

**Eastech Holding Limited and Subsidiaries
(Formerly Known as Eastern Technologies Holding
Limited)**

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

Notice to Readers

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Eastech Holding Limited (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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 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, 2019. 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, 2019 are stated as follows:

Revenue Recognition

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

Based on the importance of revenue, it is presumed there is a significant risk in revenue recognition because of the pressure from management for achieving the planned results. The main risk is whether revenue occurs. 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.
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, 2019 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

March 26, 2020

Notice to Readers

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

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

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of Hong Kong Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 363,002	26	\$ 224,596	18
Financial assets at fair value through profit or loss (Note 7)	42	-	56	-
Notes and accounts receivable, net (Notes 8, 19 and 23)	435,352	32	535,221	42
Inventories (Notes 10 and 23)	169,016	12	144,264	11
Restricted assets (Notes 6 and 23)	7,563	1	5,372	-
Income tax refund recoverable	817	-	164	-
Other receivables and prepayments (Note 9)	69,114	5	75,674	6
Prepayments for land lease - current (Note 3 and 14)	-	-	367	-
Total current assets	<u>1,044,906</u>	<u>76</u>	<u>985,714</u>	<u>77</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 23)	194,679	14	190,499	15
Financial assets at fair value through profit or loss - non-current (Note 7)	21,642	2	25,192	2
Right-of-use assets (Notes 3, 4 and 12)	47,170	3	-	-
Intangible assets (Notes 13 and 23)	63,550	5	66,853	5
Prepayments for land lease - non-current (Notes 3 and 14)	-	-	16,769	1
Deferred tax assets (Notes 4 and 20)	3,243	-	2,882	-
Total non-current assets	<u>330,284</u>	<u>24</u>	<u>302,195</u>	<u>23</u>
TOTAL	<u>\$ 1,375,190</u>	<u>100</u>	<u>\$ 1,287,909</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 15)	\$ 132,985	10	\$ 268,850	21
Notes and accounts payable (Note 16)	534,069	39	444,067	34
Lease liabilities - current (Notes 3, 4 and 12)	6,344	1	-	-
Current tax liabilities (Notes 4 and 20)	5,450	-	8,258	1
Other payables (Note 16)	140,234	10	99,616	8
Total current liabilities	<u>819,082</u>	<u>60</u>	<u>820,791</u>	<u>64</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 3, 4 and 12)	12,508	1	-	-
Long-term bank borrowings (Note 15)	26,868	2	1,892	-
Deferred tax liabilities (Notes 4 and 20)	30,634	2	30,176	2
Other payables - non-current	765	-	-	-
Net defined benefit liabilities (Notes 4 and 17)	-	-	1,517	-
Total non-current liabilities	<u>70,775</u>	<u>5</u>	<u>33,585</u>	<u>2</u>
Total liabilities	<u>889,857</u>	<u>65</u>	<u>854,376</u>	<u>66</u>
EQUITY (Note 18)				
Share capital - common stock	162,642	12	162,902	13
Capital surplus	201,511	15	199,511	15
Treasury shares	(5,966)	(1)	(5,966)	-
Exchange differences on translating foreign operations	(53,169)	(4)	(42,546)	(3)
Employee unearned benefit	(2,229)	-	(4,647)	-
Unrealized losses on financial assets at fair value through other comprehensive income	(7,787)	(1)	(7,787)	(1)
Retained earnings				
Legal reserve	13,816	1	13,154	1
Unappropriated earnings	176,515	13	118,912	9
Total equity	<u>485,333</u>	<u>35</u>	<u>433,533</u>	<u>34</u>
TOTAL	<u>\$ 1,375,190</u>	<u>100</u>	<u>\$ 1,287,909</u>	<u>100</u>

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,400,462	26	\$ 876,643	18
Financial assets at fair value through profit or loss (Note 7)	162	-	219	-
Notes and accounts receivable, net (Notes 8, 19 and 23)	1,679,588	32	2,089,075	42
Inventories (Notes 10 and 23)	652,064	12	563,091	11
Restricted assets (Notes 6 and 23)	29,178	1	20,968	-
Income tax refund recoverable	3,152	-	640	-
Other receivables and prepayments (Note 9)	266,642	5	295,371	6
Prepayments for land lease - current (Note 3 and 14)	-	-	1,432	-
Total current assets	<u>4,031,248</u>	<u>76</u>	<u>3,847,439</u>	<u>77</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 23)	751,071	14	743,556	15
Financial assets at fair value through profit or loss - non-current (Note 7)	83,496	2	98,329	2
Right-of-use assets (Notes 3, 4 and 12)	181,982	3	-	-
Intangible assets (Notes 13 and 23)	245,175	5	260,941	5
Prepayments for land lease - non-current (Notes 3 and 14)	-	-	65,453	1
Deferred tax assets (Notes 4 and 20)	12,511	-	11,249	-
Total non-current assets	<u>1,274,235</u>	<u>24</u>	<u>1,179,528</u>	<u>23</u>
TOTAL	<u>\$ 5,305,483</u>	<u>100</u>	<u>\$ 5,026,967</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 15)	\$ 513,056	10	\$ 1,049,375	21
Notes and accounts payable (Note 16)	2,060,438	39	1,733,282	34
Lease liabilities - current (Notes 3, 4 and 12)	24,475	1	-	-
Current tax liabilities (Notes 4 and 20)	21,026	-	32,233	1
Other payables (Note 16)	541,023	10	388,821	8
Total current liabilities	<u>3,160,018</u>	<u>60</u>	<u>3,203,711</u>	<u>64</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 3, 4 and 12)	48,256	1	-	-
Long-term bank borrowings (Note 15)	103,657	2	7,385	-
Deferred tax liabilities (Notes 4 and 20)	118,186	2	117,783	2
Other payables - non-current	2,951	-	-	-
Net defined benefit liabilities (Notes 4 and 17)	-	-	5,921	-
Total non-current liabilities	<u>273,050</u>	<u>5</u>	<u>131,089</u>	<u>2</u>
Total liabilities	<u>3,433,068</u>	<u>65</u>	<u>3,334,800</u>	<u>66</u>
EQUITY (Note 18)				
Share capital - common stock	615,040	12	616,060	12
Capital surplus	759,962	14	751,962	15
Treasury shares	(24,019)	(1)	(24,019)	-
Exchange differences on translating foreign operations	(178,006)	(3)	(113,524)	(2)
Employee unearned benefit	(8,801)	-	(18,396)	-
Unrealized losses on financial assets at fair value through other comprehensive income	(29,950)	(1)	(29,950)	(1)
Retained earnings				
Legal reserve	56,989	1	54,382	1
Unappropriated earnings	681,200	13	455,652	9
Total equity	<u>1,872,415</u>	<u>35</u>	<u>1,692,167</u>	<u>34</u>
TOTAL	<u>\$ 5,305,483</u>	<u>100</u>	<u>\$ 5,026,967</u>	<u>100</u>

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, 2019 AND 2018
(In Thousands of Hong Kong Dollars)

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Note 19)	\$ 2,673,566	100	\$ 2,394,676	100
COST OF REVENUE (Note 10)	<u>2,295,154</u>	<u>86</u>	<u>2,087,555</u>	<u>87</u>
GROSS PROFIT	<u>378,412</u>	<u>14</u>	<u>307,121</u>	<u>13</u>
OPERATING EXPENSES				
Selling and distribution	59,104	2	44,487	2
General and administrative	<u>228,427</u>	<u>8</u>	<u>187,290</u>	<u>8</u>
Total operating expenses	<u>287,531</u>	<u>10</u>	<u>231,777</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>90,881</u>	<u>4</u>	<u>75,344</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 19)	13,957	-	18,138	1
Foreign exchange gain (loss), net (Note 25)	10,134	-	4,916	-
Finance costs (Note 19)	(9,118)	-	(9,939)	-
Other losses (Note 19)	<u>(9,363)</u>	<u>-</u>	<u>(2,653)</u>	<u>-</u>
Total non-operating income and expenses	<u>5,610</u>	<u>-</u>	<u>10,462</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	96,491	4	85,806	4
INCOME TAX (Notes 4 and 20)	<u>(18,236)</u>	<u>(1)</u>	<u>(21,345)</u>	<u>(1)</u>
NET PROFIT	<u>78,255</u>	<u>3</u>	<u>64,461</u>	<u>3</u>
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	-	-	414	-

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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, 2019 AND 2018
(In Thousands of Hong Kong Dollars)

	2019		2018	
	Amount	%	Amount	%
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 25)	\$ -	-	\$ (7,787)	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(10,623)</u>	<u>-</u>	<u>(21,257)</u>	<u>(1)</u>
	<u>(10,623)</u>	<u>-</u>	<u>(28,553)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 67,632</u>	<u>3</u>	<u>\$ 35,908</u>	<u>2</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$1.28</u>		<u>\$1.05</u>	
Diluted earnings per share	<u>\$1.25</u>		<u>\$1.05</u>	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Note 19)	\$ 10,530,374	100	\$ 9,213,755	100
COST OF REVENUE (Note 10)	<u>9,039,923</u>	<u>86</u>	<u>8,032,080</u>	<u>87</u>
GROSS PROFIT	<u>1,490,451</u>	<u>14</u>	<u>1,181,675</u>	<u>13</u>
OPERATING EXPENSES				
Selling and distribution	232,793	2	171,168	2
General and administrative	<u>899,773</u>	<u>8</u>	<u>720,927</u>	<u>8</u>
Total operating expenses	<u>1,132,566</u>	<u>10</u>	<u>892,095</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>357,885</u>	<u>4</u>	<u>289,580</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 19)	54,972	-	69,788	1
Foreign exchange gain (loss), net (Note 25)	39,915	-	18,915	-
Finance costs (Note 19)	(35,913)	-	(38,241)	-
Other losses (Note 19)	<u>(36,878)</u>	<u>-</u>	<u>(10,208)</u>	<u>-</u>
Total non-operating income and expenses	<u>22,096</u>	<u>-</u>	<u>40,254</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	379,981	4	329,834	4
INCOME TAX (Notes 4 and 20)	<u>(71,826)</u>	<u>(1)</u>	<u>(82,127)</u>	<u>(1)</u>
NET PROFIT	<u>308,155</u>	<u>3</u>	<u>247,707</u>	<u>3</u>
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	-	-	1,595	-

