Stock code
5225

Eastern Technologies Holding Limited

2016 Annual Report

Notice to Readers

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

Annual Report is available at Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw

Company website: http://www.kyetek.com

Address and telephone number of the headquarter, principal place of business, subsidiaries and branch offices:

Headquarter:

Name	:	Eastern Technologies Holding Limited
Address	:	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands
Tel.	:	(852) 2797 0268

Subsidiaries:

Name	:	Eastern Asia Technology (HK) Limited
Address	:	Units 1706, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong
Tel.	:	(852) 2797 0268
Name	:	Hui Yang Eastern Asia Electronics Co., Ltd.
Address	:	Dong Feng Administrative Region, Xin Xu Town, Hui Yang District, Hui Zhou City, Guang Dong Province, China
Tel.	:	(86) 752 333 9166
Name	:	Huiyang Dongmei Audio Products Co., Ltd.
Address	:	Dong Feng Administrative Region, Xin Xu Town, Hui Yang District, Hui Zhou City, Guang Dong Province, China
Tel.	:	(86) 752 333 9166
Name	:	Hymnario-EAW (Huiyang) Co., Ltd.
Address	:	Dong Feng Administrative Region, Xin Xu Town, Hui Yang District, Hui Zhou City, Guang Dong Province, China
Tel.	:	(86) 752 333 9166
Name	:	Shenzhen MaliMaliBox Trading Corporation Limited
Address	:	4th Floor, #120 Block, Liantang No. 1 Industrial Zone, Luohu District, Shenzhen, China
Tel.	:	(86) 755 2515 3550
Name	:	Scan-Speak A/S
Address	:	N.C. Madsensvej 1, 6920 Videbaek, Denmark
Tel.	:	(45) 6040 5200
Name	:	Eastech Electronics (Taiwan) Inc.
Address	:	8/F.-1, No. 188, Baoqiao Road, Xindian District, New Taipei City, 23145, Taiwan R.O.C.
Tel.	:	(886) 2 2910 2626
Name	:	Eastech Electronics (HK) Limited
Address	:	Units 1704, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong
Tel.	:	(852) 2797 0268
Name	:	Eastech Electronics (Hui Yang) Co., Ltd.
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Tel.	:	(86) 752 333 8518

Litigation and Non-Litigation Agent within ROC

Name	:	Chang Po Chao
Title	:	Vice President – Public Relations
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Spokesperson

Name	:	Chang Po Chao
Title	:	Vice President – Public Relations
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Acting Spokesperson

Name	:	Chang Tung I
Title	:	Director
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Share Registrar

Name	:	Sinopac Securities Corporation
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Email	:	http://www.sinotrade.com.tw

Auditors

Name	:	Deloitte Touche Tohmatsu
Partners-in-Charge	:	Lai, Kwan-Chung & Liu, Shu-Lin
Tel.	:	(886) 2 2545 9988
Email	:	http://www.deloitte.com.tw

Overseas stock exchange on which securities are traded: Not applicable

Company website: http://www.kyetek.com

LIST OF DIRECTORS

Chairman

Name	:	Liou Jenq Lin
Nationality	:	Taiwan
Major Qualifications	:	Master of Electronic Engineering and MBA from University of Southern California, U.S. IBM Senior Engineer Advisor, U.S. Xerox Senior Engineer Advisor, U.S.

Directors

Name	:	Pai Chin Chang
Nationality	:	Taiwan
Major Qualifications	:	Executive Master of Business Administration from Hong Long International Business College President of Eastern Technologies Holding Limited
Name	:	Chang Tung I
Nationality	:	Taiwan
Major Qualifications	:	MBA from California State University, U.S. Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd.
Name	:	Kwok King Lam Keenan Ken Representative of Eastech Electronics (Taiwan) Inc.
Nationality	:	Hong Kong
Major Qualifications	:	Master of Finance and Management from University of Michigan, U.S. Deputy Managing Director of Hifi Orient Thai Public Company Limited

Independent Directors

Name	:	Shiau Fung Shyung
Nationality	:	Taiwan
Major Qualifications	:	PHD of Economics from Chinese Culture University Master of Economics from Yale University, U.S. Master of Agricultural Economics from National Chung Hsing University Dean of College of Commerce of Tamkang University Vice Council for Economic Construction Committee, Executive Yuan, R.O.C. (Taiwan)
Name	:	Chang Shan Juh
Nationality	:	Taiwan
Major Qualifications	:	Master of Electronic Engineering from University of Southern California, U.S. Head of Human Resources Department of Tatung Company Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University
Name	:	Chen Ko Hung
Nationality	:	Taiwan
Major Qualifications	:	MBA of National Chengchi University (NCCU) Bachelor of Accounting, NCCU Senior Manager of Finance Department of Para Light Electronics Co., Ltd. Senior Manager of Finance Department of UniLite Corporation Senior Manager of Finance Department of Princeton Technology Corporation

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1. LETTER TO SHAREHOLDERS

Dear Shareholders

2016 was a year full of challenges. Global consumer market remained weak. US and Japan, the major drivers for the world economy, suffered from a low economic growth while the growth rate of emerging economies, such as China and Brazil, sharply dropped. All these factors had adverse impact on the audio system consumer market; competition between industry participants became intensified and it turned into a price war. The Company strove to develop new technology and to attract new customers with great potential. Also, the Company actively explored the market for new high-end branded customers, integrated resources to streamline speaker and electronic technology, focused on high value-added products and strengthened core competitiveness. We hoped it could lay a solid foundation for the Company's transformation.

1.1 Operating Performance in 2016

(a) Consolidated financial performance

Unit: NT$'000

Year / Item	2016	2015	Increase (Decrease)	Change (%)
Net Sales	6,469,043	8,166,474	(1,697,431)	(20.8)
Gross Profit	1,005,744	1,232,812	(227,068)	(18.4)
Net Operating Profit	106,224	212,014	(105,790)	(49.9)
Profit before tax	193,306	300,979	(107,673)	(35.8)
Profit after tax	133,932	255,274	(121,342)	(47.5)

(b) Budget Implementation: the Company did not prepare any financial budget for 2016.

(c) Profitability Analysis

Item		2016	2015
Financial Structure (%)	Debt to asset ratio	65.4	65.9
	Long-term capital to property, plant and equipment	165.3	164.1
Liquidity (%)	Current ratio	108.7	112.5
	Quick ratio	85.5	87.8
Profitability (%)	Return on assets	3.5	6.8
	Return on equity	8.6	14.5
	Net profit ratio	2.1	3.1
	Basic earnings per share ($)	2.22	4.23

(d) Research and Development Status

1. In 2016, 1 new patent were approved, 6 patents are under review.

2. In 2016, research and development expenses was NT$273,408,000, a decrease of NT$66,496,000 from NT$339,904,000 in 2015, accounting for 4.23% of net sales.

   In the industry of manufacturing electronic audio/video products, R&D capability and production innovations are keys to success in the global competition. With years of development, the R&D department of the Company has comprehensive and integrated R&D team with clear allocation of duties, which incorporates various engineering techniques including acoustic, electronic, structural, soft/hardware capability. Meanwhile, having more than 20 years of experience in the development of speaker drivers, coupled with extensive techniques of wooden speaker box and plastic injection, as well as having the testing centre with international standard and state-of-the-art techniques of speaker exploitation, Kipple, the Company is able to meet the needs of new product development from the international brand customers. The Company was awarded ISO9001 and ISO14001 certificates in 2016. In addition, all major components and parts of the speaker systems are self-produced which represents a guarantee to customers with stable quality and timely delivery of products.

Earphones with combination of electro-acoustic software and upgraded equipment enhance the development of technology so as to achieve high resolution technology, are at the forefront of research and development centres.

1.2 Business Plans for 2017

(a) Business Objectives

The black swan events of Brexit and Trump winning the US presidency had the implied meaning of trade protectionism and anti-globalization movement, resulting in weak market consumption. Whether Trump honors his campaign commitments after inauguration is yet to be observed. The Company, as a leading OEM in acoustics business and professional audio business, is not only a strategic partner of leading brand audio customers, but also a part of long-term value supply chain.

Under the ever changing situation, the Company will endeavor to maintain stability in turbulent conditions, actively leverages on the benefit of mergers and acquisition in the last two years, adjust the Group's operation and continuously optimize its structure in order to achieve overall efficiency. Also, the Company will not blindly target at expansion or sales growth. Our focus will shift from quantity to quality. Electronic and audio products are becoming more and more popular. The operating segment shall upgrade the sound quality of our products to a higher level for industry competition. We do not need to be getting bigger, but be a better company rather.

(b) Sales Forecast and its Basis

Over the years, the Company has made its sales forecast for the next year based on the market forecast of new models developed and existing models of our branded customers. In view of the external uncertainties in 2017, the Company is cautiously optimistic about estimating the sales of 2017, an estimate to have a 2-digit growth compared with 2016.

(c) Important Production and Sales Policies

1. Marketing Policy

In 2017, the Company will integrate the Group's resources and strengthen core competitiveness to cope with the more severe competition. The Company will adopt the following policies:

(1) Strengthen the sales team with global layout, and actively explore new high-end branded customers. Establish strategic partnership with existing major clients.

(2) The Company will keep abreast of market trends in developing new technologies and products, and offering one-stop ODM services to our customers.

(3) With the internationalization of Chinese brands, the Company aims at exploring potential Chinese branded customers (such as Xiao Mi, Huawei, etc.).

(4) Enter into the supply chain of car speakers and high-end audio speakers, which have high entrance barrier.

(5) The Company will increase OEM business for electronic audio products of high-end audio brands so as to achieve the optimal production scale for reducing manufacturing costs.

(6) Given that iPhone 7 ditched 3.5mm audio jack and Apple is promoting digital audio but not the analog signal system using 3.5mm interface, our earphones business unit will launch new products in relevant fields including decoding earphones and small DAC module for brand customers.

2. Production Policy

Facing a shortage of labour in the PRC, the Company will address the issue actively and adopt the following policies:

(1) To enhance productivity so as to reduce the increment in labour cost and to cope with the issue of labour shortage, the proportion of automated production lines will continue to increase in 2017. We will assess the possibility of external procurement or outsourcing for those low added-value departments that rely on intensified labour force.

(2) Given the trend of product with electronic components, the Company needs to improve production skills of electronic audio products, cultivate talent with all-round skills, and invest more in high-tech equipment and highly-efficient management system so as to shift focus on high added-value products.

(3) Strengthening procurement and engineering capacity, simplifying supply chain, reducing cost and improving the quality of components and parts.

3. Research and Development Policy

Product research and development is the growth driver for the Company. The main focuses of research and development in 2017 are as follows:

(1) High resolution earphones and Bluetooth® with Active Noise cancellation earphones

(2) Development of wireless speaker systems (Bluetooth® Speakers & Wi-Fi Speakers)

(3) Development of Multiroom Streaming Audio System

(4) Development of Dolby Atmos System

(5) Research and development of car speaker with advanced Multi-channel sound effect

(6) To enhance and innovate the development of AV systems and wireless music streaming platforms. Including 360-degree all-round wireless portable Bluetooth®/Wi-Fi speakers and voice control smart speakers etc.

(7) Development of power saving high power Speakers and Audio Systems.

(d) Development Strategies

Adhering to the vision of offering the excellent sound to the world, the Company continues to make effort in becoming a world leading audio product OEM/ODM manufacturer. Though the global economy weakens, consumers' demand for quality, function and price is increasingly higher, and the product demand on miniaturization, personalization, networking and greater intelligence is growing. The future development strategy of the Company will aim at satisfying the customers and consumers.

Currently, we are integrating technological and innovation talents in acoustic, electronic, structuring, internet and wireless transmission to establish a complete and efficient development team for acoustic products. For production, we will continuously expand fully automated production to ensure stability in cost and quality which will be extended to consumer electronic products beyond car speakers. The Company will continually leverage on economy of scales to control cost and expenses strictly. For global sales, the global sales team will provide the best products and solution to clients in accordance with client's regions. We will continue to establish human-oriented incentive mechanism to enable employees in every position to give full play to their strength and talent and share with them the fruits of the Company's development.

(e) The Impact of the External Competitive Environment, Regulatory Environment and Macroeconomic Conditions

1. External Competitive Environment:

(1) Among the customer base of KYET, the market share in 2016 of Japanese brands and European brands sharply declined, which lowered the Company's overall sales in 2016; while the Korean brands, which was the driver of revenue growth for the last two years, were impacted by the shrinking market environment in Middle and South America and depreciation of currencies in Latin America, resulting in a decline in sales order volume that was far below expectation.

(2) In recent years, various IT leading companies has taken place in horizontal cross-business competition. For example, Samsung Electronics (SEC) gains an extremely large market share in automobile electronic components and parts immediately after acquiring Harman. Also, Samsung has vertically integrated its processor and monitor products with Harman's products. Although there was no direct impact on the Company under such situation, challenge could turn into an opportunity and we might find a chance to cooperate with our competitors.

(3) The rise of supply chain in Mainland China together with the unfair competition arising from subsidies from local government has resulted in price war in facing with severe competition. Audio electronics products for mobile phones have been suffered most, though currently the Company's order taking and product margin have been slightly and unavoidably affected.

(4) Personal audio/video entertaining model has been prevailing, which causes a decline in demand of traditional speakers and home theater speaker systems, and thus a hard hit on the revenue and margin of the Company's major traditional products. Smart speakers (such as Amazon's Echo), mainly focuses on music playing, entertainment and functions of smart home, cannot shake the position of traditional speaker; while it can be a hot sale product as a result of smart speaker.

(5) The high-standard low-cost pattern is the consumption trend in audio/video products and the price of products is gradually decreasing. The extent of drop in sales value is greater than the extent of fall in sales quantity.

2. Regulatory Environment:

(1) The Company operates in compliance with local laws and regulations. In recent years, Mainland China actively encourages industrial upgrade and promotes environmental protection, energy conservation and reduction of waste emission. Various preferential policies and incentives are implemented in this regard and the Company has actively sought to benefit from them. Our two local factories HYEA and HYDM have obtained the preferential treatment as hi-tech enterprises. In 2016, we successfully obtained the incentive of RMB2 million from the local technological authority of the place in which our factory is located whereby the Company improves its operations and enjoys additional benefit at the same time.

(2) Furthermore, in order to enter the car speaker industry, the Company actively obtained the TS16949 certification (equivalent to ISO9001 and special requirements for the car industry) which will be the cornerstone for the certification of our car products in the future. However, we need to make investment first before having the harvest. Whenever the sales and production of auto products have not achieved the economies of scale and gone through the learning curve, the operations will remain still for a while.

(3) The operating cost of the Company is rising due to the rise in wage costs and shortage of labour and technical talents, as well as the implementation of labor contract law in China. In additions, the force of monitoring the balance of foreign exchange and customs matters is increasing; it levels up the tax expenses and increases the unpredictable operating costs.

(4) The compliance with the environmental regulations in China and strict control over wastage gas and wastewater discharge and the requirement of using environmental friendly materials for production has unavoidably increased the material costs and operating expenses.

3. Macroeconomic Conditions

The Company faces severe challenges such as

(1) the uncertainty in the rebound of global economy, uncertain monetary policies and rise of trade protectionism around the globe;

(2) insufficient confidence from consumers and weak market demand;

(3) ever-changing product technologies and functions;

(4) excessive production capacity for traditional products and intense competition of new products from peers.

Nevertheless, the Company will continue to uphold our principle of seeking changes while maintaining stability, and leverage on the leadership of our experienced management team, the unyielding spirit of “no recession, but only not doing good enough” and solid business foundation established to overcome any difficulties and changes in the market and industry at present and in the future, and to strive for development of new businesses, technologies and customers to differentiate our products without coming into price war, which will result in better results and operational efficiency.

Chairman
Liou Jenq Lin

2. COMPANY PROFILE

2.1 Date of Incorporation: 1 February 2011

2.2 Description of the Company and the Group

(a) Description of the Company and the Group

Eastern Technologies Holding Limited (hereinafter as the “Company”). As the principal subsidiaries of the Company are located in Hong Kong and Mainland China with over 30 years of history, the Company is restricted by registration limits of the abovementioned region and cannot be listed in Taiwan directly, therefore, the Company reorganized the upper-level investment structure of Eastern Asia Technology (HK) Limited, and set up the Company as the holding company in the Cayman Islands in February 2011, in order to compliant with the regulations of Taiwan Stock Exchange in respect of primary listing application of foreign companies in Taiwan.

The Company is mainly engaged in research and development, manufacturing and sales of speaker systems and earphones products. In addition, in order to seize the opportunity in developing high-end speakers, the Company acquired ScS, a renowned premium loudspeaker manufacturer in Denmark in April 2014 in preparation of entering into the industry of premium speakers and car speakers. Moreover, in view of the industry development trend of close ties between speaker systems and 3C electronic appliances, as well as to expand the scope of business of the Group, the Company acquired ETT, an AV electronics and audio OEM manufacturer, in January 2015, thus entered into the audio appliances industry which completes the strategic layout of our acoustics business, as well as becoming one of the few audio market players that holds both horizontal integrated designs and vertical manufacturing bases.

(b) Group Structure: please refer to page 114 of this annual report.

2.3 History of the Company and the Group

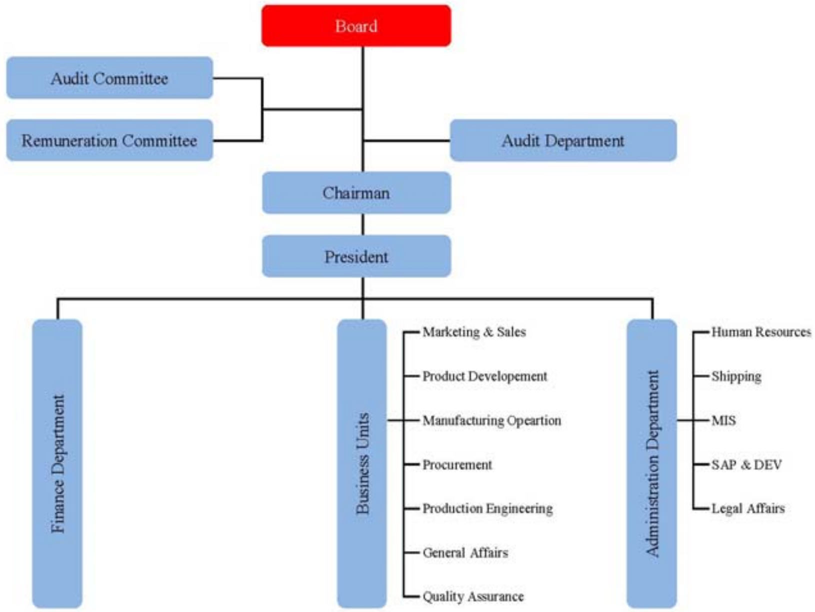
Date	Important Events
1971	Establishment of Eastern Asia Woods Industrial Corp., the former of KYET.
1972	Cooperated with Japanese to obtain their technology and support for the production of speaker boxes for sales to Japan.
1977	Became OEM of speakers who produced products for internationally renowned brands, and the product portfolio transformed from speaker boxes to speaker systems.
1983	Became a leader in speaker products. A design and R&D centre was set up to focus on improvement in product quality and R&D capability.
1986	Commenced direct export sales and taking up of orders from international brands.
1988	Eastern Asia Technology (HK) Limited (“EAH”) was set up to engage in the trading, manufacturing and investment of speaker systems.
1989	Production plant was relocated to Malaysia and Huizhou and Shenzhen, China.
1990	Vertical integration was carried out to extend its production to speaker units.
1991	Resources were integrated and EAH was acting as operating hub. Group Engineering Centre (GEC) was set up to provide technical support to production and sales department.
1995	HYEA was set up to principally engage in the production of speakers and parts. HYHY was established to specialize in the manufacturing of speaker units.
1996	First phase of Huiyang plant completed, in which speaker unit assembly department was

