

Stock code : 5225

**Eastern Technologies Holding Limited and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2015 and 2014 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Eastern Technologies Holding Limited

We have reviewed the accompanying consolidated balance sheets of Eastern Technologies Holding Limited ("KYET") and subsidiaries (collectively, the "Group") as of March 31, 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the International Financial Reporting Standard and International Accounting Standard 34 "Interim Financial Reporting".

As stated in Note 24 (1) to the consolidated financial statements, as of March 31, 2015, Eastern Asia Technology (HK) Limited (“EAH”), a subsidiary of KYET, has receivables, net of allowance, amounted to HK\$9,549 thousand (equivalent to approximately NT\$38,395 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.

May 12, 2015

Notice to Readers

For the convenience of readers, the accountants' review 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' review report and consolidated financial statements shall prevail.

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

BALANCE SHEETS (In Thousands)

ASSETS	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)		LIABILITIES AND EQUITY	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$		HK\$	NT\$	HK\$	NT\$
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 6)	\$ 214,442	\$ 862,250	\$ 155,783	\$ 636,374	Short-term bank borrowings (Note 15)	\$ 267,860	\$ 1,077,038	\$ 11,573	\$ 47,276
Financial assets at fair value through profit or loss-current (Note 7)	5,947	23,912	-	-	Notes and accounts payable (Note 16)	413,600	1,663,044	243,994	996,715
Notes and accounts receivable, net (Note 8)	441,395	1,774,805	259,935	1,061,834	Other payables to related parties (Notes 21 and 27)	15,506	62,348	1,031	4,212
Accounts receivable from related parties (Note 21)	-	-	32,143	131,304	Current tax liabilities (Notes 4 and 19)	4,170	16,767	939	3,836
Inventories (Note 10)	186,472	749,785	83,078	339,374	Other payables (Note 16)	128,066	514,942	54,660	223,286
Restricted assets (Notes 4 and 22)	33,895	136,288	2,051	8,378	Finance lease payables (Note 11)	236	949	290	1,185
Income tax refund receivable	8,706	35,006	3,207	13,101	Financial liabilities at fair value through profit or loss - current (Note 7)	18,703	75,203	-	-
Other receivables and prepayments (Note 9)	115,240	463,370	50,762	207,363					
Prepayments for land lease-current (Note 14)	402	1,616	97	396	Total current liabilities	848,141	3,410,291	312,487	1,276,510
Total current assets	1,006,499	4,047,032	587,056	2,398,124	NON-CURRENT LIABILITIES				
NON-CURRENT ASSETS					Long-term bank borrowings (Note 15)	36,973	148,665	4,195	17,137
Property, plant and equipment (Note 11)	271,083	1,089,998	137,927	563,432	Other payables to related parties (Notes 21 and 27)	12,417	49,928	-	-
Financial assets measured at cost (Note 12)	24,052	96,711	-	-	Other payables	4,513	18,146	10,134	41,397
Intangible assets (Note 13)	55,209	221,990	58,040	237,093	Long-term finance lease payables (Note 11)	376	1,512	472	1,928
Prepayments for land lease - non-current (Note 14)	19,984	80,354	2,980	12,173	Deferred tax liabilities (Notes 4 and 19)	28,632	115,126	8,873	36,246
Net defined benefit assets	1,087	4,371	-	-	Total non-current liabilities	82,911	333,377	23,674	96,708
Deferred tax assets (Note 4 and 19)	3,275	13,168	1,474	6,021	Total liabilities	931,052	3,743,668	336,161	1,373,218
Total non-current assets	374,690	1,506,592	200,421	818,719	EQUITY (Note 17)				
TOTAL	\$ 1,381,189	\$ 5,553,624	\$ 787,477	\$ 3,216,843	Share capital - common stock	160,785	607,500	160,785	607,500
					Capital surplus	193,698	729,815	193,698	729,815
					Treasury shares	(5,966)	(24,018)	-	-
					Exchange differences on translating foreign operations	(1,999)	94,888	6,838	160,010
					Retained earnings				
					Legal reserve	2,147	8,342	2,070	8,031
					Unappropriated earnings	101,472	393,429	87,925	338,269
					Total equity	450,137	1,809,956	451,316	1,843,625
					TOTAL	\$ 1,381,189	\$ 5,553,624	\$ 787,477	\$ 3,216,843

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

(With Deloitte & Touche review report dated May 12, 2015)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014	
	HK\$	NT\$	HK\$	NT\$
NET REVENUES (Notes 21 and 26)	\$ 512,373	\$ 2,066,042	\$ 273,558	\$ 1,070,843
COST OF REVENUES (Notes 10, 21 and 26)	<u>443,718</u>	<u>1,789,204</u>	<u>235,318</u>	<u>921,152</u>
GROSS PROFIT	<u>68,655</u>	<u>276,838</u>	<u>38,240</u>	<u>149,691</u>
OPERATING EXPENSES				
Selling and marketing	10,464	42,194	6,214	24,325
General and administrative (Note 21)	<u>56,962</u>	<u>229,688</u>	<u>29,370</u>	<u>114,969</u>
Total operating expenses	<u>67,426</u>	<u>271,882</u>	<u>35,584</u>	<u>139,294</u>
OPERATING PROFIT	<u>1,229</u>	<u>4,956</u>	<u>2,656</u>	<u>10,397</u>
NON-OPERATING INCOME AND EXPENSES				
Gain from bargain purchase (Note 27)	10,146	41,446	-	-
Other income (Note 18)	2,877	11,601	2,395	9,375
Foreign exchange gain (loss), net	5,230	21,089	(142)	(555)
Finance costs (Note 18)	(1,482)	(5,976)	-	-
Other losses (Note 18)	<u>(2,665)</u>	<u>(10,746)</u>	<u>(1,558)</u>	<u>(6,099)</u>
Total non-operating income and expense	<u>14,106</u>	<u>57,414</u>	<u>695</u>	<u>2,721</u>
PROFIT BEFORE INCOME TAX	15,335	62,370	3,351	13,118
INCOME TAX (Notes 4 and 19)	<u>(1,711)</u>	<u>(6,899)</u>	<u>(1,422)</u>	<u>(5,567)</u>
PROFIT FOR THE PERIOD	<u>13,624</u>	<u>55,471</u>	<u>1,929</u>	<u>7,551</u>
OTHER COMPREHENSIVE INCOME				
Item that may be reclassified subsequently to profit or loss :				
Exchange differences on translating foreign operations	<u>(8,837)</u>	<u>(65,122)</u>	<u>(3,333)</u>	<u>19,033</u>
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	<u>\$ 4,787</u>	<u>\$ (9,651)</u>	<u>\$ (1,404)</u>	<u>\$ 26,584</u>