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EASTECH HOLDING LIMITED AND SUBSIDIARIES
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 25)	\$ -	-	\$ (29,950)	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(64,482)</u>	<u>(1)</u>	<u>(43,954)</u>	<u>(1)</u>
	<u>(64,482)</u>	<u>(1)</u>	<u>(72,015)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 243,673</u>	<u>2</u>	<u>\$ 175,692</u>	<u>2</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$5.04</u>		<u>\$4.05</u>	
Diluted earnings per share	<u>\$4.92</u>		<u>\$4.05</u>	

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of Hong Kong Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings		Total Equity
							Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2018	\$ 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 DECEMBER 31, 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 income (loss) (net of income tax) for the year ended December 31, 2018	-	-	-	(21,257)	-	(7,787)	-	491	(28,553)
BALANCE AT JANUARY 1, 2019	162,902	199,511	(5,966)	(42,546)	(4,647)	(7,787)	13,154	118,912	433,533
Appropriation of 2018 earnings									
Cash dividends	-	-	-	-	-	-	-	(19,990)	(19,990)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	147	-	-	-	-	-	-	147
Legal reserve of subsidiaries	-	-	-	-	-	-	662	(662)	-
Issuance of restricted shares for employees	(260)	(596)	-	-	856	-	-	-	-
Restricted shares plan for employees	-	-	-	-	1,562	-	-	-	1,562
Compensation costs of employee stock options	-	2,449	-	-	-	-	-	-	2,449
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	78,255	78,255
Other comprehensive income (loss) (net of income tax) for the year ended December 31, 2019	-	-	-	(10,623)	-	-	-	-	(10,623)
BALANCE AT DECEMBER 31, 2019	<u>\$ 162,642</u>	<u>\$ 201,511</u>	<u>\$ (5,966)</u>	<u>\$ (53,169)</u>	<u>\$ (2,229)</u>	<u>\$ (7,787)</u>	<u>\$ 13,816</u>	<u>\$ 176,515</u>	<u>\$ 485,333</u>

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 CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings		Total Equity
							Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2018	\$ 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 DECEMBER 31, 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 income (loss) (net of income tax) for the year ended December 31, 2018	-	-	-	(43,954)	-	(29,950)	-	1,889	(72,015)
BALANCE AT JANUARY 1, 2019	616,060	751,962	(24,019)	(113,524)	(18,396)	(29,950)	54,382	455,652	1,692,167
Appropriation of 2018 earnings									
Cash dividends	-	-	-	-	-	-	-	(80,000)	(80,000)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	589	-	-	-	-	-	-	589
Legal reserve of subsidiaries	-	-	-	-	-	-	2,607	(2,607)	-
Issuance of restricted shares for employees	(1,020)	(2,341)	-	-	3,361	-	-	-	-
Restricted shares plan for employees	-	-	-	-	6,234	-	-	-	6,234
Compensation costs of employee stock options	-	9,752	-	-	-	-	-	-	9,752
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	308,155	308,155
Other comprehensive income (loss) (net of income tax) for the year ended December 31, 2019	-	-	-	(64,482)	-	-	-	-	(64,482)
BALANCE AT DECEMBER 31, 2019	<u>\$ 615,040</u>	<u>\$ 759,962</u>	<u>\$ (24,019)</u>	<u>\$ (178,006)</u>	<u>\$ (8,801)</u>	<u>\$ (29,950)</u>	<u>\$ 56,989</u>	<u>\$ 681,200</u>	<u>\$ 1,872,415</u>

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, 2019 AND 2018
(In Thousands)

	2019		2018	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	\$ 96,491	\$ 379,981	\$ 85,806	\$ 329,834
Adjustments for:				
Amortization - other intangible assets	16,992	66,926	13,007	50,046
Amortization - prepayment for land lease	-	-	553	2,128
Provision for impairment loss on bad debt	838	3,301	3,213	12,362
Impairment loss recognized on other receivables	3,297	12,986	2,348	9,034
Allowance for inventories provision and inventories write-off	11,066	43,586	13,465	51,808
Depreciation expenses of property, plant and equipments	40,221	158,418	45,228	174,019
Depreciation expenses of right-of-use assets	8,039	31,663	-	-
Loss on disposal of property, plant and equipment	2,784	10,965	2,571	9,892
Loss of write-off other intangible assets	1,057	4,163	3,288	12,651
Interest expense	9,118	35,913	9,939	38,241
Interest income	(1,734)	(6,830)	(950)	(3,655)
Dividend income	(1,698)	(6,688)	(1,739)	(6,691)
Gain on reversal of investment payable	-	-	-	-
Compensation of employees restricted shares	1,562	6,234	2,426	9,638
Compensation costs of employee stock options	2,449	9,752	148	582
Loss (gain) on fair value changes of financial instruments at fair value through profit or loss	6,547	25,787	(5)	(19)
Operating cash flows before working capital changes	197,029	776,157	179,298	689,870
Changes in operating assets and liabilities				
Notes and accounts receivable	99,031	390,053	(97,517)	(375,206)
Other receivable and prepayments	3,056	12,037	16,268	62,593
Inventories	(35,818)	(141,076)	9,527	36,659
Notes and accounts payable and other payables	131,385	517,486	12,446	47,887
Net defined benefit liabilities	(1,517)	(5,975)	(749)	(2,882)
Cash generated from operations	393,166	1,548,682	119,273	458,921
Interest paid	(9,118)	(35,913)	(9,939)	(38,241)
Interest received	1,734	6,830	950	3,655
Dividend received	1,698	6,688	1,739	6,691
Income tax paid	(20,626)	(81,240)	(11,830)	(45,517)
Net cash generated from operating activities	366,854	1,445,047	100,193	385,509
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for acquiring right-of-use assets	(12,628)	(49,738)	-	-
Payments for acquiring property, plant and equipment	(55,197)	(217,404)	(33,347)	(128,306)
Increase in pledge deposits	(2,192)	(8,634)	(4,057)	(15,610)
Proceeds from disposal of property, plant and equipment	554	2,182	407	1,566
Increase in other intangible assets	(16,106)	(63,437)	(20,576)	(79,168)
Net cash used in investing activities	(85,569)	(337,031)	(57,573)	(221,518)

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands)

	2019		2018	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceed from bank borrowings	\$ 758,574	\$ 2,926,578	\$ 1,095,333	\$ 4,214,402
Repayments of bank borrowings	(869,442)	(3,354,309)	(1,085,176)	(4,175,324)
Repayments of the principal portion of lease liabilities	(6,826)	(26,886)	-	-
Cash dividend	(19,990)	(80,000)	(11,421)	(43,377)
Cash dividend received from treasury shares	147	589	84	319
Net cash used in financing activities	<u>(137,537)</u>	<u>(534,028)</u>	<u>(1,180)</u>	<u>(3,980)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(5,342)</u>	<u>(50,169)</u>	<u>(9,848)</u>	<u>(19,176)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	138,406	523,819	31,592	140,835
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>224,596</u>	<u>876,643</u>	<u>193,004</u>	<u>735,808</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 363,002</u>	<u>\$ 1,400,462</u>	<u>\$ 224,596</u>	<u>\$ 876,643</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	\$ 370,565	\$ 1,429,640	\$ 229,968	\$ 897,611
Pledge deposits	(7,563)	(29,178)	(5,372)	(20,968)
Cash and cash equivalents	<u>\$ 363,002</u>	<u>\$ 1,400,462</u>	<u>\$ 224,596</u>	<u>\$ 876,643</u>

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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of Hong Kong Dollars and New Taiwan Dollars, Unless Stated Otherwise)

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.

For the best allocation of production resources and diversifying the risk of cost inflation and tariff on the current main production base, EAH established a wholly-owned subsidiary - Eastech (VN) Company Limited in Vietnam, as second production base, with the registered capital of US\$3.5 million on January 25, 2019.

In order to expand the sales of headphones, EAH established a wholly-owned subsidiary - Eastech Microacoustics (HK) Limited, with the registered capital of HK\$100,000 on August 30, 2019.

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 27, 2020.

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, 2019. Except for the following, whenever applied, the initial application of the amendments to the IFRSs issued into effect would not have any material impact on the Group’s consolidated financial statements for the year ended December 31, 2019.

