Eastech Holding Limited and Subsidiaries

(Formerly Known as Eastern Technologies Holding Limited)

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Eastech Holding Limited (formerly known as Eastern Technologies Holding Limited)

Opinion

We have audited the accompanying consolidated financial statements of Eastech Holding Limited, formerly known as Eastern Technologies Holding Limited ("Eastech") and subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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, 2018. 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, 2018 are stated as follows:

<u>Revenue Recognition</u>

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

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

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

1. The Group is an OEM/ODM manufacturer, its business model is according to the orders of the brand customers for stock preparation and production. Our focus is whether the sales have actually been supported by the valid orders from international brand enterprises.

2. The tests for internal control include: Whether the sales orders have been supported by a corresponding orders from international brand enterprises, whether the sales orders are approved by the appropriate supervisor, delivery orders are approved by the unit manager and signed by the customer. And check cash receipt is consistent with sale customers. When the cash receipt is not related to the sale customers, we will perform further procedures to understand and investigate the transaction.

3. Perform the following analytical procedures:

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

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

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

Impairment on Accounts Receivable

Accounts receivable accounted for significant balance of the Group’s balance sheet, which is a significant asset.

The Group’s major customers are internationally renowned audio-visual brand enterprises. The related accounts receivable are more concentrated, and the credit period of these international brands are longer. In addition, we are particularly concerned about this risk because the recoverability and impairment of accounts receivable involve management’s judgements. Please refer to Notes 4 and 8 in the consolidated financial statement for related accounting policy and relevant disclosure information.

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

1. We tested the operating effectiveness of controls on the approval of credit limits for customers and monthly detailed review of the receivables ledger.

2. We evaluated the doubtful debt provision for accounts receivable by testing the aging of amounts due at the balance sheet date to understand and quantify the potential risk in overdue balances.

3. For amounts that were past due and not yet recovered we reviewed the client’s historic payment record and financial status to assess whether the overall doubtful debt accounts receivable provision is sufficient. In addition, we also tested by vouching cash receipts after the year end date to consider whether an additional provision is required.

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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Chin-Chuan Shih and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2019

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

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of Hong Kong Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 224,596	18	$ 193,004	16
Financial assets at fair value through profit or loss (Note 7)	56	-	51	-
Notes and accounts receivable, net (Notes 8, 19 and 23)	535,221	42	440,917	36
Inventories (Notes 10 and 23)	144,264	11	167,256	13
Restricted assets (Notes 6 and 23)	5,372	-	1,315	-
Income tax refund recoverable	164	-	4,419	-
Other receivables and prepayments (Note 9)	75,674	6	94,290	8
Prepayments for land lease - current (Note 14)	367	-	385	-
Total current assets	985,714	77	901,637	73
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 23)	190,499	15	213,694	18
Financial assets measured at cost (Note 12)	-	-	29,029	2
Financial assets at fair value through profit or loss - non-current (Note 7)	25,192	2	-	-
Intangible assets (Notes 13 and 23)	66,853	5	65,213	5
Prepayments for land lease - non-current (Note 14)	16,769	1	17,893	2
Deferred tax assets (Notes 4 and 20)	2,882	-	2,855	-
Total non-current assets	302,195	23	328,684	27
TOTAL	$ 1,287,909	100	$ 1,230,321	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 15)	$ 268,850	21	$ 258,219	21
Notes and accounts payable (Note 16)	444,067	34	433,656	35
Current tax liabilities (Notes 4 and 20)	8,258	1	3,675	-
Other payables (Note 16)	99,616	8	97,581	8
Total current liabilities	820,791	64	793,131	64
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Note 15)	1,892	-	4,210	-
Deferred tax liabilities (Notes 4 and 20)	30,176	2	28,854	3
Net defined benefit liabilities (Notes 4 and 17)	1,517	-	2,266	-
Total non-current liabilities	33,585	2	35,330	3
Total liabilities	854,376	66	828,461	67
EQUITY (Note 18)				
Share capital - common stock	162,902	13	163,891	13
Capital surplus	199,511	15	202,979	17
Treasury shares	(5,966)	-	(9,929)	(1)
Exchange differences on translating foreign operations	(42,546)	(3)	(21,289)	(2)
Employee unearned benefit	(4,647)	-	(7,799)	-
Unrealized losses on financial assets at fair value through other comprehensive income	(7,787)	(1)	-	-
Retained earnings				
Legal reserve	13,154	1	12,143	1
Unappropriated earnings	118,912	9	61,864	5
Total equity	433,533	34	401,860	33
TOTAL	$ 1,287,909	100	$ 1,230,321	100

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 876,643	18	$ 735,808	16
Financial assets at fair value through profit or loss (Note 7)	219	-	194	-
Notes and accounts receivable, net (Notes 8, 19 and 23)	2,089,075	42	1,680,952	36
Inventories (Notes 10 and 23)	563,091	11	637,647	13
Restricted assets (Notes 6 and 23)	20,968	-	5,013	-
Income tax refund recoverable	640	-	16,847	-
Other receivables and prepayments (Note 9)	295,371	6	359,471	8
Prepayments for land lease - current (Note 14)	1,432	-	1,468	-
Total current assets	3,847,439	77	3,437,400	73
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 23)	743,556	15	814,687	18
Financial assets measured at cost (Note 12)	-	-	110,670	2
Financial assets at fair value through profit or loss - non-current (Note 7)	98,329	2	-	-
Intangible assets (Notes 13 and 23)	260,941	5	248,618	5
Prepayments for land lease - non-current (Note 14)	65,453	1	68,215	2
Deferred tax assets (Notes 4 and 20)	11,249	-	10,884	-
Total non-current assets	1,179,528	23	1,253,074	27
TOTAL	$ 5,026,967	100	$ 4,690,474	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 15)	$ 1,049,375	21	$ 984,434	21
Notes and accounts payable (Note 16)	1,733,282	34	1,653,270	35
Current tax liabilities (Notes 4 and 20)	32,233	1	14,011	-
Other payables (Note 16)	388,821	8	372,018	8
Total current liabilities	3,203,711	64	3,023,733	64
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Note 15)	7,385	-	16,050	-
Deferred tax liabilities (Notes 4 and 20)	117,783	2	110,003	3
Net defined benefit liabilities (Notes 4 and 17)	5,921	-	8,639	-
Total non-current liabilities	131,089	2	134,692	3
Total liabilities	3,334,800	66	3,158,425	67
EQUITY (Note 18)				
Share capital - common stock	616,060	12	619,860	13
Capital surplus	751,962	15	766,834	17
Treasury shares	(24,019)	-	(40,671)	(1)
Exchange differences on translating foreign operations	(113,524)	(2)	(69,570)	(1)
Employee unearned benefit	(18,396)	-	(30,955)	(1)
Unrealized losses on financial assets at fair value through other comprehensive income	(29,950)	(1)	-	-
Retained earnings				
Legal reserve	54,382	1	49,775	1
Unappropriated earnings	455,652	9	236,776	5
Total equity	1,692,167	34	1,532,049	33
TOTAL	$ 5,026,967	100	$ 4,690,474	100

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of Hong Kong Dollars)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4 and 19)	$ 2,394,676	100	$ 1,979,285	100
COST OF REVENUE (Note 10)	2,087,555	87	1,758,806	89
GROSS PROFIT	307,121	13	220,479	11
OPERATING EXPENSES				
Selling and distribution	44,487	2	40,955	2
General and administrative	187,290	8	179,088	9
Total operating expenses	231,777	10	220,043	11
PROFIT FROM OPERATIONS	75,344	3	436	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 19)	18,138	1	62,596	3
Foreign exchange gain (loss), net (Note 26)	4,916	-	(10,709)	(1)
Finance costs (Note 19)	(9,939)	-	(7,370)	-
Other losses (Note 19)	(2,653)	-	(2,505)	-
Total non-operating income and expense	10,462	1	42,012	2
PROFIT BEFORE INCOME TAX	85,806	4	42,448	2
INCOME TAX (Notes 4 and 20)	(21,345)	(1)	(10,229)	(1)
NET PROFIT	64,461	3	32,219	1
OTHER COMPREHENSIVE (LOSS) INCOME (NET OF INCOME TAX)				
Items that will not be reclassified subsequently to profit or loss:				
Effect of tax rate changes (Note 20)	77	-	-	-
Remeasurement of defined benefit plans (Notes 4, 17 and 20)	414	-	(1,448)	-

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EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of Hong Kong Dollars)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 26)	$ (7,787)	-	$ -	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(21,257)	(1)	35,408	2
	(28,553)	(1)	33,960	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 35,908	2	$ 66,179	3
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	$1.05		$0.53	
Diluted earnings per share	$1.05		$0.53	
WEIGHTED AVERAGE NUMBER OF SHARES	61,237 thousand shares		60,807 thousand shares	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4 and 19)	$ 9,213,755	100	$ 7,694,273	100
COST OF REVENUE (Note 10)	8,032,080	87	6,837,182	89
GROSS PROFIT	1,181,675	13	857,091	11
OPERATING EXPENSES				
Selling and distribution	171,168	2	159,208	2
General and administrative	720,927	8	696,493	9
Total operating expenses	892,095	10	855,701	11
PROFIT FROM OPERATIONS	289,580	3	1,390	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 19)	69,788	1	243,336	3
Foreign exchange gain (loss), net (Note 26)	18,915	-	(41,630)	(1)
Finance costs (Note 19)	(38,241)	-	(28,650)	-
Other losses (Note 19)	(10,208)	-	(9,738)	-
Total non-operating income and expense	40,254	1	163,318	2
PROFIT BEFORE INCOME TAX	329,834	4	164,708	2
INCOME TAX (Notes 4 and 20)	(82,127)	(1)	(39,764)	-
NET PROFIT	247,707	3	124,944	2
OTHER COMPREHENSIVE (LOSS) INCOME (NET OF INCOME TAX)				
Items that will not be reclassified subsequently to profit or loss:				
Effect of tax rate changes (Note 20)	294	-	-	-
Remeasurement of defined benefit plans (Notes 4, 17 and 20)	1,595	-	(5,630)	-

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EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 26)	$ (29,950)	-	$ -	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(43,954)	(1)	10,737	-
	(72,015)	(1)	5,107	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 175,692	2	$ 130,051	2
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	$4.05		$2.05	
Diluted earnings per share	$4.05		$2.05	
WEIGHTED AVERAGE NUMBER OF SHARES	61,237 thousand shares		60,807 thousand shares	

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of Hong Kong Dollars)

							Retained Earnings		
	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Legal Reserve	Unappropriated Earnings	Total Equity
BALANCE AT JANUARY 1, 2017	$ 162,632	$ 200,400	$ (9,929)	$ (56,697)	$ (6,093)	$ -	$ 9,669	$ 51,257	$ 351,239
Appropriation of 2016 earnings									
Cash dividends	-	-	-	-	-	-	-	(17,690)	(17,690)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	131	-	-	-	-	-	-	131
Legal reserve of subsidiaries	-	-	-	-	-	-	2,474	(2,474)	-
Issuance of restricted shares for employees	1,298	2,531	-	-	(3,829)	-	-	-	-
Retirement of restricted shares for employees	(39)	(83)	-	-	122	-	-	-	-
Restricted shares plan for employees	-	-	-	-	2,001	-	-	-	2,001
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	32,219	32,219
Other comprehensive income (loss) (net of income tax) for the year ended December 31, 2017	-	-	-	35,408	-	-	-	(1,448)	33,960
BALANCE AT DECEMBER 31, 2017	163,891	202,979	(9,929)	(21,289)	(7,799)	-	12,143	61,864	401,860
Effect of retrospective application of IFRS 9 (Note 3)	-	-	-	-	-	-	-	4,528	4,528
BALANCE AT JANUARY 1, 2018	163,891	202,979	(9,929)	(21,289)	(7,799)	-	12,143	66,392	406,388
Appropriation of 2017 earnings									
Cash dividends	-	-	-	-	-	-	-	(11,421)	(11,421)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	84	-	-	-	-	-	-	84
Legal reserve of subsidiaries	-	-	-	-	-	-	1,011	(1,011)	-
Issuance of restricted shares for employees	(198)	(528)	-	-	726	-	-	-	-
Restricted shares plan for employees	-	-	-	-	2,426	-	-	-	2,426
Compensation costs of employee stock options	-	148	-	-	-	-	-	-	148
Cancellation of treasury shares	(791)	(3,172)	3,963	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	64,461	64,461
Other comprehensive loss (net of income tax) for the year ended December 31, 2018	-	-	-	(21,257)	-	(7,787)	-	491	(28,553)
BALANCE AT DECEMBER 31, 2018	$ 162,902	$ 199,511	$ (5,966)	$ (42,546)	$ (4,647)	$ (7,787)	$ 13,154	$ 118,912	$ 433,533