Date	Important Events
	set up and part of the production capacity in Malaysia was transferred thereto.
1997	Plastic department was set up and successfully developed stereo system and Dolby virtual surround sound system for home theater.
1998	Production of speaker systems in Shenzhen was transferred to Huiyang plant, enabling Huiyang plant to become one of the few plants in the world which can conduct one-stop production of speaker systems.
2002	ERP (SAP) system was introduced to enhance management efficiency. HYDM was established to principally produce various speaker products.
2003	HYEA and HYHY were awarded "Best Financial Report of Foreign-Invested Company" by the Ministry of Finance of Huiyang City, Guang Dong Province. Participated in an exhibition of consumer electronic appliance in Las Vegas in January and was honored "Innovative Design and Engineering" award for its speaker systems for flat panel home theater, flat speaker systems for Notebook and plat speaker systems.
2008	Earphones department was set up and HYDM commenced production of earphones products.
2011	The Company was incorporated in Cayman Islands. Reorganization of the structure of the Group completed. Audit Committee and Remuneration Committee were set up.
2012	The Company was formally listed on Taiwan Stock Exchange on 5 November 2012. The Company conducted capital increase by cash through issue of 6,750 thousand ordinary shares with carrying amount of NT$10 per share, totaling NT$67,500 thousand. The paid-in share capital after the capital increase was NT$607,500 thousand.
2013	Hui Yang Eastern Asia Electronics Co., Ltd. and Huiyang Dongmei Audio Products Co., Ltd were approved and recognized as "New and High Technological Enterprises". Shenzhen MaliMaliBox Trading Corporation Limited was established to engage in the earphones retailing business.
2014	Establish Premium Sound Group and acquire Denmark-renowned high-end loudspeaker developer and manufacturer – ScS, which provide faster access to high-end speaker systems including car speakers market.
2015	In January, acquired ETT, an audio/video electronics OEM manufacturer, entering into the area of audio/video electronic and audio equipment OEM manufacturing. In June, increased capital by issuing 252 thousand shares (employee restricted shares), the issued capital was increased to NT$610,020 thousand as a result. In September, the installation of a car speaker production line was completed and we began to introduce ISO/TS16949 certification. In October, the Company implemented treasury shares for the first time. In November, car speakers were officially shipped, signifying the Company's entering a new business area.
2016	In August, the zero defect supply chain quality management standard ISO/TS16949 certification has been obtained for car speakers.
2017	In January, increased capital by issuing 500 thousand shares (employee restricted shares) of NT$10 each, totaling NT$615,020 thousand. (The record date of issuance was on 20 December 2016)

3. CORPORATE GOVERNNACE

3.1 Organization

(a) Organization Chart



(b) Responsibilities of Each Department

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

3.2 Directors, Supervisors, Presidents, Vice Presidents, Senior Managers and Heads of Departments and Branch Offices

(a) Details of Directors and Supervisors

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

10 April 2017

Title	Nationality	Name	Gender	Date of appointment	Term	Date of first appointment	Shareholdings at appointment		Current Shareholdings		Current Shareholdings of spouse, minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives		
							No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %			Title	Name	Relationship
Chairman	Taiwan	Liou Jenq Lin	Male	30 April 2014	3 years	24 March 2011	1,949,400	3.17	1,500,400	2.44	-	-	-	-	Master of Electronic Engineering and MBA from University of Southern California, U.S. IBM Senior Engineer Advisor, U.S. Xerox Senior Engineer Advisor, U.S.	Other companies: (Note 1)	-	-	-
Director	Taiwan	Pai Chin Chang	Male	30 April 2014	3 years	24 March 2011	385,000	0.63	335,000	0.54	-	-	-	-	Executive Master of Business Administration from Hong Long International Business College	President of the Company Director of Hui Yang Eastern Asia Electronics Co., Ltd. Director of Huiyang Dongmei Audio Products Co., Ltd.	-	-	-
Director	Taiwan	Chang Tung I	Male	30 April 2014	3 years	15 December 2011	100,000	0.16	50,000	0.08	-	-	-	-	MBA from California State University, U.S. Vice Executive Director of Kuo-Bin Ceramic Ind. Co., Ltd.	Director of Eastech Electronics (Hui Yang) Co., Ltd. Director of Eastech Electronics (Taiwan) Inc. Director of Scan-Speak A/S	-	-	-

10 April 2017

Title	Nationality	Name	Gender	Date of appointment	Term	Date of first appointment	Shareholdings at appointment		Current Shareholdings		Current Shareholdings of spouse, minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives		
							No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %			Title	Name	Relationship
Director	Taiwan	Eastech Electronics (Taiwan) Inc. (Kwok King Lam Keenan Ken is appointed to perform director's duties)	-	30 April 2014	3 years	30 April 2014	453,000	0.74	453,000	.74	-	-	-	-	N/A	The Company: Nil Other companies: Nil	-	-	-
	Hong Kong	Kwok King Lam Keenan Ken	Male	-	-	-	1,512,000	2.46	1,512,000	2.46	-	-	-	-	Master of Finance and Management from University of Michigan, U.S.	The Company: Nil Other companies: (Note 2)	-	-	-
Independent Director	Taiwan	Shiau Fung Shyung (Note 3)	Male	30 April 2014	3 years	12 August 2011	-	-	-	-	-	-	-	-	PHD of Economics from Chinese Culture University Master of Economics from Yale University, U.S. Master of Agricultural Economics from National Chung Hsing University Dean of College of Commerce of Tamkang University Vice Council for Economic Construction Committee, Executive Yuan, R.O.C. (Taiwan)	The Company: Nil Professor of Tamkang University Other companies: (Note 3)	-	-	-

10 April 2017

Title	Nationality	Name	Gender	Date of appointment	Term	Date of first appointment	Shareholdings at appointment		Current Shareholdings		Current Shareholdings of spouse, minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives		
							No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %			Title	Name	Relationship
Independent Director	Taiwan	Chang Shan Juh	Male	30 April 2014	3 years	24 March 2011	-	-	-	-	-	-	-	-	Master of Electronic Engineering from University of Southern California, U.S. Head of Human Resources Department of Tatung Company Lecturer of Faculty of Electronic Engineering and Human Resources Officer of Tatung University	The Company: Nil Human Resources Officer of Tatung University	-	-	-
Independent Director	Taiwan	Chen Ko Hung	Male	30 April 2014	3 years	24 March 2011	-	-	-	-	-	-	-	-	MBA of National Chengchi University (NCCU) Bachelor of Accounting, NCCU Senior Manager of Finance Department of Para Light Electronics Co., Ltd. Senior Manager of Finance Department of UniLite Corporation Senior Manager of Finance Department of Princeton Technology Corporation	The Company: Nil Chief Financial Officer of Ampire Co., Ltd. Director of Chiplus Semiconductor Corp.	-	-	-

Note 1: Director of Eastech Electronics (Taiwan) Inc., Eastech Electronics (HK) Limited, Eastech Electronics Technology (Hui Yang) Co., Ltd., Eastern Asia Technology (HK) Limited, Hymnario-EAW (Huiyang) Co., Ltd., Hui Yang Eastern Asia Electronics Co., Ltd., Huiyang Dongmei Audio Products Co., Ltd., Scan-Speak A/S, Shenzhen MaliMaliBox Trading Corporation Limited, etc. and Supervisor of Altek Corporation.

Note 2: Director of KWF (Thailand) Limited, Life Orient Co., Ltd., AE Technology Co., Ltd., Praise & Grace (HK) Ltd., Tyon Industrial International Ltd., Everstrong Properties Limited, Angkor Capital Limited, Loopin Company Limited, Popup Solution Company Limited, Getlinks Inc., ShopSnap Company Limited, etc. and Deputy Managing Director of Hifi Orient Thai Public Company Limited.

Note 3: Independent director of Wayi International Digital Entertainment Co., Compass Systems Corp., and CMC Magnetics Corporation, and Supervisor of Zhong Hua Cheng Co., Ltd.

(b) Details of President, Vice Presidents, Senior Managers and Head of Departments and Branch Offices

10 April 2017

Title	Nationality	Name	Gender	Date of appointment	Shareholdings at appointment		Shareholdings of spouse, minor children		Shares held in other's name		Major Qualification	Current positions in the Company and other companies	Other officers, directors or supervisors who are spouse or second-degree relatives		
					No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %			Title	Name	Relation-ship
President	Taiwan	Pai Chin Chang	Male	24 March 2011 (Note 1)	335,000	0.54	-	-	-	-	Executive Master of Business Administration from Hong Long International Business College President of the Company	Director of Hui Yang Eastern Asia Electronics Co., Ltd. Director of Huiyang Dongmei Audio Products Co., Ltd.	-	-	-
Vice President	Taiwan	Chu Ming Chung	Male	1 December 1999 (Note 2)	18,000	0.03	-	-	-	-	Master of Management from Komazawa University, Japan Vice President of Eastern Asia Technology (HK) Limited	Director of Hymnario-EAW (Huiyang) Co., Ltd. Director of Shenzhen MaliMaliBox Trading Corporation Limited.	-	-	-
Vice President	Taiwan	Liao Chi Cheng	Male	9 January 2015 (Note 3)	-	-	-	-	-	-	Bachelor of English Literature from the University of Chinese Culture, Taiwan Senior Marketing Manager of Tobishi Electronics Industries (Taiwan) Ltd. Chief Executive Officer of Eastech Electronics (Taiwan) Inc.	-	-	-	-
Vice President	Taiwan	Chang Po Chao	Male	1 December 2011	50,000	0.08	-	-	-	-	Degree of International Trading from National Chengchi University Vice President, Public Relations and Spokesman of the Company	-	-	-	-
Chief Financial Officer	Hong Kong	Lam Pui Man	Female	24 March 2011 (Note 1)	8,000	0.01	-	-	-	-	Master of Finance from Chinese University of Hong Kong BBS from The Hong Kong University of Science and Technology Fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants Senior Manager of Finance Department of EATL Group CPA Audit Accountants of Arthur Andersen Chief Financial Officer of the Company	Supervisor of Eastech Electronics (Taiwan) Inc. Director of Eastech Electronics (HK) Limited	-	-	-
Chief Audit Officer	Hong Kong	Tang Kai Tak	Male	24 March 2011 (Note 1)	4,000	0.007	-	-	-	-	Master of Applied Finance from Macquarie University, Australia Fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants Audit Officer of Schick International Ltd and Wing Lung Bank Chief Audit Officer of EATL Chief Audit Officer of the Company	-	-	-	-

Note 1: The Company ("KYET") was incorporated on 1 February 2011. The above staff originally worked in EATL Group, and was re-designated to serve KYET on 24 March 2011.
Note 2: Joined Eastern Asia Technology (HK) Limited on 1 December 1999.
Note 3: Joined Eastech Electronics (Taiwan) Inc. on 1 October 1992 and retired on 30 September 2016.

(c) Remunerations of Directors, Supervisors, Presidents and Vice Presidents

1. Remunerations paid to Directors , Supervisors, Presidents and Vice Presidents for the latest year

(1) Remunerations of Directors (including independent executive directors)

Unit: NT$'000

Title	Name	Remuneration of Directors								Percentage of aggregate of A, B, C and D to net profit after tax (%)		Remunerations of Concurrent Employments								Percentage of aggregate of A, B, C, D, E, F and G to net profit after tax (%)		Any remunerations from companies other than subsidiaries for investment business
		Salary (A)		Post-employment Pension (B)		Directors Remuneration (C)		Fee incurred for duty performance (D)				Salary, Bonus and Special bonus (E)		Post-employment Pension (F)		Staff Remunerations (G)						
		The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company		All companies contained in the financial statements		The Company	All companies contained in the financial statements	
																By Cash	By Shares	By Cash	By Shares			
Chairman	Liou Jenq Lin	-	-	-	-	3,929 (Note 1)	3,929 (Note 1)	138	138	3.04	3.04	-	21,708	-	268	-	-	2,402 (Note 2)	-	3.04	21.24	-
Director	Pai Chin Chang																					
Director	Chang Tung I																					
Director	Kwok King Lam Keenan Ken																					
Independent Director	Chang Shan Juh																					
Independent Director	Chen Ko Hung																					
Independent Director	Shiau Fung Shyung																					

Note 1: In accordance with the Company Articles of Association, the individual and total amounts of 2016 remuneration for directors were approved by the Remuneration Committee and the Board on 20 February 2017.

Note 2: In accordance with the Company Articles of Association, the individual and total amount of remuneration for staff for 2016 was approved by the Remuneration Committee and the Board on 20 February 2017.

(2) Remunerations of Presidents and Vice Presidents

Unit: NT$'000

Title	Name	Salary (A)		Post-employment pensions (B)		Bonus and Special Bonus (C)		Staff Remunerations (D) (Note 1)				Percentage of aggregate of A, B, C and D to net profit after tax (%)		Any Remunerations from companies other than subsidiaries for investment business
		The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company	All companies contained in the financial statements	The Company		All companies contained in the financial statements		The Company	All companies contained in the financial statements	
								By Cash	By Shares	By Cash	By Shares			
Chairman (Management)	Liou Jenq Lin													
President	Pai Chin Chang													
Vice President	Liao Chi Cheng (Note 2)	948	24,372	-	438	157	4,265	157	-	3,373	-	0.94	24.23	-
Vice President	Chu Ming Chung													
Vice President	Chang Po Chao													

Note 1: In accordance with the Company Articles of Association, the individual and total amount of remuneration for staff for 2016 was approved by the Remuneration Committee and the Board on 20 February 2017.

Note 2: Has been resigned on 30 September 2016.

Remuneration Ranking

Ranking of Remunerations Payable to each Directors, Presidents and Vice Presidents	Name of Presidents and Vice Presidents	
	The Company	All companies contained in the financial statements
Below 2,000,000	Chang Po Chao	-
2,000,000 (inclusive) ~ 5,000,000 (not inclusive)	-	Chang Po Chao Liao Chi Cheng
5,000,000 (inclusive) ~ 10,000,000 (not inclusive)	-	Liou Jenq Lin Pai Chin Chang Chu Ming Chung
10,000,000 (inclusive) ~ 15,000,000 (not inclusive)	-	-
15,000,000 (inclusive) ~ 30,000,000 (not inclusive)	-	-
30,000,000 (inclusive) ~ 50,000,000 (not inclusive)	-	-
50,000,000 (inclusive) ~ 100,000,000 (not inclusive)	-	-
Above 100,000,000	-	-
Total	1 person	5 persons

(3) Name of Managers who have been awarded staff remuneration and the distribution of staff remuneration.

Unit: NT$'000

	Title	Name	By Shares	By Cash	Total	Percentage of total amount to net profit after tax (%)
Managers	President	Pai Chin Chang	-	4,460	4,460	3.33
	Vice President	Liao Chi Cheng (Note 2)				
	Vice President	Chu Ming Chung				
	Vice President	Chang Po Chao				
	Chief Financial Officer	Lam Pui Man				
	Chief Audit Officer	Tang Kai Tak				

Note 1: In accordance with the Company Articles of Association, the individual and total amount of remuneration for staff for 2016 was approved by the Remuneration Committee and the Board on 20 February 2017.

Note 2: Has been retired on 30 September 2016.

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

(1) Percentage of total remunerations of directors, chairman, presidents and vice presidents of the Company and all companies contained in the financial statements for the latest two years to net profit after tax.

Unit: NT$'000

Item	2015		2016	
	Amount	%	Amount	%
Director	6,329	2.48	4,067	3.04
Director, President and Vice President	35,370	13.86	32,448	24.23
Consolidated total net profit	255,274	100.00	133,932	100.00

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

A. According to the amended Articles approved by 2016 Annual General Meeting, the directors' remuneration should not be higher than 2% of the profit before income tax, staff remuneration, and directors' remuneration.

B. Remuneration of Chairman, Presidents and Vice Presidents shall be determined based on his/her position, contribution to the Company pursuant to internal practices of the Company. According to the amended Articles provided by 2016 Annual General Meeting, the staff remuneration should be at the rate of 1% to 5% of the profit before income tax, staff remuneration, and directors' remuneration.

3.3 Movements of Shareholdings and Pledge thereof held by Directors, Managers and Shareholders (whose shareholdings representing over 10% of total Share) for the year as at the date of issue of annual report:

(a) Movement of transfer and pledge of shareholdings of directors, supervisors, managers and substantial shareholders.

Unit: Shares

Title	Name	2016		As at 10 April 2017	
		Increase (Decrease) in number of shares held	Increase (Decrease) in number of shares pledge	Increase (Decrease) in number of shares held	Increase (Decrease) in number of shares pledge
Chairman	Liou Jenq Lin	(1,498,000)	1,500,000	-	-
Director and President	Pai Chin Chang	13,000	-	-	-
Director	Chang Tung I	20,000	-	(20,000)	-
Director	Eastech Electronics (Taiwan) Inc.	-	(453,000)	-	-
Legal Director Representative of Eastech Electronics (Taiwan) Inc.	Kwok King Lam Keenan Ken	-	-	-	-
Independent Director	Shiau Fung Shyung	-	-	-	-
Independent Director	Chang Shan Juh	-	-	-	-
Independent Director	Chen Ko Hung	-	-	-	-
Vice President	Liao Chi Cheng (Note)	-	-	-	-
Vice President	Chu Ming Chung	(47,000)	-	(15,000)	-
Vice President	Chang Po Chao	4,000	-	(4,000)	-
Chief Financial Officer	Lam Pui Man	8,000	-	-	-
Chief Audit Officer	Tang Kai Tak	4,000	-	-	-
Shareholder	DJR International Ltd.	(26,437,600)	(12,200,000)	-	-
Shareholder	Above Vantage Limited	27,935,600	-	-	-

Note: Retired on 30 September 2016.

(b) Details of transfer of shareholdings of directors, supervisors, managers and substantial shareholders: Not applicable

3.4 Details of Shareholdings of Top Ten Substantial Shareholders, their relationship as related parties under FAS 6 or as spouse or second degree relatives

10 April 2017; Unit: Shares

Name	Shares held		Shares held by spouse, minor children		Aggregate shares held in the name of other parties		Name and relationship of Top Ten substantial shareholders who are related to each other or are spouse, second degree relatives		Remark
	No. of Shares	Ratio %	No. of Shares	Ratio %	No. of Shares	Ratio %	Name	Relation-ship	
Above Vantage Limited	27,935,000	45.42	-	-	-	-	-	-	-
Investment clients' accounts for New Advantage Holdings Ltd.	6,000,000	9.76	-	-	-	-	-	-	-
Kwok King Lam Keenan Ken	1,512,000	2.46	-	-	-	-	-	-	-
Liou Jenq Lin	1,500,400	2.44	-	-	-	-	-	-	-
Representative of AVY Precision Technology Inc.: Dong Zun Ren	890,000	1.45	-	-	-	-	-	-	-
Wu Shu-Jhen	706,000	1.15	-	-	-	-	-	-	-
Eastern Technologies Holding Limited overseas foreign-national employees collective	546,000	0.89	-	-	-	-	-	-	-
Investment clients' accounts for Soaring Elite Ltd.	519,000	0.84	-	-	-	-	-	-	-
Wang Ding-Qian	500,000	0.81	-	-	-	-	-	-	-
Representative of Ability I Venture Capital Corporation: Dong Jiong Xi	461,000	0.75	-	-	-	-	-	-	-

4. CAPITAL OVERVIEW

4.1 Capital and Shares

(a) Sources of Funds

1. Sources of funds of the Company

10 April 2017; Unit: Shares; Unit: NT$'000

Month / Year	Issue Price	Authorised Share Capital		Paid-in Share Capital		Remark		
		No. of Shares	Amount	No. of Shares	Amount	Source of Funds	Paid by assets other than cash	Others
February 2011	10	80,000	800,000	100	1,000	Set up of share capital	-	-
March 2011	10	80,000	800,000	53,900	539,000	Issue of new shares	Note 1	-
November 2012	60	80,000	800,000	6,750	67,500	Increase of funds by cash	-	Note 2
June 2015	-	80,000	800,000	252	61,002	Issuance of New Restricted Employee Shares	-	Note 3
December 2016	-	80,000	800,000	500	61,502	Issuance of New Restricted Employee Shares	-	Note 4

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

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

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

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

10 April 2017; Unit: Shares

Type of Shares	Authorised Share Capital			Remark
	Issued Shares (Note)	Unissued Shares	Total	
Ordinary Shares	Listed Shares 61,502,000	18,498,000	80,000,000	-

Note: Including Restricted Shares not yet circulated to the public amounted to 689,000 shares.

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

(b) Structure of Shareholdings

10 April 2017

Structure / Amount	Government Authority	Financial Institute	Other Legal Entity	Individual	Foreign Entity and Individual	China Entity and Individual	Total
No. of person	-	1	24	2,549	15	1	2,590
No. of Shares held	-	8,000	3,373,000	21,147,823	36,739,177	234,000	61,502,000
Shareholding Ratio	-	0.01	5.48	34.39	59.74	0.38	100.00

(c) Shareholding Dispersal

1. Ordinary Shares

10 April 2017; Unit: Shares

Ranking of Shareholdings			No. of Shareholders	No. of Shares held	Shareholdings Ratio (%)
1	to	999	122	8,855	0.01
1,000	to	5,000	1,860	3,913,712	6.36
5,001	to	10,000	255	2,031,200	3.30
10,001	to	15,000	91	1,191,200	1.94
15,001	to	20,000	71	1,322,000	2.15
20,001	to	30,000	64	1,655,002	2.69
30,001	to	50,000	53	2,092,254	3.40
50,001	to	100,000	36	2,618,777	4.26
100,001	to	200,000	15	2,098,000	3.41
200,001	to	400,000	11	3,088,000	5.02
400,001	to	600,000	6	2,939,000	4.78
600,001	to	800,000	1	706,000	1.15
800,001	to	1,000,000	1	890,000	1.45
	Above	1,000,001	4	36,948,000	60.08
Total			2,590	61,502,000	100.00

2. Preferred Shares: Nil

(d) List of Substantial Shareholders:

Names, number of shares held and shareholdings ratio of shareholders holdings more than 5% of shareholdings or top ten shareholders in terms of shareholdings held.