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes 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 are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.87%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is as follows:

Unit: H.K. Dollars

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 37,162
Less: Recognition exemption for short-term leases	<u>(5,116)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 32,046</u>
Discounted amounts using the lessee’s incremental borrowing rate on January 1, 2019	<u>\$ 24,756</u>

Unit: N.T. Dollars

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 145,051
Less: Recognition exemption for short-term leases	<u>(19,969)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 125,082</u>
Discounted amounts using the lessee's incremental borrowing rate on January 1, 2019	<u>\$ 96,628</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

Unit: H.K. Dollars

	Carrying Amount Before January 1, 2019	Reclassifi- cation 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	<u>-</u>	<u>17,136</u>	<u>24,756</u>	<u>41,892</u>
Total effect on assets	<u>\$ 17,136</u>	<u>\$ -</u>	<u>\$ 24,756</u>	<u>\$ 41,892</u>
Lease liabilities - current	\$ -	\$ -	\$ 6,422	\$ 6,422
Lease liabilities - non-current	<u>-</u>	<u>-</u>	<u>18,334</u>	<u>18,334</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,756</u>	<u>\$ 24,756</u>

Unit: N.T. Dollars

	Carrying Amount Before January 1, 2019	Reclassifi- cation 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	<u>-</u>	<u>66,885</u>	<u>96,628</u>	<u>163,513</u>
Total effect on assets	<u>\$ 66,885</u>	<u>\$ -</u>	<u>\$ 96,628</u>	<u>\$ 163,513</u>
Lease liabilities - current	\$ -	\$ -	\$ 25,066	\$ 25,066
Lease liabilities - non-current	<u>-</u>	<u>-</u>	<u>71,562</u>	<u>71,562</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,628</u>	<u>\$ 96,628</u>

b. Standards and interpretations issued but not yet effective

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 3)
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 4)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 4: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

2) 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		Descriptions
			2019	2018	
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and headphones	100.00	100.00	The Company acquired EAH 100% ownership interest on March 31, 2011 and thereby obtained 100% controlling power over EAH and its subsidiaries.
EAH	Eastech Systems (Huiyang) Co., Ltd. ("ESHY")	Production and sales of speaker systems	100.00	100.00	"
EAH	Eastech (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 headphones	100.00	100.00	"
EAH	Shenzhen MaliMaliBox Trading Corporation Limited ("MMSZ")	Import and export trading of audio and headphones products, machinery and equipment	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 (VN) Company Limited ("EAVN")	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones	100.00	-	EAVN was established by EAH on January 25, 2019.

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			2019	2018	
EAH	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of smart speaker and AV electronics home entertainment systems	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.
EAH	Eastech Microacoustics (HK) Limited ("EMH")	Sales of headphones and AV products	100.00	-	EMH was established by EAH on August 30, 2019.
EAH	Eastech Electronics (SG) Pte. Ltd. ("ETS")	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology	100.00	100.00	ETS was established by ETH in October 2017 and was transferred 100% ownership from ETH to EAH in July 2019.
		Sales of speakers, AV electronics home entertainment systems, smart speakers and headphones			
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speaker and AV electronics home entertainment systems	100.00	100.00	"
ETH	Eastech Electronics (Huiyang) Co., Ltd. ("ETHY")	Production and sales of smart speaker and AV electronics home entertainment systems	100.00	100.00	"

(Concluded)

e. Revenue recognition

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

1) Revenue from sale of goods

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

2) Revenue from rendering of services

Service revenue income is recognized when services are provided.

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.

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

For the lease land held for operation in 2018, 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. Prepayments for land lease were reclassified to right-of-use assets starting from 2019.

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

2019

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

2018

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. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

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 plans were settled in 2019), 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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

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 25.

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.

b) Impairment of financial assets and contract assets

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

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

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

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

c) Derecognition of financial assets

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

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

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. 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

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. 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.

c. 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			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Cash on hand	\$ 215	\$ 829	\$ 194	\$ 757
Cash at bank	362,787	1,399,633	224,402	875,886
Fixed deposits	<u>7,563</u>	<u>29,178</u>	<u>5,372</u>	<u>20,968</u>
	370,565	1,429,640	229,968	897,611
Less: Pledged deposits	<u>(7,563)</u>	<u>(29,178)</u>	<u>(5,372)</u>	<u>(20,968)</u>
	<u>\$ 363,002</u>	<u>\$1,400,462</u>	<u>\$ 224,596</u>	<u>\$ 876,643</u>

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
<u>Financial assets - current</u>				
Non-derivative financial assets				
Foreign-listed stocks	\$ 42	\$ 162	\$ 56	\$ 219
<u>Financial assets non - current</u>				
Non-derivative financial assets				
Domestic unlisted stocks	\$ 21,642	\$ 83,496	\$ 21,391	\$ 83,496
Embedded derivative financial assets mandatorily classified as at FVTPL (not under hedge accounting)				
Foreign convertible bond and call warrants	-	-	3,801	14,833
	<u>\$ 21,642</u>	<u>\$ 83,496</u>	<u>\$ 25,192</u>	<u>\$ 98,329</u>

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Notes receivable	\$ 1,691	\$ 6,524	\$ 1,957	\$ 7,639
Accounts receivable	437,691	1,688,612	536,434	2,093,809
Less: Allowance for impairment loss	<u>(4,030)</u>	<u>(15,548)</u>	<u>(3,170)</u>	<u>(12,373)</u>
	<u>\$ 435,352</u>	<u>\$ 1,679,588</u>	<u>\$ 535,221</u>	<u>\$ 2,089,075</u>

The Group's average credit period of sales of goods was 66 days (75 days in 2018). No interest was charged on notes and accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs (excluding notes and accounts receivable that recognizes loss allowance at full amount). The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position and adjusted for general economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off the notes and accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the notes and accounts receivable are over 180 days past due, whichever occurs earlier.

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

December 31, 2019

Unit: H.K. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 402,400	\$ 32,952	\$ -	\$ 4,030	\$ 439,382
Loss allowance (Lifetime ECLs)	-	-	-	(4,030)	(4,030)
Amortized cost	<u>\$ 402,400</u>	<u>\$ 32,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,352</u>

Unit: N.T. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 1,552,459	\$ 127,129	\$ -	\$ 15,548	\$ 1,695,136
Loss allowance (Lifetime ECLs)	-	-	-	(15,548)	(15,548)
Amortized cost	<u>\$ 1,552,459</u>	<u>\$ 127,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,679,588</u>

December 31, 2018

Unit: H.K. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 527,476	\$ 7,795	\$ 2,770	\$ 350	\$ 538,391
Loss allowance (Lifetime ECLs)	-	(50)	(2,770)	(350)	(3,170)
Amortized cost	<u>\$ 527,476</u>	<u>\$ 7,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,221</u>

Unit: N.T. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 2,058,844	\$ 30,426	\$ 10,812	\$ 1,366	\$ 2,101,448
Loss allowance (Lifetime ECLs)	-	(195)	(10,812)	(1,366)	(12,373)
Amortized cost	<u>\$ 2,058,844</u>	<u>\$ 30,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,089,075</u>

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

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Balance at the beginning of the period	\$ 3,170	\$ 12,373	\$ -	\$ -
Add: Impairment losses recognized	838	3,301	3,213	12,362
Effect of foreign currency exchange differences	<u>22</u>	<u>(126)</u>	<u>(43)</u>	<u>11</u>
Balance at the end of the period	<u>\$ 4,030</u>	<u>\$ 15,548</u>	<u>\$ 3,170</u>	<u>\$ 12,373</u>

The notes and accounts receivable (with recourse) pledged as collateral for bank borrowings are set out in Note 23 and 25 (h).

9. OTHER RECEIVABLES AND PREPAYMENTS

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Other receivables	\$ 41,518	\$ 160,177	\$ 38,819	\$ 151,518
Allowance for impairment loss	<u>(19,607)</u>	<u>(75,645)</u>	<u>(16,310)</u>	<u>(63,661)</u>
Other receivables, net	21,911	84,532	22,509	87,857
Prepayments for purchases	5,351	20,644	9,718	37,931
Prepayments	6,903	26,632	5,830	22,757
Prepayments for purchases equipment and mold	3,019	11,647	3,239	12,642
Value-added tax recoverable and refundable	27,957	107,859	30,113	117,537
Guarantee deposits	<u>3,973</u>	<u>15,328</u>	<u>4,265</u>	<u>16,647</u>
	<u>\$ 69,114</u>	<u>\$ 266,642</u>	<u>\$ 75,674</u>	<u>\$ 295,371</u>

Other receivables of the Group mainly consist of the followings:

- a. Other receivables relating to litigations (including guarantee deposits) as described in Note 24(a) were as follows:

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Other receivables (including security deposits)	\$ 23,324	\$ 89,984	\$ 23,439	\$ 91,487
Less: Allowance for impairment loss	<u>(19,607)</u>	<u>(75,644)</u>	<u>(16,310)</u>	<u>(63,661)</u>
	<u>\$ 3,717</u>	<u>\$ 14,340</u>	<u>\$ 7,129</u>	<u>\$ 27,826</u>

- b. As of December 31, 2019 and 2018, the amounts of temporary payments as described in Note 16(b) were HK\$7,823 thousand and HK\$8,893 thousand (equivalent to approximately NT\$30,181 thousand and NT\$34,711 thousand).

10. INVENTORIES

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Raw materials	\$ 78,769	\$ 303,891	\$ 69,231	\$ 270,222
Work-in-process	59,116	228,070	46,876	182,966
Finished goods	21,076	81,311	19,784	77,221
Goods in transit	<u>10,055</u>	<u>38,792</u>	<u>8,373</u>	<u>32,682</u>
	<u>\$ 169,016</u>	<u>\$ 652,064</u>	<u>\$ 144,264</u>	<u>\$ 563,091</u>

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2019 and 2018 was HK\$2,295,154 thousand and HK\$2,087,555 thousand (equivalent to approximately NT\$9,039,923 thousand and NT\$8,032,080 thousand), respectively, which included HK\$11,066 thousand and HK\$13,465 thousand (equivalent to approximately NT\$43,586 thousand and NT\$51,808 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			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Cost	\$ 461,288	\$ 1,779,649	\$ 464,156	\$ 1,811,694
Accumulated depreciation and impairment	<u>(266,609)</u>	<u>(1,028,578)</u>	<u>(273,657)</u>	<u>(1,068,138)</u>
Carrying amount	<u>\$ 194,679</u>	<u>\$ 751,071</u>	<u>\$ 190,499</u>	<u>\$ 743,556</u>
Land and buildings	\$ 23,873	\$ 92,102	\$ 33,683	\$ 131,471
Machineries and office equipment	142,914	551,362	155,919	608,584
Property under construction	<u>27,892</u>	<u>107,607</u>	<u>897</u>	<u>3,501</u>
Carrying amount	<u>\$ 194,679</u>	<u>\$ 751,071</u>	<u>\$ 190,499</u>	<u>\$ 743,556</u>