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014	
	HK\$	NT\$	HK\$	NT\$
EARNINGS PER SHARE (Note 20)				
Basic earnings per share-before income tax	<u>\$0.25</u>	<u>\$1.03</u>	<u>\$0.06</u>	<u>\$0.22</u>
Basic earnings per share-after income tax	<u>\$0.23</u>	<u>\$0.92</u>	<u>\$0.03</u>	<u>\$0.12</u>
WEIGHTED AVERAGE NUMBER OF SHARES		<u>60,297 shares</u>		<u>60,750 shares</u>

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

(With Deloitte & Touche review report dated May 12, 2015)

(Concluded)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of Hong Kong Dollars) (Reviewed, Not Audited)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	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
Legal reserve of subsidiaries	-	-	-	-	77	(77)	-
Treasury stock held by a subsidiary	-	-	(5,966)	-	-	-	(5,966)
Total comprehensive income (loss) for the three months ended March 31, 2015	-	-	-	(8,837)	-	13,624	4,787
BALANCE AT MARCH 31, 2015	<u>\$ 160,785</u>	<u>\$ 193,698</u>	<u>\$ (5,966)</u>	<u>\$ (1,999)</u>	<u>\$ 2,147</u>	<u>\$ 101,472</u>	<u>\$ 450,137</u>
BALANCE AT JANUARY 1, 2014	\$ 160,785	\$ 193,698	\$ -	\$ 14,434	\$ 1,138	\$ 99,313	\$ 469,368
Total comprehensive income (loss) for the three months ended March 31, 2014	-	-	-	(3,333)	-	1,929	(1,404)
BALANCE AT MARCH 31, 2014	<u>\$ 160,785</u>	<u>\$ 193,698</u>	<u>\$ -</u>	<u>\$ 11,101</u>	<u>\$ 1,138</u>	<u>\$ 101,242</u>	<u>\$ 467,964</u>

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

(With Deloitte & Touche review report dated May 12, 2015)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	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
Legal reserve of subsidiaries	-	-	-	-	311	(311)	-
Treasury stock held by a subsidiary	-	-	(24,018)	-	-	-	(24,018)
Total comprehensive income (loss) for the three months ended March 31, 2015	-	-	-	(65,122)	-	55,471	(9,651)
BALANCE AT MARCH 31, 2015	<u>\$ 607,500</u>	<u>\$ 729,815</u>	<u>\$ (24,018)</u>	<u>\$ 94,888</u>	<u>\$ 8,342</u>	<u>\$ 393,429</u>	<u>\$ 1,809,956</u>
BALANCE AT JANUARY 1, 2014	\$ 607,500	\$ 729,815	\$ -	\$ 90,925	\$ 4,380	\$ 381,018	\$ 1,813,638
Total comprehensive income (loss) for the three months ended March 31, 2014	-	-	-	19,033	-	7,551	26,584
BALANCE AT MARCH 31, 2014	<u>\$ 607,500</u>	<u>\$ 729,815</u>	<u>\$ -</u>	<u>\$ 109,958</u>	<u>\$ 4,380</u>	<u>\$ 388,569</u>	<u>\$ 1,840,222</u>

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

(With Deloitte & Touche review report dated May 12, 2015)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	\$ 15,335	\$ 62,370	\$ 3,351	\$ 13,118
Adjustments for:				
Amortization-other intangible assets	940	3,790	-	-
Amortization-prepayment for land lease	143	576	24	94
Allowance for inventories provision and inventories write-off	406	1,637	561	2,196
Depreciation expenses	12,415	50,061	5,066	19,831
Loss on disposal of property, plant and equipment	48	194	10	39
Interest expense	1,482	5,976	-	-
Interest income	(303)	(1,222)	(468)	(1,832)
Gain from bargain purchase	(10,146)	(41,446)	-	-
Loss on fair value changes of financial instruments	123	496	1,355	5,305
Realized loss from financial instruments	-	-	183	716
Operating cash flows before working capital changes	<u>20,443</u>	<u>82,432</u>	<u>10,082</u>	<u>39,467</u>
Changes in operating assets and liabilities				
Notes and accounts receivable	59,057	238,136	(20,193)	(79,045)
Other receivable and prepayments	663	2,673	2,557	10,009
Accounts payables / receivables from related parties	(1,004)	(4,048)	1,619	6,337
Inventories	(35,918)	(144,832)	(12,170)	(47,640)
Notes and accounts payable and other payables	(57,699)	(232,660)	16,005	62,652
Cash generated used in operations	<u>(14,458)</u>	<u>(58,299)</u>	<u>(2,100)</u>	<u>(8,220)</u>
Interest paid	(1,482)	(5,976)	-	-
Interest received	303	1,222	468	1,832
Income tax paid	<u>(4,527)</u>	<u>(18,254)</u>	<u>(5,846)</u>	<u>(22,884)</u>
Net cash used in operating activities	<u>(20,164)</u>	<u>(81,307)</u>	<u>(7,478)</u>	<u>(29,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash inflow on acquisition of subsidiaries	13,245	54,105	-	-
Decrease in payable for investment cost	(5,621)	(22,666)	-	-
Payments for acquiring property, plant and equipment	(8,727)	(35,190)	(3,552)	(13,904)
Increase in other intangible assets	(423)	(1,706)	-	-
Increase in restricted assets	(17,618)	(71,041)	(40,629)	(159,042)
Proceeds from disposal of property, plant and equipment	103	415	19	74
Proceeds from disposal of derivative financial instruments	<u>-</u>	<u>-</u>	<u>1,080</u>	<u>4,228</u>
Net cash used in investing activities	<u>(19,041)</u>	<u>(76,083)</u>	<u>(43,082)</u>	<u>(168,644)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	100,788	406,407	-	-
Repayments of bank borrowings	(308)	(1,242)	-	-
Payment under capital lease contract	<u>(136)</u>	<u>(548)</u>	<u>-</u>	<u>-</u>
Net cash generated from financing activities	<u>100,344</u>	<u>404,617</u>	<u>-</u>	<u>-</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(2,480)</u>	<u>(21,351)</u>	<u>(453)</u>	<u>13,487</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>58,659</u>	<u>225,876</u>	<u>(51,013)</u>	<u>(184,429)</u>