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings: Legal Reserve	Retained Earnings: Unappropriated Earnings	Total Equity
BALANCE AT JANUARY 1, 2017	$ 615,020	$ 756,922	$ (40,671)	$ (80,307)	$ (24,787)	$ -	$ 39,411	$ 196,093	$ 1,461,681
Appropriation of 2016 earnings									
Cash dividends	-	-	-	-	-	-	-	(68,267)	(68,267)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	505	-	-	-	-	-	-	505
Legal reserve of subsidiaries	-	-	-	-	-	-	10,364	(10,364)	-
Issuance of restricted shares for employees	5,000	9,750	-	-	(14,750)	-	-	-	-
Retirement of restricted shares for employees	(160)	(343)	-	-	503	-	-	-	-
Restricted shares plan for employees	-	-	-	-	8,079	-	-	-	8,079
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	124,944	124,944
Other comprehensive income (loss) (net of income tax) for the year ended December 31, 2017	-	-	-	10,737	-	-	-	(5,630)	5,107
BALANCE AT DECEMBER 31, 2017	619,860	766,834	(40,671)	(69,570)	(30,955)	-	49,775	236,776	1,532,049
Effect of retrospective application of IFRS 9 (Note 3)	-	-	-	-	-	-	-	17,264	17,264
BALANCE AT JANUARY 1, 2018	619,860	766,834	(40,671)	(69,570)	(30,955)	-	49,775	254,040	1,549,313
Appropriation of 2017 earnings									
Cash dividends	-	-	-	-	-	-	-	(43,377)	(43,377)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	319	-	-	-	-	-	-	319
Legal reserve of subsidiaries	-	-	-	-	-	-	4,607	(4,607)	-
Issuance of restricted shares for employees	(800)	(2,121)	-	-	2,921	-	-	-	-
Restricted shares plan for employees	-	-	-	-	9,638	-	-	-	9,638
Compensation costs of employee stock options	-	582	-	-	-	-	-	-	582
Cancellation of treasury shares	(3,000)	(13,652)	16,652	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	247,707	247,707
Other comprehensive loss (net of income tax) for the year ended December 31, 2018	-	-	-	(43,954)	-	(29,950)	-	1,889	(72,015)
BALANCE AT DECEMBER 31, 2018	$ 616,060	$ 751,962	$ (24,019)	$ (113,524)	$ (18,396)	$ (29,950)	$ 54,382	$ 455,652	$ 1,692,167

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands)

	2018		2017	
	HK$	**NT$**	**HK$**	**NT$**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	$ 85,806	$ 329,834	$ 42,448	$ 164,708
Adjustments for:				
Amortization - other intangible assets	13,007	50,046	6,949	27,014
Amortization - prepayment for land lease	553	2,128	544	2,115
Provision for (reversal of) impairment loss on bad debt	5,561	21,396	(404)	(1,571)
Allowance for inventories provision and inventories write-off	13,465	51,808	7,116	27,663
Depreciation expenses	45,228	174,019	49,925	194,078
Loss on disposal of property, plant and equipment	2,571	9,892	1,867	7,258
Gain on disposal of assets held for sale	-	-	(41,634)	(161,848)
Loss of write-off other intangible assets	3,288	12,651	1,040	4,043
Impairment loss of financial assets measured at cost	-	-	132	513
Interest expense	9,939	38,241	7,370	28,650
Interest income	(950)	(3,655)	(1,170)	(4,548)
Dividend income	(1,739)	(6,691)	(2,868)	(11,149)
Gain on reversal of investment payable	-	-	(3,652)	(14,197)
Employees expenses of restricted shares	2,426	9,638	2,001	8,079
Compensation costs of employee stock options	148	582	-	-
Gain on fair value changes of financial instruments	(5)	(19)	(12)	(47)
Operating cash flows before working capital changes	179,298	689,870	69,652	270,761
Changes in operating assets and liabilities				
Notes and accounts receivable	(97,517)	(375,206)	(168,451)	(654,836)
Other receivable and prepayments	16,268	62,593	(34,325)	(133,435)
Inventories	9,527	36,659	(54,496)	(211,848)
Notes and accounts payable and other payables	12,446	47,887	140,205	545,033
Net defined benefit liabilities	(749)	(2,882)	201	781
Cash generated from (used in) operations	119,273	458,921	(47,214)	(183,544)
Interest paid	(9,939)	(38,241)	(7,370)	(28,650)
Interest received	950	3,655	1,170	4,548
Dividend received	1,739	6,691	2,868	11,149
Income tax paid	(11,830)	(45,517)	(9,680)	(37,630)
Net cash generated from (used in) operating activities	100,193	385,509	(60,226)	(234,127)

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands)

	2018		2017	
	HK$	NT$	HK$	NT$
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in investment payable	$ -	$ -	$ (14,671)	$ (57,032)
Payments for acquiring property, plant and equipment	(33,347)	(128,306)	(23,290)	(90,538)
(Increase) decrease in pledge deposits	(4,057)	(15,610)	82	319
Proceeds from disposal of property, plant and equipment	407	1,566	253	984
Proceeds from disposal of assets held for sale	-	-	46,391	180,340
Increase in other intangible assets	(20,576)	(79,168)	(13,017)	(50,602)
Net cash used in investing activities	(57,573)	(221,518)	(4,252)	(16,529)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	1,095,333	4,214,402	1,026,791	3,991,548
Repayments of bank borrowings	(1,085,176)	(4,175,324)	(990,155)	(3,849,129)
Payment under capital lease contract	-	-	(200)	(778)
Cash dividend	(11,421)	(43,377)	(17,690)	(68,267)
Cash dividend received from treasury shares	84	319	131	505
Net cash (used in) generated from financing activities	(1,180)	(3,980)	18,877	73,879
EFFECT OF EXCHANGE RATE CHANGES	(9,848)	(19,176)	13,587	(23,827)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,592	140,835	(32,014)	(200,604)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	193,004	735,808	225,018	936,412
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 224,596	$ 876,643	$ 193,004	$ 735,808
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	$ 229,968	$ 897,611	$ 194,319	$ 740,821
Pledge deposits	(5,372)	(20,968)	(1,315)	(5,013)
Cash and cash equivalents	$ 224,596	$ 876,643	$ 193,004	$ 735,808

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

1. GENERAL INFORMATION

Eastech Holding Limited (formerly known as Eastern Technologies Holding Limited) (the "Company") was an investment holding company incorporated in Cayman Islands on February 1, 2011.

The Company is 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 earphones. Through reorganization, 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 and sales expansion, EAH acquired 99.98% interests in Eastech Electronics (Taiwan) Inc. ("ETT") and its subsidiaries ("ETT Group") from Luster Green Limited in January 2015. The principal activities of ETT Group are to design, production and sales of smart speakers and audio/video ("AV") electronics home entertainment systems.

The Company's and its subsidiaries (collectively as the "Group") principal places of operation are located in Hong Kong and Huizhou, Guangdong Province, China.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 22, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Standards and interpretations effective for the year

The Group has adopted all new, revised and amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the "IFRSs") issued into effect after fiscal year beginning on January 1, 2018. 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 accounting policies:

1) IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The Group analyzed the facts and circumstances of its financial assets as of January 1, 2018 and elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application.

The impact on measurement categories, carrying amount and related reconciliation for each class of the Group's financial assets and financial liabilities when retrospectively applying IFRS 9 on January 1, 2018 is detailed below:

Unit: H.K. Dollars

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents, restricted assets	Loans and receivables	Amortized cost	$ 194,319	$ 194,319	a)
Embedded derivative instrument	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	3,801	3,801	b)
Equity investments	Held-for-trading	Mandatorily at FVTPL	51	51	
	Available-for-sale	Mandatorily at FVTPL	17,373	21,901	c)
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	7,855	7,855	d)
Notes and accounts receivable, other receivables and refundable deposits	Loans and receivables	Amortized cost	485,638	485,638	a)

Unit: N.T. Dollars

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents, restricted assets	Loans and receivables	Amortized cost	$ 740,821	$ 740,821	a)
Embedded derivative instrument	Held-for-trading	Mandatorily at FVTPL	14,488	14,488	b)
Equity investments	Held-for-trading	Mandatorily at FVTPL	194	194	
	Available-for-sale	Mandatorily at FVTPL	66,232	83,496	c)
	Available-for-sale	FVTOCI - equity instruments	29,950	29,950	d)
Notes and accounts receivable, other receivables and refundable deposits	Loans and receivables	Amortized cost	1,851,446	1,851,446	a)

Unit: H.K. Dollars

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Remark
FVTPL - embedded derivative instrument	$ 51	$ -	$ -	$ 51	$ -	
Add: Reclassification from held-for-trading (IAS 39) - equity instruments	-	3,801	-	3,801	-	b)
Add: Reclassification from available-for-sale (IAS 39)	-	17,373	4,528	21,901	4,528	c)
	$ 51	$ 21,174	$ 4,528	$ 25,753	$ 4,528	
FVTOCI- equity instruments						
Add: Reclassification from available-for-sale (IAS 39)	$ -	$ 7,855	$ -	$ 7,855	$ -	d)

(Continued)

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Remark
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	$ -	$ 679,957	$ -	$ 679,957	$ -	a)

(Concluded)

Unit: N.T. Dollars

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Remark
FVTPL - embedded derivative instrument	$ 194	$ -	$ -	$ 194	$ -	
Add: Reclassification from held-for-trading (IAS 39)	-	14,488	-	14,488	-	b)
- equity instruments						
Add: Reclassification from available-for-sale (IAS 39)	-	66,232	17,264	83,496	17,264	c)
	$ 194	$ 80,720	$ 17,264	$ 98,178	$ 17,264	
FVTOCI- equity instruments						
Add: Reclassification from available-for-sale (IAS 39)	$ -	$ 29,950	$ -	$ 29,950	$ -	d)
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	$ -	$ 2,592,267	$ -	$ 2,592,267	$ -	a)

a) Cash and cash equivalents, notes and accounts receivable, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with assessment of expected credit loss under IFRS 9.

b) Embedded derivative instrument previously measured at cost under IAS 39 have been classified as at FVTPL mandatorily.

c) As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are held for trading, the Group elected to designate these investments as at FVTPL under IFRS 9. As equity investments previously measured at cost under IAS 39 are remeasured at fair value under IFRS 9, the adjustments would result in an increase in financial assets at FVTPL and retained earnings of HK$4,528 thousand (equivalent to approximately NT$17,264 thousand) on January 1, 2018.

d) As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Group elected to designate these investments as at FVTOCI under IFRS 9. The Group assessed that cost may be an appropriate estimate of fair value for the investments.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Refer to Note 4 for related accounting policies.

b. Standards and interpretations issued but not yet effective

The Group has not early adopted the following standards and interpretations that are issued and amended but not yet effective.

New IFRSs	Effective Date Announced by IASB
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IAS 19 “‘Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “‘ Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

- IFRS 16 “Leases”

  IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

  Definition of a lease

  Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

  The Group as lessee

  Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets for assessing impairment loss.