10 April 2017; Unit: Shares

Shares / Name of Major Shareholders	No. of Shares held	Shareholding Ratio (%)
Above Vantage Limited	27,935,600	45.42
Investment clients' account for New Advantage Holdings Ltd.	6,000,000	9.76
Kwok King Lam Keenan Ken	1,512,000	2.46
Liou Jenq Lin	1,500,400	2.44
AVY Precision Technology Inc.	890,000	1.45
Wu Shu-Jhen	706,000	1.15

10 April 2017; Unit: Shares

Name of Major Shareholders \ Shares	No. of Shares held	Shareholding Ratio (%)
Eastern Technologies Holding Limited overseas foreign-national employees collective	546,000	0.89
Investment clients' accounts for Soaring Elite Ltd.	519,000	0.84
Wang Ding-Qian	500,000	0.81
Ability I Venture Capital Corporation	461,000	0.75

(e) Market price, Equity, Earnings, Dividends per share and the relevant information.

Unit: NT$'000

Item \ Year			2015	2016	As at 31 March 2017
Market price per share	Highest		78.80	51.90	34.80
	Lowest		30.60	31.00	31.05
	Average		55.30	37.68	32.25
Equity per share (Note 1, 2)	Before distribution		27.63	24.25	23.02
	After distribution		24.60	(Note 7)	-
Earnings per share	Weighted average shares		60,393 thousand shares	60,270 thousand shares	60,749 thousand shares
	Earnings per share (Note 1, 2)		4.23	2.22	0.15
Dividend per share	Cash dividend (Note 2, 3)		3.00	1.11	-
	Stock Dividend Distribution	Retained Shares Distribution	-	-	-
		Capital Reserve Shares Distribution	-	-	-
	Accumulated unpaid dividend		-	-	-
Analysis on Return on Investment	Price-Earnings Ratio (Note 4)		13.07	16.97	-
	Price-Sales Ratio (Note 5)		18.43	(Note 7)	-
	Cash Dividend Yield (Note 6)		5.42%	(Note 7)	-

Note 1: The equity and earnings per share for 2015 and 2016 were calculated based on the audited consolidated financial statements prepared in accordance to IFRS and Rule No. 1010054392 issued by the Financial Supervisory Commission (the "FSC"). Thus, properties, plant and equipment, its depreciation and income tax expenses contained in the financial statements for 2015 and 2016 were measured by the new accounting policies – cost model. The net assets and earnings per share as at 31 March 2017 were calculated based on the reviewed consolidated financial statements prepared in accordance to IFRS and Rule No. 1010054392 issued by the FSC.

Note 2: The calculations of net assets, earnings and dividend per share for 2015 and 2016 are based on the weighted average shares of 60,393 thousand shares and 60,270 thousand shares. Up to 31 March 2017, the calculation of net assets per share is based on the weighted average shares of 60,749 thousand shares.

Note 3: The above information is according to the profits distribution proposed in the Annual General Meeting in the following year.

Note 4: Price-Earnings Ratio = average closing price per share for the year / earnings per share.

Note 5: Price-Sales Ratio = average closing price per share for the year / cash dividend per share.

Note 6: Cash Dividend Yield = cash dividend per share / average closing price per share for the year.

Note 7: 2016 dividend distribution proposal is still pending approval by shareholders at general meeting.

(f) Dividend Policies and its Implementation

1. Dividend Policies

Pursuant to the resolution passed by the shareholders at the general meeting on 11 May 2016, the Articles of Association of the Company was amended as follows:

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

The Company may distribute earnings according to the distribution plan proposed by the Board and approved by an Ordinary Resolution, unless provided otherwise in the Articles. The Board shall set aside out of the earnings of the Company for each financial year in the following orders:

(1) payment of tax for the relevant financial year;

(2) an offset of its losses in previous years that have not been previously offset; and

(3) special capital reserve, if it is required in accordance with the Applicable Listing Rules or as required by the competent authorities.

Subject to the aforesaid, if there is any remaining earnings for each fiscal year (the "Remaining Earnings"), such Remaining Earnings plus all accumulative and undistributed profits from previous years shall be the distributable profits of the Company. The business of the Company is in a mature industry, and the Board may consider factors of financial conditions, business and operation, etc. of the Company, to propose distribute plan relating to shareholders dividends/bonus distribution after the shareholders' approval. The dividends/bonus distribution to the Shareholders under this clause shall not be less than 50% of the Remaining Earnings, and the cash dividend shall not be less than 50% of the total dividends/bonus distribution and the remaining distribution may be in stock dividends.

2. Status of the Proposed (Confirmed) dividend distribution is as follows:

The Company's 2016 dividend distribution plan has been approved by the Board on 20 February

2017, cash dividend payable to distribute at NT$1.11 per share.

(g) Impact to Business Performance and EPS resulting from Stock Dividend Distribution: Not applicable.

(h) Staff and Directors' Remunerations

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

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

   Where the Company has profits for the year, it should appropriate 1%~15% as remuneration for staff and not more than 2% as remuneration for directors. However, if the Company has accumulated losses, such amount should be retained to cover the losses first. Staff remuneration may be made in cash or stock and may be given to staff of affiliated companies in accordance with laws. The distribution of staff and directors' remuneration should be approved by majority vote of directors present at a Board meeting attended by over two thirds of directors.

2. The accounting treatment in respect of any difference between actual distribution amount and the estimated amount of staff and directors remuneration and calculation basis of bonus shares.

   The estimated staff remuneration and remuneration of directors for the period was determined based on the requirements of the Articles of Association and was approved by the Board on 20 February 2017. There was no difference on the actual amount paid.

3. The distribution of remuneration as approved by the Board:

   (1) The amounts of remuneration for staff and directors in cash or stock. In case there is difference between them and the estimated amount for the year of recognition, the amount, cause and handling of the difference should be disclosed.

   On 20 February 2017, the Board approved the proposal to distribute staff and directors' remuneration of NT$11,869 thousand and NT$3,929 thousand respectively, which will all be made in cash.

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

4. Reporting of the situation and result of remuneration distribution at general meeting: The Company expects to hold a general meeting on 8 June 2017 to report the situation and result of remuneration distribution.

5. The actual distribution of staff and directors' remuneration for the previous year (including number of shares and amount distributed and share price). In case there is difference between them and the staff and directors' remuneration recognised, specify the amount, cause and handling of the difference:

   Under the 2015 dividend distribution plan of the Company, in accordance with the Articles of Association, cash dividend of NT$183,006 thousand (NT$3 per share) was distributed to shareholders, remuneration of approximately NT$17,024 thousand was distributed to staff and NT$6,161 thousand was distributed to directors. Such distribution was approved by resolution at the general meeting held on 11 May 2016. There is no difference between them and the distribution amount proposed by the Board.

5. OPERATIONAL HIGHLIGHTS

5.1 Business Activities

(a) Scope

1. Principal Business

The Company is principally engaged in the research and development, manufacturing and sales of traditional speakers, speakers and audio products with electronics, wireless speakers, premium speakers and earphones.

2. Key Products and Proportion to Turnover

Unit: NT$'000

Year / Item	2015		2016	
	Amount	%	Amount	%
Traditional Speakers	2,073,650	25.39	1,176,913	18.19
Speakers and Audio products with Electronics	4,250,647	52.05	3,423,002	52.91
Wireless Speakers	134,851	1.65	272,996	4.22
Premium Speakers	201,082	2.47	278,867	4.31
Earphones	594,043	7.27	598,850	9.26
Others (Note)	912,201	11.17	718,415	11.11
Total	8,166,474	100.00	6,469,043	100.00

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

3. Existing Products (Services) of the Company

Traditional Speakers	HTiB, Music Center Speaker
Speakers and Audio products with Electronics	DVD HTiB, Sound Bars, Multimedia Speaker, Premium Speaker, Wired Music Center, DVD Music Center
Wireless Speakers	Bluetooth® Speaker, Light Speaker, Wireless Multi-room System
Premium Speakers	Premium Speakers Driver, Car Speaker
Earphones	Stereo canal earphones, headsets, earphones for mobile phones, stereo in-ear earphones, and Bluetooth® wireless earphones

4. New products planned to develop

   1. Traditional Speakers:

      Speaker systems with Electronics, Double suspensions Speakers and Double magnets high efficiency Speakers, Level II (Designed In Denmark) transducers range.

   2. Speakers and Audio Products with Electronics:

      Dolby Atmos GenII Sound Bars, Sound Bars with Alexa.

3. Wireless Speakers

Cloud Smart Speakers, IPX7(water proof) Bluetooth® Speakers, Dolby Audio Portable Speakers, Multi-room Wi-Fi Speakers。

4. Premium Speakers

Audio Video Receiver and High Power Speaker Box

5. Earphones:

Wireless stereo earphones, Digital high resolution Active Noise cancellation stereo earphones, High resolution stereo earphones, Bluetooth® with Active Noise cancellation earphones, High resolution speaker units, IPX4 sport type Bluetooth® earphones, Patented Coaxial speaker unit earphones, Patented radiator earphones, Patented 3-way speaker unit headphones, High resolution headphones, gaming headphone and Bluetooth® earphones.

Patented coaxial earphones, High resolution speaker unit and earphones, Patented radiator earphones, Intelligent Bluetooth® sport earphones.

(b) Industry Overview

1. Current Industry Status and Development

The Company is a holding company incorporated in Cayman Islands in February 2011. Its operating subsidiaries are principally engaged in the research and development, manufacturing and sales of speaker systems, earphones and audio/video electronics. Its products are mainly applied in electronic consumer products like home theatre, home audio sets, computer and digital audio players, mobile phones, etc. and are classified as the industry of audio/video electronics product manufacturing according to the industrial product classification of Ministry of Economic Affairs, Taiwan.

(1) Speaker Systems and Audio/Video Systems

With more than 70 years of history, the speaker industry is also known as electro-acoustic industry, and a speaker is a convertor which converts electric signals to audio signals, representing a key component in the output end of an audio/video electronic product. All wonderful sounds of human beings are converted which has extensive applications such as home theatre, multimedia computer, car audio, etc. Set our below is the description of the key products of the Company: home audio/video systems, premium speakers systems, audio/video systems and earphones:

A. Home Audio/Video Systems

Home audio/video systems, being a key product of the Company, is an inevitable component in the sound output end of home audio/video type of product. The development of which is described as follows:

In the past, a hi-fi set could satisfy all the entertainment of a whole family. Up today, along with the development of different audio/video equipment, and the change of people’s living style, as well as the rapid economic growth, people tends to devote much time on family leisure activities and the old hi-fi set could no longer cope with different formats of the audio/video resources and also the demand of people. Thus, it drives the consumers’ demand for home theatre and Sound Bars.

Since slim case is a definite trend for LED TV and Smart TV and the speakers in traditional TV cannot perform multi-channel surround sound due to structural limitation, external high quality sound system is naturally the best partner for HDTV and accessories. Therefore, the market demand for sound bards of home theater is growing rapidly.

B. Premium Speaker Systems

The unremitting pursuit of perfect sound by top customers in the market and the general rise in living standard are driving the demand for high quality speakers. Premium speakers have become a must for transforming public and private premises into high-end environments. Major car manufacturers also see premium speakers as a differentiating feature for high-end cars.

C. Audio/Video Systems

According to surveys, the product R&D and marketing strategy of audios and home theater still focus on innovation, hi-tech and design. Through featuring digital network, resource sharing and diversified entertainment, audios and home theater have entered a new era of "enjoying audio".

In recent years, with thriving development of personal smart networking devices and streaming music, wireless audio system focusing on personalization and miniaturization has been the main stream of audio market. Product design not only needs to consider the demand for functionality, but also needs to take into account visual aesthetics of home and lifestyle. It needs to uphold the environmental protection concept of natural ecosystem and naturalistic aesthetics by using natural materials and elements. Various colors shall be available for choice, which makes personal audio system not only an aural delight, but also integrates into existing living environment to be a symbol of lifestyle. It will be a new trend for audio market.

(2) Earphones

Being an inevitable component in output end of mobile audio/video players, earphones, the key product of the Company, is comprised of four parts: head band holder, ear piece, cable and plug and speaker (left and right audio units). Over the recent years, with the rapid development of tablets and smart phones, earphones as one of the portable auxiliary equipment is becoming main concern of consumers and the demand for the design and quality of which is getting higher. Earphones can be classified as four kinds, circumaural, in-ear, supra-aural and canal, based on its design and functions.

2. Development Trend and Competition of Products

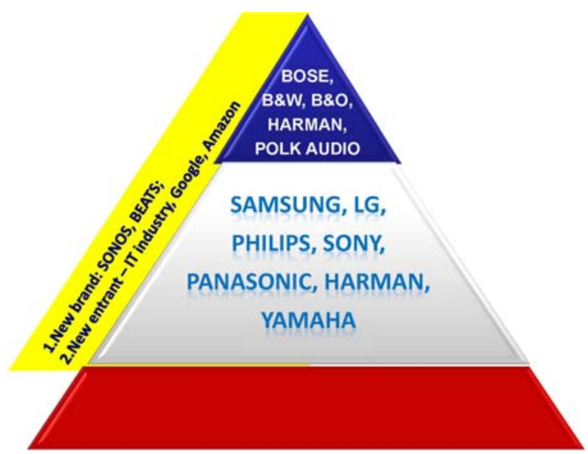
(1) Development Trend of Products

Speaker Systems and Audio/Video Systems

Over the latest few decades, the industry reached breakthrough in terms of use of materials and prototyping technology and the development was relatively slow. For the recent years, the rapid evolvement of digitalization and networking, and the popularity of portable electronic consumer products namely LED TV, DVD Blu-ray player, portable PC, tablet computer, MP3 music player and smart phones have drastically changed the demand of consumer for audio of video entertainment. To cater for the consumers' demand for audio/video experience, the whole speaker industry is under considerable transformation. Different kinds of speaker systems are unveiled in line with the transformation of the downstream electronic consumer products. As such, the life cycle of product is diminished, the technologies of speaker products and electronic digital system integrate, and the industry is developing towards multi-functions, wireless, chic style and light in size.

In the past, audio products have been supplied by Driver and Loader. Recently, however, it has been gradually shifted to the mode of supply by wireless transmission or cloud transmission. The size of main-unit is greatly reduced. This trend has enabled the shift to product unification of main unit and speakers from the separation installation of main unit and speakers. The size of sound products are reduced but the popularity among customers is greatly enhanced. The smart speakers with voice as an interface and with connection with the Cloud become household intelligent assistant. This type of product will grow at a high speed.

As for the OEM industry in which the Company engages, Amazon's Echo is a dark horse, which redefines speaker and pose great threat. However, it also represents an opportunity in contrast. With the success of Echo, speaker has become a component of smart home settings. There are several rooms in a house. Each room needs different speaker, depending on the functionality of speaker, preference of the owner and the environment. In living room, quality stereo speaker may be preferred; in bathroom, moisture and water proof speaker may be the best choice; in balcony and kitchen, which are usually noisy, it may need a loud speaker…Echo cannot satisfy all these special needs, in which are the proficiency of traditional speaker manufacturers. Given that smart speaker with voice control function has been preliminarily accepted by the market, it represents a commercial opportunity for the Company to engage in non-traditional OEM business, though there is increasing number of non-traditional OEM competitors from IT industry.



Earphones

In the development of the earphones business, intelligent earphones will be a focus in the future. Digitalized transmission of the earphones enables more and bigger data to be transmitted to the earphones and transmits them faster and with less distortion, enhancing the function and sound quality of playback. Furthermore, personal biological information may be transmitted back to the mobile phone which greatly widens the functions of earphones.

As for AirPod®, smart earphones produced by Apple Inc., it targets at the rigid demand of wireless earphones with smart added-value. What the surprise of Apple caused may start from these smart earphones, which have far-reaching influence. From 2007-2012, compound annual growth rate of the sales of Bluetooth® earphones around the world was 31.1%. Up to 2012, the market size of Bluetooth® earphones amounted to 48,580 units, representing 6.5 times compared with 2006. In 2013, the sales of wired earphones amounted to 1.35 billion units, of which 1.17 billion units were for the use of mobile phones and remaining 180 million units were for the use of other industries. Total sales amount of earphones around the world has exceeded USD10 billion, of which the sales of stereo high-end earphones with high fidelity accounted for over 50%, i.e. over USD5 billion. In 2013, total sales volume of earphones around the world was approximately 5 billion units and the market size exceeded USD10 billion. Together with other portable audio products, the sales volume of consumer audio electronics products around the world was approximately 2 billion units and the market size exceeded USD20 billion.

(2) Competition

Speaker Systems and Audio/Video Electronics Systems

Even since its invention, the principle of speaker has no significant change. It is structurally comprised of three sections: vibration system, magnetic loop and main body. Over long-term history, the speaker manufacturing industry has reached mature development stage. There is complete supporting system for raw materials and it is a labour intensive industry. Product competitiveness depends on the manufacturing technology and cost. Overall, it is not difficult to enter into the industry and thus there are numerous vendors and many small plants. A relatively significant investment has to be injected to plants, machineries and equipment, capital injection is therefore a barrier of entrance for small vendor. New players have less advantage in terms of production technology, research and development, which also hinders their entrance into the market. Competition of the industry has two opposite extremes. While large-scaled vendors have mature technology and expanded equipment to easily reach scale of economy, the small vendors or new players are hard to keep abreast of their development. Besides, the OEM order taking nature of the industry results to intense price competition and vendors need to obtain higher margin by cost control, product differentiation and value adding. Under such vigorous competition, “the bigger one gets bigger” becomes a development norm of the industry. Only big vendors with high management efficiency and continuous new innovations can standstill amid intense competition and strengthen its position as long-term supplier in the market.

By virtue of our capabilities in cost control, product differentiation and creation of higher value in the traditional speakers industry, the Company has become the world’s leading speaker systems and audio/video electronics systems OEM and ODM manufacturers with the customers who are the top five brands in the industry, outpacing other industry players.

Earphones

The demand for earphones has been growing following the popularity of smartphone and functional innovations. Such huge opportunities also attract massive competition. As the earphones division of the Company is of middle size, facing the competition of large competitors, the Company maintains good relationship with existing clients through flexible and customized services, and secures the growth of business and client orders with extensive R&D in earphones technologies.

(c) Technology, Research and Development ("R&D")

1. R&D Personnel and their Qualification

Unit: No. of individuals

<table>
<tr><th colspan="2">Year / Item</th><th>2015</th><th>2016</th><th>As at 31 March 2017</th></tr>
<tr><td rowspan="5">Education Background Distribution</td><td>Doctoral</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Postgraduate</td><td>3</td><td>2</td><td>1</td></tr>
<tr><td>Degree/Professional</td><td>164</td><td>160</td><td>169</td></tr>
<tr><td>Senior High School</td><td>60</td><td>55</td><td>57</td></tr>
<tr><td>Lower than Senior High School</td><td>47</td><td>48</td><td>45</td></tr>
</table>

2. R&D expenses and its percentage to net turnover for the latest two years and as of the recent quarter.

Unit: NT$'000; %

Year	2015	2016
R&D Expenses (A)	339,904	273,408
Net Revenues (B)	8,166,474	6,469,043
The Proportion of R&D Expenses %=(A)/(B)	4.16	4.23

(d) Long Term Development Strategies and Plans

1. R&D Strategies and Plans

Developing light in size, portable speaker is a market trend for young consumers group, while design of speaker driver needs to be improved by using new materials or amending structure in order to enhance audio quality. And make use of the technology of the word-class transducer brand SCAN-SPEAK from its subsidiary in Denmark, research and development of high-quality low-cost transduce so as to introduce a high-priced low-cost competitive advantage for the Group.

Besides, the system functions must be innovative. In addition to basic Bluetooth® wireless connection, the function key should no longer operate by touch screen function, therefore, it is planned to develop non-traditional way to operate function keys like acoustic control or motion sensor, so as to enhance trendy style of the speaker.

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

In respect to the earphones products, the Company will actively promote the possession of more than 30 patents and cooperate with our clients so as to achieve win-win situations for maximizing the profits.

2. Production Strategies and Plans

   A. Establishing long-term partnership with customers by providing reliable quality products so that they can focus on market development.

   B. Transforming from high labour-intensive production to low labour intensive production and from physical labour to intelligent labour by using automatic equipment and through product transformation.

   C. Strengthening the R&D centres in Shenzhen, Taiwan and Huiyang so as to support the engineering development capabilities of the plants.