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

	Land and Buildings		Machinery Equipment and Office Equipment		Property under Construction		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
Cost								
Balance at January 1, 2018	\$ 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	<u>(6,644)</u>	<u>(14,290)</u>	<u>(24,126)</u>	<u>(61,186)</u>	<u>(46)</u>	<u>(75)</u>	<u>(30,816)</u>	<u>(75,551)</u>
Balance at December 31, 2018	121,557	474,461	341,702	1,333,732	897	3,501	464,156	1,811,694
Additions	105	414	26,742	105,328	28,350	111,662	55,197	217,404
Disposals	(373)	(1,469)	(37,470)	(147,583)	(340)	(1,339)	(38,183)	(150,391)

(Continued)

	Land and Buildings		Machinery Equipment and Office Equipment		Property under Construction		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
Reclassification	\$ -	\$ -	\$ 913	\$ 3,596	\$ (913)	\$ (3,596)	\$ -	\$ -
Effect of exchange rate changes	(4,225)	(21,773)	(15,555)	(74,664)	(102)	(2,621)	(19,882)	(99,058)
Balance at December 31, 2019	<u>\$ 117,064</u>	<u>\$ 451,633</u>	<u>\$ 316,332</u>	<u>\$ 1,220,409</u>	<u>\$ 27,892</u>	<u>\$ 107,607</u>	<u>\$ 461,288</u>	<u>\$ 1,779,649</u>
Accumulated depreciation and impairment								
Balance at January 1, 2018	\$ 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
Depreciation	9,571	37,697	30,650	120,721	-	-	40,221	158,418
Disposals	(332)	(1,308)	(34,513)	(135,936)	-	-	(34,845)	(137,244)
Effect of exchange rate changes	(3,922)	(19,848)	(8,502)	(40,886)	-	-	(12,424)	(60,734)
Balance at December 31, 2019	<u>\$ 93,191</u>	<u>\$ 359,531</u>	<u>\$ 173,418</u>	<u>\$ 669,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,609</u>	<u>\$ 1,028,578</u>

(Concluded)

The management assessed that there was no indicator of impairment for the years ended December 31, 2019 and 2018.

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

12. LEASE ARRANGEMENTS

- a. Right-of-use assets - 2019

	December 31, 2019	
	HK\$	NT\$
<u>Carrying amounts</u>		
Land and buildings	\$ 45,813	\$ 176,747
Machinery and office equipment	<u>1,357</u>	<u>5,235</u>
	<u>\$ 47,170</u>	<u>\$ 181,982</u>
	For the Year Ended December 31, 2019	
	HK\$	NT\$
Depreciation charge for right-of-use assets		
Land and buildings	\$ 7,386	\$ 29,091
Machinery and office equipment	<u>653</u>	<u>2,572</u>
	<u>\$ 8,039</u>	<u>\$ 31,663</u>

The management assessed that there was no indication of impairment for the year ended December 31, 2019.

b. Lease liabilities - 2019

	December 31, 2019	
	HK\$	NT\$
<u>Carrying amounts</u>		
Current	\$ 6,344	\$ 24,475
Non-current	<u>12,508</u>	<u>48,256</u>
	<u>\$ 18,852</u>	<u>\$ 72,731</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land and buildings	3.73%-4.63%
Machinery and office equipment	3.73%-4.63%

c. Material lease - activities and terms

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

December 31, 2019

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 right-of-use assets).	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
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 right-of-use assets) 1 factory building and 2 dormitories built on a 134,947 sq. ft. land (land use right is recognized under right-of-use assets)	Lease for a term of 50 years from December 6, 2000 to December 6, 2050. Lease for a term of 50 years from June 19, 2002 to June 19, 2052.
EAVN	Cong Hoa Industrial Park, Cong Hoa Ward, Chi Linh City, Hai Duong Province, Vietnam	41,227.5 sq. ft. land (the land use right is recognized under right-of-use assets)	Lease for a term of 40 years from January 2019 to April 2058.

December 31, 2018

<u>Company Name</u>	<u>Location</u>	<u>Description</u>	<u>Tenure/Unexpired Term</u>
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.
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 building 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.

d. Other lease information

2019

	For the Year Ended December 31, 2019	
	<u>HK\$</u>	<u>NT\$</u>
Expenses relating to short-term leases	<u>\$ 12,333</u>	<u>\$ 48,571</u>
Total cash outflow for leases	<u>\$ (32,645)</u>	<u>\$ (128,579)</u>

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

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018	
	<u>HK\$</u>	<u>NT\$</u>
Not later than 1 year	\$ 11,883	\$ 46,382
Later than 1 year and not later than 5 years	11,878	46,362
Later than 5 years	<u>13,401</u>	<u>52,307</u>
	<u>\$ 37,162</u>	<u>\$ 145,051</u>

13. INTANGIBLE ASSETS

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Goodwill	\$ 28,722	\$ 110,809	\$ 28,919	\$ 112,877
Technical knowledge (including capitalized costs of (R&D)	31,375	121,045	33,099	129,192
Customer relationship	<u>3,453</u>	<u>13,321</u>	<u>4,835</u>	<u>18,872</u>
	<u>\$ 63,550</u>	<u>\$ 245,175</u>	<u>\$ 66,853</u>	<u>\$ 260,941</u>

a. Details of goodwill were as follows:

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Related to ScS	\$ 25,630	\$ 98,880	\$ 25,759	\$ 100,543
Related to EMHY	<u>3,092</u>	<u>11,929</u>	<u>3,160</u>	<u>12,334</u>
	<u>\$ 28,722</u>	<u>\$ 110,809</u>	<u>\$ 28,919</u>	<u>\$ 112,877</u>

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% per annum for the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

The movements of goodwill were as follows:

	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Balance at January 1	\$ 28,919	\$ 112,877	\$ 29,683	\$ 113,163
Effect of exchange rate changes	<u>(197)</u>	<u>(2,068)</u>	<u>(764)</u>	<u>(286)</u>
Balance at December 31	<u>\$ 28,722</u>	<u>\$ 110,809</u>	<u>\$ 28,919</u>	<u>\$ 112,877</u>

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

	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Balance at January 1	\$ 37,934	\$ 148,064	\$ 35,530	\$ 135,455
Additions	16,106	63,437	20,576	79,168
Amortization	(16,992)	(66,926)	(13,007)	(50,046)
Reclassification from property, plant and equipment	-	-	239	919
Write-off	(1,057)	(4,163)	(3,288)	(12,651)
Effect of exchange rate changes	<u>(1,163)</u>	<u>(6,046)</u>	<u>(2,116)</u>	<u>(4,781)</u>
Balance at December 31	<u>\$ 34,828</u>	<u>\$ 134,366</u>	<u>\$ 37,934</u>	<u>\$ 148,064</u>

- 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 - 2018

	December 31, 2018	
	HK\$	NT\$
Prepayments for land lease - current	\$ 367	\$ 1,432
Prepayments for land lease - non-current	<u>16,769</u>	<u>65,453</u>
	<u>\$ 17,136</u>	<u>\$ 66,885</u>

Prepayments for 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 12 (c). The aforementioned prepayments for land lease were reclassified to right-of-use assets under IFRS 16 starting from 2019. Please refer to Notes 3 and 12 for details.

15. BANK BORROWINGS

a. Short-term bank borrowings:

	December 31					
	2019			2018		
	Interest Rate	HK\$	NT\$	Interest Rate	HK\$	NT\$
<u>Secured borrowings</u>						
Factoring	4.07%-7.35%	\$ 2,745	\$ 10,590	4.16%-7.37%	\$ 3,886	\$ 15,169
Bank borrowings	1.75%-4.5%	116,756	450,445	1.68%-4.81%	255,121	995,787
Commercial paper	1.99%	2,592	10,000	1.99%	7,686	30,000
Long-term borrowings due within 1 year	2.6%-4.63%	10,335	39,872	2.1%-4.63%	2,157	8,419
		<u>132,428</u>	<u>510,907</u>		<u>268,850</u>	<u>1,049,375</u>
<u>Unsecured borrowings</u>						
Bank borrowings	4.79%	<u>557</u>	<u>2,149</u>	-	-	-
		<u>\$ 132,985</u>	<u>\$ 513,056</u>		<u>\$ 268,850</u>	<u>\$ 1,049,375</u>

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, 2019

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.	<u>\$ 10,000</u>	<u>\$ 10,000</u>	1.99%	-	<u>\$ -</u>

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.	<u>\$ 30,000</u>	<u>\$ 30,000</u>	1.99%	-	<u>\$ -</u>

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					
	2019			2018		
	Interest Rate	HK	NT\$	Interest Rate	HK\$	NT\$
Long-term bank borrowings	2.6%-4.63%	\$ 37,203	\$ 143,529	2.1%-4.63%	\$ 4,049	\$ 15,804
Less: Long-term bank borrowings due within 1 year		<u>(10,335)</u>	<u>(39,872)</u>		<u>(2,157)</u>	<u>(8,419)</u>
		<u>\$ 26,868</u>	<u>\$ 103,657</u>		<u>\$ 1,892</u>	<u>\$ 7,385</u>

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			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Due within 2 to 5 years	<u>\$ 26,868</u>	<u>\$103,657</u>	<u>\$ 1,892</u>	<u>\$ 7,385</u>

- 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 120 days. No interest is charged by notes and accounts payable in general. The Group has financial risk management policies to ensure settlement of all payables within payment term.
- b. Details of other payables were as follows:

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Accrued salaries	\$ 67,428	\$ 260,137	\$ 44,353	\$ 173,119
Temporary receivables (remark)	18,949	73,105	16,713	65,234
Other payable	<u>53,857</u>	<u>207,781</u>	<u>38,550</u>	<u>150,468</u>
	<u>\$ 140,234</u>	<u>\$ 541,023</u>	<u>\$ 99,616</u>	<u>\$ 388,821</u>

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.