Anticipated impact on assets, liabilities and equity

Unit: H.K. Dollars

	Carrying Amount as of December 31, 2018	**Reclassification from Initial Application**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 367	$ (367)	$ -	$ -
Prepayments for leases - non-current	16,769	(16,769)	-	-
Right-of-use assets	-	17,136	24,756	41,892
Total effect on assets	$ 17,136	$ -	$ 24,756	$ 41,892
Lease liabilities - current	$ -	$ -	$ 6,422	$ 6,422
Lease liabilities - non-current	-	-	18,334	18,334
Total effect on liabilities	$ -	$ -	$ 24,756	$ 24,756

Unit: N.T. Dollars

	Carrying Amount as of December 31, 2018	**Reclassification from Initial Application**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 1,432	$ (1,432)	$ -	$ -
Prepayments for leases - non-current	65,453	(65,453)	-	-
Right-of-use assets	-	66,885	96,628	163,513
Total effect on assets	$ 66,885	$ -	$ 96,628	$ 163,513
Lease liabilities - current	$ -	$ -	$ 25,066	$ 25,066
Lease liabilities - non-current	-	-	71,562	71,562
Total effect on liabilities	$ -	$ -	$ 96,628	$ 96,628

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

2) Currency of the consolidated financial statements

The consolidated financial statements have been presented in the functional currency of the Company - i.e. HKD. Relevant NTD amounts are presented by translating from HKD according to the IAS 21. The assets and liabilities items are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest December 31 2018	2017	Descriptions
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and earphones	100.00	100.00	The Company acquired EAH 100% ownership interest on March 31, 2011 and thereby obtained 100% controlling power over EAH and its subsidiaries.
EAH	Eastech Systems (Huiyang) Co., Ltd. ("ESHY")	Production and sales of speaker systems	100.00	100.00	〃
EAH	Eastech (Huiyang) Co., Ltd. ("EAHY")	Production, assembly and sales of speaker systems and accessories	100.00	100.00	〃
EAH	Eastech Microacoustics (Huiyang) Co., Ltd. ("EMHY")	Production and sales of earphones	100.00	100.00	〃
EAH	Shenzhen MaliMaliBox Trading Corporation Limited ("MMSZ")	Import and export trading of audio and earphones products and accessories	100.00	100.00	MMSZ was established by EAH on November 13, 2013.
EAH	Scan - Speak A/S ("ScS")	Research, production and sales of high-end speakers	100.00	100.00	EAH acquired ScS 100% ownership interest on April 1, 2014.
EAH	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of smart speaker and AV electronics home entertainment system	99.98	99.98	As mentioned in Note 1, EAH acquired ETT 99.98% ownership interest in January 2015, and thereby acquired its 100% owned subsidiaries, ETH and ETHY.
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speaker and AV electronics home entertainment system	100.00	100.00	〃
ETH	Eastech Electronics (Huiyang) Co., Ltd. ("ETHY")	Production and sales of smart speaker and AV electronics home entertainment system	100.00	100.00	〃
ETH	Eastech Electronics (SG) Pte. Ltd. ("ETS")	System architecture/new product concepts/state-of-the-art products/sound and acoustics advance technology	100.00	100.00	ETS was established by ETH in October 2017

e. Revenue recognition

<u>2018/contracts applicable to IFRS 15</u>

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

1) Revenue from sale of goods

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

2) Revenue from rendering of services

Service revenue income is recognized when services are provided.

Revenue from a contract to provide services is recognized according to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

Revenue from processing trade is based on the labour hours and direct expenses incurred with its contract rate.

<u>2017/not retrospectively applying IFRS 15</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Revenue from sale of goods

Revenue from the sales of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sales of goods is recognized when the delivery of goods and legal ownership transferred.

2) Revenue from rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized according to the stage of completion of the contract.

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

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

h. Prepayments for land lease

If the lease land held for operation, the cost of payment is recorded as prepayments for land lease and it will be amortized over term of lease by using the straight-line method.

i. Goodwill

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

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

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

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

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

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

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

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

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. 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.

l. Leasing

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.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

m. Borrowing costs

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

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

n. Retirement benefits

Except for partial employees of ETT adopt defined benefit retirement benefit plans, the rest of employees of ETT and employees in Hong Kong and Mainland China 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. Defined benefit costs (including service cost, net interest and remeasurement) recognized under the defined benefit retirement benefit plans are determined by using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit asset are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit asset represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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

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

o. Share-based payment arrangements

1) Restricted shares for employees granted to employees

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

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

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

2) Employee stock options granted to employees

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

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

p. Taxation

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

1) Current income tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

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

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

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

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

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

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

3) Current and deferred tax for the year

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

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

q. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the carrying amount of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss. The financial assets are classified into "financial assets at fair value through profit or loss" and "loans and receivables" based on the nature and purpose of the financial assets at the time of initial recognition.

b) Impairment of financial assets and contract assets

2018

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.

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.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For financial assets, objective evidence of impairment could include:

i. Significant financial difficulty of the issuer or counterparty; or
ii. Default or delinquency in interest or principal payments; or
iii. It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of financial assets are reduced by impairment directly except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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.

Before 2017, on derecognition of a financial asset in its entirety, 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

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

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

r. Foreign currencies

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities with uncertainty. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is changed.

The following are the assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period:

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is calculated by using weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Group constantly reviews its inventories to identify slow moving and obsolete merchandise. It will also make provision for impairment loss by considering their physical conditions and market conditions. It involves management's judgment for the estimation on the net realizable value and slow-moving inventories. Please refer to Note 10 for details about the carrying amount of inventories.

d. Depreciation of property, plant and equipment

Depreciation of the property, plant and equipment is provided after deducting any residual value from cost or revalued amount over the estimated useful years by using straight-line basis. Estimated useful years represent estimation of management on the number of years that the Group intends to generate economic benefits from the use of the Group's property, plant and equipment. Residual value means the amount expected to be realized upon retirement or disposal of the property, plant and equipment, net of any cost of disposal, at the end of the useful year. Useful year and residual are subject to the different estimated utilization rate of assets and the development of new technologies. Please refer to Note 11 for details about the carrying amount of the property, plant and equipment.

e. Impairment of goodwill

When determining whether there is any impairment loss on goodwill, estimation shall be made on the recoverable amount of the cash generating unit to which goodwill has been allocated. To calculate the recoverable amount, the management needs to estimate the future cash flow expected to arise from the cash generating unit and its appropriate discount rate. Details of the carrying amount of goodwill at the end of reporting period, with no impairment loss recognized during 2018 and 2017 are set out in Note 13.

f. Amortization of other intangible assets

Amortization of intangible assets of the Group (excluding goodwill) is the cost recognized on straight-line basis throughout its estimated useful life. Estimated useful life is the term estimated by the management of which the Group intends to use the intangible assets to generate economic benefits. Difference in expected frequency of use of the assets and development of new technologies would affect the economic useful life of assets. For the carrying amount of intangible assets, please refer to Note 13.

g. Income tax

The Group operates in different jurisdictions, and thus it is subject to different tax laws enacted in different regions. When estimating income tax, the Group will consider if it is eligible for the preferential taxation treatment. If there is any difference between the actual tax charged by the taxation authority with the originally estimated tax, the current income tax expenses and the related deferred income tax assets or liabilities shall be adjusted accordingly. Disclosures on income tax are set out in Note 20.

6. CASH AND CASH EQUIVALENTS

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Cash on hand	$ 194	$ 757	$ 224	$ 854
Cash at bank	224,402	875,886	188,600	719,018
Fixed deposits	5,372	20,968	5,495	20,949
	229,968	897,611	194,319	740,821
Less: Pledged deposits	(5,372)	(20,968)	(1,315)	(5,013)
	$ 224,596	$ 876,643	$ 193,004	$ 735,808

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 23), and is recognized under restricted assets.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

a. Financial assets at FVTPL

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Financial assets at FVTPL - current				
Non-derivative financial assets				
Foreign-listed stocks	$ 56	$ 219	$ 51	$ 194
Financial assets at FVTPL - non-current (Note 12)				
Embedded derivative financial assets mandatorily at FVTPL				
FVTOCI - equity instruments				
Foreign convertible corporate bond and call warrant	$ 3,801	$ 14,833	$ -	$ -
Non-derivative financial assets				
Domestic unlisted stocks	21,391	83,496	-	-
	$ 25,192	$ 98,329	$ -	$ -

b. Financial assets at FVTOCI - 2018

The Group held common stocks of downstream audio product design company for medium to long-term strategic purposes. Since the changes in the fair value of these investments accounted for as FVTPL would not be consistent with the Group’s strategy of holding these investments for long-term purposes, the Group’s management elected to designate these investments at FVTOCI. At December 31, 2018, the management of the Group carried out an impairment review by comparing their respective recoverable amounts with the carrying amounts. Impairment loss recognized on the financial assets at FVTOCI was HK$7,787 thousand (NT$29,950 thousand) and recognized in other equity.

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Notes receivable	$ 1,957	$ 7,639	$ 11,906	$ 45,390
Accounts receivable	536,434	2,093,809	429,011	1,635,562
Less: Allowance for impairment loss	(3,170)	(12,373)	-	-
	$ 535,221	$ 2,089,075	$ 440,917	$ 1,680,952

a. For the year ended December 31, 2018

The Group's average sales credit term is 75 days. No interest was charged on any outstanding trade receivables. 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 financial department annually.

The Group applies the simplified approach to make provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables (excluding trade receivables that recognizes loss allowance at full amount). The expected credit losses on trade receivables are estimated using a provision matrix by reference to 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 distinguished according to the Group's different customer base.

The Group writes off a trade 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 trade receivables are over 180 days past due, whichever occurs earlier.

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

December 31, 2018

Unit: H.K. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Past due 366 Days	Total
Gross carrying amount	$ 527,476	$ 7,795	$ 2,770	$ 350	$ 538,391
Loss allowance (Lifetime ECL)	-	(50)	(2,770)	(350)	(3,170)
Amortized cost	$ 527,476	$ 7,745	$ -	$ -	$ 535,221

Unit: N.T. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Past due 366 Days	Total
Gross carrying amount	$ 2,058,844	$ 30,426	$ 10,812	$ 1,366	$ 2,101,448
Loss allowance (Lifetime ECL)	-	(195)	(10,812)	(1,366)	(12,373)
Amortized cost	$ 2,058,844	$ 30,231	$ -	$ -	$ 2,089,075

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31, 2018	
	HK$	NT$
Balance at January 1, 2018	$ -	$ -
Add: Impairment losses recognized	3,213	12,362
Effect of exchange rate changes	(43)	11
Balance at December 31, 2018	$ 3,170	$ 12,373

b. 2017

The Group applied the same credit policy in 2017 and 2018. Allowance of impairment loss was based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The analysis of receivables was as follows:

	December 31, 2017	
	HK$	NT$
Neither overdue nor impaired	$ 433,252	$ 1,651,730
Overdue but not impaired (1)	7,665	29,222
Accounts receivable, net	$ 440,917	$ 1,680,952

1) The aging of receivables that were overdue but not impaired was as follows:

	December 31, 2017	
	HK$	NT$
0-90 days	$ 7,317	$ 27,895
91-180 days	348	1,327
	$ 7,665	$ 29,222

The above aging schedule has been analysed based on the overdue date. After management assessment, no additional impairment provision is required. The Group did not hold any collateral over these balances.

2) The movements of the allowance for doubtful debts were as follows:

Unit: H.K. Dollars

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 1,297	$ -	$ 1,297
Written off	(893)	-	(893)
Recovered	(404)	-	(404)
Balance at December 31, 2017	$ -	$ -	$ -

Unit: N.T. Dollars

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 5,397	$ -	$ 5,397
Written off	(3,471)	-	(3,471)
Recovered	(1,571)	-	(1,571)
Effect of exchange rate changes	(355)	-	(355)
Balance at December 31, 2017	$ -	$ -	$ -

c. The carrying amount of trade receivable pledged as collateral (with recourse) for borrowings is disclosed in Notes 23 and 26(h).

9. OTHER RECEIVABLES AND PREPAYMENTS

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Other receivables	$ 38,819	$ 151,518	$ 43,171	$ 164,585
Allowance for impairment loss	(16,310)	(63,661)	(13,962)	(53,229)
Other receivables, net	22,509	87,857	29,209	111,356
Prepayments for purchases	9,718	37,931	12,575	47,941
Prepayments	5,830	22,757	5,173	19,722
Prepayments for purchases equipment and mold	3,239	12,642	2,648	10,095
Value-added tax recoverable and refundable	30,113	117,537	29,173	111,219
Guarantee deposits	4,265	16,647	15,512	59,138
	$ 75,674	$ 295,371	$ 94,290	$ 359,471

Other receivables of the Group mainly consist of the followings:

a. Other receivables relating to litigations (including guarantee deposits) as described in Note 25(a) were as follows:

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Other receivables (including security deposits)	$ 23,439	$ 91,487	$ 23,682	$ 90,285
Less: Allowance for impairment loss	(16,310)	(63,661)	(13,962)	(53,229)
	$ 7,129	$ 27,826	$ 9,720	$ 37,056

b. As of December 31, 2018 and 2017, the amounts of temporary payments as described in Note 16(b) were HK$8,893 thousand and HK$11,643 thousand (equivalent to approximately NT$34,711 thousand and NT$44,388 thousand).