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EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014	
	HK\$	NT\$	HK\$	NT\$
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>155,783</u>	<u>636,374</u>	<u>236,463</u>	<u>913,693</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 214,442</u>	<u>\$ 862,250</u>	<u>\$ 185,450</u>	<u>\$ 729,264</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	\$ 248,337	\$ 998,538	\$ 185,450	\$ 729,264
Pledge deposits	<u>(33,895)</u>	<u>(136,288)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>\$ 214,442</u>	<u>\$ 862,250</u>	<u>\$ 185,450</u>	<u>\$ 729,264</u>
IMPACT OF CASH AND NONCASH ITEMS FROM INVESTING ACTIVITIES (Note 27)				
Net cash inflow on acquisition of subsidiaries				
Acquisition of subsidiaries	\$ (121,718)	\$ (497,219)	\$ -	\$ -
Increase in payable for investment cost (recognized under other payables from related parties)	24,589	100,446	-	-
Cash and cash equivalents acquired	<u>110,374</u>	<u>450,878</u>	<u>-</u>	<u>-</u>
Net cash inflow	<u>\$ 13,245</u>	<u>\$ 54,105</u>	<u>\$ -</u>	<u>\$ -</u>
NONCASH FOR INVESTING AND FINANCING ACTIVITIES:				
Stock of a parent company held by a subsidiary reclassification as treasury stock from long term investment	<u>\$ 5,966</u>	<u>\$ 24,018</u>	<u>\$ -</u>	<u>\$ -</u>

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

(With Deloitte & Touche review report dated May 12, 2015)

(Concluded)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

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

(Reviewed, Not Audited)

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 principal operating activities and operating segments information of the Company and its subsidiaries (the “Group”) please refer to Note 26.

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. 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”), IAS 34 “Interim Financial Reporting” 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”).

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.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. The historical cost is generally based on the fair value of the consideration given in exchange for assets.

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		Descriptions
			March 31, 2015	December 31, 2014 and March 31, 2014	
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	-	SZMM was established by EAH on November 13, 2013.
	Scan - Speak A/S ("ScS")	Research, production and sale of high-end speakers	100.00	-	EAH acquired ScS 100% ownership interest on April 1, 2014.

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			March 31, 2015	December 31, 2014 and March 31, 2014	
	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of AV electronics products	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	-	"
ETH	Eastech Electronics (Hui Yang) Co., Ltd. ("ETHY")	Production and sales of AV electronics products	100.00	-	"

(Concluded)

d. Explanatory about the seasonality of interim operations

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

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, 2015, 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 three months ended March 31, 2015.

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.

Standard/ Interpretation No.	Subject	Effective for Fiscal Year Beginning on or after the Following Dates
IFRS (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
IFRS (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016

(Continued)

Standard/ Interpretation No.	Subject	Effective for Fiscal Year Beginning on or after the Following Dates
IFRS 7 and 9 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 10, 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 1 (Amendments)	Disclosure Initiative	January 1, 2016
IAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IAS 16 and 41 (Amendments)	Agriculture: Bearer Plants	January 1, 2016
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions	July 1, 2014
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	January 1, 2016

(Concluded)

As of the consolidated financial statements report date, the Group is continually 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2014. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2014.

Business Combinations

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

If the net of the acquisition-date amounts of the net identifiable assets acquired 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 (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Retirement Benefits

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates and assumptions have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2014. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2014.

6. CASH AND CASH EQUIVALENTS

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cash on hand	\$ 1,883	\$ 7,571	\$ 39	\$ 160
Cash at bank	204,351	821,675	155,744	636,214
Fixed deposits	<u>42,103</u>	<u>169,292</u>	<u>2,051</u>	<u>8,378</u>
	248,337	998,538	157,834	644,752
Less: Pledged deposits	<u>(33,895)</u>	<u>(136,288)</u>	<u>(2,051)</u>	<u>(8,378)</u>
	<u>\$ 214,442</u>	<u>\$ 862,250</u>	<u>\$ 155,783</u>	<u>\$ 636,374</u>

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 22), and is recognized under restricted assets.

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

	March 31, 2015 (Reviewed)	
	HK\$	NT\$
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Foreign-listed stocks	<u>\$ 5,947</u>	<u>\$ 23,912</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial instrument		
Target redemption forward ("TRF")	<u>\$ 18,703</u>	<u>\$ 75,203</u>

As stated in Note 1, 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 gain of the aforementioned derivative financial instruments after acquisition is HK\$3,334 thousand (equivalent to approximately NT\$13,444 thousand). Consequently, the Group recognized a loss and the payable to Luster Green Limited at the same amount which was recorded as an increase in other payable to related parties. Hence, the aforementioned derivative financial instruments did not have any impact on the consolidated net income for the three months ended March 31, 2015.