3. Operational and Financial Strategies and Plans

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

   B. Reinforcing risk control to realize the operation vision of stability, high efficiency and adequate flexibility.

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

5.2 Market and Sales Overview

Market Analysis

1. Regions of Major Product Sales (Service Provision)

Unit: NT$'000

Regions \ Year	2015		2016	
	Amount	Ratio (%)	Amount	Ratio (%)
China (Note)	3,858,979	47.26	3,266,108	50.49
Hong Kong	2,652,828	32.48	1,471,984	22.75
Japan	330,877	4.05	610,597	9.44
Brazil	191,836	2.35	26,686	0.41
Others	1,131,954	13.86	1,093,668	16.91
Total	8,166,474	100.00	6,469,043	100.00

Note: Including indirect export

2. Competition Niche

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

KYET participates in the early development of customers with its outstanding and professional design, from design, development to manufacturing. It has obtained recognition from the world's branded enterprises like European Company P, Japanese Company S, Korean Companies L and Company S. Apart from the long-term relationship, the excellent customer services and product quality help KYET enhance the relationship with clients from purchase and sale to partnership in new product R&D. With strong relationship over the decades with the branded enterprises, the Company possesses competitive advantage in exploring new clients and competitors are hard to replace the market position of the Company. Currently, the world's top five audio brands have all become strategic partner of KYET.

(2) Strong R&D Capability

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

(3) Scale of Economy

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

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

Development of International new high technologies like micro-electronic technology, digital compressing, compiling and decoding technology, large storage technology and computers, especially digital compressing technology, are becoming mature and standardized, and applied in large-sized circuits, thereby considerably boosting digitalization of electronic consumer products. Digitalization technology can be widely used in various fields, and with the popularity of network, combining the technology with electronic consumer products, computers, communication devices is a definite trend. Therefore, stereo products are becoming digitalized, multi-functional, networking, intelligent and light in size. To cope with this trend, the Company has the R&D capability of electronic system-integrated speaker systems and will continue to inject resources and explore new product lines so as to keep abreast of music digitalization and networking trend. Beside, in light of the growing concern of environmental protection, the Company has also complied with the environmental protection policies announced by EU and US to produce environmental friendly products, enabling the Company to become green partners with international enterprises.

5.3 Number of Employees for the Latest Two Years and as at the Date of Issue of Annual Report

Unit: individual; %

No. of individual \ Year		2015	2016	As at 31 March 2017
No. of employees	Management (Note)	35	30	32
	Production	2,017	1,796	2,045
	General	1,551	1,385	1,395
	Total	3,603	3,211	3,472
Average age		30.33	34.48	33.72
Average years of service		4.79	5.91	5.34
Academic Qualification (%)	Doctoral	0.00	0.00	0.00
	Master	0.42	0.31	0.29
	Degree/Professional	13.07	12.64	12.41
	Senior High School	20.01	20.18	19.87
	Below Senior High School	66.50	66.86	67.43

Note: Manager represents officers of senior level or above.

5.4 Environmental Protection Expenditure

Description for the latest two years and as of the issue date of this annual report, losses suffered due to pollution (including compensation), total amount of fines, and the future responsive measures (including improvement measures) and possible expenditure (including estimated amount of fines and compensations that may incurred before implementing responsive measures, in case the amount cannot be reasonably estimated, explanation of the reason): Nil

5.5 Labour Relationship

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

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

(1) Employees’ Benefits

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

A. The Company implements employee benefit initiatives regularly and maintains employee insurance in accordance with local laws.

B. Human-oriented promotion and transfer policies as well as effective bonus incentive scheme.

C. Recreational activities are held.

D. School fee subsidies for children of factory employees studying in the Xiu De Chinese – Anglo Kindergarten.

E. Factory canteen provides nutritious and hygienic food for employees.

(2) Continuous Academic Development and Training

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

A. Orientation Training:

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

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

B. On-the-job Training:

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

(3) Pension System and its Execution:

For the subsidiary in Taiwan, it has formulated the employee retirement programs according to “Labour Standards Act” and set up Pension Reserve Monitoring Committee by the local regulations. The subsidiary is required to allocate monthly allocation of reserves for labour retirement and deposit them at the special account of the Bank of Taiwan under the title of the Committee. The Committee is responsible for managing and utilizing the reserve for retirement.

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

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

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

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

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

6. FINANCIAL INFORMATION

6.1 Five-Year Financial Summary

(a) Condensed Balance Sheets and Income Statements

1. Condensed Balance Sheet

Unit: NT$'000

Item \ Year		Financial Information of the Latest Five Years					As at 31 March 2017
		2012	2013	2014	2015	2016	
Current Assets		2,266,988	2,165,173	2,398,124	3,280,555	2,841,601	2,925,570
Property, plant and equipment		431,378	507,811	563,432	1,205,589	976,413	891,278
Intangible Assets		12,795	13,713	237,093	204,873	211,279	208,607
Other Assets		16,266	17,516	18,194	204,205	198,687	192,470
Total Assets		2,727,427	2,704,213	3,216,843	4,895,222	4,227,980	4,217,925
Current Liabilities	Before distribution	974,373	578,444	972,760	2,613,568	2,431,373	2,671,949
	After distribution	1,012,745	882,194	1,276,510	2,917,318	2,614,379	2,671,949
Non-current Liabilities		8,066	8,381	96,708	309,355	151,920	147,306
Total Liabilities	Before distribution	982,439	586,825	1,069,468	2,922,923	2,583,293	2,819,255
	After distribution	1,020,811	890,575	1,373,218	3,226,673	2,766,299	2,819,255
Equity Attributable to Parent Company		1,706,616	1,813,638	1,843,625	1,668,549	1,461,681	1,398,670
Share Capital		607,500	607,500	607,500	610,020	615,020	615,020
Capital Reserve		769,504	729,815	729,815	744,831	756,922	756,922
Retained Earnings	Before distribution	351,975	684,768	642,019	568,647	379,009	205,146
	After distribution	313,603	381,018	338,269	264,897	196,093	205,146
Other Equity		16,009	95,305	168,041	48,801	(106,354)	(178,418)
Treasury Shares		-	-	-	-	-	-
Non-controlling Interests		-	-	-	-	-	-
Total Equity	Before distribution	1,744,988	2,117,388	2,147,375	1,972,299	1,644,687	1,398,670
	After distribution	1,706,616	1,813,638	1,843,625	1,668,549	1,461,681	1,398,670

Source: Audited consolidated financial statements from 2012 to 2016 and reviewed consolidated financial statements for the period ended 31 March 2017.

2. Condensed Comprehensive Income Statement

Unit: NT$'000

Item \ Year	2012	2013	2014	2015	2016	2017 Q1
	Financial Information of the Latest Five Years					
Sales	4,415,191	5,219,379	5,685,347	8,166,474	6,469,043	1,513,150
Gross Profit	690,739	790,929	902,509	1,232,812	1,005,744	177,907
Operating Profit and Loss (Note 2)	314,933	361,559	295,368	212,014	106,224	(20,992)
Non-operating Income and Expense	9,656	16,094	22,191	88,965	87,082	43,014
Net Profit Before Tax	385,462	377,653	317,559	300,979	193,306	22,022
Continuing Operations Net Profit for the period	308,877	328,876	264,652	255,274	133,932	9,053
Loss from Discontinued Operations	-	-	-	-	-	-
Net Profit (Loss) for the period	308,877	328,876	264,652	255,274	133,932	9,053
Other Comprehensive Profit and Loss (Net Amount After Tax) for the period	51,635	81,896	69,085	(90,421)	(163,142)	(74,001)
Total Consolidated Profit and Loss for the period	360,512	410,772	333,737	164,853	(29,210)	(64,948)
Net Profit Attributable to Owners of the Parent Company	308,877	328,876	264,652	255,274	133,932	9,053
Net Profit Attributable to non-controlling interests	-	-	-	-	-	-
Total Comprehensive Profit and Loss Attributable to Owners of the Parent Company	360,512	410,772	333,737	164,853	(29,210)	(64,948)
Total Comprehensive Profit and Loss Attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share (Note 1)	5.60	5.41	4.36	4.23	2.22	0.15

Source: Audited consolidated financial statements from 2012 to 2016 and reviewed consolidated financial statements for the period ended 31 March 2017.

Note 1: Earnings per share for the year 2012 were based on weighted average shares of the Company of 55,125 thousand; earnings per share for the year 2013 and 2014 were based on the weighted average shares of the Company of 60,750 thousand; earnings per share for year 2015 were based on the weighted average shares of the Company of 60,393 thousand; earnings per share for year 2016 were based on the weighted average shares of the Company of 60,270 thousand and the earnings per share for the first quarter of 2017 were based on the weighted average shares of the Company of 60,749 thousand.

Note 2: Operating (loss) profit was measured based on gross operating profit – marketing expenses – general and administrative expenses.

3. Simplified Balance Sheet – Taiwan Financial Reporting Standards: Not applicable

4. Simplified Profit and Loss Statement – Taiwan Financial Reporting Standards: Not applicable

(b) Any significant event that may affect the consistency and comparability of the said condensed financial statements, such as change of accounting policies, mergers or cease of operation, and resulting effect to the financial statements for the year: Nil

(c) Name of the certified public accountants and their opinion for the latest five years

1. Name of the certified public accountants and their opinion for the latest five years

Year	Certified Public Accountants	Accounting firm	Opinion
2011	Shih, Chin-Chuan, Lai, Kwan-Chung	Deloitte & Touche	Modified but unqualified
2012	Shih, Chin-Chuan, Lai, Kwan-Chung	Deloitte & Touche	Modified but unqualified
2013	Shih, Chin-Chuan, Lai, Kwan-Chung	Deloitte & Touche	Modified but unqualified
2014	Shih, Chin-Chuan, Lai, Kwan-Chung	Deloitte & Touche	Modified but unqualified
2015	Shih, Chin-Chuan, Lai, Kwan-Chung	Deloitte & Touche	Modified but unqualified
2016	Lai, Kwan-Chung Liu, Shu-Lin	Deloitte & Touche	Unqualified opinion with emphasis-of-matter paragraph

2. If there was any change of auditor for the latest five years, the Company, the former and successive auditors shall state the reason for the same: Not applicable

6.2 Five-Year Financial Analysis

1. Five-Year Financial Analysis – International Financial Reporting Standards

Analysis Item		Financial Information of the Latest Five Years 2012	2013	2014	2015	2016	As at 31 March 2017
Financial Structure (%)	Debt ratio	37.43	32.93	42.69	65.91	65.43	66.84
	Ratio of long term capital to property, plant and equipment	395.62	357.15	344.38	164.06	165.26	173.46
Solvency (%)	Liquidity rate	223.85	245.43	187.87	112.45	108.69	109.49
	Quick ratio	188.82	208.08	151.21	87.84	85.48	82.39
	Interest protection multiples	275.74	47,207.63	97.96	12.55	7.63	4.07
Operating Capability	Turnover of receivables (times)	4.27	5.52	5.56	6.08	4.92	5.10
	Average cash collection days	85	66	66	60	74	72
	Inventory turnover (times)	10.99	14.57	14.65	14.23	9.42	9.00
	Turnover of payables (times)	4.44	6.12	5.56	5.76	4.15	4.26
	Average sales days	33.21	25.05	24.91	25.65	38.75	40.56
	Turnover of property, plant and equipment (times)	10.24	10.28	10.09	6.77	6.63	6.79
	Total assets turnover (times)	1.62	1.93	1.77	1.67	1.53	1.43
Profitability	Return on equity (%)	11.93	12.11	9.02	6.85	3.49	1.45
	Percentage to equity (%)	21.71	18.68	14.47	14.54	8.56	2.53
	Net income before tax to paid-in capital (%)	63.45	62.17	52.27	49.34	31.43	14.32
	Net income to sales (%)	7.00	6.30	4.65	3.13	2.07	0.60
	Earnings per share (NT$) (Note 2)	5.60	5.41	4.36	4.23	2.22	0.15
Cash Flow	Cash flow rate (%)	18.14	62.31	19.50	22.48	24.51	(8.31)
	Rate of cash and cash equivalent (%)	Note 1	91.33	83.38	90.04	118.24	Note 1
	Cash investment rate (%)	6.06	9.57	(2.00)	12.20	17.76	(8.79)
Leverage	Operating leverage	1.23	1.19	1.33	2.06	3.16	(1.71)
	Financial leverage	1.00	1.00	1.01	1.14	1.38	0.75

Analysis of the 20% change in certain financial ratios in the past two years:

1. In 2016, our order taking volume declined due to slump in international market, which caused a sharp decrease in net profit before income tax and interests compared with 2015 and a decrease in interest coverage to 7.63 times.
2. In 2016, our order taking volume declined due to slump in international market, which caused a sharp decrease in net sales and net cost of sales compared with 2015, and further caused a significant increase in average cash collection day and average inventory turnover day compared with 2015. As a result turnover of receivables, inventory turnover and turnover of payables decreased to 4.92 times, 9.42 times and 4.15 times respectively.
3. In 2016, our order taking volume declined due to slump in international market, which caused a sharp decrease in profit and loss before and after tax compared with 2015, and further caused decrease in return on equity, income before tax to paid-in capital, net income to sales and earnings per share 3.49%, 31.43%, 2.07% and NT$2.22 respectively in 2016. In addition, the depreciation of Renminbi caused a negative translation difference in other comprehensive income for the year due to the conversation of financial statements of foreign operating entities, which led to the decrease of net equities at the end of the year compared to the end of last year. As a result, shareholders' percentage to equity dropped to 8.56% in

2016.

4. In 2016, our order taking volume declined due to slump in international market, which caused a sharp decrease in trade receivables, inventories, trade payables and working capital compared to the end of last year. In addition, the depreciation of Renminbi caused a negative translation difference in gross fixed assets for the year, which led to the decrease of gross fixed assets at the end of the year compared to the end of last year. As cash dividend paid in 2016 reduced compared with last year, actual amount of cash generated from operation increased. The combination of the above led to the increase of cash flow reinvesting ratio to 17.76% in 2016.
5. In 2016, our order taking volume declined due to slump in international market, which caused a decrease in operating profit for 2016 comparing to last year and further increased operating leverage and financing leverage to 3.16 and 1.38 respectively.

Note 1: The Company did not prepare the consolidated cash flow statement prior to 2008. Therefore, the rate of cash and cash equivalents of 2012 cannot be determined. In 2017, net cash flow was only recorded in the first quarter. Thus, rate of cash and cash equivalent was not calculated.

Note 2: Earnings per share for the year 2012 were based on the weighted average shares of the Company of 55,125 thousand; earnings per share for the year 2013 and 2014 were based on the weighted average shares of the Company of 60,750 thousand; earnings per share for year 2015 were based on the weighted average shares of the Company of 60,393 thousand and earnings per share for year 2016 were based on the weighted average shares of the Company of 60,270 thousand.

Note 3: Financial Analysis Formula

1. Financial Structure
   (1) Debt ratio = total liabilities / total assets.
   (2) Ratio of long term capital to property, plant and equipment = (total equity + non-current liabilities) / property, plant and equipment, net.

2. Solvency
   (1) Liquidity ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventories – prepayment) / current liabilities.
   (3) Interest protection multiple = net profit before income tax and interests / interest paid for the period.

3. Operating Capability
   (1) Receivables (including trade receivables and bill receivables arising from operation) turnover = net sales / balance of average receivables (including trade receivables and bill receivables arising from operation) for each period.
   (2) Average cash collection day = 365 / receivables turnover.
   (3) Inventory turnover = cost of sales / average inventory.
   (4) Payables (including trade payables and bill payable arising from operation) turnover = cost of sales / average payables (including trade payables and bill payables arising from operation) for each period.
   (5) Average inventory turnover day = 365 / inventory turnover.
   (6) Turnover of property, plant and equipment = net sales / average equity of property, plant and equipment.
   (7) Total assets turnover = net sales / average total assets.

4. Profitability
   (1) Return on asset = [profit or loss after tax + interest expenses x (1- tax rate)] / average total assets.
   (2) Return on equity = profit or loss after tax / average total equity.
   (3) Net income to sales = profit or loss after tax / net sales.

(4) Earnings per share = (profit or loss attributable to owners of the parent company – special dividend) / weighted average number of shares issued.

5. Cash Flow
   (1) Cash flow rate = net cash flow from operating activities / current liabilities.
   (2) Ratio of cash and cash equivalent = net cash flow generating from operating activities for the latest five years / (capital expenditure + increase in inventory + cash dividend) for the latest five years.
   (3) Cash investment ratio = (net cash inflow from operating activities – cash dividend) / (gross value of property, plant and equipment + long term investment + other non-current assets + working capital).

6. Leverage
   (1) Operating leverage = (net operating income – movement on operating cost and expenses) / operating profit.
   (2) Financial leverage = operating profit / (operating profit – interest expenses).

Note 4: The following shall be considered in assessing the equation for earnings per share (EPS) as aforementioned:
1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual EPS of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (issued or not) shall be subtracted from net profit after tax or added to net loss after tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after tax if net profit after tax is earned, or no adjustment is required if loss arises.

Note 5: Consider the followings in conducting cash flow analysis:
1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow to annual capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends includes the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to total property, plant and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgement is involved, please note the reasonability and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT$10 per share, said calculation about the percentage to the paid-in-capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

2. Five-Year Financial Analysis – Taiwan Financial Reporting Standards: Not applicable

6.3 Consolidated Financial Statements for the years ended 31 December 2016 and 2015, and Independent Auditors’ Report: Please refer to pages 40 to 106

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Eastern Technologies Holding Limited

Opinion

We have audited the accompanying consolidated financial statements of Eastern Technologies Holding Limited and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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.

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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

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

Emphasize Matter

As stated in Note 26(a) to the consolidated financial statements, as of December 31, 2016, Eastern Asia Technology (HK) Limited ("EAH"), a subsidiary of KYET, has receivables, net of allowance, amounted to HK$8,654 thousand (equivalent to approximately NT$36,013 thousand) that is related to litigations. And the outcome of it is dependent on the Courts' judgements. The recoverability of any potential awards by the Courts is also subject to the availability of assets by the defendants to the litigations. EAH has assessed that no further allowance is required to be made of the receivables.

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, 2016. 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, 2016 are stated as follows:

Revenue Recognition

The Group is the OEM/ODM manufacturer of speaker systems, and AV electronics products. Major customers are internationally renowned audio/video 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.

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

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

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

3. Perform the following analytical procedures:

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

4. We performed testing over major customer contracts by reviewing the terms and conditions of sale, agreeing the accounting treatment and revenue recognition applied; and assessing if IAS 18 is complied with.

Impairment on Intangible Assets (Including Goodwill)

According to the accounting standards, management is required to carry out an annual impairment test which incorporates judgements based on assumptions about future profitability for the related businesses against which appropriate long-term growth rates and discount rates must be applied.

We focus on this risk because it involves a lot of judgements which includes forecasting the future results of the business by estimating future cash flows, profit margins and inflation rates and determining the discount rates for the calculations. No impairment loss has been recognized in current year after the assessment by management.

In addition to considering the need for any impairment loss, we focused on these disclosures because they form a valuable communication and enable the users of the financial statements to understand the basis for management of whether or not an impairment was needed.

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

1. We tested the design and implementation of management's key controls around testing the assessment of the recoverability of goodwill and other intangible assets.

2. As part of this process, we obtained copies of the valuation models used to determine the recoverable amount of each cash generating unit and tested the arithmetical accuracy of the models.

3. We challenged the assumptions underpinning the models, including the discount rates used, long-term growth rates and cash flow forecasts. This was achieved through assessment of the reasonableness of forecast future cash flows by comparison to historical performance and future outlook; and discussions with management.

4. We performed further sensitivity analysis taking into account the historical forecasting accuracy of the Group recognizing its recent performance. We evaluated the appropriateness and year-on-year consistency of underlying assumptions applied.

5. We considered the related disclosures to the financial statements by checking if they complied with the requirements of IFRSs.

Capitalization of Expenditure Under Development Stage

With the continuous development of technology, audio and video electronics products continue to weed through the old to bring forth the new. Electronic engineering research and development team needs to spend more cost to improve materials, devices, new products substantially. In addition, the production lines also need to have different configurations in order to match with the different electronic circuit design.

Consider the development expenditure is to cope with the order needs of the international brand enterprises, the management has capitalized certain expenditure under development stage (in accordance with certain conditions met) in order to reflect the financial status of the Group objectively and meet the matching principle of income and expenses. In this way, it will make successful development cost (recorded under intangible assets) closer to its actual value. And it will be amortized gradually over the future production and delivery.

We focus on this risk because certain specific conditions under IFRSs should be met for capitalization of development costs. And it must have appropriate internal control systems and effective implementation to ensure the reality and reasonableness of the development expenditure capitalized.

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

1. Considering the Group is an OEM/ODM manufacturer. The value chain activities include product design and development in addition to manufacturing. The focus of the capitalization is whether it has future economic benefits.

2. Discuss with the management and understand the expenditure at the development stage and assess whether the conditions of IAS 38 intangible assets are met.

3. Testing for internal controls includes sampling development list whether future orders support those new models (future economic benefits assessment).

4. Whether the capitalization of development expenditures ceases immediately when it is formally produced and whether the amortization period of intangible assets is consistent with

the production and sales plan of the Group.

