphones	238,206	238,206	-	100.00%	238,206	312,918	-	
EAH	EMH	Hong Kong	Sales of headphones and AV products	386	386	100,000	100.00%	386	6	-	
EAH	ETW	Taiwan	New technology research, product design and development	215,000	85,000	21,500,000	100.00%	185,000	48,479	-	
EAH	ETH	Hong Kong	Sales of smart speakers, AV electronics home entertainment systems and headphones	201,653	201,653	115,000,000	100.00%	201,653	79,069	-	
EAH	ETV	Vietnam	Sales of speaker systems and headphones	5,599	5,599	-	100.00%	5,599	344	-	
ETW	ETT	Taiwan	Design and sales of smart speakers and AV electronics home entertainment systems	-	53,550	-	-	-	20,840	-	Note 3

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.

Note 3 : ETT and ETW were merged on September 28, 2023. The eliminating company was ETT; the surviving company was ETW.

EASTECH HOLDING LIMITED AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 8

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2023 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
ESHY (Note 4)	Production and sales of speaker systems	-	(3)	\$-	\$-	\$-	\$-	\$4,552	-	\$-	\$-	\$-
EAHZ	Production, assembly and sales of speaker systems, accessories, headphones, smart speakers and AV electronics home entertainment systems	US\$19,303	(3)	-	-	-	-	50,904	100.00%	-	560,860	-
ESZ	Import and export trading of audio accessories, machinery and equipment, etc.	RMB2,000	(2)	-	-	-	-	12,892	100.00%	-	-	-

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

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 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: Please see Table 6.

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

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

Note 1 : The amounts are represented registered capital.

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

- (1)Direct investment from the Company.
- (2)Indirect investment via the Company's subsidiary in Hong Kong.
- (3)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 :

- (1)If the investee company is in preparation, and no investment income and losses are recognized, it should be noted.
- (2)Recognized investment income (loss):
 - A.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.
 - B.The basis for investment income (loss) recognition is from the financial statements audited and attested by R.O.C. parent company's CPA.
 - C.Other. (Based on IAS 27: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.)

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.

EASTECH HOLDING LIMITED
 INFORMATION OF MAJOR SHAREHOLDERS
 AS OF DECEMBER 31, 2023

Table 9

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	38.99%

(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.

(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.