8. NOTES AND ACCOUNTS RECEIVABLE

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Accounts receivable	\$ 438,034	\$ 1,761,291	\$ 260,404	\$ 1,063,750
Notes receivable	3,404	13,687	-	-
Less: Allowance for impairment loss	<u>(43)</u>	<u>(173)</u>	<u>(469)</u>	<u>(1,916)</u>
	<u>\$ 441,395</u>	<u>\$ 1,774,805</u>	<u>\$ 259,935</u>	<u>\$ 1,061,834</u>

The Group grants an average credit term of 60 days or 90 days for the sales of goods. 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:

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Neither overdue nor impaired	\$ 421,867	\$ 1,696,284	\$ 236,789	\$ 967,283
Overdue but not impaired (a)	19,528	78,521	23,146	94,551
Overall assessment for impaired receivables assessing (b)	43	173	\$ 469	\$ 1,916
Less: Allowance for impairment loss	<u>(43)</u>	<u>(173)</u>	<u>(469)</u>	<u>(1,916)</u>
Notes and accounts receivable, net	<u>\$ 441,395</u>	<u>\$ 1,774,805</u>	<u>\$ 259,935</u>	<u>\$ 1,061,834</u>

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

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
0-90 days	\$ 19,456	\$ 78,231	\$ 22,579	\$ 92,235
91-180 days	72	290	408	1,666
181-360 days	<u>-</u>	<u>-</u>	<u>159</u>	<u>650</u>
	<u>\$ 19,528</u>	<u>\$ 78,521</u>	<u>\$ 23,146</u>	<u>\$ 94,551</u>

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:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
			Unit: HKD
Balance at January 1, 2015	\$ 469	\$ -	\$ 469
Acquisition of ETT Group's assets	43	-	43
Written off	(467)	-	(467)
Effect of exchange rate changes	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Balance at March 31, 2015	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 43</u>
Balance at January 1, 2014	\$ 476	\$ -	\$ 476
Effect of exchange rate changes	<u>(7)</u>	<u>-</u>	<u>(7)</u>
Balance at December 31, 2014	<u>\$ 469</u>	<u>\$ -</u>	<u>\$ 469</u>

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	(1,883)	-	(1,883)
Effect of exchange rate changes	<u>(33)</u>	<u>-</u>	<u>(33)</u>
Balance at March 31, 2015	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ 173</u>
Balance at January 1, 2014	\$ 1,839	\$ -	\$ 1,839
Effect of exchange rate changes	<u>77</u>	<u>-</u>	<u>77</u>
Balance at December 31, 2014	<u>\$ 1,916</u>	<u>\$ -</u>	<u>\$ 1,916</u>

- 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 for obtaining bank facilities please refer to Note 22.

9. OTHER RECEIVABLES AND PREPAYMENTS

	<u>March 31, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Other receivables	\$ 50,379	\$ 202,569	\$ 36,556	\$ 149,331
Allowance for impairment loss	<u>(13,962)</u>	<u>(56,140)</u>	<u>(13,962)</u>	<u>(57,035)</u>
Other receivables, net	36,417	146,429	22,594	92,296
Prepayments	5,104	20,524	1,345	5,494
Prepaid equipment and mold	45,262	181,994	19,659	80,307
Value-added tax recoverable and refundable	18,071	72,662	6,401	26,149
Guarantee deposits	<u>10,386</u>	<u>41,761</u>	<u>763</u>	<u>3,117</u>
Total	<u>\$ 115,240</u>	<u>\$ 463,370</u>	<u>\$ 50,762</u>	<u>\$ 207,363</u>

Other receivables of the Group mainly consist of the followings:

- a. As of March 31, 2015 and December 31, 2014, the amounts of advance payment to vendors were HK\$4,541 thousand and HK\$7,384 thousand (equivalent to approximately NT\$18,259 thousand and NT\$30,614 thousand), respectively.

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

	<u>March 31, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Other receivables (including security deposits)	\$ 24,686	\$ 99,260	\$ 24,868	\$ 101,586
Less: Allowance for impairment loss	<u>(13,962)</u>	<u>(56,140)</u>	<u>(13,962)</u>	<u>(57,035)</u>
	<u>\$ 10,724</u>	<u>\$ 43,120</u>	<u>\$ 10,906</u>	<u>\$ 44,551</u>

- c. As of March 31, 2015, the amounts of temporary payments as described in Note 16(b) were HK\$12,788 thousand (equivalent to approximately NT\$51,419 thousand).

10. INVENTORIES

	<u>March 31, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Raw materials	\$ 71,834	\$ 288,837	\$ 36,177	\$ 147,783
Work-in-process	76,990	309,569	35,840	146,407
Finished goods	17,815	71,632	10,528	43,007
Goods in transit	<u>19,833</u>	<u>79,747</u>	<u>533</u>	<u>2,177</u>
	<u>\$ 186,472</u>	<u>\$ 749,785</u>	<u>\$ 83,078</u>	<u>\$ 339,374</u>

The cost of inventories recognized as cost of goods sold for the three months period ended March 31, 2015 and 2014 was HK\$443,718 thousand and HK\$235,318 thousand (equivalent to approximately NT\$1,789,204 thousand and NT\$921,152 thousand), respectively, which included HK\$406 thousand and HK\$561 thousand (equivalent to approximately NT\$1,637 thousand and NT\$2,196 thousand), write-down of impairment loss and inventories disposed, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

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

	<u>March 31, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Cost	\$ 477,649	\$ 1,920,579	\$ 333,666	\$ 1,363,026
Accumulated depreciation and impairment	<u>(206,566)</u>	<u>(830,581)</u>	<u>(195,739)</u>	<u>(799,594)</u>
Book Value	<u>\$ 271,083</u>	<u>\$ 1,089,998</u>	<u>\$ 137,927</u>	<u>\$ 563,432</u>
Land and buildings	\$ 79,999	\$ 321,668	\$ 35,921	\$ 146,737
Machinery equipment and office equipment	190,390	765,540	101,572	414,922
Construction in progress	<u>694</u>	<u>2,790</u>	<u>434</u>	<u>1,773</u>
Book Value	<u>\$ 271,083</u>	<u>\$ 1,089,998</u>	<u>\$ 137,927</u>	<u>\$ 563,432</u>