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/video 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.

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 customer’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 members of 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, we are required 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, 2016 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.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 20, 2017

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. Also, as stated in Note 30 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands)

	2016		2015	
ASSETS	**HK$**	**NT$**	**HK$**	**NT$**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 225,018	$ 936,412	$ 203,065	$ 864,468
Financial assets at fair value through profit or loss - current (Note 7)	40	166	5,733	24,406
Notes and accounts receivable, net (Notes 8 and 24)	272,062	1,132,186	350,398	1,491,679
Inventories (Notes 10 and 24)	119,877	498,868	137,674	586,092
Non-current assets held for sale (Note 11)	387	1,611	-	-
Restricted assets (Notes 4 and 24)	1,397	5,814	3,261	13,882
Income tax recoverable	3,726	15,506	887	3,776
Other receivables and prepayments (Note 9)	59,965	249,544	69,209	294,630
Prepayments for land lease - current (Note 15)	359	1,494	381	1,622
Total current assets	682,831	2,841,601	770,608	3,280,555
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 12 and 24)	234,630	976,413	283,195	1,205,589
Financial assets measured at cost (Note 13)	27,045	112,548	26,525	112,920
Intangible assets (Notes 14 and 24)	50,770	211,279	48,125	204,873
Prepayments for land lease - non-current (Note 15)	17,580	73,159	18,831	80,165
Deferred tax assets (Notes 4 and 21)	3,119	12,980	2,612	11,120
Total non-current assets	333,144	1,386,379	379,288	1,614,667
TOTAL	$ 1,015,975	$ 4,227,980	$ 1,149,896	$ 4,895,222

	2016		2015	
LIABILITIES AND EQUITY	**HK$**	**NT$**	**HK$**	**NT$**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 16)	$ 214,246	$ 891,585	$ 227,244	$ 967,400
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	10,132	43,133
Notes and accounts payable (Note 17)	294,686	1,226,336	330,504	1,406,989
Other payables to related parties (Notes 23 and 29)	8,920	37,120	11,680	49,723
Current tax liabilities (Notes 4 and 21)	6,252	26,018	1,159	4,934
Other payables (Note 17)	103,941	432,550	104,330	444,143
Finance lease payables	185	770	234	996
Total current liabilities	628,230	2,614,379	685,283	2,917,318
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Note 16)	6,820	28,381	30,944	131,732
Other payables to related parties (Notes 23 and 29)	-	-	7,906	33,657
Other payables	-	-	4,543	19,340
Long-term finance lease payables	-	-	192	817
Deferred tax liabilities (Notes 4 and 21)	27,621	114,945	27,240	115,963
Net defined benefit liabilities - non-current (Notes 4 and 18)	2,065	8,594	1,843	7,846
Total non-current liabilities	36,506	151,920	72,668	309,355
Total liabilities	664,736	2,766,299	757,951	3,226,673
EQUITY (Note 19)				
Share capital - common stock	162,632	615,020	161,418	610,020
Capital surplus	200,400	756,922	197,472	744,831
Treasury shares	(9,929)	(40,671)	(9,929)	(40,671)
Exchange differences on translating foreign operations	(56,697)	(80,307)	(26,773)	80,338
Employee unearned benefit	(6,093)	(24,787)	(3,275)	(13,044)
Retained earnings				
Legal reserve	9,669	39,411	5,526	22,178
Unappropriated earnings	51,257	196,093	67,506	264,897
Total equity	351,239	1,461,681	391,945	1,668,549
TOTAL	$ 1,015,975	$ 4,227,980	$ 1,149,896	$ 4,895,222

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

(With Deloitte & Touche audit report dated February 20, 2017)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands)

	2016		2015	
	HK$	**NT$**	**HK$**	**NT$**
NET REVENUE (Notes 4 and 20)	$ 1,555,769	$ 6,469,043	$ 1,994,937	$ 8,166,474
COST OF REVENUE (Notes 10 and 20)	1,313,893	5,463,299	1,693,781	6,933,662
GROSS PROFIT	241,876	1,005,744	301,156	1,232,812
OPERATING EXPENSES				
Selling and distribution	33,535	139,442	40,581	166,122
General and administrative	182,835	760,078	208,775	854,676
Total operating expenses	216,370	899,520	249,356	1,020,798
PROFIT FROM OPERATIONS	25,506	106,224	51,800	212,014
NON-OPERATING INCOME AND EXPENSES				
Gain from bargain purchase (Note 29)	-	-	10,146	41,446
Other income (Note 20)	20,186	83,935	16,448	67,332
Foreign exchange gain (loss), net	8,826	36,699	15,534	63,590
Finance costs (Note 20)	(7,015)	(29,169)	(6,367)	(26,064)
Other losses (Note 20)	(1,054)	(4,383)	(14,007)	(57,339)
Total non-operating income and expense	20,943	87,082	21,754	88,965
PROFIT BEFORE INCOME TAX	46,449	193,306	73,554	300,979
INCOME TAX (Notes 4 and 21)	(14,279)	(59,374)	(11,165)	(45,705)
NET PROFIT	32,170	133,932	62,389	255,274

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands)

	2016		2015	
	HK$	NT$	HK$	NT$
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (600)	$ (2,497)	$ (2,628)	$ (10,749)
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(29,924)	(160,645)	(33,611)	(79,672)
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	$ 1,646	$ (29,210)	$ 26,150	$ 164,853
EARNINGS PER SHARE (Note 22)				
Basic earnings per share - after income tax	$0.53	$2.22	$1.03	$4.23
WEIGHTED AVERAGE NUMBER OF SHARES	60,270 thousand shares		60,393 thousand shares	

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

(With Deloitte & Touche audit report dated February 20, 2017) (Concluded)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of Hong Kong Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Retained Earnings		Total Equity
						Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2015	$ 160,785	$ 193,698	$ -	$ 6,838	$ -	$ 2,070	$ 87,925	$ 451,316
Appropriation of 2014 earnings								
Cash dividends	-	-	-	-	-	-	(76,724)	(76,724)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	572	-	-	-	-	-	572
Legal reserve of subsidiaries	-	-	-	-	-	3,456	(3,456)	-
Treasury shares held by a subsidiary	-	-	(5,966)	-	-	-	-	(5,966)
Restricted shares plan for employees	633	3,202	-	-	(3,275)	-	-	560
Buy-back of treasury shares	-	-	(3,963)	-	-	-	-	(3,963)
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	62,389	62,389
Other comprehensive loss (net of income tax) for the year ended December 31, 2015	-	-	-	(33,611)	-	-	(2,628)	(36,239)
BALANCE AT DECEMBER 31, 2015	161,418	197,472	(9,929)	(26,773)	(3,275)	5,526	67,506	391,945
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(43,676)	(43,676)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	325	-	-	-	-	-	325
Legal reserve of subsidiaries	-	-	-	-	-	4,143	(4,143)	-
Restricted shares plan for employees	1,214	2,603	-	-	(2,818)	-	-	999
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	32,170	32,170
Other comprehensive loss (net of income tax) for the year ended December 31, 2016	-	-	-	(29,924)	-	-	(600)	(30,524)
BALANCE AT DECEMBER 31, 2016	$ 162,632	$ 200,400	$ (9,929)	$ (56,697)	$ (6,093)	$ 9,669	$ 51,257	$ 351,239

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

(With Deloitte & Touche audit report dated February 20, 2017)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Retained Earnings		Total Equity
						Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2015	$ 607,500	$ 729,815	$ -	$ 160,010	$ -	$ 8,031	$ 338,269	$ 1,843,625
Appropriation of 2014 earnings								
Cash dividends	-	-	-	-	-	-	(303,750)	(303,750)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	2,265	-	-	-	-	-	2,265
Legal reserve of subsidiaries	-	-	-	-	-	14,147	(14,147)	-
Treasury shares held by a subsidiary	-	-	(24,018)	-	-	-	-	(24,018)
Restricted shares plan for employees	2,520	12,751	-	-	(13,044)	-	-	2,227
Buy-back of treasury shares	-	-	(16,653)	-	-	-	-	(16,653)
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	255,274	255,274
Other comprehensive loss (net of income tax) for the year ended December 31, 2015	-	-	-	(79,672)	-	-	(10,749)	(90,421)
BALANCE AT DECEMBER 31, 2015	610,020	744,831	(40,671)	80,338	(13,044)	22,178	264,897	1,668,549
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(183,006)	(183,006)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	1,366	-	-	-	-	-	1,366
Legal reserve of subsidiaries	-	-	-	-	-	17,233	(17,233)	-
Restricted shares plan for employees	5,000	10,725	-	-	(11,743)	-	-	3,982
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	133,932	133,932
Other comprehensive loss (net of income tax) for the year ended December 31, 2016	-	-	-	(160,645)	-	-	(2,497)	(163,142)
BALANCE AT DECEMBER 31, 2016	$ 615,020	$ 756,922	$ (40,671)	$ (80,307)	$ (24,787)	$ 39,411	$ 196,093	$ 1,461,681

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

(With Deloitte & Touche audit report dated February 20, 2017)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands)

	2016		2015	
	HK$	NT$	HK$	NT$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	$ 46,449	$ 193,306	$ 73,554	$ 300,979
Adjustments for:				
Amortization - other intangible assets	3,414	14,196	4,507	18,450
Amortization - prepayment for land lease	546	2,270	567	2,321
Bad debt expense	1,297	5,393	19	78
Allowance for inventories provision and inventories write-off	7,961	33,103	6,732	27,558
Depreciation expenses	51,284	213,244	49,988	204,631
Loss on disposal of property, plant and equipment	1,022	4,250	2,768	11,331
Realized loss from financial instruments	(3,624)	(15,069)	-	-
Written off of other intangible assets	-	-	4,696	19,223
Interest expense	7,015	29,169	6,367	26,064
Interest income	(607)	(2,524)	(939)	(3,844)
Gain from bargain purchase	-	-	(10,146)	(41,446)
Employees expenses - restricted shares	999	3,982	560	2,227
Fair value (gain) loss recognized on financial instruments	(17)	(71)	812	3,324
Operating cash flows before working capital changes	115,739	481,249	139,485	570,896
Changes in operating assets and liabilities				
Notes and accounts receivable	77,039	320,336	150,036	614,187
Other receivable and prepayments	9,245	38,442	46,692	191,138
Inventories	9,837	40,903	6,553	26,825
Notes and accounts payable and other payables	(40,751)	(169,447)	(164,607)	(673,835)
Accounts payable from related parties	1,014	4,217	(2,810)	(11,503)
Net defined benefit liabilities	222	923	-	-
Cash generated from operations	172,345	716,623	175,349	717,708
Interest paid	(7,015)	(29,169)	(6,367)	(26,064)
Interest received	607	2,524	939	3,844
Income tax paid	(11,817)	(49,136)	(9,697)	(39,696)
Net cash generated from operating activities	154,120	640,842	160,224	655,792
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash inflow on acquisition of subsidiaries (Note 29)	-	-	13,245	54,105
Decrease in payable for investment cost	(11,718)	(48,725)	(5,591)	(22,887)
Payments for acquiring property, plant and equipment	(16,512)	(68,659)	(76,806)	(314,413)
Decrease in pledged deposits	1,864	7,751	13,016	53,282
Increase in financial assets at cost	-	-	(3,801)	(15,560)
Proceeds from disposal of property, plant and equipment	742	3,085	1,674	6,853
Proceeds from disposal of derivative financial instruments	9,359	38,916	-	-
Increase in other intangible assets	(8,621)	(35,847)	(2,495)	(10,214)
Net cash used in investing activities	(24,886)	(103,479)	(60,758)	(248,834)

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands)

	2016		2015	
	HK$	NT$	HK$	NT$
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	$ 808,822	$ 3,363,163	$ 1,405,456	$ 5,753,375
Repayments of bank borrowings	(846,403)	(3,519,428)	(1,348,551)	(5,520,428)
Payment under capital lease contract	(238)	(990)	(327)	(1,339)
Buy-back of treasury shares	-	-	(3,963)	(16,652)
Cash dividend	(43,676)	(183,006)	(76,724)	(303,750)
Cash dividend received from treasury stock	325	1,366	572	2,265
Net cash used in financing activities	(81,170)	(338,895)	(23,537)	(86,529)
EFFECT OF EXCHANGE RATE CHANGES	(26,111)	(126,524)	(28,647)	(92,335)
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,953	71,944	47,282	228,094
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	203,065	864,468	155,783	636,374
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 225,018	$ 936,412	$ 203,065	$ 864,468
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	$ 226,415	$ 942,226	$ 206,326	$ 878,350
Pledge deposits	(1,397)	(5,814)	(3,261)	(13,882)
Cash and cash equivalents	$ 225,018	$ 936,412	$ 203,065	$ 864,468
IMPACT OF CASH AND NONCASH ITEMS FROM INVESTING ACTIVITIES (Note 29)				
Net cash inflow on acquisition of subsidiaries				
Acquisition of subsidiaries	$ -	$ -	$ (121,718)	$ (497,219)
Increase in payable for investment cost (recognized under other payables)	-	-	24,589	100,446
Cash and cash equivalents acquired	-	-	110,374	450,878
Net cash inflow	$ -	$ -	$ 13,245	$ 54,105
NON-CASH FOR INVESTING AND FINANCING ACTIVITIES:				
Stock of a parent company held by a subsidiary reclassification as treasury stock from long term investment	$ -	$ -	$ 5,966	$ 24,018

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

(With Deloitte & Touche audit report dated February 20, 2017) (Concluded)

1. GENERAL INFORMATION

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, manufacturing and sales audio/video ("AV") electronics products.

The registered address of the Company is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The Group's principal place of operation is Units 1703-7 Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 20, 2017.

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

a. Standards and interpretations effective for the year

The Group has adopted all new, revised or amended standards or interpretations effective after fiscal year beginning on January 1, 2016, the Group believes that the adoption new, revised or amended standards or interpretations will not have a significant effect on the consolidated financial statements for the year ended December 31, 2016.

b. Standards and interpretation issued but not yet effective

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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

IFRS 16 "Leases"

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Apart from the aforesaid impact, as of the consolidated financial statements report date, the Group is continuingly assessing the possible impact on the Group's financial position and financial performance upon initial adoption of above standards and interpretations, and will disclose the relevant impact when the assessment is completed.

4. BASIS OF PRESENTATION

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").

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.

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.

Business Combinations

a. Basis of consolidation

   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.

b. 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.

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest December 31 2016	Percentage of Ownership Interest December 31 2015	Descriptions
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and earphones	100.00	100.00	The Company acquired EAH 100% ownership interest on March 31, 2011 and thereby obtained 100% controlling power over EAH and its subsidiaries.
EAH	Hymnario-EAW (Huiyang) Co., Ltd. ("HYHY")	Production and sales of speaker systems and earphones	100.00	100.00	〃
	Hui Yang Eastern Asia Electronics Co., Ltd. (the "HYEA")	Production, assembly and sales of speaker systems and accessories	100.00	100.00	〃
	Huiyang Dongmei Audio Products Co., Ltd. (the "HYDM")	Production and sales of earphones	100.00	100.00	〃
	Shenzhen MaliMaliBox Trading Corporation Limited ("SZMM")	Wholesales and sales of earphones and related electronic products	100.00	100.00	SZMM was established by EAH on November 13, 2013.
	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.
	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of AV electronics products	99.98	99.98	As mentioned in Note 1, EAH acquired ETT 99.98% ownership interest in January 2015, and thereby acquired its 100% owned subsidiaries, ETH and ETHY.
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of AV electronics products	100.00	100.00	〃
ETH	Eastech Electronics (Hui Yang) Co., Ltd. ("ETHY")	Production and sales of AV electronics products	100.00	100.00	〃

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

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

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

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

c. The amount of revenue can be measured reliably;

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

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

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. 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.

Property, Plant and Equipment

Land and buildings held for used 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.

Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell. Recognition of depreciation of those assets would cease.

Prepayments for Land Lease

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

Goodwill

Goodwill arising from the acquisition of the company by the means to obtain the date of acquisition cost over the identifiable assets of the Group's subsidiaries recognized, liabilities and contingent liabilities in the net fair value. Goodwill is initially recognized as cost of assets and cost less any accumulated impairment losses to measure. When the acquired company is disposed, its goodwill should be derecognized and recognized in profit or loss for the period.

Gain from Bargain Purchase

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Intangible Assets

a. 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 life, residual value, and amortization method are reviewed at the end of the year, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Internally-generated intangible assets - research and development expenditure

   Expenditure on research activities is recognized as an expense in the period in which it is 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:

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

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

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

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

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

   6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

c. 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.

d. Derecognition of intangible assets

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

Impairment of Assets

There is material impairment loss incurred if the recoverable amount of the asset (mainly property, plant and equipment and goodwill) is estimated to be less than its carrying amount, an impairment loss is recognized immediately in profit or loss. If the recoverable amount of the asset (excluding goodwill) increases subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

When conducting impairment test, goodwill should be allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination. Unless there is indication of impairment of the cash generating unit to which goodwill is belong, each cash generating unit shall be tested for impairment annually by comparing the carrying amount (including goodwill) to its recoverable amount. In case the recoverable amount is less than its carrying amount, the impairment loss shall first be allocated to goodwill of the cash generating unit to reduce its carrying amount. Afterwards, the remaining impairment loss shall be allocated to each asset under the cash generating unit based on the share of proportion of the carrying amount. The recognized impairment loss of goodwill will not be reversed.

Leasing

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

a. The Group as lessor

Rental income from operating leases is recognized in profit or loss 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.

b. The Group as lessee

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

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

Borrowing Costs

Borrowing costs directly attributable to the 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 stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement Benefits

Except for partial employees of ETT adopt defined benefit retirement benefit plans, the rest of employees of ETT and employees in Hong Kong and Mainland China adopt defined contribution retirement benefit plans.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Defined benefit costs (including service cost, net interest and remeasurement) recognized under the defined benefit retirement benefit plans are determined by using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit asset are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

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

Share-based Payment Arrangements-Restricted Shares for Employees

The fair value of share-based payment (equity settled) that will eventually vested and expected share is estimated at the grant date. The fair value is then expensed on a straight-line basis over the vesting period based on the Company's estimate of equity instruments that will eventually vest, with a corresponding adjustment to other equity - employee unearned benefit. The fair value is recognized as an expense in full at the grant date when the share options are fully vested in grant date.

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 equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - restricted shares for employees.

Taxation

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

a. 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.

b. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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 to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

c. Current and deferred tax for the year

Current and deferred tax are recognized as an expenses or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. For items not recognized in profit and loss, its income tax will not be recognized in profit and loss.

Financial Instruments

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

a. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period. Income or expense is recognized on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

b. Financial assets

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

c. Derivative financial instruments

The Group enters into forward foreign exchange contract principally for the purpose of minimizing any risk that may arise from currency rate fluctuation and generating gains from currency exchange.

Derivative financial instruments are recognized at fair value upon inception of contract, and subsequently be measured at fair value as at balance sheet date. Difference between the carrying amount and the fair value is recognized in profit and loss.

If the maturity of derivative financial instruments is more than 12 months, or it is expected that the instrument will not be realized or settled within 12 months, the derivative financial instruments will be classified as non-current assets or liabilities, otherwise, it will be classified as current assets or liabilities.

d. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Apart from short-term receivables that are minimally affected by interest, loans and receivables (including cash and cash equivalents, trade debtors, other receivables, restricted assets and long-term receivables) are carried at amortized cost using the effective interest method, less any identified impairment loss.

e. Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

1) Significant financial difficulty of the issuer or counterparty; or
2) Default or delinquency in interest or principal payments; or
3) It becoming probable that the borrower will enter bankruptcy or financial re-organization.

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

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

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

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

f. Derecognition of financial assets

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

g. Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of direct issue costs. The financial liabilities are classified into "financial liabilities at fair value through profit or loss" and "other financial liabilities."

Other financial liabilities (including trade payables and other payables) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Borrowings are initially recognized at fair value less transaction costs. In subsequent periods, borrowings are measured at amortized cost using the effective interest method. Any difference between the actual proceeds less transaction costs and the settlement or redemption of borrowings is recognized over the term of the borrowings according to the Group's accounting policy for borrowing costs.

The fair value of financial liabilities denominated in foreign currency and classified as "financial liabilities at fair value through profit and loss" are determined in foreign currency and is translated at the currency rate prevailing at the end of the reporting period. Any exchange difference is recognized as part of the fair value gain or loss. For foreign currency denominated financial liabilities measured at amortized costs, its exchange difference is determined based on the amortized cost and the currency rate at the end of the reporting period. Exchange difference is recognized at profit and loss.

h. Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group's obligations is discharged, cancelled or they expire.

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, estimates 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 an 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. Allowance for accounts receivable and other receivables

The Group constantly reviews the recoverability of accounts receivable based on the aging analysis of the accounts receivable and other receivables, credit assessment, past collection history and environmental conditions. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Details of the allowances please refer to Notes 8 and 9.