ETT had settled the aforementioned defined benefit plan in the year of 2019, hence, the disclosures of relevant movement and details were not required.

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, 2019 and 2018 were NT\$615,040 thousand and NT\$616,060 thousand (equivalent to approximately HK\$162,642 thousand and HK\$162,902 thousand), respectively, divided into 61,504 thousand shares and 61,606 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	
	2019	2018
January 1	61,606	61,986
Cancellation of treasury share	-	(300)
Write-off of restricted shares	<u>(102)</u>	<u>(80)</u>
December 31	<u>61,504</u>	<u>61,606</u>

b. Treasury shares

As of December 31 of 2019 and 2018, the detail of treasury shares are as follow:

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

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

December 31, 2019

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\$6,575 thousand (equivalent to approximately NT\$25,368 thousand)

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

c. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to 10% of the Company's capital annually. As of December 31, 2019 and 2018, the capital surplus of the Company are as follows:

	December 31			
	2019		2018	
	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	\$ 189,745	\$ 714,815	\$ 189,745	\$ 714,815
Treasury share transactions	781	1,348	781	1,348
Cash dividend received from treasury stock	1,259	5,044	1,112	4,455
May not be used for any purpose				
Arising from employee restricted shares	7,129	28,421	7,725	30,762
Arising from employee share options	<u>2,597</u>	<u>10,334</u>	<u>148</u>	<u>582</u>
	<u>\$ 201,511</u>	<u>\$ 759,962</u>	<u>\$ 199,511</u>	<u>\$ 751,962</u>

d. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining net profit together with any undistributed 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 10% of the remaining net profit for the period, and the cash dividend shall not be less than 50% of the total dividends/bonus distribution and the remaining distribution may be in shares dividends. However, if the Company only distributes cash dividend, it can be resolved by special resolution of the board of the directors. For information about the accrual basis of the employees' and directors' remuneration and the actual appropriations, please refer to Note 19(d) for details.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meeting on June 10, 2019 and June 11, 2018, respectively. Details of the dividend per share of the earnings appropriations for 2018 and 2017 of the Company were as follows:

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

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

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on February 27, 2020. The appropriation and dividends per share were as follows:

	2019
Ordinary share dividend - cash	NT\$0.51 per share, totaling NT\$31,343 thousand

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, 2019.

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	
	2019	2018
Balance at the beginning of the period	652	993
Vested	(224)	(261)
Forfeited	(102)	(80)
Balance at the end of the period	<u>326</u>	<u>652</u>

Information on cost of restricted shares plan for employees the company recognized as follows:

	For the Years Ended December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Costs of restricted shares plans for employees	<u>\$ 1,562</u>	<u>\$ 6,234</u>	<u>\$ 2,426</u>	<u>\$ 9,638</u>

2) Employee share options

Information on issuance of employees share options was as follow:

<u>Grant Date</u>	<u>Issued Shares</u>	<u>Vesting Date</u>	<u>Exercisable Price</u>
2018.09.28	1,200 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted date	Remark
2019.06.10	4,747 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted date	Remark

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

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

Information on outstanding employee share options was as follows:

	For the Years Ended December 31			
	2019		2018	
	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
Employee Share Options				
Balance at the beginning of period	1,200	\$ 23.95	-	\$ -
Granted	4,747	33.05	1,200	23.95
Write-off	(70)	-	-	-
Balance at end period	<u>5,877</u>	30.03	<u>1,200</u>	23.95

(Continued)

	For the Years Ended December 31			
	2019	2018		
Employee Share Options	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
Options exercisable, end of period	-		-	
Weighted-average fair value of options granted (NT\$)	\$ 8.86		\$ 5.82	

(Concluded)

As of December 31, 2019 and December 31, 2018, the information of outstanding employee share options were as follows:

	Date of Grant	
	June 10, 2019	September 28, 2018
<u>December 31, 2019</u>		
Range of exercise price (NT\$)	\$31.70	\$23.00
Weighted-average remaining contractual life (years)	3.46 years	2.75 years
<u>December 31, 2018</u>		
Range of exercise price (NT\$)	-	\$23.95
Weighted-average remaining contractual life (years)	-	3.75 years

Employee share options granted on June 10, 2019 and September 28, 2018 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Date of Grant	June 10, 2019	September 28, 2018
Grant-date share price (NT\$)	33.05	23.95
Exercise price (NT\$)	33.05	23.95
Expected volatility	35.61%	31.81%
Expected life (in years)	3.5 years	3.5 years
Expected dividend yield	-	-
Risk-free interest rate	0.56%	0.66%

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

The compensation costs for the years ended December 31, 2019 and 2018 are recognized at HK\$2,449 thousand and HK\$148 thousand (equivalent to approximately NT\$9,752 thousand and NT\$582 thousand).

Other equity items

a. Exchange differences on translating the financial statements of foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Company's presentation currency (i.e. 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.

b. Unrealized gain or loss on financial assets at FVTOCI

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

c. Unearned employee benefit

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

19. CONSOLIDATED NET PROFIT

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

a. Net revenue

1) Contract information

a) Revenue from 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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Notes and accounts receivable, net (Note 8)	\$ 435,352	\$ 1,679,588	\$ 535,221	\$ 2,089,075

3) Disaggregation of revenue from customer contracts

	<u>For the Years Ended December 31</u>			
	<u>2019</u>		<u>2018</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Home audio	\$ 1,610,826	\$ 6,344,560	\$ 1,610,876	\$ 6,198,006
Personal audio	634,703	2,499,905	556,090	2,139,612
Transducer speaker	114,057	449,237	165,708	637,578
Others	<u>313,980</u>	<u>1,236,672</u>	<u>62,002</u>	<u>238,559</u>
	<u>\$ 2,673,566</u>	<u>\$ 10,530,374</u>	<u>\$ 2,394,676</u>	<u>\$ 9,213,755</u>

b. Depreciation and amortization expenses

	<u>For the Years Ended December 31</u>			
	<u>2019</u>		<u>2018</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Depreciation of property, plant and equipment	\$ 40,221	\$ 158,418	\$ 45,228	\$ 174,019
Amortization of other intangible assets	16,992	66,926	13,007	50,046
Depreciation of right-of-use assets	8,039	31,663	-	-
Amortization of prepayments for land lease	<u>-</u>	<u>-</u>	<u>553</u>	<u>2,128</u>
	<u>\$ 65,252</u>	<u>\$ 257,007</u>	<u>\$ 58,788</u>	<u>\$ 226,193</u>

Prepayments for land lease were reclassified to right-of-use assets under IFRS 16 starting from the beginning of 2019. Please refer to Notes 3, 12 and 14.

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

	<u>For the Years Ended December 31</u>			
	<u>2019</u>		<u>2018</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Remuneration of directors and key management				
Short-term benefits	\$ 40,961	\$ 161,333	\$ 36,327	\$ 139,772
Post-employment benefits	980	3,860	1,242	4,779
Share-based payments	3,262	12,952	1,917	7,555
Employee benefits				
Short-term benefits	452,830	1,783,562	408,697	1,572,503
Post-employment benefits	19,187	75,572	19,734	75,929
Share-based payments	<u>749</u>	<u>3,034</u>	<u>657</u>	<u>2,665</u>
	<u>\$ 517,969</u>	<u>\$ 2,040,313</u>	<u>\$ 468,574</u>	<u>\$ 1,803,203</u>

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 2019 and 2018 had been resolved by the board of directors on February 27, 2020 and February 22, 2019, respectively, were as below:

	2019	
Directors' remuneration - cash	HK\$1,960 thousand (equivalent to approximately NT\$7,720 thousand)	
Employees' remuneration - cash	HK\$2,095 thousand (equivalent to approximately NT\$8,255 thousand)	
	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)	

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, 2019 and 2018.

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			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Project service income	\$ 6,504	\$ 25,617	\$ 8,470	\$ 32,589
Interest income	1,734	6,830	950	3,655
Rental revenue	461	1,816	335	1,289
Dividend income	1,698	6,688	1,739	6,691
Scrap income	994	3,915	3,039	11,693
Gains on disposal of property, plant and equipment	1	4	20	77
Net gain on financial instruments at fair value through profit or loss	-	-	5	19
Others	<u>2,565</u>	<u>10,102</u>	<u>3,580</u>	<u>13,775</u>
	<u>\$ 13,957</u>	<u>\$ 54,972</u>	<u>\$ 18,138</u>	<u>\$ 69,788</u>

f. Other losses

	For the Years Ended December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Losses on fair value change of financial instruments at FVTPL	\$ 6,547	\$ 25,787	\$	\$
Losses on scrap and disposal of property, plant and equipment	2,785	10,969	2,591	9,969
Others	<u>31</u>	<u>122</u>	<u>62</u>	<u>239</u>
	<u>\$ 9,363</u>	<u>\$ 36,878</u>	<u>\$ 2,653</u>	<u>\$ 10,208</u>

g. Finance costs

	For the Years Ended December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	\$ 8,260	\$ 32,534	\$ 9,939	\$ 38,241
Interest expense on lease liabilities	<u>858</u>	<u>3,379</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,118</u>	<u>\$ 35,913</u>	<u>\$ 9,939</u>	<u>\$ 38,241</u>

20. INCOME TAXES

a. Income tax expense recognized in profit or loss

	For the Years Ended December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Current tax				
In respect of the current year	\$ 16,896	\$ 66,549	\$ 17,549	\$ 67,521
Adjustments for prior years	(649)	(2,556)	(1,176)	(4,524)
Deferred tax				
Effect of tax rate changes	-	-	(127)	(472)
In respect of the current year	<u>1,989</u>	<u>7,833</u>	<u>5,099</u>	<u>19,602</u>
Income tax expenses recognized in profit or loss	<u>\$ 18,236</u>	<u>\$ 71,826</u>	<u>\$ 21,345</u>	<u>\$ 82,127</u>

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

	For the Years Ended December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Profit before tax	<u>\$ 96,491</u>	<u>\$ 379,981</u>	<u>\$ 85,806</u>	<u>\$ 329,834</u>
Income tax expense calculated at the statutory rate (16.5%)	\$ 15,921	\$ 62,708	\$ 14,158	\$ 54,474
Tax-exempt income and non-deductible expenses in determining taxable income	(2,637)	(10,387)	5,456	20,505
Income tax adjustment for prior years	(649)	(2,556)	(1,176)	(4,524)
Effect on deferred tax assets unrecognized in prior years	4,754	18,725	594	2,756
Effect of tax rate changes	-	-	(127)	(472)
Effect of different tax rate of foreign operations in other jurisdictions	<u>847</u>	<u>3,336</u>	<u>2,440</u>	<u>9,388</u>
Income tax expense recognized in profit or loss	<u>\$ 18,236</u>	<u>\$ 71,826</u>	<u>\$ 21,345</u>	<u>\$ 82,127</u>

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

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 2018 to 2020.