10. INVENTORIES

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Raw materials	$ 69,231	$ 270,222	$ 90,094	$ 343,474
Work-in-process	46,876	182,966	47,768	182,111
Finished goods	19,784	77,221	23,620	90,049
Goods in transit	8,373	32,682	5,774	22,013
	$ 144,264	$ 563,091	$ 167,256	$ 637,647

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2018 and 2017 was HK$2,087,555 thousand and HK$1,758,806 thousand (equivalent to approximately NT$8,032,080 thousand and NT$6,837,182 thousand), respectively, which included HK$13,465 thousand and HK$7,116 thousand (equivalent to approximately NT$51,808 thousand and NT$27,663 thousand), allowance for inventories provision and inventories write-off, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

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

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Cost	$ 464,156	$ 1,811,694	$ 488,917	$ 1,863,947
Accumulated depreciation and impairment	(273,657)	(1,068,138)	(275,223)	(1,049,260)
Book value	$ 190,499	$ 743,556	$ 213,694	$ 814,687

(Continued)

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Land and buildings	$ 33,683	$ 131,471	$ 45,066	$ 171,809
Machineries and office equipment	155,919	608,584	167,106	637,075
Construction in progress	897	3,501	1,522	5,803
Book value	$ 190,499	$ 743,556	$ 213,694	$ 814,687

(Concluded)

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

	Land and Buildings		Machinery Equipment and Office Equipment		Construction in Progress		Total	
	HK$	NT$	HK$	NT$	HK$	NT$	HK$	NT$
Cost								
Balance at January 1, 2017	$ 124,029	$ 516,147	$ 341,046	$ 1,419,264	$ 1,327	$ 5,522	$ 466,402	$ 1,940,933
Additions	47	183	19,836	77,110	3,407	13,245	23,290	90,538
Disposals	-	-	(27,039)	(105,112)	(161)	(626)	(27,200)	(105,738)
Reclassification	(7,118)	(27,671)	1,085	4,218	(3,202)	(12,447)	(9,235)	(35,900)
Effect of exchange rate changes	11,291	277	24,218	(26,272)	151	109	35,660	(25,886)
Balance at December 31, 2017	128,249	488,936	359,146	1,369,208	1,522	5,803	488,917	1,863,947
Additions	-	-	32,036	123,262	1,311	5,044	33,347	128,306
Disposals	(48)	(185)	(26,707)	(102,758)	(298)	(1,146)	(27,053)	(104,089)
Reclassification	-	-	1,353	5,206	(1,592)	(6,125)	(239)	(919)
Effect of exchange rate changes	(6,644)	(14,290)	(24,126)	(61,186)	(46)	(75)	(30,816)	(75,551)
Balance at December 31, 2018	$ 121,557	$ 474,461	$ 341,702	$ 1,333,732	$ 897	$ 3,501	$ 464,156	$ 1,811,694
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ 66,045	$ 274,846	$ 165,727	$ 689,674	$ -	$ -	$ 231,772	$ 964,520
Depreciation	11,554	44,915	38,371	149,163	-	-	49,925	194,078
Disposals	-	-	(25,080)	(97,496)	-	-	(25,080)	(97,496)
Reclassification	(2,776)	(10,791)	-	-	-	-	(2,776)	(10,791)
Effect of exchange rate changes	8,360	8,157	13,022	(9,208)	-	-	21,382	(1,051)
Balance at December 31, 2017	83,183	317,127	192,040	732,133	-	-	275,223	1,049,260
Depreciation	10,155	39,072	35,073	134,947	-	-	45,228	174,019
Disposals	(23)	(89)	(24,052)	(92,542)	-	-	(24,075)	(92,631)
Effect of exchange rate changes	(5,441)	(13,120)	(17,278)	(49,390)	-	-	(22,719)	(62,510)
Balance at December 31, 2018	$ 87,874	$ 342,990	$ 185,783	$ 725,148	$ -	$ -	$ 273,657	$ 1,068,138

The management assessed that there was no impairment loss indicator for the years ended December 31, 2018 and 2017.

c. The depreciation of property, plant and equipment is calculated on a straight-line basis at the following useful lives:

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

d. Details of the land and buildings held by the Group as of December 31, 2018 and 2017 were as follows:

Company Name	Location	Description	Tenure/Unexpired Term
EAHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land (land use right is recognized under prepayments for land lease).	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
ETT	13F.-4, No. 99, Nankan Rd., Sec. 1, Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	A 177.67 level ground office (13.13 level ground land).	Acquired land and building on July 1, 1999.
ETHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	6 factory buildings and 2 dormitories built on a 365,976 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for a term of 50 years from December 6, 2000 to December 6, 2050.
		1 factory buildings and 2 dormitories built on a 134,947 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for a term of 50 years from June 19, 2002 to June 19, 2052.

Land use right in respect of lands at the PRC were obtained by way of lease as they could not be directly acquired subject to restrictions of laws.

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

12. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017 (Audited)	
	HK$	NT$
Non-current		
Investments in equity - foreign unlisted Audio Design Experts Inc.	$ 11,656	$ 44,438
Investments in equity - domestic unlisted HT Precision Technologies, Inc.	17,373	66,232
	$ 29,029	$ 110,670

Since the fair values of the Group’s investments in non-publicly traded shares, convertible corporate bond and call warrants cannot be reliably measured, the investments are measured at the cost less any impairment. The aforementioned investments were classified under IFRS 9. Refer to Notes 3(a) and 7 for information relating to their reclassification.

13. INTANGIBLE ASSETS

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Goodwill	$ 28,919	$ 112,877	$ 29,683	$ 113,163
Technical knowledge (including capitalized costs of)	33,099	129,192	29,080	110,865
Customer relationship	4,835	18,872	6,450	24,590
	$ 66,853	$ 260,941	$ 65,213	$ 248,618

a. Details of goodwill were as follows:

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Related to ScS	$ 25,759	$ 100,543	$ 26,363	$ 100,506
Related to EMHY	3,160	12,334	3,320	12,657
	$ 28,919	$ 112,877	$ 29,683	$ 113,163

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

The recoverable amount of this cash-generating unit was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 8% and 10% per annum for the years ended December 31, 2018 and 2017, respectively.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the financial budget period. The cash flows beyond that five-year period have been extrapolated using a steady 0% per annum growth rate. Management believed that any reasonably possible change in the key assumptions on which recoverable amount was based would not cause the aggregate carrying amount of the cash-generating unit to exceed its aggregate recoverable amount.

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

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

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

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

There is no impairment of goodwill at December 31, 2018 and 2017.

The movements of goodwill were as follows:

	2018		2017	
	HK$	**NT$**	**HK$**	**NT$**
Balance at January 1	$ 29,683	$ 113,163	$ 26,391	$ 109,826
Effect of exchange rate changes	(764)	(286)	3,292	3,337
Balance at December 31	$ 28,919	$ 112,877	$ 29,683	$ 113,163

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

	2018		2017	
	HK$	**NT$**	**HK$**	**NT$**
Balance at January 1	$ 35,530	$ 135,455	$ 24,379	$ 101,453
Additions	20,576	79,168	13,017	50,602
Amortization	(13,007)	(50,046)	(6,949)	(27,014)
Reclassification from property, plant and equipment	239	919	2,117	8,230
Write-off	(3,288)	(12,651)	(1,040)	(4,043)
Effect of exchange rate changes	(2,116)	(4,781)	4,006	6,227
Balance at December 31	$ 37,934	$ 148,064	$ 35,530	$ 135,455

c. Intangible assets with limited useful life were amortized on a straight-line basis at the following useful lives:

Technical acknowledge (including capitalized costs of R&D)	2-15 years
Customer relationship	9 years

14. PREPAYMENTS FOR LAND LEASE

	December 31			
	2018		**2017**	
	HK$	**NT$**	**HK$**	**NT$**
Prepayments for land lease - current	$ 367	$ 1,432	$ 385	$ 1,468
Prepayments for land lease - non-current	16,769	65,453	17,893	68,215
	$ 17,136	$ 66,885	$ 18,278	$ 69,683

Prepayments of land lease represent land use rights obtained by paying lease fees to local government of the Mainland China. The land is used for factory and employee dormitories. The details of the lease tenure refer to Note 11(d).

15. BANK BORROWINGS

a. Short-term bank borrowings:

	December 31					
	2018			2017		
	Interest Rate	HK$	NT$	Interest Rate	HK$	NT$
Factoring	4.16%-7.37%	$ 3,886	$ 15,169	4.16%-6.25%	$ 2,367	$ 9,024
Bank borrowings	1.68%-4.81%	255,121	995,787	1.58%-4.63%	228,498	871,126
Commercial paper	1.99%	7,686	30,000	1.8%	7,869	30,000
Long-term borrowings due within 1 year	2.1%-4.63%	2,157	8,419	2.1%-4.63%	19,485	74,284
		$ 268,850	$ 1,049,375		$ 258,219	$ 984,434

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

Unexpired commercial paper as following:

December 31, 2018

Guarantee/Acceptance Agency	Face Value (NT$)	Book Value (NT$)	Interest Rate	The Name of the Collateral	Book Value of the Collateral
International Bills Finance Corp.	$ 30,000	$ 30,000	1.99%	-	$ -

December 31, 2017

Guarantee/Acceptance Agency	Face Value (NT$)	Book Value (NT$)	Interest Rate	The Name of the Collateral	Book Value of the Collateral
International Bills Finance Corp.	$ 30,000	$ 30,000	1.8%	-	$ -

The commercial paper issued by the Group are all short-term promissory notes. Due to the short-term period, the interest expenses are not significant. Therefore, the difference between nominal amount and cash received is recognizes interest expense directly at the issuance of commercial paper.

b. Long-term bank borrowings:

	December 31					
	2018			2017		
	Interest Rate	HK	NT$	Interest Rate	HK$	NT$
Long-term bank borrowings	2.1%-4.63%	$ 4,049	$ 15,804	2.1%-4.63%	$ 23,695	$ 90,334
Less: Long-term bank borrowings due within 1 year		(2,157)	(8,419)		(19,485)	(74,284)
		$ 1,892	$ 7,385		$ 4,210	$ 16,050

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

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

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Due within 2 to 5 years	$ 1,892	$ 7,385	$ 4,210	$ 16,050

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

16. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were 60 or 90 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			
	2018		2017	
	HK$	NT$	HK$	NT$
Accrued salaries	$ 44,353	$ 173,119	$ 40,163	$ 153,117
Temporary receivables (remark)	16,713	65,234	20,184	76,949
Other payable	38,550	150,468	37,234	141,952
	$ 99,616	$ 388,821	$ 97,581	$ 372,018

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

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiary in PRC, Hong Kong and Denmark are members of a state-managed retirement benefit plan operated by the government of PRC, Hong Kong and Denmark. The subsidiary is 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.

b. Defined benefit plans

In accordance with the Labor Standard Law, ETT adopts a defined benefit plan which is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. ETT contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31			
	2018		**2017**	
	HK$	**NT$**	**HK$**	**NT$**
Present value of defined benefit obligation	$ 9,189	$ 35,866	$ 9,987	$ 38,074
Fair value of plan assets	(7,672)	(29,945)	(7,721)	(29,435)
Net defined benefit liability	$ 1,517	$ 5,921	$ 2,266	$ 8,639

The movements of net defined benefit (Note) liability were as follows:

Unit: N.T. Dollars

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2017	$ 30,762	$ (22,168)	$ 8,594
Current service cost	192	-	192
Net interest expense (income)	269	(205)	64
Recognized in profit or loss	461	(205)	256
	31,223	(22,373)	8,850
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	(70)	(70)
Actuarial loss - changes in demographic assumptions	982	-	982
Actuarial gain - changes in financial assumptions	(870)	-	(870)
Actuarial loss - experience adjustments	6,739	-	6,739
Recognized in other comprehensive income	6,851	(70)	6,781
Contributions from the employer	-	(6,992)	(6,992)
Balance at December 31, 2017	38,074	(29,435)	8,639

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Current service cost	$ 266	$ -	$ 266
Net interest expense (income)	428	(368)	60
Recognized in profit or loss	694	(368)	326
	38,768	(29,803)	8,965
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	(757)	(757)
Actuarial loss - changes in demographic assumptions	47	-	47
Actuarial loss - changes in financial assumptions	390	-	390
Actuarial gain - experience adjustments	(1,673)	-	(1,673)
Recognized in other comprehensive income	(1,236)	(757)	(1,993)
Contributions from the employer	-	(1,051)	(1,051)
Benefits paid	(1,666)	1,666	-
Balance at December 31, 2018	$ 35,866	$ (29,945)	$ 5,921

(Concluded)

Note: Since only ETT (Taiwan company) has retirement benefit plans, the above movement is stated in New Taiwan dollars.