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 12 for details about the carrying amount of the property, plant and equipment.

c. Inventories

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

d. Impairment of goodwill

When determining whether there is any impairment loss on goodwill, estimation shall be made on the recoverable amount of the cash generating unit to which goodwill has been allocated. To calculate the recoverable amount, the management needs to estimate the future cash flow expected to arise from the cash generating unit and its appropriate discount rate. Details of the carrying amount of goodwill at the end of reporting period, with no impairment loss recognized during 2016 and 2015 are set out in Note 14.

e. Amortization of other intangible assets

Amortization of intangible assets of the Group (excluding goodwill) is the cost recognized on straight line basis throughout its estimated useful life. Estimated useful life is the term estimated by the management of which the Group intends to use the intangible assets to generate economic benefits. Difference in expected frequency of use of the assets and development of new technologies would affect the economic useful life of assets. For the carrying amount of intangible assets, please refer to Note 14.

f. 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 21.

6. CASH AND CASH EQUIVALENTS

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Cash on hand	$ 278	$ 1,157	$ 217	$ 924
Cash at bank	202,478	842,612	202,848	863,544
Fixed deposits	23,659	98,457	3,261	13,882
	226,415	942,226	206,326	878,350
Less: Pledged deposits	(1,397)	(5,814)	(3,261)	(13,882)
	$ 225,018	$ 936,412	$ 203,065	$ 864,468

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

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Financial assets at fair value through profit or loss - current				
Financial assets held for trading				
Non-derivative financial assets				
Foreign-listed stocks	$ 40	$ 166	$ 4,555	$ 19,391
Equity Funds	-	-	1,178	5,015
	$ 40	$ 166	$ 5,733	$ 24,406

(Continued)

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Financial liabilities at fair value through profit or loss - current				
Financial liabilities held for trading				
Derivative financial instrument				
Target redemption forward ("TRF")	$ -	$ -	$ 10,132	$ 43,133

(Concluded)

As stated in Notes 1 and 29, EAH acquired ETT Group from Luster Green Limited in January 2015, derivative financial instruments held by ETT Group was also transferred to the Group accordingly. However, according to the share purchase agreement, all gains and losses arising from derivative financial instruments after acquisition date shall still belong to ETT Group's former shareholder, Luster Green Limited. The loss of the aforementioned derivative financial instruments after acquisition is HK$3,043 thousand (equivalent to approximately NT$12,653 thousand). Since the related gain or loss is attributed to ETT Group's former parent company, Luster Green Limited, the Group adjust the balance payment to Luster Green Limited accordingly (please refer to Note 23(a)). Hence, the aforementioned derivative financial instruments did not have any impact on the consolidated net profit for the year ended December 31, 2016.

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Notes receivable	$ -	$ -	$ 113	$ 481
Accounts receivable	273,359	1,137,583	350,285	1,491,198
Less: Allowance for impairment loss	(1,297)	(5,397)	-	-
	$ 272,062	$ 1,132,186	$ 350,398	$ 1,491,679

For the year ended December 31, 2016, the Group's average sales credit term is 73 days (78 days in 2015). No interest was charged on any outstanding trade receivables due over the credit term. Allowance for impairment loss were recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The analysis of receivables was as follows:

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Neither overdue nor impaired	$ 253,245	$ 1,053,879	$ 333,575	$ 1,420,062
Overdue but not impaired (a)	18,817	78,307	16,823	71,617
Overall assessment for impaired receivables assessing (b)	1,297	5,397	-	-
Less: Allowance for impairment loss	(1,297)	(5,397)	-	-
Notes and accounts receivable, net	$ 272,062	$ 1,132,186	$ 350,398	$ 1,491,679

a. The aging of receivables that were overdue but not impaired as follows:

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
0-90 days	$ 18,810	$ 78,278	$ 15,769	$ 67,130
91-180 days	7	29	1,043	4,440
181-360 days	-	-	11	47
	$ 18,817	$ 78,307	$ 16,823	$ 71,617

The above aging schedule has been analysed based on the overdue date. After management assessment, no additional impairment provision is required. The Group did not receive any pledge over the relevant receivables.

b. The movements of the allowance for doubtful trade receivables were as follows:

Unit: HKD

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 469	$ -	$ 469
Acquisition of ETT Group's assets	43	-	43
Written off	(464)	-	(464)
Recovered	(43)	-	(43)
Effect of exchange rate changes	(5)	-	(5)
Balance at December 31, 2015	-	-	-
Provision	1,297	-	1,297
Balance at December 31, 2016	$ 1,297	$ -	$ 1,297

Unit: NTD

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 1,916	$ -	$ 1,916
Acquisition of ETT Group's assets	173	-	173
Written off	(1,899)	-	(1,899)
Recovered	(173)	-	(173)
Effect of exchange rate changes	(17)	-	(17)
Balance at December 31, 2015	-	-	-
Provision	5,393	-	5,393
Effect of exchange rate changes	4	-	4
Balance at December 31, 2016	$ 5,397	$ -	$ 5,397

c. The credit quality of receivables neither overdue nor impaired was as follows:

Considering the recoverability of accounts receivable, the Group takes into account the historical record of individual client. Since the major clients are internationally renowned enterprises and are unrelated to each other, therefore, credit risk of receivables is considered low.

d. The details of the accounts receivables pledged (with recourse) for obtaining bank facilities please refer to Notes 24 and 27(g).

9. OTHER RECEIVABLES AND PREPAYMENTS

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Other receivables	$ 45,816	$ 190,663	$ 40,974	$ 174,432
Allowance for impairment loss	(13,962)	(58,103)	(13,962)	(59,438)
Other receivables, net	31,854	132,560	27,012	114,994
Prepayments	4,996	20,791	3,065	13,048
Prepaid equipment and mold	1,776	7,391	7,319	31,158
Value-added tax recoverable and refundable	17,478	72,735	23,683	100,820
Guarantee deposits	3,861	16,067	8,130	34,610
	$ 59,965	$ 249,544	$ 69,209	$ 294,630

Other receivables of the Group mainly consist of the followings:

a. As of December 31, 2016 and 2015, the amounts of advance payment to vendors were HK$3,969 thousand and HK$3,135 thousand (equivalent to approximately NT$16,517 thousand and NT$13,346 thousand), respectively.

b. Other receivables relating to litigations (including security deposits) as described in Note 26(a) were as follows:

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Other receivables (including security deposits)	$ 23,675	$ 98,523	$ 24,540	$ 104,470
Less: Allowance for impairment loss	(13,962)	(58,103)	(13,962)	(59,438)
	$ 9,713	$ 40,420	$ 10,578	$ 45,032

c. As of December 31, 2016 and 2015, the amounts of temporary payments as described in Note 17(b) were HK$9,951 thousand and HK$8,349 thousand (equivalent to approximately NT$41,411 thousand and NT$35,543 thousand).

10. INVENTORIES

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Raw materials	$ 58,727	$ 244,392	$ 58,872	$ 250,624
Work-in-process	30,111	125,307	39,161	166,712
Finished goods	26,614	110,754	32,328	137,624
Goods in transit	4,425	18,415	7,313	31,132
	$ 119,877	$ 498,868	$ 137,674	$ 586,092

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2016 and 2015 was HK$1,313,893 thousand and HK$1,693,781 thousand (equivalent to approximately NT$5,463,299 thousand and NT$6,933,662 thousand), respectively, which included HK$7,961 thousand and HK$6,732 thousand (equivalent to approximately NT$33,103 thousand and NT$27,558 thousand), allowance for inventories provision and inventories write-off, respectively.

11. NON-CURRENT ASSETS HELD FOR SALE

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Land and buildings held for sale	$ 387	$ 1,611	$ -	$ -

The Group expects to dispose its land and buildings partially in coming three months. Such land and buildings were originally used as the Group's staff quarters. The net proceeds of disposal are expected to exceed the carrying amount of related net assets, and accordingly, no impairment was recognized.

12. PROPERTY, PLANT AND EQUIPMENT

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

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Cost	$ 466,402	$ 1,940,933	$ 496,659	$ 2,114,327
Accumulated depreciation and impairment	(231,772)	(964,520)	(213,464)	(908,738)
Net book value	$ 234,630	$ 976,413	$ 283,195	$ 1,205,589
Land and buildings	$ 57,984	$ 241,301	$ 72,284	$ 307,720
Machinery equipment and office equipment	175,319	729,590	209,746	892,909
Construction in progress	1,327	5,522	1,165	4,960
Net book value	$ 234,630	$ 976,413	$ 283,195	$ 1,205,589

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

	Land and Buildings		Machinery Equipment and Office Equipment		Construction in Progress		Total	
	HK$	NT$	HK$	NT$	HK$	NT$	HK$	NT$
Cost								
Balance at January 1, 2015	$ 91,710	$ 374,635	$ 241,522	$ 986,618	$ 434	$ 1,773	$ 333,666	$ 1,363,026
Acquisition of ETT Group's assets (Note 29)	47,320	193,302	90,904	371,343	-	-	138,224	564,645
Additions	5,130	21,000	69,902	286,151	1,774	7,262	76,806	314,413
Disposals	(251)	(1,027)	(15,020)	(61,485)	(190)	(778)	(15,461)	(63,290)
Reclassification to other intangible assets	(3)	(12)	803	3,287	(800)	(3,275)	-	-
Effect of exchange rate changes	(9,758)	(16,817)	(26,765)	(47,628)	(53)	(22)	(36,576)	(64,467)
Balance at December 31, 2015	134,148	571,081	361,346	1,538,286	1,165	4,960	496,659	2,114,327
Additions	320	1,330	13,606	56,576	2,586	10,753	16,512	68,659
Disposals	(1,335)	(5,551)	(11,751)	(48,862)	(286)	(1,189)	(13,372)	(55,602)
Reclassification	(1,122)	(4,665)	2,095	8,711	(2,095)	(8,711)	(1,122)	(4,665)
Effect of exchange rate changes	(7,982)	(46,048)	(24,250)	(135,447)	(43)	(291)	(32,275)	(181,786)
Balance at December 31, 2016	$ 124,029	$ 516,147	$ 341,046	$ 1,419,264	$ 1,327	$ 5,522	$ 466,402	$ 1,940,933
Accumulated depreciation and impairment								
Balance at January 1, 2015	$ 55,789	$ 227,898	$ 139,950	$ 571,696	$ -	$ -	$ 195,739	$ 799,594
Depreciation	11,331	46,385	38,657	158,246	-	-	49,988	204,631
Disposals	(85)	(348)	(10,934)	(44,758)	-	-	(11,019)	(45,106)
Effect of exchange rate changes	(5,171)	(10,574)	(16,073)	(39,807)	-	-	(21,244)	(50,381)
Balance at December 31, 2015	61,864	263,361	151,600	645,377	-	-	213,464	908,738
Depreciation	11,621	48,321	39,663	164,923	-	-	51,284	213,244
Disposals	(1,335)	(5,551)	(10,273)	(42,716)	-	-	(11,608)	(48,267)
Reclassification	(718)	(2,986)	-	-	-	-	(718)	(2,986)
Effect of exchange rate changes	(5,387)	(28,299)	(15,263)	(77,910)	-	-	(20,650)	(106,209)
Balance at December 31, 2016	$ 66,045	$ 274,846	$ 165,727	$ 689,674	$ -	$ -	$ 231,772	$ 964,520

The management assessed that there was no impairment loss indicator for the years ended December 31, 2016 and 2015.

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; lands in Hong Kong were depreciated according to the lease period (43 to 50 years), and building improvements were depreciated by 2 to 10 years.
Machinery equipment	5 years or 10 years
Office equipment	1 years to 10 years

d. Details of the land and buildings held by the Group as of December 31, 2016 and 2015 were as follows:

December 31, 2016 and 2015

Company Name	Location	Description	Tenure/Unexpired Term
EAH	Room 1703, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,627 sq. ft. office	Lease for a term of 46 years from April 4, 2001 to June 30, 2047.
	Room 1704, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,452 sq. ft. office	Lease for a term of 47 years from March 13, 2000 to June 30, 2047.

(Continued)

Company Name	Location	Description	Tenure/Unexpired Term
	Room 1705, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 2,171 sq. ft. office	Lease for a term of 43 years from June 30, 2004 to June 30, 2047.
	Room 1706, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,452 sq. ft. office	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.
	Room 1707, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,627 sq. ft. office	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.
HYEA	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
ETT	13F.-4, No. 99, Sec. 1, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	A177.67 level ground office (13.13 level ground land)	Acquired land and building from July 1, 1999.
ETHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC	6 factory buildings and 2 dormitories built on a 365,976 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for a term of 50 years from December 6, 2000 to December 6, 2050.
		1 factory buildings and 2 dormitories built on a 134,947 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for a term of 50 years from June 19, 2002 to June 19, 2052.

(Concluded)

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

e. The amounts of property, plant and equipment pledged for security for borrowings by the Group refer to Note 24.

13. FINANCIAL ASSETS MEASURED AT COST

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Outlaw Audio Inc.	$ 132	$ 548	$ 132	$ 561
Audio Design Experts Inc.	10,998	45,768	10,834	46,127
HT Precision Technologies, Inc.	15,915	66,232	15,559	66,232
	$ 27,045	$ 112,548	$ 26,525	$ 112,920

Since the fair values of the Group's investments in non-publicly traded stocks, convertible bonds and stock options cannot be reliably measured, the investments are measured at the cost less any impairment.

14. INTANGIBLE ASSETS

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Goodwill	$ 26,391	$ 109,826	$ 27,274	$ 116,108
Technical knowledge (including R&D)	17,974	74,799	13,177	56,096
Customer relationship	6,405	26,654	7,674	32,669
	$ 50,770	$ 211,279	$ 48,125	$ 204,873

a. Details of goodwill were as follows:

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Related to ScS	$ 23,302	$ 96,971	$ 23,999	$ 102,166
Related to HYDM	3,089	12,855	3,275	13,942
	$ 26,391	$ 109,826	$ 27,274	$ 116,108

The above goodwill represents the excess of the cost of acquisition over the net fair value of the identifiable assets from HYDM'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 10% per annum for the years ended December 31, 2016 and 2015.

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, except for the growth factor, 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 efficiency improvements based on past experience and effect of economy of scale.

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, 2016 and 2015.

The movements of goodwill were as follows:

	2016		2015	
	HK$	NT$	HK$	NT$
Cost				
Balance at January 1	$ 27,274	$ 116,108	$ 30,203	$ 123,379
Effect of exchange rate changes	(883)	(6,282)	(2,929)	(7,271)
Balance at December 31	$ 26,391	$ 109,826	$ 27,274	$ 116,108

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

	2016		2015	
	HK$	NT$	HK$	NT$
Cost				
Balance at January 1	$ 20,851	$ 88,765	$ 27,837	$ 113,714
Assets arising from acquisition of ETT Group (Note 29)	-	-	3,525	14,430
Additions	8,621	35,847	2,495	10,214
Amortization	(3,414)	(14,196)	(4,507)	(18,450)
Write-off	-	-	(4,696)	(19,223)
Effect of exchange rate changes	(1,679)	(8,963)	(3,803)	(11,920)
Balance at December 31	$ 24,379	$ 101,453	$ 20,851	$ 88,765

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

Technical acknowledge	4-15 years
Customer relationship	9 years

15. PREPAYMENTS FOR LAND LEASE

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Prepayments for land lease - current	$ 359	$ 1,494	$ 381	$ 1,622
Prepayments for land lease - non-current	17,580	73,159	18,831	80,165
	$ 17,939	$ 74,653	$ 19,212	$ 81,787

Prepayment of land lease represent land use rights obtained by paying lease fees to local government of the Mainland China. The land is used for factory and employee dormitories. The details of the lease tenure refer to Note 12(d).

16. BANK BORROWINGS

a. Short-term bank borrowings:

	December 31					
	2016			2015		
	Interest Rate	HK$	NT$	Interest Rate	HK$	NT$
Factoring	4.21%-5.49%	$ 2,358	$ 9,813	1.90%-4.50%	$ 8,670	$ 36,909
Bank borrowings - secured	1.50%-4.63%	19,143	79,663	1.50%-4.63%	21,262	90,515
Bank borrowings - unsecured	1.52%-3.10%	58,446	243,223	1.45%-2.51%	99,964	425,557
Commercial paper - secured	1.80%-1.92%	7,209	30,000	1.92%	2,349	10,000
Other bank loans	1.98%-3.11%	84,354	351,040	2.20%-2.70%	64,798	275,851
Long-term borrowings due within 1 year - unsecured	1.56%-2.62%	41,259	171,699	1.56%-2.70%	25,579	108,892
Long-term borrowings due within 1 year - secured	4.63%	1,477	6,147	2.38%-4.63%	4,622	19,676
		$ 214,246	$ 891,585		$ 227,244	$ 967,400

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

Although other bank loans' term is over 1 year, considering the loans contain repayment on demand clause, which gives the lenders the right to demand repayment as any time at their discretion, other bank loans are reclassified under current liabilities.

b. Long-term bank borrowings:

	December 31					
	2016			2015		
	Interest Rate	HK	NT$	Interest Rate	HK$	NT$
Bank borrowings - secured	4.63%	$ 4,109	$ 17,100	2.38%-4.63%	$ 6,887	$ 29,319
Bank borrowings - unsecured	1.56%-2.62%	45,447	189,127	1.56%-2.70%	54,258	230,981
		49,556	206,227		61,145	260,300
Less: Long-term bank borrowings due within 1 year		(42,736)	(177,846)		(30,201)	(128,568)
		$ 6,820	$ 28,381		$ 30,944	$ 131,732

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			
	2016		2015	
	HK$	NT$	HK$	NT$
Due within 2 to 5 years	$ 6,820	$ 28,381	$ 30,944	$ 131,732

c. The detail of the Group's pledged assets for obtaining bank facilities please refer to Note 24.

17. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were 60 or 90 days. No interest will be incurred in notes and accounts payable. 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			
	2016		2015	
	HK$	NT$	HK$	NT$
Accrued salaries	$ 37,502	$ 156,064	$ 41,043	$ 174,724
Temporary receivables (Note 1)	17,633	73,380	14,997	63,844
ScS investment payable - current (Note 2)	8,814	36,679	4,543	19,340
Accrued molding payable	618	2,572	2,351	10,008
Accrued commission expenses	-	-	6,074	25,858
Accrued tax loss on customs bonded goods	-	-	5,676	24,159
Other payable	39,374	163,855	29,646	126,210
	$ 103,941	$ 432,550	$ 104,330	$ 444,143

Note 1: Temporary receivables are mainly sample fee, test fee, safety certification fee, etc. received in advance. Since the Group produces customized audio/video electronic products for individual customer demand, related costs associated with the customized audio/video 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.