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, 2014	\$ 93,816	\$ 362,505	\$ 231,487	\$ 894,466	\$ -	\$ -	\$ 325,303	\$ 1,256,971
Additions	-	-	26,708	104,639	735	2,880	27,443	107,519
Acquisition of ScS's assets	-	-	5,678	22,328	709	2,788	6,387	25,116
Disposals	(118)	(462)	(16,982)	(66,534)	(198)	(775)	(17,298)	(67,771)
Reclassification	-	-	588	2,304	(588)	(2,304)	-	-
Reclassification to other intangible assets	-	-	-	-	(167)	(655)	(167)	(655)
Effect of exchange rate changes	(1,988)	12,592	(5,957)	29,415	(57)	(161)	(8,002)	41,846
Balance at December 31, 2014	91,710	374,635	241,522	986,618	434	1,773	333,666	1,363,026
Acquisition of ETT Group's assets (Note 27)	47,320	193,302	90,904	371,343	-	-	138,224	564,645
Additions	-	-	8,320	33,549	407	1,641	8,727	35,190
Disposals	-	-	(608)	(2,451)	(90)	(363)	(698)	(2,814)
Effect of exchange rate changes	(326)	(10,222)	(1,887)	(28,985)	(57)	(261)	(2,270)	(39,468)
Balance at March 31, 2015	<u>\$ 138,704</u>	<u>\$ 557,715</u>	<u>\$ 338,251</u>	<u>\$ 1,360,074</u>	<u>\$ 694</u>	<u>\$ 2,790</u>	<u>\$ 477,649</u>	<u>\$ 1,920,579</u>
Accumulated Depreciation and Impairment								
Balance at January 1, 2014	\$ 52,862	\$ 204,259	\$ 141,020	\$ 544,901	\$ -	\$ -	\$ 193,882	\$ 749,160
Depreciation	3,981	15,597	17,636	69,096	-	-	21,617	84,693
Disposals	(23)	(90)	(15,164)	(59,411)	-	-	(15,187)	(59,501)
Effect of exchange rate changes	(1,031)	8,132	(3,542)	17,110	-	-	(4,573)	25,242
Balance at December 31, 2014	55,789	227,898	139,950	571,696	-	-	195,739	799,594
Depreciation	3,049	12,294	9,366	37,767	-	-	12,415	50,061
Disposals	-	-	(547)	(2,205)	-	-	(547)	(2,205)
Reclassification to other intangible assets	-	-	(128)	(516)	-	-	(128)	(516)
Effect of exchange rate changes	(133)	(4,145)	(780)	(12,208)	-	-	(913)	(16,353)
Balance at March 31, 2015	<u>\$ 58,705</u>	<u>\$ 236,047</u>	<u>\$ 147,861</u>	<u>\$ 594,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,566</u>	<u>\$ 830,581</u>

c. Impairment testing

The Group periodically reviews the recoverable amount of plant and equipment to see if there is any impairment loss. The annual discount rate used for 2014 was 10%. The management assessed that there was no impairment loss indicator for the three months period ended March 31, 2015.

d. 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 40-60 years
Building improvements	5 years or 10 years
Machinery equipment	5 years or 10 years
Office equipment	2 years to 10 years

- e. The Group leases certain machinery and office equipment through finance leases for a term of 5 years, as of March 31, 2015 and December 31, 2014, details of leased assets and lease payables were as follows:

Type of Leased Assets	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Machinery and office equipment, net	\$ 612	\$ 2,461	\$ 762	\$ 3,113
	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Lease payables	\$ 612	\$ 2,461	\$ 762	\$ 3,113
Less: Lease payables due within 1 year	(236)	(949)	(290)	(1,185)
	\$ 376	\$ 1,512	\$ 472	\$ 1,928

- f. Details of the land and buildings held by the Group as of March 31, 2015 and December 31 2014 were as follows:

March 31, 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.
	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 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.

(Continued)

Company Name	Location	Description	Tenure/Unexpired Term
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)

December 31, 2014

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.
	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 carried at prepaid lease payments)	Lease for term of 50 years from December 14, 1995 to December 13, 2045.

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.

- g. The amounts of property, plant and equipment pledged for security for borrowings by the Group refer to Note 22.

12. FINANCIAL ASSETS MEASURED AT COST

	<u>March 31, 2015</u>	
	HK\$	NT\$
Outlaw Audio Inc.	\$ 131	\$ 530
Audio Design Experts Inc.	7,449	29,950
HT Precision Technologies, Inc.	<u>16,472</u>	<u>66,231</u>
	<u>\$ 24,052</u>	<u>\$ 96,711</u>

Since the fair values of the Group's investments in non-publicly traded stocks can't be reliably measured, the investments are measured at the cost less any impairment. Above investments are acquired through the acquisition of ETT Group.

13. INTANGIBLE ASSETS

	<u>March 31, 2015 (Reviewed)</u>		<u>March 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Goodwill	\$ 27,305	\$ 109,791	\$ 30,203	\$ 123,379
Know-How and knowledge (including R&D)	19,499	78,403	18,013	73,583
Customer relationship	<u>8,405</u>	<u>33,796</u>	<u>9,824</u>	<u>40,131</u>
	<u>\$ 55,209</u>	<u>\$ 221,990</u>	<u>\$ 58,040</u>	<u>\$ 237,093</u>

a. Details of Goodwill were as follows:

	<u>March 31, 2015 (Reviewed)</u>		<u>March 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Related to ScS	\$ 23,843	\$ 95,871	\$ 26,733	\$ 109,204
Related to HYDM	<u>3,462</u>	<u>13,920</u>	<u>3,470</u>	<u>14,175</u>
	<u>\$ 27,305</u>	<u>\$ 109,791</u>	<u>\$ 30,203</u>	<u>\$ 123,379</u>

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

Technical acknowledge	4-15 years
Customer relationship	9 years

14. PREPAYMENTS FOR LAND LEASE

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Current assets (recognized under prepayments for land lease)	\$ 402	\$ 1,616	\$ 97	\$ 396
Non-current assets	<u>19,984</u>	<u>80,354</u>	<u>2,980</u>	<u>12,173</u>
	<u>\$ 20,386</u>	<u>\$ 81,970</u>	<u>\$ 3,077</u>	<u>\$ 12,569</u>

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

15. BANK BORROWINGS

a. Short-term bank borrowings:

	March 31, 2015 (Reviewed)			December 31, 2014 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	1.74%-1.9%	\$ 113,735	\$ 457,316	4.5%-5%	\$ 10,813	\$ 44,171
Bank borrowings - unsecured	1.65%-5%	136,039	547,000	-	-	-
Commercial paper - secured	1.998%	12,435	50,000	-	-	-
Long-term borrowings due within 1 year	5%	<u>5,651</u>	<u>22,722</u>	5%	<u>760</u>	<u>3,105</u>
		<u>\$ 267,860</u>	<u>\$ 1,077,038</u>		<u>\$ 11,573</u>	<u>\$ 47,276</u>

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

The detail of the Group's pledged assets for obtaining bank facilities please refer to Note 22

b. Long-term bank borrowings:

	March 31, 2015 (Reviewed)			December 31, 2014 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	5%	\$ 42,624	\$ 171,387	5%	\$ 4,955	\$ 20,242
Less: Long-term bank borrowings due within 1 year		<u>(5,651)</u>	<u>(22,722)</u>		<u>(760)</u>	<u>(3,105)</u>
		<u>\$ 36,973</u>	<u>\$ 148,665</u>		<u>\$ 4,195</u>	<u>\$ 17,137</u>

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

The detail of the Group's pledged assets for obtaining bank facilities please refer to Note 22.

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

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Due within 2 to 5 years	\$ 36,973	\$ 148,665	\$ 4,195	\$ 17,137
Due more than 5 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 36,973</u>	<u>\$148,665</u>	<u>\$ 4,195</u>	<u>\$ 17,137</u>

16. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

- a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were 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:

	March 31, 2015 (reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Temporary receivables(Note)	\$ 22,510	\$ 90,510	\$ -	\$ -
Accrued salaries	47,105	189,404	32,822	134,078
ScS investment payable- current	4,513	18,146	5,065	20,691
Other payable for other	<u>53,938</u>	<u>216,882</u>	<u>16,773</u>	<u>68,517</u>
	<u>\$ 128,066</u>	<u>\$ 514,942</u>	<u>\$ 54,660</u>	<u>\$ 223,286</u>

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

17. EQUITY

Share Capital

The initial setup capital of the Company is NT\$1,000,000 (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of March 31, 2015 and December 31, 2014 were both NT\$607,500 thousand (equivalent to approximately NT\$160,785 thousand), divided into 60,750 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.

Treasury Shares

Purpose of Buy-Back	Shares held by a subsidiary (In thousands of shares)
Number of shares at January 1, 2015	-
Increase from acquisition of ETT Group	<u>453</u>
Number of shares, March 31, 2015	<u>453</u>

The Company's shares held by its subsidiary at the end of the reporting periods were as follows:

March 31, 2015

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\$7,886 thousand (equivalent to approximately NT\$31,710 thousand)

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. In addition, ETT pledge the aforementioned shares for obtaining bank facilities.

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 March 31, 2015 and December 31, 2014, the capital surplus of the Company were both NT\$729,815 thousand (equivalent to approximately HK\$193,698 thousand), all of which were from share premium.

Retained Earnings and Dividend Policy

Under the Company's Articles of Incorporation revised in June 2013, if there is any net profit for the period, payment of tax and offset of any loss incurred in previous year shall be made first, and then after special reserve proposed by the Board, the remaining net profit for the period could be distributed by the Company subject to the following policy:

- a. The amount as directors' remuneration shall not exceed 2% of the net profit for the period;
- b. The amount as staff (including staff of the Company and its subsidiaries) bonus shall be 1% to 15% of the net profit for the period;
- c. Dividends and bonus payable to shareholders shall not be less than 50% of the remaining net profit of the period after deducting the amounts as described above. Cash dividend shall not be less than 50% of the dividend and bonus issue, while the remaining balance can be distributed by way of stock dividend.

The directors' remuneration and employee bonus were estimated based on the above policy. Any change at annual shareholders resolution shall be adjusted and recognized in the year of resolution.

The resolutions in respect of surplus distribution as well as employee bonus and directors' remuneration for 2014 and 2013 were passed at the annual shareholders' meetings held on May 12, 2015 and April 30, 2014, respectively. Details of the dividend per share, directors' remuneration and employee bonus of the earnings appropriations for 2014 and 2013 of the Company were as follows:

	2014
Ordinary share dividend - cash	NT\$5 per share, totaling NT\$303,750 thousand
Directors' remuneration - cash	HK\$1,351 thousand (equivalent to approximately NT\$5,293 thousand)
Employee bonus - cash	HK\$2,821 thousand (equivalent to approximately NT\$11,052 thousand)

Ordinary share dividend - cash	NT\$5 per share, totaling NT\$303,750 thousand
Directors' remuneration - cash	HK\$1,715 thousand (equivalent to approximately NT\$6,580 thousand)
Employee bonus - cash	HK\$2,217 thousand (equivalent to approximately NT\$8,505 thousand)

There is no significant difference between the aforementioned approved directors' remuneration and employee bonus amounts and the amounts recognized in 2013.

Information on the earnings appropriations approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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 March 31, 2015.

18. CONSOLIDATED NET PROFIT

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

a. Depreciation and amortization expenses

	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 12,415	\$ 50,061	\$ 5,066	\$ 19,831
Amortization of other intangible assets	940	3,790	-	-
Amortization of prepayments for lease	<u>143</u>	<u>576</u>	<u>24</u>	<u>94</u>
	<u>\$ 13,498</u>	<u>\$ 54,427</u>	<u>\$ 5,090</u>	<u>\$ 19,925</u>