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	1.000%	1.125%
Expected rate of salary increase	2.750%	2.750%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would change as follows:

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (774)	$ (867)
0.25% decrease	$ 799	$ 896
Expected rate of salary increase		
0.25% increase	$ 772	$ 865
0.25% decrease	$ (752)	$ (842)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 1,200	$ 6,562
The average duration of the defined benefit obligation	8.7 years	9.2 years

18. EQUITY

a. Share capital

The initial setup capital of the Company is NT$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of December 31, 2018 and 2017 were NT$616,060 thousand and NT$619,860 thousand (equivalent to approximately HK$162,902 thousand and HK$163,891 thousand), respectively, divided into 61,606 thousand shares and 61,986 thousand shares, each with a nominal amount of NT$10 per share. All of the shares are ordinary shares, each carrying the rights to vote and receive dividend.

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

(In Thousands of Shares)

	For the Years Ended December 31	
	2018	**2017**
January 1	61,986	61,502
Cancellation of treasury share (Note 1)	(300)	-
Issuance of restricted shares (Note 2)	-	500
Write-off of restricted shares	(80)	(16)
December 31	61,606	61,986

Note 1: On November 8, 2018, the Company's board of directors passed a resolution to retire 300 thousand treasury shares, and completed the procedures of capital reduction by the end of November, 2018.

Note 2: The Company's board of directors meeting held on November 8, 2017, resolved to issue restricted shares (see detail in Note 18(e)) to the Group's specific employees. The restricted shares issued record date was November 20, 2017.

b. Treasury shares

As of December 31 of 2018 and 2017, the detail of treasury shares are as follow:

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)	Shares Held by Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2018	300	453	753
Decrease during the year	(300)	-	(300)
Number of shares at December 31, 2018	-	453	453

In November, 2018, the Group retired 300 thousand treasury shares, totaling NT$16,652 thousand. The retirement of treasury shares debited NT$3,000 thousand (equivalent to approximately HK$791 thousand) of share capital and NT$13,652 (equivalent to approximately HK$3,172 thousand) of capital surplus. There is no movement of the treasury shares for the year ended December 31, 2017.

The Company's shares held by its subsidiary for the purpose of short-term investment at the end of the reporting periods were as follows:

December 31, 2018

Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
ETT	453	HK$5,966 thousand (equivalent to approximately NT$24,019 thousand)	HK$3,000 thousand (equivalent to approximately NT$11,710 thousand)

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The shares held by a subsidiary are treated as treasury shares which retain shareholders' rights, except the rights to participate in new share issuance 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, 2018 and 2017, the capital surplus of the Company are as follows:

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital				
Arising from issuance of common share	$ 190,526	$ 716,163	$ 193,698	$ 729,815
Cash dividend received from treasury stock	1,112	4,455	1,028	4,136
May not be used for any purpose				
Arising from employee restricted shares	7,725	30,762	8,253	32,883
Arising from employee share options	148	582	-	-
	$ 199,511	$ 751,962	$ 202,979	$ 766,834

d. Retained earnings and dividend policy

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

The dividends/bonus distribution to the shareholders under this clause shall not be less than 30% 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. For information about the accrual basis of the employees' and directors' remuneration and the actual appropriations, please refer to Note 19(d) for details.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meeting on June 11, 2018 and June 8, 2017, respectively. Details of the dividend per share of the earnings appropriations for 2017 and 2016 of the Company were as follows:

	2017
Ordinary share dividend - cash	NT$0.7 per share, totaling NT$43,377 thousand

	2016
Ordinary share dividend - cash	NT$1.11 per share, totaling NT$68,267 thousand

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on February 22, 2019. The appropriation and dividends per share were as follows:

	2018
Ordinary share dividend - cash	NT$1.3 per share, totaling NT$80,000 thousand

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 10, 2019.

Exchange differences on translating foreign operations

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

In addition, according to the requirements of the regulatory authority, the consolidated financial statements of the Company shall present amounts in New Taiwan dollars.

Legal reserve

The old articles of the Company stipulated that 10% of the consolidated net profit of shall be allocated to the legal reserve. However, according to the Articles of the Company revised in June 2013, the Company is not required to allocate 10% of the legal reserve. Legal reserve is used to offset loss.

Subsidiaries in China shall appropriate reserve fund (recognized under legal reserves) and provide employees' award and benefit fund (recognized under liabilities items) from the profit after tax in accordance to Section 58 of the "Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises", subject to a proportion of no less than 10% of the profit after tax. No appropriation shall be made when the accumulated amount reaches 50% of the registered capital. The provision in respect of employees' award and benefit fund shall be determined by the Company upon passing of directors' resolution, however, it has not yet been approved as at December 31, 2018.

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

e. Share-based payment arrangements

1) Information on restricted shares plan for employees

Information on restricted shares plan for employees was as below:

Approved Date	Grant Shares (Thousand)	Grant Date	Issued Date	Issued Shares (Thousand)	Issued Price	Fair Value
2015/05/12	252	2015/06/02	2015/06/02	252	$ -	NT$60.60 (equivalent to approximately HK$15.22)
2016/05/11	500	2016/12/20	2016/12/20	500	-	NT$31.45 (equivalent to approximately HK$7.63)
2017/06/08	500	2017/11/20	2017/11/20	500	-	NT$29.5 (equivalent to approximately HK$7.66)

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

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

a) Remain employed by the Company within one year after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;

b) Remain employed by the Company within two years after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;

c) Remain employed by the Company within three years after grant date; and performance rating of “A” - 25% of restricted shares will be vested.

d) Remain employed by the Company within four years after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;

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

a) Employees, except for inheritance, should not sell, transfer, pledge, donate or dispose of the shares in any other way.

b) The shares should be held in trust.

c) Except for the above two restrictions, other rights of restricted shares plan for employees, including but not limited to, dividends, share options of cash capital and voting rights of shareholders, etc. are the same as the Group’s issued ordinary shares.

d) When employees do not reach the vesting conditions of restricted shares plan for employees, the Company will retrieve and cancel the shares.

Information on restricted shares plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Years Ended December 31	
	2018	2017
Balance at the beginning of the period	993	689
Granted	-	500
Vested	(261)	(180)
Forfeited	(80)	(16)
Balance at the end of the period	652	993

2) Employee stock options

In order to attract and retain outstanding employees and to provide such employees with incentives and foster their loyalty in the advancement of the interests of the Company and its shareholders, the Company granted qualified employees of the Company or any of its subsidiaries 1,200 units of stock options on September 28, 2018. Each unit of options is entitled to subscribe one thousand ordinary shares of the Company when exercised. The options granted are valid for 4 years and exercisable at 100 percentage after the three years from the grant date. The exercise price is equal to the closing price of NT$23.95 per share of the Company as stated in the daily quotations of the Stock Exchange on the date of grant. 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.

Information on employee stock options was as follow:

	For the Year Ended December 31, 2018
Employee Stock Options	**Number of Options**
Balance at the beginning of period	-
Granted	1,200
Exercised	-
Balance at the end period	1,200
Options exercisable, end of period	-
Weighted-average exercise price of options granted (NT$)	$ 23.95
Weighted-average fair value of options granted (NT$)	$ 5.82

Information about outstanding options was as follows:

	December 31, 2018
Range of exercise price (NT$)	$23.95
Weighted-average remaining contractual life (years)	3 years

Employee stock options granted on September 28, 2018 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	September 28, 2018
Grant-date share price (NT$)	23.95
Exercise price (NT$)	23.95
Expected volatility	31.81%
Expected life (in years)	3.5 years
Expected dividend yield	-
Risk-free interest rate	0.66%

Expected volatility was based on the historical share price volatility over the past 2 years.

The compensation costs for the year ended December 31, 2018 is recognized at HK$148 thousand equivalent to (approximately NT$582 thousand).

19. CONSOLIDATED NET PROFIT

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

a. Net revenue

1) Contract information

a) Revenue from sale of goods

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

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

Please refer to the remark in Note 16(b).

2) Contact balances

	December 31, 2018		December 31, 2017	
	HK$	NT$	HK$	NT$
Notes and accounts receivable, net (Note 8)	$ 535,221	$2,089,075	$ 440,917	$ 1,680,952

3) Disaggregation of revenue from customer contracts

	For the Year Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Acoustic modules	$ 59,984	$ 230,794	$ 4,730	$ 18,387
Automotive	1,209	4,564	9,590	37,280
Home audio	1,616,942	6,221,346	1,487,234	5,781,473
Personal audio	399,566	1,537,370	81,334	316,178
Transducer speaker	101,367	390,020	102,746	399,415
Wearable audio	150,458	578,902	154,737	601,525
Others	65,150	250,759	138,914	540,015
	$ 2,394,676	$ 9,213,755	$ 1,979,285	$ 7,694,273

b. Depreciation and amortization expenses

	For the Years Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Depreciation of property, plant and equipment	$ 45,228	$ 174,019	$ 49,925	$ 194,078
Amortization of other intangible assets	13,007	50,046	6,949	27,014
Amortization of prepayments for lease	553	2,128	544	2,115
	$ 58,788	$ 226,193	$ 57,418	$ 223,207

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

	For the Years Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Remuneration of directors and key management				
Short-term benefits	$ 36,327	$ 139,772	$ 34,193	$ 132,922
Post-employment benefits	1,242	4,779	850	3,304
Share-based payments	1,917	7,555	1,128	4,524
Employee benefits				
Short-term benefits	408,697	1,572,503	352,203	1,369,154
Post-employment benefits	19,734	75,929	17,827	69,301
Share-based payments	657	2,665	873	3,555
	$ 468,574	$ 1,803,203	$ 407,074	$ 1,582,760

d. Employees' compensation and remuneration of directors and supervisors

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

The Company accrued employees' and directors' remuneration based on the aforementioned Article of Incorporation. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' and directors' remuneration for 2018 and 2017 had been resolved by the board of directors on February 22, 2019 and February 23, 2018, respectively, were as below:

	2018
Directors' remuneration - cash	HK$1,785 thousand (equivalent to approximately NT$6,867 thousand)
Employees' remuneration - cash	HK$5,718 thousand (equivalent to approximately NT$22,000 thousand)

	2017
Directors' remuneration - cash	HK$875 thousand (equivalent to approximately NT$3,401 thousand)
Employees' remuneration - cash	HK$896 thousand (equivalent to approximately NT$3,486 thousand)

There was no significant difference between the actual amounts of employees' and directors' remuneration paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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

e. Other income

	For the Years Ended December 31			
	2018		**2017**	
	HK$	**NT$**	**HK$**	**NT$**
Project service income	$ 8,470	$ 32,589	$ 7,389	$ 28,724
Interest income	950	3,655	1,170	4,548
Rental revenue	335	1,289	287	1,116
Dividend income	1,739	6,691	2,868	11,149
Scrap income	3,039	11,693	1,051	4,086
Gains on disposal of property, plant and equipment	20	77	7	27
Gain on disposal of assets held for sale	-	-	41,634	161,848
Net gain on financial instruments at fair value through profit or loss	5	19	12	47
Others	3,580	13,775	8,178	31,791
	$ 18,138	$ 69,788	$ 62,596	$ 243,336

f. Other losses

	For the Years Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Losses on scrap and disposal of property, plant and equipment	$ 2,591	$ 9,969	$ 1,874	$ 7,285
Others	62	239	631	2,453
	$ 2,653	$ 10,208	$ 2,505	$ 9,738

g. Finance costs

	For the Years Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Interest expense arising from bank borrowings	$ 9,939	$ 38,241	$ 7,370	$ 28,650

20. INCOME TAXES

a. Income tax expense recognized in profit or loss

	For the Years Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Current tax				
In respect of the current year	$ 17,549	$ 67,521	$ 7,529	$ 29,268
Adjustments for prior years	(1,176)	(4,524)	(597)	(2,322)
Deferred tax				
Effect of tax rate changes	(127)	(472)	-	-
In respect of the current year	5,099	19,602	3,297	12,818
Income tax expenses recognized in profit or loss	$ 21,345	$ 82,127	$ 10,229	$ 39,764

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

	For the Years Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Profit before tax	$ 85,806	$ 329,834	$ 42,448	$ 164,708
Income tax expense calculated at the statutory rate (16.5%)	$ 14,158	$ 54,474	$ 7,004	$ 27,227
Tax-exempt income and non-deductible expenses in determining taxable income	5,456	20,505	6,206	24,126
Income tax adjustment for prior years	(1,176)	(4,524)	(597)	(2,322)
Effect on deferred tax assets unrecognized in prior years	594	2,756	(4,344)	(16,887)
Effect of tax rate changes	(127)	(472)	-	-
Effect of different tax rate of foreign operations in other jurisdictions	2,440	9,388	1,960	7,620
Income tax expense recognized in profit or loss	$ 21,345	$ 82,127	$ 10,229	$ 39,764

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 2017 applicable tax rate for subsidiaries in Hong Kong is 16.5%. Profits Tax bill of Hong Kong was amended in April 2018. The tax rates were changed from single tax rate to a two-tiered tax rate. The applicable tax rates are as follows:

The first HK$2 million of assessable profits is 8.5%; over HK$2 million of assessable profits is 16.5%.