Note 2: According to Note 29(f), the Group acquired ScS during 2014 and is expected to pay the remaining 30% acquisition considerations by installments after 2015. The installments are interest-free and 10% of the acquisition consideration each, with payment dates on March 31, 2015, March 31, 2016 and March 31, 2017 respectively. Since ScS's operating performance did not meet the threshold agreed by both parties, the Group has suspended payment of the 10% acquisition consideration originally expected to be paid on March 31, 2016 until both parties reach an agreement in subsequent discussions. The Group will adjust the investment payable if there is difference with the original estimate.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiary in PRC, Hong Kong and Denmark are members of a state-managed retirement benefit plan operated by the government of PRC, Hong Kong and Denmark. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

In accordance with the Labor Standard Law, ETT adopts a defined benefit plan which is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. ETT contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Present value of defined benefit obligation	$ 7,392	$ 30,762	$ 8,806	$ 37,486
Fair value of plan assets	(5,327)	(22,168)	(6,963)	(29,640)
Net defined benefit liability	$ 2,065	$ 8,594	$ 1,843	$ 7,846

The movements of net defined benefit liability were as follows:

Unit: NTD

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2015	$ -	$ -	$ -
Acquisition of ETT Group's assets	25,108	(29,524)	(4,416)
Current service cost	251	-	251
Net interest expense (income)	408	(480)	(72)
Recognized in profit or loss	659	(480)	179
	25,767	(30,004)	(4,237)
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	(309)	(309)
Actuarial loss - changes in demographic assumptions	1,057	-	1,057
Actuarial loss - changes in financial assumptions	876	-	876
Actuarial loss - experience adjustments	10,459	-	10,459
Recognized in other comprehensive income	12,392	(309)	12,083
Benefits paid	(673)	673	-
Balance at December 31, 2015	37,486	(29,640)	7,846
Current service cost	500	-	500
Net interest expense (income)	469	(371)	98
Recognized in profit or loss	969	(371)	598
	38,455	(30,011)	8,444
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	163	163
Actuarial loss - changes in demographic assumptions	1,847	-	1,847
Actuarial loss - changes in financial assumptions	955	-	955
Actuarial loss - experience adjustments	41	-	41
Recognized in other comprehensive income	2,843	163	3,006
Contributions from the employer	(1,756)	(1,100)	(2,856)
Benefits paid	(8,780)	8,780	-
Balance at December 31, 2016	$ 30,762	$ (22,168)	$ 8,594

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

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

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

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

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

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

	December 31	
	2016	**2015**
Discount rate	0.875%	1.250%
Expected rate of salary increase	2.750%	2.750%

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

	December 31	
	2016	**2015**
Discount rate		
0.25% increase	$ (759)	$ (630)
0.25% decrease	$ 786	$ 650
Expected rate of salary increase		
0.25% increase	$ 756	$ 620
0.25% decrease	$ (734)	$ (604)

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

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 2,466	$ -
The average duration of the defined benefit obligation	10 years	10 years

19. 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, 2016 and 2015 were NT$615,020 thousand and NT$610,020 thousand (equivalent to approximately HK$162,632 and NT$161,418 thousand), respectively, divided into 61,502 thousand shares and 61,002 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)

	December 31	
	2016	**2015**
Numbers, beginning of year	61,002	60,750
Issuance of restricted shares (Note)	500	252
Numbers, end of year	61,502	61,002

Note: The Company's board of directors meeting held on December 12, 2016 and May 12, 2015, respectively, resolved to issue restricted shares (see detail in Note 19(e)) to the Group's specific employees. The restricted shares issued record dates were December 20, 2016 and June 2, 2015, respectively, and exercise price per share both was NT$0.

b. Treasury shares

Purpose of Buy-back	**Shares Held by a Subsidiary (In Thousands of Shares)**
Shares transferred to employees	300
Shares held by Its subsidiaries	453
Number of shares as of December 31, 2016 and 2015	753

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

December 31, 2016

Subsidiary	**Number of Shares Held (In Thousands of Shares)**	**Carrying Amount**	**Market Price**
ETT	453	HK$5,966 thousand (equivalent to approximately NT$24,018 thousand)	HK$3,407 thousand (equivalent to approximately NT$14,179 thousand)

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

c. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to 10% of the Company's capital annually. As of December 31, 2016 and 2015, the capital surplus of the Company were NT$756,922 thousand and NT$744,831 thousand (equivalent to approximately HK$200,400 thousand and HK$197,472 thousand). The details were as follows:

	December 31			
	2016		2015	
	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	$ 193,698	$ 729,815	$ 193,698	$ 729,815
Cash dividend received from treasury stock	897	3,631	572	2,265
May not be used for any purpose				
Arising from employee restricted shares	5,805	23,476	3,202	12,751
	$ 200,400	$ 756,922	$ 197,472	$ 744,831

d. Retained earnings and dividend policy

In accordance with the amendments to Taiwan Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments (the policy on dividend distribution and the addition of the policy on distribution of staff remuneration) to the Company's Articles of Incorporation (the "Articles") had been proposed by the Company's board of directors on December 16, 2015 and were resolved by the Company's shareholders' meeting held on May 11, 2016.

Under the dividend policy as set forth in the amended 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, the remaining net profit for the period 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 50% 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 stock dividends. For information about the accrual basis of the staff remuneration and directors' remuneration and the actual appropriations, please refer to Note 20(c) for details.

The appropriations of earnings for 2015 and 2014 were approved in the shareholders' meeting on May 11, 2016 and May 12, 2015, respectively. Details of the dividend per share of the earnings appropriations for 2015 and 2014 of the Company were as follows:

	2015
Ordinary share dividend - cash	NT$3 per share, totaling NT$183,006 thousand

	2014
Ordinary share dividend - cash	NT$5 per share, totaling NT$303,750 thousand

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on February 20, 2017. The appropriations and dividends per share were as follows:

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

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on Jun 8, 2017.

Exchange differences on translating foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Company's presentation currency (i.e. Hong Kong dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. 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 which are translated from Hong Kong dollars to New Taiwan dollars.

Legal reserve

The old articles of the Company stipulated that 10% of the consolidated net profit of shall be allocated to the legal reserve. However, according to the Articles of the Company revised in June 2013, the Company is not required to allocate 10% of the legal reserve. Legal reserve is used to offset loss. In case no loss is incurred, in addition to capitalization, the legal reserve exceeding 25% of the paid-in capital can be used as cash distribution.

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, 2016.

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

The Company's board of directors meetings held on December 12, 2016 and May 12, 2015 resolved to issue restricted shares, totaling NT$5,000 thousand and NT$2,520 thousand, respectively, divided into 500 thousand and 252 thousand shares. The conditions of the restricted shares being distributed to or acquired by the employees before vested were as follows:

1) The employees cannot sell, pledge, transfer, donate, setting pledge or dispose these shares.

2) If employees fail to meet vested conditions, the Company will recall and cancel restricted shares being distributed to according to the restricted shares issuance plan.

As of December 31, 2016 and 2015, outstanding restricted shares were 752 thousand and 252 thousand shares. Related information was as follows:

Grant date	December 20, 2016	June 2, 2015
Fair value share price at grant date	NT$31.45 (equivalent to approximately HK$7.63)	NT$60.6 (equivalent to approximately HK$15.2)
Exercise price	NT$0	NT$0
Number of shares granted (in thousand shares)	500	252
Vested period	1-4 years (obtain of 25% annually)	1-4 years (obtain of 25% annually)

The movements of the employee unearned benefits were as follows:

	2016		2015	
	HK$	NT$	HK$	NT$
Balance at January 1	$ (3,275)	$ (13,044)	$ -	$ -
Issuance of restricted shares	(3,817)	(15,725)	(3,835)	(15,271)
Recognized share-based payment expenses	999	3,982	560	2,227
Balance at December 31	$ (6,093)	$ (24,787)	$ (3,275)	$ (13,044)

20. CONSOLIDATED NET PROFIT

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

a. Net revenue

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Traditional Speakers	$ 283,041	$ 1,176,913	$ 506,559	$ 2,073,650
Speakers and Audio Products with Electronics	823,213	3,423,002	1,038,364	4,250,647
Wireless Speakers	65,654	272,996	32,942	134,851
Earphones	144,020	598,850	145,115	594,043
Premium Speakers	67,066	278,867	49,121	201,082
Others	172,775	718,415	222,836	912,201
	$ 1,555,769	$ 6,469,043	$ 1,994,937	$ 8,166,474

b. Depreciation and amortization expenses

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Depreciation of property, plant and equipment	$ 51,284	$ 213,244	$ 49,988	$ 204,631
Amortization of other intangible assets	3,414	14,196	4,507	18,450
Amortization of prepayments for lease	546	2,270	567	2,321
	$ 55,244	$ 229,710	$ 55,062	$ 225,402

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

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Remuneration of directors and key management				
Short-term benefits	$ 30,742	$ 127,828	$ 31,008	$ 126,934
Post-employment benefits	704	2,927	752	3,078
Share-based payments	729	2,903	418	1,662
Employee benefits				
Short-term benefits	316,782	1,317,211	350,269	1,433,861
Post-employment benefits	16,741	69,611	17,571	71,929
Share-based payments	270	1,079	142	565
	$ 365,968	$ 1,521,559	$ 400,160	$ 1,638,029

Under the amended Articles, the Company distributes staff remuneration at the rate of 1% to 15% and directors' remuneration at the rate no more than 2%, respectively, of profit before income tax, staff remuneration, and directors' remuneration. For the year ended December 31, 2016, the staff remuneration and directors' remuneration were HK$2,855 thousand (equivalent to approximately NT$11,869 thousand) and HK$945 thousand (equivalent to approximately NT$3,929 thousand).

The Company accrued staff remuneration and directors' remuneration based on the Article (prior to the amendment), which amounted to HK$4,159 thousand (equivalent to approximately NT$17,024 thousand) and HK$1,505 thousand (equivalent to approximately NT$6,161 thousand) for the year ended 31, 2015, respectively.

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 resolutions in respect of distribution as well as staff remuneration and directors' remuneration for 2016 and 2015 were passed at the Company's board of directors on February 20, 2017 and annual shareholders' meeting held on May 12, 2016, respectively. Details of the dividend per share, directors' remuneration and staff remuneration of the earnings appropriations for 2016 and 2015 of the Company were as follows:

	2016
Directors' remuneration - cash	HK$945 thousand (equivalent to approximately NT$3,929 thousand)
Staff remuneration - cash	HK$2,855 thousand (equivalent to approximately NT$11,869 thousand)

	2015
Directors' remuneration - cash	HK$1,505 thousand (equivalent to approximately NT$6,161 thousand)
Staff remuneration - cash	HK$4,159 thousand (equivalent to approximately NT$17,024 thousand)

There is no significant difference between the aforementioned approved directors' remuneration and staff remuneration amounts and the amounts recognized in 2016 and 2015.

Information about the staff remuneration and directors' remuneration is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other income

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Project service revenue	$ 3,711	$ 15,431	$ 9,017	$ 36,912
Interest income	607	2,524	939	3,844
Rent revenue	275	1,143	284	1,163
Dividend income	1,609	6,690	-	-
Scrap income	3,586	14,911	1,863	7,626
Gains on disposal of property, plant and equipment	30	125	55	225
Net gain on financial instruments at fair value through profit or loss	3,641	15,140	-	-
Others	6,727	27,971	4,290	17,562
	$ 20,186	$ 83,935	$ 16,448	$ 67,332

e. Other losses

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Losses on scrap and disposal of property, plant and equipment	$ 1,052	$ 4,375	$ 2,823	$ 11,556
Losses on scrap and disposal of intangible assets	-	-	4,696	19,223
Net loss on financial instruments at fair value through profit or loss	-	-	812	3,324
Tax loss on customs bonded goods	-	-	5,676	23,236
Others	2	8	-	-
	$ 1,054	$ 4,383	$ 14,007	$ 57,339

f. Finance costs

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Interest expense arising from bank borrowings	$ 7,015	$ 29,169	$ 6,367	$ 26,064

21. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Current tax				
In respect of the current year	$ 12,390	$ 51,519	$ 10,556	$ 43,212
Adjustments for prior years	1,716	7,136	1,487	6,087
Deferred tax				
In respect of the current year	173	719	(878)	(3,594)
Income tax expenses recognized in profit or loss	$ 14,279	$ 59,374	$ 11,165	$ 45,705

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

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Profit before tax	$ 46,449	$ 193,306	$ 73,554	$ 300,979
Income tax expense calculated at the statutory rate (16.5%)	$ 7,664	$ 31,868	$ 12,136	$ 49,680
Tax-exempt income and non-deductible expenses in determining taxable income	1,685	7,006	(3,396)	(13,901)
Underestimated income tax for prior years	1,716	7,136	1,487	6,087
Unrecognized effect of deferred tax income for prior years	678	2,819	(64)	(262)
Effect of different tax rate of foreign operations in other jurisdictions	2,536	10,545	1,002	4,101
Income tax expense recognized in profit or loss	$ 14,279	$ 59,374	$ 11,165	$ 45,705

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

The EAH and ETH of the Group according to Hong Kong tax regulation, the local tax rate for Hong Kong subsidiaries is 16.5%. Different period and interim period income tax allocation shall be estimated in accordance with IFRSs.

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, HYEA and HYDM obtained the innovation and high technology enterprise certificates issued by local tax authorities in July 2013. Therefore, HYEA and HYDM 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%. HYEA and HYDM obtained the proof of review in February 2016. Therefore, HYEA and HYDM are still subject to the applicable preferential income tax rate from 2015 to 2017.

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 rate in 2015 for the subsidiary in Denmark is 23.5%, which is reduced to 22% in 2016 onwards. The local tax rate for the subsidiary in Taiwan is 17%.

b. Deferred tax assets

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Tax losses	$ -	$ -	$ 678	$ 2,886
Allowance of inventories provision	1,805	7,512	719	3,061
Defined benefit plan	449	1,866	326	1,334
Others	865	3,602	889	3,839
	$ 3,119	$ 12,980	$ 2,612	$ 11,120

The movements of deferred tax assets were as follows:

Unit: HKD

	Tax Losses	Allowance of Inventories Provision	Defined Benefit Plan	Others	Total
Balance at January 1, 2015	$ 694	$ 474	$ -	$ 306	$ 1,474
Acquisition of ETT's assets (Note 29)	-	-	-	2,008	2,008
Recognized in profit or loss	64	282	-	(1,356)	(1,010)
Recognized in other comprehensive income	-	-	324	-	324
Reclassification	-	-	-	(11)	(11)
Effect of exchange rate changes	(80)	(37)	2	(58)	(173)
Balance at December 31, 2015	678	719	326	889	2,612
Recognized in profit or loss	(678)	1,177	-	(52)	447
Recognized in other comprehensive income	-	-	123	-	123
Effect of exchange rate changes	-	(91)	-	28	(63)
Balance at December 31, 2016	$ -	$ 1,805	$ 449	$ 865	$ 3,119

Unit: TWD

	Tax Losses	Allowance of Inventories Provision	Defined Benefit Plan	Others	Total
Balance at January 1, 2015	$ 2,835	$ 1,936	$ -	$ 1,250	$ 6,021
Acquisition of ETT's assets (Note 29)	-	-	-	8,202	8,202
Recognized in profit or loss	262	1,154	-	(5,552)	(4,136)
Recognized in other comprehensive income	-	-	1,334	-	1,334
Reclassification	-	-	-	(47)	(47)
Effect of exchange rate changes	(211)	(29)	-	(14)	(254)
Balance at December 31, 2015	2,886	3,061	1,334	3,839	11,120
Recognized in profit or loss	(2,819)	4,894	-	(216)	1,859
Recognized in other comprehensive income	-	-	511	-	511
Effect of exchange rate changes	(67)	(443)	21	(21)	(510)
Balance at December 31, 2016	$ -	$ 7,512	$ 1,866	$ 3,602	$ 12,980

c. Deferred tax liabilities

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Temporary differences on other intangible assets	$ 5,842	$ 24,312	$ 4,862	$ 20,698
Temporary differences on inventory and depreciation of property, plant and equipment	7,533	31,348	8,987	38,258
Unappropriated earnings of subsidiaries	14,246	59,285	13,391	57,007
	$ 27,621	$ 114,945	$ 27,240	$ 115,963

The movements of deferred tax liabilities were as follows:

Unit: HKD

	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, 2015	$ 6,386	$ 1,837	$ 650	$ 8,873
Acquisition of ETT's liabilities (Note 29)	-	8,343	12,730	21,073
Recognized in profit or loss	(860)	(1,028)	-	(1,888)
Reclassification	-	-	11	11
Effect of exchange rate changes	(664)	(165)	-	(829)
Balance at December 31, 2015	4,862	8,987	13,391	27,240
Recognized in profit or loss	1,096	(1,342)	866	620
Effect of exchange rate changes	(116)	(112)	(11)	(239)
Balance at December 31, 2016	$ 5,842	$ 7,533	$ 14,246	$ 27,621

Unit: TWD

	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, 2015	$ 26,087	$ 7,504	$ 2,655	$ 36,246
Acquisition of ETT's liabilities (Note 29)	-	34,081	52,002	86,083
Recognized in profit or loss	(3,520)	(4,210)	-	(7,730)
Reclassification	-	-	47	47
Effect of exchange rate changes	(1,869)	883	2,303	1,317
Balance at December 31, 2015	20,698	38,258	57,007	115,963
Recognized in profit or loss	4,557	(5,582)	3,601	2,576
Effect of exchange rate changes	(943)	(1,328)	(1,323)	(3,594)
Balance at December 31, 2016	$ 24,312	$ 31,348	$ 59,285	$ 114,945

d. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong 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 2014.

22. EARNINGS PER SHARE

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Earnings Per Share (Dollars)	
	HK$	NT$		HK$	NT$
For the year ended December 31, 2016					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	$ 32,170	$ 133,932	60,270	$ 0.53	$ 2.22
For the year ended December 31, 2015					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	$ 62,389	$ 255,274	60,393	$ 1.03	$ 4.23

Note: The restricted shares plan for employees is entitled to vote and to receive dividends after granted. In addition, if employees resign in the vested 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 of restricted shares, and there is no dilutive effect on earnings per share.

23. RELATED-PARTY TRANSACTIONS

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

a. Payable to related parties

	December 31			
	2016		2015	
Related Party Categories	HK$	NT$	HK$	NT$
Other payables				
Related company	$ 8,920	$ 37,120	$ 19,586	$ 83,380

Other payables in current period include payable for acquiring ETT Group and the temporary payable for ETT Group's derivative financial instruments. Please refer to Notes 7 and 29.

Classification by payment period as follows:

	December 31			
	2016		2015	
Related Party Categories	HK$	NT$	HK$	NT$
Current	$ 8,920	$ 37,120	$ 11,680	$ 49,723
Non-current	-	-	7,906	33,657
	$ 8,920	$ 37,120	$ 19,586	$ 83,380

b. Compensation of key management personnel

The remuneration of directors and other key management was determined by the compensation committee in accordance with the individual performance and the market trends. Please refer to Note 20(c) for details.

24. PLEDGED ASSETS

The following assets and treasury shares disclosed in Note 19 were provided as collateral for bank borrowings. Part of loan guarantees is provided by the Chairman of the Company.

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Other intangible assets	$ 4,451	$ 18,523	$ 4,488	$ 19,106
Accounts receivable with recourse	3,381	14,070	10,666	45,406
Property, plant and equipment	7,356	30,611	6,619	28,178
Inventories and other assets	14,073	58,565	13,640	58,067
Pledge deposits (recognized under restricted assets - current)	1,397	5,814	3,261	13,882
	$ 30,658	$ 127,583	$ 38,674	$ 164,639

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

a. Lease agreement

Operating leases involve leases of land, offices premises and other operating assets, except prepayments for land lease (refer to Note 15), that terms of leases are mainly from 1 to 50 years. For operating lease period with more than 5 years, the lease contracts stipulate that the rental should be increased by certain percentage for every 5 years. The Group does not have acquisition rights to the leased land at the termination of the lease.

b. Non-cancellable operating leases

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Within 1 year	$ 7,462	$ 31,053	$ 10,224	$ 43,525
More than 1 year and within 5 years	13,966	58,120	15,609	66,449
More than 5 years	15,226	63,363	18,671	79,484
	$ 36,654	$ 152,536	$ 44,504	$ 189,458

Rental expenses of the Group arising from operating leases for years ended December 31, 2016 and 2015 amounted to HK$9,494 thousand and HK$10,340 thousand (equivalent to approximately NT$39,477 thousand and NT$42,328 thousand), respectively.

26. 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, 2016 and 2015, the amounts sought for legal matters whereby EAH is the plaintiff are R$16,400 thousand and R$14,500 thousand (approximately NT$162,100 thousand and NT$122,200 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 has received partial compensation payments from the court, totaling HK$895 thousand (equivalent to approximately NT$3,721 thousand) which directly recorded as decrease in other receivables.

As of December 31, 2016 and 2015, amounts recorded as other receivables (net of impairment loss) are HK$8,654 thousand and HK$9,549 thousand (approximately NT$36,013 thousand and NT$40,651 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, 2016 and 2015, EAH considers that the impairment loss taken is reasonable and sufficient.

EAH is required to place bonds with the Courts in Brazil to secure payment of court costs. As of December 31, 2016 and 2015, pledged deposit recorded as other receivables (net of impairment loss) are HK$1,059 thousand and HK$1,029 thousand (approximately NT$4,407 thousand and NT$4,381 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$19,552 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$43,779 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 30.

27. 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 2016.

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.

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

	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Debt (bank borrowing)	$ (221,066)	$ (919,966)	$ (258,188)	$ (1,099,132)
Cash and cash equivalents (pledged deposit)	226,415	942,226	206,326	878,350
Net cash	$ 5,349	$ 22,260	$ (51,862)	$ (220,782)
Equity	$ 351,239	$ 1,461,681	$ 391,945	$ 1,668,549
Debt-equity ratio	NA	NA	13%	13%

b. Fair value of financial instruments

The Group's financial instruments involve publicly traded stocks and derivative financial instruments (refer to Note 7) which are recognized at fair value, grouped into Levels 1 (are measured from quoted prices in active markets) and 2 (are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities), respectively.