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

	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 8,629	\$ 34,795	\$ 4,137	\$ 16,194
Post-employment benefits	193	778	50	196
Employee benefits				
Short-term benefits	91,438	368,705	44,539	174,348
Post-employment benefits	<u>4,087</u>	<u>16,480</u>	<u>1,069</u>	<u>4,185</u>
	<u>\$ 104,347</u>	<u>\$ 420,758</u>	<u>\$ 49,795</u>	<u>\$ 194,923</u>

c. Other income

	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest income	\$ 303	\$ 1,222	\$ 468	\$ 1,832
Scrap income	687	2,770	198	775
Gains on disposal of property, plant and equipment	13	52	10	39
Net gain on financial instruments at FVTPL	-	-	-	-
Others	<u>1,874</u>	<u>7,557</u>	<u>1,719</u>	<u>6,729</u>
	<u>\$ 2,877</u>	<u>\$ 11,601</u>	<u>\$ 2,395</u>	<u>\$ 9,375</u>

d. Other losses

	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on disposal of property, plant and equipment	\$ 61	\$ 246	\$ 20	\$ 78
Net loss on financial instruments at FVTPL	123	496	1,538	6,021
Other	<u>2,481</u>	<u>10,004</u>	-	-
	<u>\$ 2,665</u>	<u>\$ 10,746</u>	<u>\$ 1,558</u>	<u>\$ 6,099</u>

e. Finance costs

	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 1,482</u>	<u>\$ 5,976</u>	<u>\$ -</u>	<u>\$ -</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Income tax				
In respect of the current period consist of:	\$ 1,453	\$ 5,859	\$ 1,772	\$ 6,937
In respect of the prior period	555	2,238	-	-
Deferred tax benefit	<u>(297)</u>	<u>(1,198)</u>	<u>(350)</u>	<u>(1,370)</u>
Income tax expenses	<u>\$ 1,711</u>	<u>\$ 6,899</u>	<u>\$ 1,422</u>	<u>\$ 5,567</u>

The Group's interim period income taxes are estimated based on an annual effective tax rate and calculated by applying to interim period's pre-tax income. Hence, the Group could not disclose reconciliation of accounting profit and taxable income.

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

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 1 January, 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, HYE A and HYDM obtained the innovation and high technology enterprise certificates issued by local tax authorities. Therefore, HYE A 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%.

The local tax rate in 2014 for the subsidiary in Denmark is 24.5%, which is reduced to 23.5% in 2015 and further reduced to 22% in 2016 onwards. The local tax rate for the subsidiary in Taiwan is 17%.

b. 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 2012.

20. EARNINGS PER SHARE

	<u>Amount (In Thousands)</u>		<u>Weighted Average Shares (In Thousands)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Three months ended March 31, 2015 (reviewed)</u>					
Basic earnings per share - HKD	<u>\$ 15,335</u>	<u>\$ 13,624</u>	<u>60,297</u>	<u>\$ 0.25</u>	<u>\$ 0.23</u>
Basic earnings per share - NTD	<u>\$ 62,370</u>	<u>\$ 55,471</u>	<u>60,297</u>	<u>\$ 1.03</u>	<u>\$ 0.92</u>
<u>Three months ended March 31, 2014 (reviewed)</u>					
Basic earnings per share - HKD	<u>\$ 3,551</u>	<u>\$ 1,929</u>	<u>60,750</u>	<u>\$ 0.06</u>	<u>\$ 0.03</u>
Basic earnings per share - NTD	<u>\$ 13,118</u>	<u>\$ 7,551</u>	<u>60,750</u>	<u>\$ 0.22</u>	<u>\$ 0.12</u>

21. 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. Sales

<u>Related Party Categories</u>	<u>For the Three Months Ended March 31</u>			
	<u>2015 (Reviewed)</u>		<u>2014 (Reviewed)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,549</u>	<u>\$ 100,012</u>

b. Purchases

Related Party Categories	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 370	\$ 1,448

c. Manufacture cost

Related Party Categories	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 271	\$ 1,061

d. Administrative expense (recognized under general and administrative expense)

Related Party Categories	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 1,054	\$ 4,126

e. Receivables (payable) from (to) related parties

Related Party Categories	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Receivables				
Associates	\$ -	\$ -	\$ 32,143	\$ 131,304
Other payables				
Associates	\$ 27,923	\$ 112,276	\$ 1,031	\$ 4,212

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 Note 7 and 27.

Classification by payment period as follows:

	For the Three Months Ended March 31			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Current	\$ 15,506	\$ 62,348	\$ 1,031	\$ 4,212
Non-current	12,417	49,928	-	-
	\$ 27,923	\$ 112,276	\$ 1,031	\$ 4,212

f. 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 18 for details.

22. PLEDGED ASSETS

The following assets and treasury shares disclosed in Note 17 were provided as collateral for bank borrowings. Part of loan guarantees is provided by the Chairman of the Company.

	<u>March 31, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Other intangible assets	\$ 7,825	\$ 31,464	\$ 7,142	\$ 29,175
Accounts receivable with recourse	49,328	198,343	4,368	17,844
Property, plant and equipment	13,998	56,284	3,669	14,988
Inventories and other assets	11,737	47,193	17,330	70,793
Pledge deposits (recognized under restrict assets - current)	<u>33,895</u>	<u>136,288</u>	<u>2,051</u>	<u>8,378</u>
	<u>\$ 116,783</u>	<u>\$ 469,572</u>	<u>\$ 34,560</u>	<u>\$ 141,178</u>

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

Lease Agreement

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

Non-cancellable Operating Leases

	<u>March 31, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Within 1 year	\$ 12,503	\$ 50,273	\$ 6,511	\$ 26,597
More than 1 year and within 5 years	16,661	66,992	12,949	52,897
More than 5 years	<u>21,699</u>	<u>87,250</u>	<u>11,842</u>	<u>48,375</u>
	<u>\$ 50,863</u>	<u>\$ 204,515</u>	<u>\$ 31,302</u>	<u>\$ 127,869</u>

Rental expenses of the Group arising from operating leases for three month ended March 31, 2015 and 2014 amounted to HK\$4,173 thousand and HK\$971 thousand (equivalent to approximately NT\$16,827 thousand and NT\$3,801 thousand), respectively.

24. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil in the first quarter of 2015. The status of litigation in the current phase please refers to Note 22 of the consolidated financial statements for the year ended December 31, 2014.

- b. Financial guarantees within the Group refer to table 2 of Note 29.
- c. The group has not recognized the significant capital commitments as follows:

	<u>March 31, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Acquisition of property, plant and equipment	<u>\$ 1,543</u>	<u>\$ 6,204</u>	<u>\$ 15,280</u>	<u>\$ 62,419</u>

25. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's capital risk management policy is consistent as consolidated financial statements for the year ended December 31, 2014. In addition, the Group is not subject to any externally imposed capital requirements.