Effective from January 1, 2008, subsidiaries in the PRC shall be subject to an applicable tax rate of 25% upon implementation of new Enterprise Income Tax Law. In addition, EAHY and EMHY obtained the innovation and high technology enterprise certificates issued by local tax authorities in July 2013. Therefore, EAHY and EMHY are subject to the applicable preferential income tax rate in the next three years. Their enterprise income tax rate has been reduced from 25% to 15%. EAHY and EMHY obtained the proof of review. Therefore, EAHY and EMHY are still subject to the applicable preferential income tax rate from 2017 to 2018.

In accordance with Enterprise Income Tax Law of the PRC, effective on 2008 and taxation on 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 foreign dividends allocated to the Hong Kong company meets certain conditions the Department of 5% levy tax earnings distribution.

The local tax rates for the subsidiaries in Denmark and Singapore are 22% and 17%, respectively.

The Income Tax Act in Taiwan was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs.

b. Income tax recognized in other comprehensive income

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Deferred Tax				
Effect of change in tax rate	$ 77	$ 294	$ -	$ -
In respect of the current year				
Remeasurement of defined benefit plan	(104)	(398)	297	1,154
	$ (27)	$ (104)	$ 297	$ 1,154

c. Deferred tax assets

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Allowance of inventories provision	$ 1,198	$ 4,676	$ 1,583	$ 6,035
Defined benefit plan	719	2,806	746	2,844
Others	965	3,767	526	2,005
	$ 2,882	$ 11,249	$ 2,855	$ 10,884

The movements of deferred tax assets are as follows:

Unit: H.K. Dollars

	Allowance of Inventories Provision	Defined Benefit Plan	Others	Total
Balance at January 1, 2017	$ 1,805	$ 449	$ 865	$ 3,119
Recognized in profit or loss	(345)	-	(454)	(799)
Recognized in other comprehensive income	-	297		297
Effect of exchange rate changes	123	-	115	238
Balance at December 31, 2017	1,583	746	526	2,855
Recognized in profit or loss	(321)	-	479	158
Recognized in other comprehensive income	-	(27)		(27)
Effect of exchange rate changes	(64)	-	(40)	(104)
Balance at December 31, 2018	$ 1,198	$ 719	$ 965	$ 2,882

Unit: N.T. Dollars

	Allowance of Inventories Provision	Defined Benefit Plan	Others	Total
Balance at January 1, 2017	$ 7,512	$ 1,866	$ 3,602	$ 12,980
Recognized in profit or loss	(1,341)	-	(1,765)	(3,106)
Recognized in other comprehensive income	-	1,154		1,154
Effect of exchange rate changes	(136)	(176)	168	(144)
Balance at December 31, 2017	6,035	2,844	2,005	10,884
Recognized in profit or loss	(1,235)	-	1,843	608
Recognized in other comprehensive income	-	(104)	-	(104)
Effect of exchange rate changes	(124)	66	(81)	(139)
Balance at December 31, 2018	$ 4,676	$ 2,806	$ 3,767	$ 11,249

d. Deferred tax liabilities

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Temporary differences on other intangible assets	$ 8,287	$ 32,346	$ 8,174	$ 31,163
Temporary differences on inventory and depreciation of property, plant and equipment	7,209	28,138	7,323	27,918
Unappropriated earnings of subsidiaries	14,680	57,299	13,357	50,922
	$ 30,176	$ 117,783	$ 28,854	$ 110,003

The movements of deferred tax liabilities are as follows:

Unit: H.K. Dollars

	Temporary Differences on Other Intangible Assets	Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment	Unappropriated Earnings of Subsidiaries	Total
Balance at January 1, 2017	$ 5,842	$ 7,533	$ 14,246	$ 27,621
Recognized in profit or loss	1,686	(610)	1,422	2,498
Decrease	-	-	(2,311)	(2,311)
Effect of exchange rate changes	646	400	-	1,046
Balance at December 31, 2017	8,174	7,323	13,357	28,854
Recognized in profit or loss	1,128	(498)	4,500	5,130
Decrease	-	-	(3,177)	(3,177)
Effect of exchange rate changes	(1,015)	384	-	(631)
Balance at December 31, 2018	$ 8,287	$ 7,209	$ 14,680	$ 30,176

Unit: N.T. Dollars

	Temporary Differences on Other Intangible Assets	Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment	Unappropriated Earnings of Subsidiaries	Total
Balance at January 1, 2017	$ 24,312	$ 31,348	$ 59,285	$ 114,945
Recognized in profit or loss	6,554	(2,372)	5,528	9,710
Decrease	-	-	(8,984)	(8,984)
Effect of exchange rate changes	297	(1,058)	(4,907)	(5,668)
Balance at December 31, 2017	31,163	27,918	50,922	110,003
Recognized in profit or loss	4,340	(1,916)	17,314	19,738
Decrease	-	-	(12,224)	(12,224)
Effect of exchange rate changes	(3,157)	2,136	1,287	266
Balance at December 31, 2018	$ 32,346	$ 28,138	$ 57,299	$ 117,783

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

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Loss carryforwards	$ 43,858	$ 171,187	$ 48,944	$ 186,594
Deductible temporary difference				
Investments in equity instruments at FVTOCI	$ 7,787	$ 29,950	$ -	$ -

f. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong, Singapore and Denmark. The aforementioned tax authorities will not take the initiative to send a tax returns assessment to enterprises. When there are tax disputes, they issued a tax payment notice to enterprises and reserve the right to propose additional taxes. The tax authorities have assessed income tax returns of ETT up to 2015.

21. EARNINGS PER SHARE

Unit: $ Per Share

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Basic earnings per share	$ 1.05	$ 4.05	$ 0.53	$ 2.05
Diluted earnings per share	$ 1.05	$ 4.05	$ 0.53	$ 2.05

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

Net Profit for the Year

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Profit for the year attributable to owners of the Company	$ 64,461	$ 247,707	$ 32,219	$ 124,944

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

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	61,237	60,807
Effect of potentially dilutive ordinary shares		
Employee share options	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	61,237	60,807

As of December 31, 2018, the total exercise price of the employee stock options (the exercise price plus the unrecognized compensation cost) is higher than the weighted-average share price of the Company during the period when the employee stock options are outstanding. There is no dilutive effect and it is not required to calculate the diluted earnings per share.

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

22. TRANSACTIONS WITH RELATED PARTIES

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

Remuneration of Key Management Personnel

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

23. PLEDGED ASSETS

The following assets and treasury shares disclosed in Note 18 were provided as collateral for bank borrowings. Part of loan guarantees is provided by the Chairman of the Company.

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Other intangible assets	$ 6,920	$ 27,010	$ 7,976	$ 30,408
Accounts receivable with recourse	5,171	20,183	3,191	12,165
Machineries and office equipment	3,956	15,441	4,731	18,036
Inventories and other assets	15,214	59,384	16,243	61,925
Pledge deposits (recognized under restricted assets - current)	5,372	20,968	1,315	5,013
	$ 36,633	$ 142,986	$ 33,456	$ 127,547

24. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

a. Lease agreement

Operating leases involve leases of land, offices premises and other operating assets, except prepayments for land lease (refer to Note 14), that terms of leases are mainly from 1 to 50 years. For operating lease period with more than 5 years, the lease contracts stipulate that the rental should be increased by certain percentage for every 5 years. The Group does not have a purchase option to acquire the leased land at the expiration of the lease periods.

b. Non-cancellable operating leases

	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Within 1 year	$ 11,883	$ 46,382	$ 9,370	$ 35,722
More than 1 year and within 5 years	11,878	46,362	17,930	68,356
More than 5 years	13,401	52,307	14,963	57,045
	$ 37,162	$ 145,051	$ 42,263	$ 161,123

Rental expenses of the Group arising from operating leases for years ended December 31, 2018 and 2017 amounted to HK$15,001 thousand and HK$7,818 thousand (equivalent to approximately NT$57,718 thousand and NT$30,392 thousand), respectively.

25. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

In December 2005, EAH entered into an agreement with an independent third party to establish a company in Brazil, Eastern Asia Unicoba Electronics Da Amazonia Ltda. ("EAB"). In 2006, EAH invested approximately HK$12,600 thousand in a 68% equity interest in EAB. Since 2007, the investment cost was reclassified as other receivable under current assets due to the withdrawal of EAH as a shareholder of EAB. EAH is involved in several legal matters in Brazil where it is the plaintiff as well as defendant. Regarding aforementioned lawsuit related to EAB please see below for further explanation:

1) The legal matters whereby EAH is the plaintiff are:

As of December 31, 2018 and 2017, the amounts sought for legal matters whereby EAH is the plaintiff are Brazilian Currency R$13,400 thousand and R$12,400 thousand (approximately NT$105,800 thousand and NT$111,800 thousand) (the amount has considered accrued interest from the date of the prosecution and local court's provision such as inflation index, etc.), respectively. Since EAH does not have any assets in Brazil, EAH must provide security deposits to the courts as possible court costs incurred in the litigation.

Since the outcome of litigation is dependent on the Courts' judgements, EAH has recognized related impairment of aforementioned other receivables based on current litigation progress.

As of December 31, 2018 and 2017, amounts recorded as other receivables (net of impairment loss) are HK$6,306 thousand and HK$8,654 thousand (approximately NT$24,614 thousand and NT$32,992 thousand converted by the spot exchange rate of each balance sheet date), respectively.

Based on the assessment of the legal opinion obtained and the assessment of the financial background of the defendants as of December 31, 2018 and 2017, EAH considers that the impairment loss taken is reasonable and sufficient.

EAH is required to place bonds (also recorded as other receivables) with the Courts in Brazil to secure payment of court costs. As of December 31, 2018 and 2017, pledged deposit recorded as other receivables (net of impairment loss) are HK$823 thousand and HK$1,066 thousand (approximately NT$3,212 thousand and NT$4,064 thousand), respectively.

2) The legal matters whereby EAH is the defendant are:

The plaintiff sought partial dissolution of EAB with the withdrawal of EAH from EAB; and the assessment of assets and liabilities of the partners arising from the termination of the partnership. The plaintiff also sought an injunction to prevent or suspend the effects of the shareholders meeting held in November 2006. In June 2008, the judge ordered that an accounting expert examination takes place to verify the reimbursement of the amount equivalent to EAH's equity interest in EAB. As of July 16, 2012, the accounting expert examination report identified when EAH divestment of EAB, EAB's net equity is positive (R$1,978 thousand, approximately NT$15,612 thousand). Hence, EAH is not liable for any debt of EAB. In contrast, after consideration of interest and inflation factors, the court ruled that the plaintiff shall pay EAH R$4,429 thousand (approximately NT$34,957 thousand) within 90 days from the date of the judgment. Since the plaintiff has filed an appeal on September 4, 2012 and the recoverability of any potential awards by the courts is also subject to the availability of assets by the defendants to the litigations, EAH will recognized related income when actual recovery. At current stage, it has no material impact on the Group's financial position.

b. Financial guarantees within the Group refer to Table 2 of Note 29.

26. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return through the optimization of the capital and debt structure balance. The Group's overall strategy remains unchanged in 2018.