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 in banks, notes and accounts receivable, accounts receivables from related parties, other financial assets, notes and accounts payable, accounts payable and other payables to related parties, other payables, finance lease payables and bank borrowings.

c. 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 loans 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.

d. 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			
	2016		2015	
	HK$	NT$	HK$	NT$
USD	$ 319,479	$ 1,329,512	$ 465,174	$ 1,980,292
HKD	624	2,597	437	1,860
	$ 320,103	$ 1,332,109	$ 465,611	$ 1,982,152

	Liabilities			
	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
USD	$ 276,463	$ 1,150,501	$ 360,840	$ 1,536,132
HKD	51,303	213,497	101,003	429,980
	$ 327,766	$ 1,363,998	$ 461,843	$ 1,966,112

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

	Currency USD Impact		Currency USD Impact	
	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
	HK$	NT$	HK$	NT$
Profit or loss	$ 2,151	$ 8,951	$ 5,217	$ 22,208

	Currency HKD Impact		Currency HKD Impact	
	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
	HK$	NT$	HK$	NT$
Profit or loss	$ (2,534)	$ (10,545)	$ (5,028)	$ (21,406)

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 2016 and 2015 would have been decreased by HK$25 thousand and HK$260 thousand (equivalent to approximately NT$106 thousand NT$1,009 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: HKD

	December 31, 2016				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 294,686	$ -	$ -	$ 294,686
Other payables to related parties	-	8,920	-	-	8,920
Other payables	-	103,941	-	-	103,941
Interest bearing liabilities					
Finance lease payables	-	185	-	-	185
Bank borrowings	2.39%	219,366	6,983	-	226,349

Unit: HKD

	December 31, 2015				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
	-	$ 330,504	$ -	$ -	$ 330,504
Notes and accounts payable	-	11,680	7,906	-	19,586
Other payables to related parties	-	104,330	4,543	-	108,873
Other payables					
Interest bearing liabilities					
Finance lease payables	-	234	192	-	426
Bank borrowings	2.44%	232,789	31,699	-	264,488

Unit: NTD

	December 31, 2016				
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 1,226,336	$ -	$ -	$ 1,226,336
Other payables to related parties	-	37,120	-	-	37,120
Other payables	-	432,550	-	-	432,550
Interest bearing liabilities					
Finance lease payables	-	770	-	-	770
Bank borrowings	2.39%	912,892	29,060	-	941,952

	December 31, 2015				
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 1,406,989	$ -	$ -	$ 1,406,989
Other payables to related parties	-	49,723	33,657	-	83,380
Other payables	-	444,143	19,340	-	463,483
Interest bearing liabilities					
Finance lease payables	-	996	817	-	1,813
Bank borrowings	2.44%	991,006	134,946	-	1,125,952

e. Financial facilities

1) Bank overdraft facility

	Liabilities			
	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Unsecured bank overdraft facility				
Amount unused	$ 600	$ 2,497	$ 1,600	$ 6,811

2) Bank borrowings

	Liabilities			
	December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Secured borrowings				
Amount unused	$ 76,702	$ 319,195	$ 188,030	$ 1,359,769
Unsecured borrowings				
Amount unused	$ 335,810	$ 1,397,473	$ 390,647	$ 1,663,023

f. 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, 2016

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT$)
Financial assets				
Monetary items				
USD	$ 30,819	HKD	32.235	$ 993,459
USD	10,009	NTD	32.235	322,624
USD	245	RMB	32.235	7,886
USD	172	DKK	32.235	5,543
	$ 41,245			$ 1,329,512
Financial liabilities				
Monetary items				
USD	$ 23,802	HKD	32.235	$ 767,260
USD	9,573	RMB	32.235	308,592
USD	2,070	NTD	32.235	66,738
USD	245	DKK	32.235	7,911
	$ 35,690			$ 1,150,501
HKD	$ 51,302	RMB	4.1615	$ 213,497

December 31, 2015

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT$)
Financial assets				
Monetary items				
USD	$ 47,099	HKD	32.8300	$ 1,546,263
USD	12,911	NTD	32.8300	423,858
USD	167	RMB	32.8300	5,492
USD	143	DKK	32.8300	4,679
	$ 60,320			$ 1,980,292
Financial liabilities				
Monetary items				
USD	$ 31,708	RMB	32.8300	$ 1,040,967
USD	11,524	HKD	32.8300	378,346
USD	3,206	NTD	32.8300	105,244
USD	353	DKK	32.8300	11,575
	$ 46,791			$ 1,536,132
HKD	$ 100,238	RMB	4.2571	$ 426,723
HKD	765	NTD	4.2571	3,257
	$ 101,003			$ 429,980

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

Information of foreign exchange gains and losses are as follow:

	For the Years Ended December 31			
	2016		2015	
	HK$	NT$	HK$	NT$
Realized foreign exchange gain	$ 9,751	$ 40,545	$ 11,365	$ 46,523
Unrealized foreign exchange (loss) gain	(925)	(3,846)	4,169	17,067
	$ 8,826	$ 36,699	$ 15,534	$ 63,590

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.

g. Information of transferred financial assets

In 2016 and 2015, 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 collected 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, 2016 and 2015, the carrying amount of the trade receivables that have been transferred but have not been derecognized and the related liability recognized please refer to Note 16 and Note 24, respectively.

28. 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.

The chief decision makers of the Group allocate resources and assess performance based on the internal management accounts which are reviewed constantly, and depending on the overall operating results of the speaker systems and earphones segment. The segment information only covers the sales, cost of sales and gross profit from speaker systems, earphones and AV electronics products (from acquisition of ETT Group's original business units) disclosed in below table. Other than that, no further financial information can be splitted by segment.

Unit: HKD

	For the Year Ended December 31, 2015				
	Speaker Systems	**Earphones**	**AV Electronics**	**Unallocated Costs Among Segments (Including Inter-segments Transaction)**	**Total**
Revenue	$ 1,097,868	$ 150,380	$ 864,918	$ (118,229)	$ 1,994,937
Cost of revenue	938,256	119,797	757,740	(122,012)	1,693,781
Gross profit	$ 159,612	$ 30,583	$ 107,178	$ 3,783	$ 301,156

Unit: NTD

	For the Year Ended December 31, 2015				
	Speaker Systems	**Earphones**	**AV Electronics**	**Unallocated Costs Among Segments (Including Inter-segments Transaction)**	**Total**
Revenue	$ 4,494,232	$ 615,596	$ 3,540,628	$ (483,982)	$ 8,166,474
Cost of revenue	3,840,844	490,401	3,101,886	(499,469)	6,933,662
Gross profit	$ 653,388	$ 125,195	$ 438,742	$ 15,487	$ 1,232,812

In response to the market trends which the traditional speaker systems need to integrate with the electronic component in the function and structure, the Group has actively integrated the resources and product line of speaker systems, earphones and AV electronics sectors in 2016. The chief operational decision-maker of the Group is the General Manager of the Company who is responsible to coordinate the overall resource allocation and to evaluate their overall performance. The aforementioned change in operation was approved by the board of directors of the Company in August 2016.

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/video 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 year ended December 31, 2016, the revenue and operating results of the operating segment can be found in the consolidated income statement for the year from January 1 to December 31, 2016. The product revenue will be divided into the following: Traditional Speakers, Speakers and Audio Products with Electronics, Wireless Speakers, Earphones, Premium Speakers, and other products (see Note 20).

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			
	2016		**2015**	
	Revenue from External Customers		**Revenue from External Customers**	
	HK$	**NT$**	**HK$**	**NT$**
China	$ 785,481	$ 3,266,108	$ 942,686	$ 3,858,979
Hong Kong	354,004	1,471,984	648,043	2,652,828
Japan	146,845	610,597	46,862	191,836
Brazil	6,418	26,686	80,828	330,877
Others	263,021	1,093,668	276,518	1,131,954
	$ 1,555,769	$ 6,469,043	$ 1,994,937	$ 8,166,474

	December 31			
	2016		2015	
	Non-current Assets		Non-current Assets	
	HK$	NT$	HK$	NT$
China	$ 240,602	$ 1,001,265	$ 281,233	$ 1,197,234
Hong Kong	11,393	47,412	13,065	55,619
Taiwan	5,156	21,457	6,602	28,106
Denmark	45,829	190,717	49,251	209,668
	$ 302,980	$ 1,260,851	$ 350,151	$ 1,490,627

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					
	2016			2015		
	HK$	NT$	%	HK$	NT$	%
Company A	$ 380,682	$ 1,582,914	24	$ 332,401	$ 1,360,717	17
Company B	280,496	1,166,330	18	384,532	1,574,120	19
Company C	204,204	849,101	13	377,550	1,545,539	19

29. BUSINESS COMBINATIONS

a. Subsidiaries acquired - ETT

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
ETT	Design, production and sales of AV electronics products	January 1, 2015	99.98	HK$121,718 (approximately NT$497,219 thousand)

As stated in Note 1, for the trend of joint connections between the speaker systems and 3C electronic appliances and sales expansion, EAH acquired 99.98% interests in ETT (including its subsidiaries, ETH and ETHY) from Luster Green Limited.

b. Considerations transferred

	HK$	NT$
Cash	$ 97,129	$ 396,773
Payables for investment cost (recognized under other payables from related parties)	24,589	100,446
	$ 121,718	$ 497,219

Regarding the above investment payable (final payments of the 20% acquisition consideration), 10% investment amount had been paid in the beginning of 2016 and remaining 10% investment amount expected to pay in the beginning of 2017. As of December 31, 2016, investment payable is recorded as other payable, please refer to Note 23.

c. Assets acquired and liabilities assumed at the date of acquisition - ETT Group

	HK$	NT$
Current assets		
Cash and cash equivalents	$ 110,374	$ 450,878
Pledged deposits	14,226	58,115
Accounts receivables (including related parties)	242,514	990,670
Financial assets at fair value through profit and loss	11,942	48,783
Income tax refund receivable	3,329	13,597
Other receivable and prepayments	65,140	266,097
Inventories	67,881	277,295
Non-current assets		
Property, plant and equipment	138,224	564,645
Financial assets measured at cost	23,677	96,719
Prepayments for land lease	17,486	71,431
Net defined benefit assets	1,081	4,416
Deferred tax assets	2,008	8,202
Intangible assets	3,525	14,400
Current liabilities		
Accounts payables and other payables (including related parties)	(332,365)	(1,357,713)
Current tax liabilities	(3,062)	(12,507)
Bank borrowings	(185,042)	(755,896)
Financial liabilities at fair value though profit or loss (Note)	(24,329)	(99,384)
Non-current liabilities		
Long-term bank borrowings	(3,672)	(15,000)
Deferred tax liabilities	(21,073)	(86,083)
	$ 131,864	$ 538,665

Note: As stated in Note 7, all gains and losses arising from derivative financial instruments after acquisition date (January 1, 2015) shall be attributed to seller and the aforementioned gain and loss will be adjusted in other payable to related parties.

d. Gain from bargain purchase of acquisitions on ETT

	HK$	NT$
Consideration transferred	$ 121,718	$ 497,219
Less: Fair value of the identifiable net assets acquired	(131,864)	(538,665)
Gain from bargain purchase	$ (10,146)	$ (41,446)

Since the consideration paid for the acquisition of ETT less than the fair value of the identifiable net assets acquired, the gain from bargain purchase attributed to the buyer.

e. Net cash outflow on acquisition of subsidiaries

	HK$	NT$
Consideration paid in cash	$ 97,129	$ 396,773
Less: Cash and cash equivalent balances acquired	(110,374)	(450,878)
	$ (13,245)	$ (54,105)

f. According to the acquisition agreement, the Group is expected to pay the remaining 30% acquisition considerations by installments after 2015. The installment is interest-free and 10% of the acquisition consideration each, with payment dates in the end of first quarter in the following three years, respectively. In addition, the remaining 30% consideration will be adjusted based on the actual profit or loss of ScS in 2014, 2015 and 2016 (contingent consideration). The fair value of such obligation (contingent consideration agreement) on the acquisition date is estimated to be HK$16,984 thousand (approximately NT$66,788 thousand). The detail of investment payables please refer to Note 17(b).

7. REVIEW OF FINANCIAL STATUS AND OPERATING RESULTS AND RISK MANAGEMENT

7.1 Analysis of Financial Status

1. Main reason and impact of significant changes in assets, liabilities and shareholders' equity in the past two years.

Unit: NT$'000; %

Item \ Year	2015	2016	Increase / Decrease	
			Amount	%
Current Assets	3,280,555	2,841,601	(438,954)	(13.38)
Fixed Assets	1,205,589	976,413	(229,176)	(19.01)
Other Assets	409,078	409,966	888	0.22
Total Assets	4,895,222	4,227,980	(667,242)	(13.63)
Current Liabilities	2,917,318	2,614,379	(302,939)	(10.38)
Long-term Liabilities	193,392	36,975	(156,417)	(80.88)
Other Liabilities	115,963	114,945	(1,018)	(0.88)
Total Liabilities	3,226,673	2,766,299	(460,374)	(14.27)
Share Capital	610,020	615,020	5,000	0.82
Capital Reserve	744,831	756,922	12,091	1.62
Treasury Shares	40,671	(40,671)	-	0.00
Employee Unearned Benefit	(13,044)	(24,787)	(11,743)	90.03
Provision for increase in revaluation	-	-	-	N/A
Retained Earnings (including legal reserve)	287,075	235,504	(51,571)	(17.96)
Exchange difference on translation of foreign operations	80,338	(80,307)	(160,645)	(199.96)
Total Equity	1,668,549	1,461,681	(206,868)	(12.40)

Description of items with significant changes: (change in amount of more than 10% and the amount represents 1% of total assets for the year)

1. Decrease in current assets:
   Sales income decreased mainly due to the impact of slump in global economy and consumer electronics products in 2016, which reduced trade receivables, note receivables and inventories by approximately NT$447 million compared with the end of last year. Thus current assets decreased compared to the end of last year.
2. Decrease in fixed assets:
   Mainly due to net addition of property, plant and equipment of approximately NT$64 million, deduction of ordinary depreciation of NT$213 million and currency exchange differences of NT$58 million.
3. Decrease in total assets:
   Total assets decreased compared to the end of last year due to decrease in current assets and fixed assets.
4. Decrease in current liabilities:
   Mainly due to the decrease in sales income in 2016, which led to a decrease in trade payables and note payables of approximately NT$181 million compared to the end of last year. In addition, other payables for the end of last year settled in 2016 led to a decrease in other payables – related parties of approximately NT$13 million compared with the end of last year. Short-term bank borrowing also decreased approximately of NT$76 million compared with last year, which led to a decrease in current liabilities compared with the end of last year.
5. Decrease in long-term liabilities:
   Long-term liabilities and other payables as of 31 December 2016 decreased by approximately NT$156 million in total compared with the end of last year, which reduced long-term liabilities as compared with the end of last year.
6. Decrease in other liabilities:
   Total liabilities decreased compared to the end of last year due to decrease in current liabilities, long-term liabilities and other liabilities.
7. Decrease om retained earnings:
   Mainly due to the deduction of cash dividend distributed from net profit after income tax for 2016.
8. Decrease in translation difference for the conversion of financial statements of foreign operating entities:
   Mainly due to the translation difference arising from converting net assets of foreign operating entities, which first converted from their functional currencies of to the functional currencies of the Company's financial statements, HKD, and then converted to NTD. As of 31 December 2016, negative translation difference increased, mainly due to depreciation of RMB in 2016.
9. Decrease in total shareholders' equity:
   Shareholders' equity decreased due to the decrease in translation difference for the conversion of financial statements of foreign operating entities and retained earnings.

Note: The information of financial position for the year 2015 and 2016 was prepared based on the IFRS and the requirement under the Circular (Rule No.: 1010054392) published by SFB on 29 November 2012, with the adoption of cost model to measure properties, plants and equipment.

2. Future plan addressing significant impacts: There is no significant impact on the financial condition and business of the Company.

7.2 Analysis of Operating Results

1. Main reason of significant changes in operating income, net operating profit and net profit before tax in the past two years

Unit: NT$'000; %

Item \ Year	2015	2016	Increase / Decrease	
			Amount	%
Revenues	8,177,400	6,477,904	(1,699,496)	(20.78)
Less: Return of Goods and Discount	10,926	8,861	(2,065)	(18.90)
Net Revenues	8,166,474	6,469,043	(1,697,431)	(20.79)
Cost of Revenues	6,933,662	5,463,299	(1,470,363)	(21.21)
Gross Profit	1,232,812	1,005,744	(227,068)	(18.42)
Operating Expenses	1,020,798	899,520	(121,278)	(11.88)
Operating Profit	212,014	106,224	(105,790)	(49.90)
Non-operating Income and Gain	172,368	120,634	(51,734)	(30.01)
Non-operating Expenses and Loss	83,403	33,552	(49,851)	(59.77)
Profit Before Income Tax	300,979	193,306	(107,673)	(35.77)
Less: Income Tax	45,705	59,374	13,669	29.91
Profit After Income Tax	255,274	133,932	(121,342)	(47.53)

Description of items with significant changes: (change in amount of more than 10% and the amount represents 1% of total assets for the year)

1. Decrease in net operating income, operating cost and gross operating profit:
   Due to the decrease in order taking volume from major customers requiring OEM services compared with last year, which was mainly due to slump in slump in global economy and consumer electronics products.
2. Decrease in operating cost:
   Mainly due to the streamlined structured and resources consolidation and decrease in R&D cost as a result of delay in model development from customers.
3. Decrease in net operating profit:
   Given the above reasons, operating profit decreased compared with last year due to the fact that decrease in operating profit was larger than the decrease in operating expenses.
4. Increase in non-operating income and gain:
   Due to gain of NT$41,446 thousand from bargain purchase arising from the acquisition of ETT in 2015.
5. Decrease in non-operating expenses and loss:
   Due to the fact that non-operating expenses and loss in 2015 included loss recognized for other intangible assets written off, loss of financial instruments at fair value through profit and loss and tax loss of customs bonded materials.
6. Decrease in net profit before and after income tax:
   Due to the decrease in net operating profit and increase in income tax compared with last year.

Note: The information of financial position for the year 2015 and 2016 was prepared based on the IFRS and the requirement under the Circular (Rule No.: 1010054392) published by SFB on 29 November 2012, with the adoption of cost model to measure properties, plants and equipment.

2. Forecasted sales and its basis; its possible future financial impact on the Company and response plan

The Company set annual shipment target based on forecasted demand from client, capacity planning and previous operating results. The Company will monitor changes in market demand and expand its market share accordingly to enhance profit. The future business of the Company should enjoy sustaining growth and its financial position will be good.

7.3 Analysis of Cash Flow

(a) Movement Analysis of Cash Flow for the Latest Year

1. Movement Analysis of Cash Flow for the Latest Year

Unit: NT$'000; %

Item \ Year	2015	2016	Increase (Decrease)	Percentage of Increase (Decrease) (%)
Operating activities	655,792	640,842	(14,950)	(2.28)
Investing activities	(248,834)	(103,479)	145,355	58.41
Financing activities	(86,529)	(338,895)	(252,366)	(291.65)

Analysis of changes:

1. Operating activities:
Mainly due to the decrease in profit before income tax in 2016 compared with last year. However, following non-cash expense adjustments and net adjustment to current assets and liabilities, difference of operating cash flow narrowed and reduced to approximately NT$15 million.
2. Investing activities:
Mainly due to the proceeds from disposal of financial assets at fair value through profit and loss in 2016. In addition, capital expense for acquisition of property, plant and equipment significantly decreased by approximately NT$250 million in 2016, result in lower net cash outflow from investing activities compared with last year.
3. Financing activities:
Mainly due to repayment of partial bank borrowing of approximately NT$156 million as a result of decrease in capital expenditure in 2016. However, bank borrowing for financing the capital expenditure increased by approximately NT$233 million in 2015. In addition, the cash dividend payout in 2016 reduced by NT$121 million in 2016, which resulted in an increase in net cash outflow from financing activities.

2. Improvement plan for lack of liquidity

The Company and its subsidiaries have close relationship with their bankers and established good financing and credit standing. Therefore, there is no threat of lacking liquidity or short of funds under reasonable liquidity requirement.

(b) Cash Liquidity for the Coming Year

Unit: NT$'000

Cash balance at the beginning of the period (1)	Net cash flow from operating activities for the whole year (2)	Net cash flow from financing and investing activities for the whole year (3)	Remaining (shortfall) of cash (1)+(2)+(3)	Remedies of cash shortfall	
				Investment Plan	Financial Planning
942,226	160,875	(345,308)	757,793	-	-

1. Cash liquidity analysis for the next year:

   (1) Operating activities:
   The core business of the Company will provide sustaining, stable and abundant cash flow. It is expected that the operating activities will continue to generate net cash inflow for 2017.

   (2) Investing activities:
   Investing activities are expected to continue to record cash outflow mainly due to cash outflow in respect of payment for acquisition of plant and equipment, and paying remaining consideration for the acquisition of ScS and ETT.

   (3) Financing activities:
   It is expected to repay bank borrowing and distribute cash dividend in 2017, which will record net cash outflow from financing activities for 2017.

2. Remedial measures for expected lack of cash and liquidity analysis:
   Core business of the Company will provide stable and sufficient cash flow. It is expected that net cash inflow will occur for 2017, and by utilizing banking facilities, the overall cash requirement of working capital, investment activities and financing activities could be met. Therefore, it is expected that there will be no material lack of liquidity.

7.4 Major Capital Expenditure Items

In 2016, the Company purchased fixed assets of NT$68,659 thousand, mainly due to the equipment for promoting automation and the need of renewing existing production facilities. The purchase was financed by the Company's existing fund. It is expected that such capital investment will generate cash inflow in future periods and hence it will not cause significant impact on the financial position of the Company.

8. SPECIAL DISCLOSURE

KYET Group Chart as at 31 December 2016