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 local tax rate for the subsidiary in Vietnam is 20%. EAVN can enjoy the income tax exemption for the first two years after making profit and proceed with fifty percent reduction for the four subsequent years.

The 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			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
<u>Deferred Tax</u>				
Effect of change in tax rate In respect of the current year	\$ -	\$ -	\$ 77	\$ 294
Remeasurement of defined benefit plan	-	-	(104)	(398)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27)</u>	<u>\$ (104)</u>

c. Deferred tax assets

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Allowance of inventories provision	\$ 2,558	\$ 9,869	\$ 1,198	\$ 4,676
Defined benefit plan	-	-	719	2,806
Others	<u>685</u>	<u>2,642</u>	<u>965</u>	<u>3,767</u>
	<u>\$ 3,243</u>	<u>\$ 12,511</u>	<u>\$ 2,882</u>	<u>\$ 11,249</u>

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, 2018	\$ 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
Recognized in profit or loss	1,410	(719)	(273)	418
Effect of exchange rate changes	(50)	-	(7)	(57)
Balance at December 31, 2019	<u>\$ 2,558</u>	<u>\$ -</u>	<u>\$ 685</u>	<u>\$ 3,243</u>

Unit: N.T. Dollars

	Allowance of Inventories Provision	Defined Benefit Plan	Others	Total
Balance at January 1, 2018	\$ 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
Recognized in profit or loss	5,555	(2,832)	(1,075)	1,648
Effect of exchange rate changes	(362)	26	(50)	(386)
Balance at December 31, 2019	<u>\$ 9,869</u>	<u>\$ -</u>	<u>\$ 2,642</u>	<u>\$ 12,511</u>

d. Deferred tax liabilities

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Temporary differences on other intangible assets	\$ 8,356	\$ 32,237	\$ 8,287	\$ 32,346
Temporary differences on inventory and depreciation of property, plant and equipment	5,845	22,550	7,209	28,138
Unappropriated earnings of subsidiaries	<u>16,433</u>	<u>63,399</u>	<u>14,680</u>	<u>57,299</u>
	<u>\$ 30,634</u>	<u>\$ 118,186</u>	<u>\$ 30,176</u>	<u>\$ 117,783</u>

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	Unappro- priated Earnings of Subsidiaries	Total
Balance at January 1, 2018	\$ 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
Recognized in profit or loss	(308)	(785)	3,500	2,407
Decrease	-	(129)	(1,747)	(1,876)
Effect of exchange rate changes	377	(450)	-	(73)
Balance at December 31, 2019	<u>\$ 8,356</u>	<u>\$ 5,845</u>	<u>\$ 16,433</u>	<u>\$ 30,634</u>

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, 2018	\$ 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	<u>(3,157)</u>	<u>2,136</u>	<u>1,287</u>	<u>266</u>
Balance at December 31, 2018	32,346	28,138	57,299	117,783
Recognized in profit or loss	(1,213)	(3,091)	13,785	9,481
Decrease	-	(508)	(6,879)	(7,387)
Effect of exchange rate changes	<u>1,104</u>	<u>(1,989)</u>	<u>(806)</u>	<u>(1,691)</u>
Balance at December 31, 2019	<u>\$ 32,237</u>	<u>\$ 22,550</u>	<u>\$ 63,399</u>	<u>\$ 118,186</u>

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

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Loss carryforwards	<u>\$ 29,480</u>	<u>\$ 113,734</u>	<u>\$ 45,801</u>	<u>\$ 178,770</u>
Deductible temporary difference				
Investments in equity instruments at FVTOCI	<u>\$ 7,787</u>	<u>\$ 29,950</u>	<u>\$ 7,787</u>	<u>\$ 29,950</u>

- 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 2017.

21. EARNINGS PER SHARE

Unit: \$ Per Share

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Basic earnings per share	<u>\$ 1.28</u>	<u>\$ 5.04</u>	<u>\$ 1.05</u>	<u>\$ 4.05</u>
Diluted earnings per share	<u>\$ 1.25</u>	<u>\$ 4.92</u>	<u>\$ 1.05</u>	<u>\$ 4.05</u>

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			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Profit for the year attributable to owners of the Company	<u>\$ 78,255</u>	<u>\$ 308,155</u>	<u>\$ 64,461</u>	<u>\$ 247,707</u>

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

	For the Years Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	61,087	61,237
Effect of potentially dilutive ordinary shares Employee share options	<u>1,501</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>62,588</u>	<u>61,237</u>

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

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

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Other intangible assets	\$ 5,857	\$ 22,596	\$ 6,920	\$ 27,010
Accounts receivable with recourse	3,471	13,391	5,171	20,183
Machineries and office equipment	5,862	22,616	3,956	15,441
Inventories and other assets	16,272	62,777	15,214	59,384
Pledge deposits (recognized under restricted assets - current)	<u>7,563</u>	<u>29,178</u>	<u>5,372</u>	<u>20,968</u>
	<u>\$ 39,025</u>	<u>\$ 150,558</u>	<u>\$ 36,633</u>	<u>\$ 142,986</u>

24. 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, 2019 and 2018, the amounts sought for legal matters whereby EAH is the plaintiff are Brazilian Currency R\$13,700 thousand and R\$13,400 thousand (approximately NT\$102,200 thousand and NT\$105,800 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. EAH assessed other receivables relating to litigations and provided an additional impairment loss, totaling HK\$3,297 thousand and HK\$2,348 (equivalent to approximately NT\$12,986 thousand and NT\$9,034 thousand), respectively.

As of December 31, 2019 and 2018, amounts recorded as other receivables (net of impairment loss) are HK\$2,931 thousand and HK\$6,306 thousand (approximately NT\$11,308 thousand and NT\$24,614 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, 2019 and 2018, 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, 2019 and 2018, pledged deposit recorded as other receivables (net of impairment loss) are HK\$786 thousand and HK\$823 thousand (approximately NT\$3,032 thousand and NT\$3,212 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\$14,761 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\$33,052 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 27.

c. As of December 31, 2019, the commitment that EAVN has contracted for the plant construction were approximately HK\$4,211 thousand (equivalent to approximately NT\$16,246 thousand).

25. 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 2019.

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, 2019 and 2018, the cash and cash equivalents, restricted assets - current (pledged deposit) and bank borrowings were as follows:

	December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Debt (bank borrowing)	\$ (159,853)	\$ (616,713)	\$ (270,742)	\$ (1,056,760)
Cash and cash equivalents (including pledged deposit)	<u>370,565</u>	<u>1,429,640</u>	<u>229,968</u>	<u>897,611</u>
Net cash (debt)	<u>\$ 210,712</u>	<u>\$ 812,927</u>	<u>\$ (40,774)</u>	<u>\$ (159,149)</u>
Equity	<u>\$ 485,333</u>	<u>\$ 1,872,415</u>	<u>\$ 433,533</u>	<u>\$ 1,692,167</u>
Debt-equity ratio	<u>N/A</u>	<u>N/A</u>	<u>9%</u>	<u>9%</u>

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

b. Fair value of financial instruments

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

If a non-derivative instrument has short maturity, its future amount receivable and payable approximate its carrying amount, and its carrying amount provides a reasonable basis for estimation of fair value, then the fair value of which shall be estimated based on its carrying amount as shown in the balance sheet. Hence, 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, 2019

Unit: H.K. Dollars

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 42	\$ -	\$ -	\$ 42
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>21,642</u>	<u>21,642</u>
	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 21,642</u>	<u>\$ 21,684</u>

Unit: N.T. Dollars

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 162	\$ -	\$ -	\$ 162
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>83,496</u>	<u>83,496</u>
	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,658</u>

December 31, 2018

Unit: H.K. Dollars

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

Unit: N.T. Dollars

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

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

For the year ended December 31, 2019

Unit: H.K. Dollars

Financial Assets	Financial Assets at FVTPL		Total
	Embedded Derivatives Instruments	Equity Instruments	
Balance at January 1, 2019	\$ 3,801	\$ 21,391	\$ 25,192
Recognized in profit or loss	(4,008)	-	(4,008)
Effect of foreign currency exchange differences	<u>207</u>	<u>251</u>	<u>458</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 21,642</u>	<u>\$ 21,642</u>
Recognized in other gains and losses - unrealized	<u>\$ 4,008</u>	<u>\$ -</u>	<u>\$ 4,008</u>

Unit: N.T. Dollars

Financial Assets	Financial Assets at FVTPL			Total
	Embedded Derivatives Instruments	Equity Instruments		
Balance at January 1, 2019	\$ 14,833	\$ 83,496		\$ 98,329
Recognized in profit or loss	(15,785)	-		(15,785)
Effect of foreign currency exchange differences	<u>952</u>	<u>-</u>		<u>952</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 83,496</u>		<u>\$ 83,496</u>
Recognized in other gains and losses - unrealized	<u>\$ 15,785</u>	<u>\$ -</u>		<u>\$ 15,785</u>