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, 2018 and 2017, the cash and cash equivalents, restricted assets - current (pledged deposit) and bank borrowings were as follows:

	December 31			
	2018		**2017**	
	HK$	**NT$**	**HK$**	**NT$**
Debt (bank borrowing)	$ (270,742)	$ (1,056,760)	$ (262,429)	$ (1,000,484)
Cash and cash equivalents (including pledged deposit)	229,968	897,611	194,319	740,821
Net (debt) cash	$ (40,774)	$ (159,149)	$ (68,110)	$ (259,663)
Equity	$ 433,533	$ 1,692,167	$ 401,860	$ 1,532,049
Debt-equity ratio	9%	9%	17%	17%

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

b. Fair value of financial instruments

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

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

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

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

Fair value hierarchy

December 31, 2018

Unit: H.K. Dollars

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign-listed stocks	$ 56	$ -	$	$ 56
Domestic - unlisted stocks		-	21,391	21,391
Embedded derivative instrument	-	-	3,801	3,801
	$ 56	$ -	$ 25,192	$ 25,248

Unit: N.T. Dollars

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign-listed stocks	$ 219	$ -	$ -	$ 219
Domestic - unlisted stocks	-	-	83,496	83,496
Embedded derivative instrument	-	-	14,833	14,833
	$ 219	$ -	$ 98,329	$ 98,548

December 31, 2017

Unit: H.K. Dollars

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign-listed stocks	$ 51	$ -	$ -	$ 51

Unit: N.T. Dollars

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign-listed stocks	$ 194	$ -	$ -	$ 194

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

For the year ended December 31, 2018

Unit: H.K. Dollars

Financial Assets	Financial Assets at FVTPL: Embedded Derivatives Instrument	Financial Assets at FVTPL: Equity Instruments	Financial Assets at FVTOCI: Equity Instruments	Total
Balance at January 1, 2018 (IAS 39)	$ -	$ -	$ -	$ -
Reclassification and remeasurements from available-for-sale (IAS 39)	3,801	21,901	7,855	33,557
Balance at January 1, 2018 (IFRS 9)	3,801	21,901	7,855	33,557
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	-	-	(7,787)	(7,787)
Effect of exchange rate changes	-	(510)	(68)	(578)
Balance at December 31, 2018	$ 3,801	$ 21,391	$ -	$ 25,192
Recognized in other gains and losses - unrealized	$ -	$ -	$ -	$ -

Unit: N.T. Dollars

Financial Assets	Financial Assets at FVTPL: Derivatives Financial Assets	Financial Assets at FVTPL: Equity Instruments	Financial Assets at FVTOCI: Equity Instruments	Total
Balance at January 1, 2018 (IAS 39)	$ -	$ -	$ -	$ -
Reclassification and remeasurements from available-for-sale (IAS 39)	14,488	83,496	29,950	127,934
Balance at January 1, 2018 (IFRS 9)	14,488	83,496	29,950	127,934
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	-	-	(29,950)	(29,950)
Effect of exchange rate changes	345	-	-	345
Balance at December 31, 2018	$ 14,833	$ 83,496	$ -	$ 98,329
Recognized in other gains and losses - unrealized	$ -	$ -	$ -	$ -

Since the investee company had no significant changes in its operating activities and financial status for the year ended December 31, 2018, the Group assessed that there is no material change for FVTPL.

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

a) The fair values of equity investments at FVTPL are mainly determined by using the income approach. The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. On December 31, 2018, the Group uses significant unobservable inputs, which include long term revenue growth rate of approximately 1%, discount rate of 8%. When other inputs remain equal, if long term revenue growth rate decreases by 1%, the fair value will decrease by NT$2,043 thousand; if discount rate increases by 1%, the fair value will decrease by NT$9,597 thousand.

b) Since there are no enough and recent information to determine the fair value of derivatives financial assets and there may be a wide range of possible fair value measurements, the Group assess that cost may be an appropriate estimate of fair value for the investments.

c. Categories of financial instruments

	December 31, 2018		December 31, 2017	
	HK$	**NT$**	**HK$**	**NT$**
Financial assets				
Financial assets at FVTPL				
Held for trading	$ 56	$ 219	$ 51	$ 194
Mandatorily at FVTPL	25,192	98,329	-	-
Financial assets measured at cost	-	-	29,029	110,670
Amortized cost (Note 1)	791,963	3,091,190	-	-
Loans and receivables (Note 1)	-	-	679,957	2,592,267
	$ 817,211	$ 3,189,738	$ 709,037	$ 2,703,131
Financial liabilities				
Amortized cost (Note 2)	$ 814,425	$ 3,178,863	$ 793,666	$ 3,025,772

Note 1: The balance includes cash and cash equivalents (including pledged deposits), notes and accounts receivable, other receivables and refundable deposits, etc.

Note 2: The balance includes bank borrowings, notes and accounts payable, other payables, etc.

d. Financial risk management objectives and policies

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

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

e. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	Assets			
	December 31			
	2018		**2017**	
	HK$	**NT$**	**HK$**	**NT$**
USD	$ 482,905	$ 1,884,875	$ 456,780	$ 1,741,428
HKD	413	1,612	391	1,491
	$ 483,318	$ 1,886,487	$ 457,171	$ 1,742,919

	Liabilities			
	December 31			
	2018		**2017**	
	HK$	**NT$**	**HK$**	**NT$**
USD	$ 296,665	$ 1,157,943	$ 283,078	$ 1,079,207
HKD	29,841	116,475	65,720	250,551
	$ 326,506	$ 1,274,418	$ 348,798	$ 1,329,758

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, 2018		**Currency USD Impact For the Year Ended December 31, 2017**	
	HK$	**NT$**	**HK$**	**NT$**
Profit or loss	$ 9,312	$ 36,347	$ 8,685	$ 33,111

	Currency H.K. Dollars Impact For the Year Ended December 31, 2018		**Currency H.K. Dollars Impact For the Year Ended December 31, 2017**	
	HK$	**NT$**	**HK$**	**NT$**
Profit or loss	$ (1,471)	$ (5,743)	$ (3,266)	$ (12,453)

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

3) Interest rate risk

Management of interest rate risk

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

Sensitivity analysis of interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the years ended 2018 and 2017 would have been decreased by HK$205 thousand and HK$360 thousand (equivalent to approximately NT$800 thousand and NT$1,376 thousand), respectively.

4) Credit risk

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

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

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

5) Liquidity risk

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

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

Unit: H.K. Dollars

	December 31, 2018				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 444,067	$ -	$ -	$ 444,067
Other payables	-	99,616	-	-	99,616
Interest bearing liabilities					
Bank borrowings	3.38%	277,941	1,956	-	279,897

	December 31, 2017				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 433,656	$ -	$ -	$ 433,656
Other payables	-	97,581	-	-	97,581
Interest bearing liabilities					
Bank borrowings	2.88%	265,661	4,331	-	269,992

Unit: N.T. Dollars

	December 31, 2018				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 1,733,282	$ -	$ -	$ 1,733,282
Other payables	-	388,821	-	-	388,821
Interest bearing liabilities					
Bank borrowings	3.38%	1,084,859	7,635	-	1,092,494

	December 31, 2017				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 1,653,270	$ -	$ -	$ 1,653,270
Other payables	-	372,018	-	-	372,018
Interest bearing liabilities					
Bank borrowings	2.88%	1,012,806	16,512	-	1,029,318

f. Financial facilities

Bank borrowings

	Liabilities			
	December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Secured borrowings				
Amount unused	$ 157,088	$ 613,146	$ 250,530	$ 955,121

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, 2018

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT$)
Financial assets				
Monetary items				
USD	$ 56,615	HKD	30.7150	$ 1,738,919
USD	4,296	NTD	30.7150	131,955
USD	143	RMB	30.7150	4,387
USD	313	DKK	30.7150	9,614
	$ 61,367			$ 1,884,875
Financial liabilities				
Monetary items				
USD	$ 23,427	HKD	30.7150	$ 719,555
USD	10,818	RMB	30.7150	332,272
USD	3,129	NTD	30.7150	96,120
USD	325	DKK	30.7150	9,996
	$ 37,699			$ 1,157,943
HKD	$ 29,815	RMB	3.9032	$ 116,366
HKD	28	NTD	3.9032	109
	$ 29,843			$ 116,475

December 31, 2017

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT$)
Financial assets				
Monetary items				
USD	$ 51,114	HKD	29.745	$ 1,520,390
USD	7,288	NTD	29.745	216,795
USD	58	RMB	29.745	1,727
USD	85	DKK	29.745	2,516
	$ 58,545			$ 1,741,428
Financial liabilities				
Monetary items				
USD	$ 20,926	HKD	29.745	$ 622,457
USD	14,806	RMB	29.745	440,416
USD	533	NTD	29.745	15,854
USD	16	DKK	29.745	480
	$ 36,281			$ 1,079,207
HKD	$ 65,697	RMB	3.8124	$ 250,463
HKD	23	NTD	3.8124	88
	$ 65,720			$ 250,551

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

Information of foreign exchange gains and losses in 2018 and 2017 are as follow:

	For the Years Ended December 31			
	2018		2017	
	HK$	NT$	HK$	NT$
Realized foreign exchange gain (loss)	$ 2,343	$ 9,015	$ (4,108)	$ (15,969)
Unrealized foreign exchange gain (loss)	2,573	9,900	(6,601)	(25,661)
	$ 4,916	$ 18,915	$ (10,709)	$ (41,630)

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

h. Information of transferred financial assets

In 2018 and 2017, the Group entered into several trade receivable factoring agreements with the banks. According to the factoring agreement, the Group received certain percentage of trade receivable in cash from the bank in advance. If the trade receivables are uncollected at maturity, the bank has the right to request the Group to repay the unsettled difference. As the Group has not transferred the significant risks and rewards relating to these trade receivables, the Group continues to recognize the full carrying amount of the receivables and the factoring amount as secured bank borrowings.

As of December 31, 2018 and 2017, the carrying amount of the trade receivables that have been transferred but have not been derecognized and the related liability recognized please refer to Notes 23 and 15, respectively.

27. SEGMENT INFORMATION

a. Operating segments

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

Since the Group's speaker systems, earphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the years ended December 31, 2018 and 2017, the revenue and operating results of the operating segment can be found in the consolidated income statement for the years from January 1 to December 31, 2018 and 2017. The product revenue of the Group please refer to Note 19(a).

b. Geographic information

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

	For the Years Ended December 31			
	2018		2017	
	Revenue from External Customers		Revenue from External Customers	
	HK$	NT$	HK$	NT$
China	$ 1,524,277	$ 5,864,807	$ 1,042,502	$ 4,052,622
Hong Kong	209,355	805,515	340,842	1,324,989
Japan	180,945	696,203	144,250	560,757
South Korea	147,779	568,596	112,358	436,780
Others	332,320	1,278,634	339,333	1,319,125
	$ 2,394,676	$ 9,213,755	$ 1,979,285	$ 7,694,273

	December 31			
	2018		2017	
	Non-current Assets		Non-current Assets	
	HK$	NT$	HK$	NT$
China	$ 219,631	$ 857,264	$ 234,363	$ 893,487
Hong Kong	5,641	22,018	5,908	22,524
Taiwan	4,160	16,237	4,640	17,689
Denmark	44,689	174,431	51,889	197,820
	$ 274,121	$ 1,069,950	$ 296,800	$ 1,131,520

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 are as follows:

	For the Years Ended December 31					
	2018			2017		
	HK$	NT$	%	HK$	NT$	%
Company A	$ 570,559	$ 2,195,283	24	$ 516,502	$ 2,007,850	26
Company B	404,867	1,557,766	17	367,004	1,426,691	19
Company C	352,230	1,355,240	15	48,093	186,957	2
Company D	224,058	862,086	9	232,437	903,576	12
Company E	35,121	135,132	1	204,943	796,695	10

28. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On January 25, 2019, EAH established a wholly-owned subsidiary - Eastech (VN) Company Limited in Vietnam with the registered capital of US$3.5 million.

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

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

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

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

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

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

9) Trading in derivative instruments (Note 7 and Note 26)

10) Intercompany relationships and significant intercompany transactions (Table 6)

11) Information on investees (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):

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

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

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

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

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	Eastech	EAH	Other receivables from related parties	Yes	$ 118,767	$ -	$ -	-	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 676,867	$ 676,867
1	EAH	ETH	Other receivables from related parties	Yes	123,869	122,272	-	-	The need for short-term financing	-	Operating capital	-	-	-	449,440	449,440

Note 1: a. The financing is provided to 100% owned subsidiaries. Based on Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the financing limits for any borrowers are set forth as below:

1) The individual financing amount provided to a subsidiary that the Company holds, directly or indirectly, 100% of the voting shares shall not exceed 40% of the net worth of the Company.

2) The total financing amount provided by the Company shall not exceed 40% of the net worth of the Company.

b. EAH’s lending limits for any borrower are set forth below:

1) The individual financing amount provided to a subsidiary that EAH holds, directly or indirectly, 100% of the voting shares shall not exceed 40% of the net worth of EAH.

2) The total financing amount provided by EAH shall not exceed 40% of the net worth of EAH.

Note 2: The balance represents the amounts approved at the Board meeting.

Note 3: According to Procedures for Lending Funds to Other Parties of the Company, "net worth" is determined based on the Company's most recent audited/reviewed financial statements. The financing limits on the Company's public announcement in December 2018 is different from the above amounts because the number on the announcement is calculated based on the 2018 Q3 reviewed financial statements. Since 2018 year-end financial statements have not yet been audited, the amount on the December announcement is based on the reviewed financial statements for the nine months ended September 30, 2018.

Note 4: EAH’s financing limits on the Company's public announcement in December 2018 is different from the above amounts because the number on the announcement is calculated based on EAH 2017 audited financial statements. Since 2018 year-end financial statements have not yet been audited, the amount on the December announcement is based on EAH 2017 audited financial statements.

TABLE 2

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Eastech	EAH	Subsidiary	$ -	$ 655,126	$ 647,318	$ 104,495	$ -	38	$ 3,384,334	Yes	No	No
		ETH	Subsidiary	-	539,295	532,578	346,658	-	31	3,384,334	Yes	No	No
1	EAH	ScS	Subsidiary	-	51,046	49,172	15,066	99,970	3	3,384,334	Yes	No	No

Note 1: Relationship of the guarantee:

The subsidiaries that Company hold, directly or indirectly, more than 50% of common shares.

Note 2:

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

1) The total amount of the guarantee provided by the Company to other entities shall not exceed two hundred percent (200%) of the Company’s consolidated net worth.

2) For the 100% owned subsidiaries, directly or indirectly, the guarantee amounts are not subject to the limit.

3) The Company can provide the guarantee for an entity whose voting shares are more than 90% owned directly or indirectly by the Company, and the total amount of the guarantee shall not exceed ten Percent (10%) of the Company’s net worth.

4) The total amount of the guarantee provided by the Company and its subsidiaries to any individual entity shall not exceed three hundred percent (300%) of the Company’s consolidated net worth.

b. EAH’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 two hundred percent (200%) of the listed parent company’s (e.g. the Company’s) consolidated net worth.

2) For subsidiaries 100% owned, directly or indirectly, by the listed parent company (e.g. the Company), the guarantee amounts are not subject to the limit.

Note 3: According to the endorsements/guarantees guidance of the Company, "net worth" is calculated based on the Company's most recent audited/reviewed financial statements. The endorsements/guarantees limits on the Company's public announcement in December 2018 is different from the above amounts because the number on the announcement is calculated based on the 2018 Q3 reviewed financial statements. Since 2018 year-end financial statements have not yet been audited, the amount on the December announcement is based on the reviewed financial statements for the nine months ended September 30, 2018.

TABLE 3

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ETH	Oversea publicly traded stocks							
	Audio Pixels Holdings Limited	-	FVTPL - current	500	$ 219	-	$ 219	
ETT	Taiwan publicly traded stocks							
	Eastech Holding Limited	Subsidiary	FVTPL	453,000	$ 11,710	1	$ 11,710	Note 1
	Oversea non-publicly traded stocks							
	Outlaw Audio Inc.	-	FVTPL	12,053	$ -	10	$ -	Note 2
	Audio Design Experts Inc.	-	FVTOCI - non-current	166,667	$ -	6	$ -	Note 2
	Taiwan non-publicly traded stocks							
	HT Precision Technologies, Inc.	-	FVTPL - non-current	5,574,114	$ 83,496	19	$ 83,496	
EAH	Oversea non-publicly convertible corporate bond and call warrants							
	Audio Design Experts Inc.	-	FVTPL - non-current	-	$ 14,833	N/A	$ 14,833	

Note 1: The stocks are held by the Company’s subsidiary, hence, the investment is accounted for treasury shares.

Note 2: The investment is provided with impairment loss in full.

TABLE 4

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

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, 2018
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
EAH	EAHY	Parent and Subsidiary	Purchase	$ 2,299,167	69	90 days	$ -	-	$ (629,403)	(72)	Note 1
EAHY	EAH	Parent and Subsidiary	Sale	(2,299,167)	(73)	90 days	-	-	629,403	88	Note 1
	EAH	Parent and Subsidiary	Purchase	609,860	21	90 days	-	-	629,403	88	Note 1
EAH	EAHY	Parent and Subsidiary	Sale	(609,860)	(17)	90 days	-	-	(629,403)	(72)	Note 1
ETT	ETH	Parent and Subsidiary	Purchase	651,845	89	90 days	-	-	(25,429)	(80)	Note 1
ETH	ETT	Parent and Subsidiary	Sale	(651,845)	(24)	90 days	-	-	25,429	4	Note 1
	ETHY	Parent and Subsidiary	Purchase	2,491,525	96	90 days	-	-	(417,365)	(97)	Note 1
ETHY	ETH	Parent and Subsidiary	Sale	(2,491,525)	(66)	90 days	-	-	417,365	52	Note 1
EAH	EMHY	Parent and Subsidiary	Purchase	564,887	17	90 days	-	-	(164,198)	(19)	Note 1
EMHY	EAH	Parent and Subsidiary	Sale	(564,887)	(100)	90 days	-	-	164,198	(100)	Note 1
EAH	MMSZ	Parent and Subsidiary	Purchase	164,485	5	90 days	-	-	(26,262)	(3)	Note 1
MMSZ	EAH	Parent and Subsidiary	Sale	(164,485)	(95)	90 days	-	-	26,262	96	Note 1
ESHY	EAHY	Fellow subsidiary	Purchase	382,835	15	90 days	-	-	(83,385)	(11)	Note 1
EAHY	ESHY	Fellow subsidiary	Sale	(382,835)	(12)	90 days	-	-	83,385	12	Note 1
ETHY	EAHY	Fellow subsidiary	Purchase	414,246	12	90 days	-	-	(498)	-	Note 1
EAHY	ETHY	Fellow subsidiary	Sale	(414,246)	(13)	90 days	-	-	498	-	Note 1
ESHY	ETHY	Fellow subsidiary	Purchase	993,548	40	90 days	-	-	(271,138)	(37)	Note 1
ETHY	ESHY	Fellow subsidiary	Sale	$ (993,548)	(26)	90 days	-	-	271,138	34	Note 1
	ESHY	Fellow subsidiary	Purchase	111,191	3	90 days	-	-	271,138	34	Note 1
ESHY	ETHY	Fellow subsidiary	Sale	(111,191)	(4)	90 days	-	-	(271,138)	(37)	Note 1

Note 1: Intercompany transactions are eliminated in consolidated financial statement.

TABLE 5

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
EAHY	EAH	Parent and subsidiary	$ 629,403	3.69	$ -	-	$ 12,151	$ -
ETHY	ESHY	Fellow subsidiary	271,138	5.57	-	-	187,068	-
	ETH	Parent and subsidiary	417,365	4.82	-	-	195,963	-
EMHY	EAH	Parent and subsidiary	164,198	3.98	-	-	29,979	-

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
	2018						
0	The Company	EAH	a, b	Dividend income	$ 51,943	Dividend	1
1	EAH	EAHY	a, b	Dividend income	196,261	Dividend	2
1	EAH	EAHY	a, b	Net revenue from sale of goods and purchases	609,860	Credit on transfer pricing policy	7
1	EAH	ETH	a, b	Other receivables from and other payables to related parties	122,272	Short-term investment financing with 1 year period	2
2	EAHY	EAH	a, b	Net revenue from sale of goods and purchases	2,299,167	Credit on transfer pricing policy	25
2	EAHY	EAH	a, b	Receivables from and payables to related parties	629,403	90 days	13
2	EAHY	ETHY	c	Net revenue from sale of goods and purchases	414,246	Credit on transfer pricing policy	4
2	EAHY	ESHY	c	Net revenue from sale of goods and purchases	382,835	Credit on transfer pricing policy	4
2	EAHY	ESHY	c	Receivables from and payables to related parties	83,385	90 days	2
3	EMHY	EAH	a, b	Net revenue from sale of goods and purchases	564,887	Credit on transfer pricing policy	6
3	EMHY	EAH	a, b	Receivables from and payables to related parties	164,198	90 days	3
4	ETT	ETHY	a, b	Net revenue from sale of goods and purchases	76,739	Credit on transfer pricing policy	1
5	ETHY	ETH	a, b	Net revenue from sale of goods and purchases	2,491,525	Credit on transfer pricing policy	27
5	ETHY	ETH	a, b	Receivables from and payables to related parties	417,365	90 days	8
5	ETHY	ESHY	c	Net revenue from sale of goods and purchases	993,548	Credit on transfer pricing policy	11
5	ETHY	ESHY	c	Receivables from and payables to related parties	271,138	90 days	5
6	ETH	ETT	a, b	Net revenue from sale of goods and purchases	651,845	Credit on transfer pricing policy	7
6	ETH	ETT	a, b	Receivables from and payables to related parties	25,429	90 days	1
7	MMSZ	EAH	a, b	Net revenue from sale of goods and purchases	164,485	Credit on transfer pricing policy	2
7	MMSZ	EAH	a, b	Receivables from and payables to related parties	26,262	90 days	1
8	ESHY	ETHY	c	Net revenue from sale of goods and purchases	111,191	Credit on transfer pricing policy	1

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

a. No. 0 represents the parent company.

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

No. 1: EAH; No. 2 EAHY; No. 3: EMHY; No. 4: ETT; No. 5: ETHY; No. 6: ETH; No. 7: MMSZ; and No. 8: ESHY.

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

a. Parent company to its subsidiary.
b. Subsidiary to its parent company.
c. Subsidiary to other subsidiary.

Note 3: In calculation the weight percentages of related party transactions over total sales or total assets, the consolidated total asset is used for calculating the balance sheet item, whereas the consolidated sales accumulated sales up to date is used for calculating the net income items.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
The Company	EAH	Hong Kong	Sales of speaker systems and earphones	$ 1,341,546	$ 1,341,546	80,000,000	100.00	$ 1,341,546	$ 177,723	$ -	
EAH	ScS	Denmark	Research, development, production and sales of high-end speaker	225,530	225,530	1,320,045	100.00	225,530	9,281	-	
EAH	ETT	Taiwan	Design and sales of smart speaker and AV electronics home entertainment systems	497,219	497,219	9,529,966	99.98	497,219	(20,501)	-	
ETT	ETH	Hong Kong	Sales of smart speaker and AV electronics home entertainment systems	349,011	349,011	40,000,000	100.00	349,011	6,188	-	
ETH	ETS	Singapore	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology	2	2	100	100.00	2	(239)	-	

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

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2018 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK$ 9,000	c.	$ -	$ -	$ -	$ -	$ 75,160	100	$ -	HK$ 9,282 (NT$ 36,230)	$ -
EAHY	Production, assembly and sales of speaker systems and accessories	US$ 6,500	c.	-	-	-	-	168,929	100	-	HK$ 38,576 (NT$ 150,570)	-
EMHY	Production and sales of earphones	US$ 2,145	c.	-	-	-	-	26,441	100	-	HK$ 17,018 (NT$ 66,425)	-
MMSZ	Import and export trading of audio and earphones products and accessories	RMB 2,000	b.	-	-	-	-	840	100	-	HK$ 2,528 (NT$ 9,867)	-
ETHY	Production and sales of smart speaker and AV electronics home entertainment systems	HK$ 58,000	c.	-	-	-	-	19,403	100	-	HK$ 58,000 (NT$ 226,386)	-

(Continued)

2. Upper Limit on the Amount of Investment in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

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: None.

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

Note 1: The amounts are represented registered capital.

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

a. Direct investment from the Company.

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

c. The Company was established in the Cayman Islands and is a foreign company listed in Taiwan. The companies located in China (except ETHY) had established before the Company listed in Taiwan, so the main source of investment funds were not come from Taiwan. ETHY is the investee obtained from the acquisition of ETT Group after the listing, and the source of funds for the acquisition of the ETT Group is based on the working capital of the Company.

Note 3:

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

b. Recognized investment income (loss):

1) The basis for investment income (loss) recognition is from the financial statements audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

2) The basis for investment income (loss) recognition is from the financial statements audited and attested by R.O.C. parent company's CPA.

3) 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.)