For the year ended December 31, 2018

Unit: H.K. Dollars

Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	Total
	Embedded Derivatives Instrument	Equity Instruments	Equity Instruments	
Balance at January 1, 2018 (IAS 39)	\$ -	\$ -	\$ -	\$ -
Reclassification and remeasurements from available-for-sale (IAS 39)	<u>3,801</u>	<u>21,901</u>	<u>7,855</u>	<u>33,557</u>
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	<u>-</u>	<u>(510)</u>	<u>(68)</u>	<u>(578)</u>
Balance at December 31, 2018	<u>\$ 3,801</u>	<u>\$ 21,391</u>	<u>\$ -</u>	<u>\$ 25,192</u>
Recognized in other gains and losses - unrealized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Unit: N.T. Dollars

Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	Total
	Derivatives	Equity Instruments	Equity Instruments	
	Financial Assets	Equity Instruments	Equity Instruments	
Balance at January 1, 2018 (IAS 39)	\$ -	\$ -	\$ -	\$ -
Reclassification and remeasurements from available-for-sale (IAS 39)	<u>14,488</u>	<u>83,496</u>	<u>29,950</u>	<u>127,934</u>
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	<u>345</u>	<u>-</u>	<u>-</u>	<u>345</u>
Balance at December 31, 2018	<u>\$ 14,833</u>	<u>\$ 83,496</u>	<u>\$ -</u>	<u>\$ 98,329</u>
Recognized in other gains and losses - unrealized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

The significant unobservable inputs as of December 31, 2019 are as follows:

Significant Unobservable Inputs	Relationship Between Inputs and Fair Value
P/E is 14.61; P/B is 1.87	The higher the ratios, the higher the fair value estimates
Discount rate for lack of marketability is 30%	The higher the discount rate for lack of marketability, the lower the fair value estimates

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

If discount rate for lack of marketability increases by 5%, the fair value will decrease by NT\$6,000 thousand; if discount rate for lack of marketability decreases by 5%, the fair value will increase by NT\$6,000 thousand.

b) The embedded derivative instruments are the convertible bond of the unlisted company and the call warrant. Since the Group does not expect to exercise the convertible right, the value of the conversion right is determined to be close to zero. Therefore, the substance of the aforementioned investment is closer to regular bonds. The Group, therefore, assessed the fair value of this investment by discounting the recoverable cash flows within the contract term using the market rate of the similar financial investment. As of December 31, 2019, the Group conservatively provided full impairment based on recoverability of the bond from its financial information of investee.

c. Categories of financial instruments

	December 31, 2019		December 31, 2018	
	HK\$	NT\$	HK\$	NT\$
<u>Financial assets</u>				
Financial assets at FVTPL				
Held for trading	\$ 42	\$ 162	\$ 56	\$ 219
Mandatorily at FVTPL	21,642	83,496	25,192	98,329
Amortized cost (Note 1)	<u>831,801</u>	<u>3,209,088</u>	<u>791,963</u>	<u>3,091,190</u>
	<u>\$ 853,485</u>	<u>\$ 3,292,746</u>	<u>\$ 817,211</u>	<u>\$ 3,189,738</u>
<u>Financial liabilities</u>				
Financial liabilities at				
amortized cost (Note 2)	<u>\$ 834,921</u>	<u>\$ 3,221,125</u>	<u>\$ 814,425</u>	<u>\$ 3,178,863</u>

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			
		2019		2018	
		HK\$	NT\$	HK\$	NT\$
USD		\$ 441,566	\$ 1,703,561	\$ 482,905	\$ 1,884,875
HKD		<u>454</u>	<u>1,752</u>	<u>413</u>	<u>1,612</u>
		<u>\$ 442,020</u>	<u>\$ 1,705,313</u>	<u>\$ 483,318</u>	<u>\$ 1,886,487</u>
		Liabilities			
		December 31			
		2019		2018	
		HK\$	NT\$	HK\$	NT\$
USD		\$ 228,098	\$ 880,001	\$ 296,665	\$ 1,157,943
HKD		<u>18,953</u>	<u>73,121</u>	<u>29,841</u>	<u>116,475</u>
		<u>\$ 247,051</u>	<u>\$ 953,122</u>	<u>\$ 326,506</u>	<u>\$ 1,274,418</u>

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

	<u>Currency USD Impact</u>		<u>Currency USD Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Profit or loss	\$ <u>10,673</u>	\$ <u>41,178</u>	\$ <u>9,312</u>	\$ <u>36,347</u>
	<u>Currency H.K. Dollars Impact</u>		<u>Currency H.K. Dollars Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Profit or loss	\$ <u>(924)</u>	\$ <u>(3,566)</u>	\$ <u>(1,471)</u>	\$ <u>(5,743)</u>

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 2019 and 2018 would have been increased (decreased) by HK\$1,052 thousand and HK\$(205) thousand (equivalent to approximately NT\$4,060 thousand and NT\$(800) 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, 2019				Total
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 534,069	\$ -	\$ -	\$ 534,069
Other payables	-	140,234	765	-	140,999
<u>Interest bearing liabilities</u>					
Lease liabilities	3.73%-4.63%	6,742	5,986	12,302	25,030
Bank borrowings	3.15%	149,231	13,471	-	162,702

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 6,742</u>	<u>\$ 5,986</u>	<u>\$ 1,872</u>	<u>\$ 2,023</u>	<u>\$ 2,185</u>	<u>\$ 6,222</u>

December 31, 2018					
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 444,067	\$ -	\$ -	\$ 444,067
Other payables	-	99,616	-	-	99,616
<u>Interest bearing liabilities</u>					
Bank borrowings	3.29%	277,941	1,956	-	279,897

Unit: N.T. Dollars

December 31, 2019					
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 2,060,438	\$ -	\$ -	\$ 2,060,438
Other payables	-	541,023	2,951	-	543,974
<u>Interest bearing liabilities</u>					
Lease liabilities	3.73%-4.63%	26,010	23,095	47,462	96,567
Bank borrowings	3.15%	575,733	51,971	-	627,704

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 26,010</u>	<u>\$ 23,095</u>	<u>\$ 7,223</u>	<u>\$ 7,805</u>	<u>\$ 8,430</u>	<u>\$ 24,004</u>

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

f. Financial facilities

Bank borrowings

	Liabilities			
	December 31, 2019		December 31, 2018	
	HK\$	NT\$	HK\$	NT\$
Secured borrowings				
Amount unused	<u>\$ 324,648</u>	<u>\$ 1,252,492</u>	<u>\$ 157,088</u>	<u>\$ 613,146</u>
Unsecured borrowings				
Amount unused	<u>\$ 41,790</u>	<u>\$ 161,226</u>	<u>\$ -</u>	<u>\$ -</u>

g. Significant assets and liabilities denominated in foreign currencies

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

December 31, 2019

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 51,761	HKD	30.02	\$ 1,553,844
USD	3,713	NTD	30.02	111,477
USD	178	RMB	30.02	5,347
USD	213	DKK	30.02	6,397
USD	<u>883</u>	VDN	30.02	<u>26,496</u>
	<u>\$ 56,748</u>			<u>\$ 1,703,561</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 17,337	HKD	30.02	\$ 520,467
USD	10,917	RMB	30.02	327,714
USD	900	NTD	30.02	27,021
USD	<u>160</u>	DKK	30.02	<u>4,799</u>
	<u>\$ 29,314</u>			<u>\$ 880,001</u>
HKD	<u>\$ 18,953</u>	RMB	3.858	<u>\$ 73,121</u>

December 31, 2018

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
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	<u>313</u>	DKK	30.7150	<u>9,614</u>
	<u>\$ 61,367</u>			<u>\$ 1,884,875</u>
<u>Financial liabilities</u>				
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	<u>325</u>	DKK	30.7150	<u>9,996</u>
	<u>\$ 37,699</u>			<u>\$ 1,157,943</u>
HKD	\$ 29,815	RMB	3.9032	\$ 116,366
HKD	<u>28</u>	NTD	3.9032	<u>109</u>
	<u>\$ 29,843</u>			<u>\$ 116,475</u>

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

Information of foreign exchange gains and losses in 2019 and 2018 are as follow:

	For the Years Ended December 31			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Realized foreign exchange gain	\$ 513	\$ 2,022	\$ 2,343	\$ 9,015
Unrealized foreign exchange gain	<u>9,621</u>	<u>37,893</u>	<u>2,573</u>	<u>9,900</u>
	<u>\$ 10,134</u>	<u>\$ 39,915</u>	<u>\$ 4,916</u>	<u>\$ 18,915</u>

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

h. Information of transferred financial assets

In 2019 and 2018, 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, 2019 and 2018, 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.

26. 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, 2019 and 2018, 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, 2019 and 2018. 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			
	2019		2018	
	Revenue from External Customers		Revenue from External Customers	
	HK\$	NT\$	HK\$	NT\$
China	\$ 1,117,670	\$ 4,402,166	\$ 1,524,277	\$ 5,864,807
Hong Kong	54,780	215,762	209,355	805,515
Japan	131,484	517,876	180,945	696,203
South Korea	786,916	3,099,426	147,779	568,596
Netherlands	133,222	524,721	91,239	351,052
Sweden	137,686	542,304	658	2,531
Others	311,808	1,228,119	240,423	925,051
	<u>\$ 2,673,566</u>	<u>\$ 10,530,374</u>	<u>\$ 2,394,676</u>	<u>\$ 9,213,755</u>

	December 31			
	2019		2018	
	Non-current Assets		Non-current Assets	
	HK\$	NT\$	HK\$	NT\$
China	\$ 210,032	\$ 810,302	\$ 219,631	\$ 857,264
Hong Kong	4,109	15,851	5,641	22,018
Taiwan	3,865	14,911	4,160	16,237
Denmark	48,578	187,415	44,689	174,431
Vietnam	38,601	148,924	-	-
Singapore	214	825	-	-
	<u>\$ 305,399</u>	<u>\$ 1,178,228</u>	<u>\$ 274,121</u>	<u>\$ 1,069,950</u>

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					
	2019			2018		
	HK\$	NT\$	%	HK\$	NT\$	%
Company A	\$ 451,580	\$ 1,778,638	17	\$ 570,559	\$ 2,195,283	24
Company B	81,796	322,170	3	404,867	1,557,766	17
Company C	166,807	657,003	6	352,230	1,355,240	15
Company D (Note)	736,137	2,899,423	28	-	-	-

Note: Company D belong to the same group of Company B.

27. 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 25)
 - 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, 2019
(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		
1	EAH	ETH	Other receivables from related parties	Yes	\$ 126,198	\$ -	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,287,745	\$ 1,287,745
		EAVN	Other receivables from related parties	Yes	90,150	90,150	90,150	-	The need for short-term financing	-	Operating capital	-	-	-	1,287,745	1,287,745

Note 1: EAH's lending limits for any borrower are set forth below:

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

Note 2: EAH's financing limits on the Company's public announcement in December 2019 is different from the above amounts because the amount on the announcement is calculated based on EAH 2018 audited financial statements. Since 2019 year-end financial statements have not yet been audited, the amount on the December announcement is based on EAH 2018 audited financial statements.

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

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	\$ 3,744,830	\$ 989,793	\$ 989,793	\$ 60,100	\$ -	53	\$ 3,744,830	Yes	No	No
		ETH	Subsidiary	3,744,830	691,712	664,868	78,065	-	36	3,744,830	Yes	No	No
		ETHY	Subsidiary	3,744,830	90,319	85,987	1,929	-	5	3,744,830	Yes	No	Yes
		EAVN	Subsidiary	3,744,830	274,294	270,450	-	-	14	3,744,830	Yes	No	No
1	EAH	ScS	Subsidiary	3,744,830	49,563	47,327	19,608	105,076	3	3,744,830	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) 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:

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.

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 2019 is different from the above amounts because the number on the announcement is calculated based on the 2019 Q3 reviewed financial statements. Since 2019 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, 2019.

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

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ETH	<u>Oversea publicly traded stocks</u> Audio Pixels Holdings Limited	-	FVTPL - current	500	<u>\$ 162</u>	-	<u>\$ 162</u>	
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	<u>\$ 25,368</u>	1	<u>\$ 25,368</u>	Note
	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	-	FVTPL - non-current	5,574,114	<u>\$ 83,496</u>	19	<u>\$ 83,496</u>	

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

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, 2019

(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
EAH	ESHY	Parent and subsidiary	Purchase	\$ 2,663,983	51	90 days	\$ -	-	\$ (344,284)	(39)	Note
ESHY	EAH	Parent and subsidiary	Sale	(2,663,983)	(67)	90 days	-	-	344,284	41	Note
EAH	EAHY	Parent and subsidiary	Purchase	1,692,974	33	90 days	-	-	(364,788)	(41)	Note
EAHY	EAH	Parent and subsidiary	Sale	(1,692,974)	(84)	90 days	-	-	364,788	82	Note
	EAH	Parent and subsidiary	Purchase	456,964	25	90 days	-	-	364,788	82	Note
EAH	EAHY	Parent and subsidiary	Sale	(456,964)	(8)	90 days	-	-	(364,788)	(41)	Note
ETT	ETH	Parent and subsidiary	Purchase	382,649	74	90 days	-	-	(122,349)	(95)	Note
ETH	ETT	Parent and subsidiary	Sale	(382,649)	(14)	90 days	-	-	122,349	27	Note
	ETHY	Parent and subsidiary	Purchase	2,276,377	94	90 days	-	-	(419,627)	(99)	Note
ETHY	ETH	Parent and subsidiary	Sale	(2,276,377)	(49)	90 days	-	-	419,627	40	Note
EAH	EMHY	Parent and subsidiary	Purchase	482,116	9	90 days	-	-	(105,756)	(12)	Note
EMHY	EAH	Parent and subsidiary	Sale	(482,116)	(97)	90 days	-	-	105,756	91	Note
ESHY	EAHY	Fellow subsidiary	Purchase	273,222	7	90 days	-	-	(66,537)	(8)	Note
EAHY	ESHY	Fellow subsidiary	Sale	(273,222)	(14)	90 days	-	-	66,537	15	Note
ETHY	ETT	Parent and subsidiary	Purchase	134,713	3	90 days	-	-	-	-	Note
ETT	ETHY	Parent and subsidiary	Sale	(134,713)	(24)	90 days	-	-	-	-	Note
ESHY	ETHY	Fellow subsidiary	Purchase	1,391,570	36	90 days	-	-	(137,095)	(16)	Note
ETHY	ESHY	Fellow subsidiary	Sale	(1,391,570)	(30)	90 days	-	-	137,095	13	Note
	ESHY	Fellow subsidiary	Purchase	397,110	9	90 days	-	-	137,095	13	Note
ESHY	ETHY	Fellow subsidiary	Sale	(397,110)	(10)	90 days	-	-	(137,095)	(16)	Note

Note: Intercompany transactions are eliminated in consolidated financial statement.

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, 2019
 (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	\$ 364,788	3.41	\$ -	-	\$ 132,664	\$ -
ETHY	ESHY	Fellow subsidiary	137,095	6.82	-	-	113,373	-
	ETH	Parent and subsidiary	419,627	5.44	-	-	181,501	-
EMHY	EAH	Parent and subsidiary	105,756	3.57	-	-	54,090	-
ESHY	EAH	Parent and subsidiary	344,284	15.47	-	-	173,962	-
ETH	ETT	Parent and subsidiary	122,349	5.18	-	-	-	-

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
1	2019 EAH EAH	ESHY EAHY	a, b a, b	Dividend Income	\$ 82,684	Dividends	1
				Net revenue from sale of goods and purchases	456,964	Credit on transfer pricing policy	4
2	EAHY EAHY EAHY EAHY	EAH EAH ESHY ESHY	a, b a, b c c	Net revenue from sale of goods and purchases	1,692,974	Credit on transfer pricing policy	16
				Receivables from and payables to related parties	364,788	90 days	7
				Net revenue from sale of goods and purchases	273,222	Credit on transfer pricing policy	3
				Receivables from and payables to related parties	66,537	90 days	1
3	EMHY EMHY	EAH EAH	a, b a, b	Net revenue from sale of goods and purchases	482,116	Credit on transfer pricing policy	5
				Receivables from and payables to related parties	105,756	90 days	2
4	ESHY ESHY ESHY	EAH EAH ETHY	a, b a, b c	Net revenue from sale of goods and purchases	2,663,983	Credit on transfer pricing policy	25
				Receivables from and payables to related parties	344,284	90 days	6
				Net revenue from sale of goods and purchases	397,110	Credit on transfer pricing policy	4
5	ETT	ETHY	a, b	Net revenue from sale of goods and purchases	134,713	Credit on transfer pricing policy	1
6	ETHY ETHY ETHY ETHY	ETH ETH ESHY ESHY	a, b a, b c c	Net revenue from sale of goods and purchases	2,276,377	Credit on transfer pricing policy	22
				Receivables from and payables to related parties	419,627	90 days	8
				Net revenue from sale of goods and purchases	1,391,570	Credit on transfer pricing policy	13
				Receivables from and payables to related parties	137,095	90 days	3
7	ETH ETH	ETT ETT	a, b a, b	Net revenue from sale of goods and purchases	382,649	Credit on transfer pricing policy	4
				Receivables from and payables to related parties	122,349	90 days	2
8	MMSZ	EAH	a, b	Net revenue from sale of goods and purchases	71,225	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: ESHY; No. 5: ETT; No. 6: ETHY; No. 7: ETH; and No. 8: MMSZ.

(Continued)

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

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

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

(Concluded)

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

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
The Company	EAH	Hong Kong	Sales of speaker systems and headphones	\$ 1,341,546	\$ 1,341,546	80,000,000	100.00	\$ 1,341,546	\$ 257,080	\$ -	
EAH	ScS	Denmark	Research, development, production and sales of high-end speaker	225,530	225,530	1,320,045	100.00	225,530	5,824	-	
	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	8,539	-	
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	88,319	-	
EAH	ETS	Singapore	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology	-	-	100	100.00	-	(1,179)	-	Note 3
	EAVN	Vietnam	Sales of speaker, AV electronics home entertainment systems, smart speaker and headphones	105,749	-	-	100.00	105,749	(12,501)	-	
	EMH	Hong Kong	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones. Sales of headphones and AV products	386	-	100,000	100.00	386	(56)	-	

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.

Note 3: ETS was invested and established by ETH in October 2017, and has been directly held by EAH since July 2019.

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA**FOR THE YEAR ENDED DECEMBER 31, 2019****(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, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2019 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK\$ 9,000	c.	\$ -	\$ -	\$ -	\$ -	\$ 72,082	100	(3)	HK\$ 9,282 (NT\$ 35,810)	\$ -
EAHY	Production, assembly and sales of speaker systems and accessories	US\$ 6,500	c.	-	-	-	-	77,833	100	(3)	HK\$ 38,576 (NT\$ 148,826)	-
EMHY	Production and sales of headphones	US\$ 2,145	c.	-	-	-	-	10,454	100	(3)	HK\$ 17,018 (NT\$ 65,655)	-
MMSZ	Import and export trading of audio and headphones products, machinery and equipment	RMB 2,000	b.	-	-	-	-	880	100	(3)	HK\$ 2,528 (NT\$ 9,753)	-
ETHY	Production and sales of smart speaker and AV electronics home entertainment systems	HK\$ 58,000	c.	-	-	-	-	(12,238)	100	(3)	HK\$ 58,000 (NT\$ 223,764)	-

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

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	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

(Continued)

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

(Concluded)