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			
	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 551,853	\$ 2,218,946	\$ 377,550	\$ 1,542,292
HKD	554	2,228	124	507
RMB	<u>28,180</u>	<u>113,309</u>	<u>19,927</u>	<u>81,402</u>
	<u>\$ 580,587</u>	<u>\$ 2,334,483</u>	<u>\$ 397,601</u>	<u>\$ 1,624,201</u>
	Liabilities			
	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 432,748	\$ 1,740,036	\$ 88,218	\$ 360,371
HKD	121,429	488,254	58,992	240,982
RMB	<u>1,706</u>	<u>6,860</u>	<u>1,360</u>	<u>5,556</u>
	<u>\$ 555,883</u>	<u>\$ 2,235,150</u>	<u>\$ 148,570</u>	<u>\$ 606,909</u>

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

	Currency USD Impact		Currency USD Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31, 2015		March 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ 5,955</u>	<u>\$ 23,946</u>	<u>\$ 14,467</u>	<u>\$ 59,096</u>

	Currency HKD Impact		Currency HKD Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31, 2015		March 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	\$ (6,044)	\$ (24,301)	\$ (2,943)	\$ (12,024)

	Currency RMB Impact		Currency RMB Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31, 2015		March 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	\$ 1,325	\$ 5,329	\$ 928	\$ 3,792

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 three months ended March 31, 2015 and for the year ended 2014 would have been (decreases) increased by HK\$(292) thousand and HK\$868 thousand (equivalent to approximately NT\$1,174 thousand NT\$3,545 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.

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

	March 31, 2015				
	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 413,600	\$ -	\$ -	\$ 413,600
Other payables to related parties	-	15,506	12,417	-	27,923
Other payables	-	128,066	4,513	-	132,579
<u>Interest bearing liabilities</u>					
Finance lease payables	-	236	376	-	612
Bank borrowings	3.02%	264,728	45,942	-	310,670

December 31, 2014

	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Non-interest bearing liabilities	-	\$ 243,994	\$ -	\$ -	\$ 243,994
Notes and accounts payable	-	1,031	-	-	1,031
Other payables to related parties	-	54,660	10,134	-	64,794
Other payables					
<u>Interest bearing liabilities</u>					
Finance lease payables	-	290	472	-	762
Bank borrowings	4.80%	12,120	1,803	2,601	16,524

Unit: NTD

March 31, 2015

	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 1,663,044	\$ -	\$ -	\$ 1,663,044
Other payables to related parties	-	62,348	49,928	-	112,276
Other payables	-	514,942	18,146	-	533,088
<u>Interest bearing liabilities</u>					
Finance lease payables	-	949	1,512	-	2,461
Bank borrowings	3.02%	1,064,445	184,728	-	1,249,173

December 31, 2014

	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 996,715	\$ -	\$ -	\$ 996,715
Other payables to related parties	-	4,212	-	-	4,212
Other payables	-	223,286	41,397	-	264,683
<u>Interest bearing liabilities</u>					
Finance lease payables	-	1,185	1,928	-	3,113
Bank borrowings	4.80%	49,510	7,365	10,625	67,500

5) Financial facilities

Bank overdraft facility

	Liabilities			
	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Unsecured bank overdraft facility				
Amount unused	\$ 1,600	\$ 6,433	\$ 300	\$ 1,226

Bank borrowings

	Liabilities			
	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Secured borrowings				
Amount unused	<u>\$ 15,013</u>	<u>\$ 60,366</u>	<u>\$ 2,171</u>	<u>\$ 8,868</u>
Unsecured borrowings				
Amount unused	<u>\$ 271,638</u>	<u>\$1,092,229</u>	<u>\$ 240,325</u>	<u>\$ 981,728</u>

6) 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:

March 31, 2015

Unit: Foreign Currencies Thousands				
	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 52,639	HKD	31.3650	\$ 1,651,019
USD	16,673	NTD	31.3650	522,958
USD	1,057	RMB	31.3650	33,160
USD	<u>377</u>	DKK	31.3650	<u>11,809</u>
	<u>\$ 70,746</u>			<u>\$ 2,218,946</u>

(Continued)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 23,480	HKD	31.3650	\$ 736,464
USD	16,136	RMB	31.3650	506,095
USD	15,699	NTD	31.3650	492,407
USD	<u>162</u>	DKK	31.3650	<u>5,070</u>
	<u>\$ 55,477</u>			<u>\$ 1,740,036</u>
HKD	\$ 119,606	RMB	4.0209	\$ 480,924
HKD	<u>1,823</u>	NTD	4.0209	<u>7,330</u>
	<u>\$ 121,429</u>			<u>\$ 488,254</u> (Concluded)

December 31, 2014

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 44,123	HKD	31.7250	\$ 1,399,799
USD	4,131	RMB	31.7250	131,043
USD	<u>361</u>	DKK	31.7250	<u>11,450</u>
	<u>\$ 48,615</u>			<u>\$ 1,542,292</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 10,533	RMB	31.7250	\$ 334,165
USD	618	HKD	31.7250	19,592
USD	<u>208</u>	DKK	31.7250	<u>6,614</u>
	<u>\$ 11,359</u>			<u>\$ 360,371</u>
RMB	<u>\$ 58,992</u>	RMB	4.0850	<u>\$ 240,982</u>

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

For the three months ended March 31, 2015 and 2014, realized foreign exchange gains were HK\$4,104 thousand (equivalent to approximately NT\$16,549 thousand), unrealized foreign exchange gains were HK\$1,126 thousand (equivalent to approximately NT\$4,540 thousand) and realized foreign exchange losses were HK\$793 thousand (equivalent to approximately NT\$3,107 thousand), unrealized foreign exchange losses were HK\$651 thousand (equivalent to approximately NT\$2,552 thousand), respectively. It is impractical to disclose net foreign exchange gain or loss by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

26. SEGMENT INFORMATION

a. Operating segments

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

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

	March 31, 2015				
	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$ 313,921	\$ 39,280	\$ 182,139	\$ (22,967)	\$ 512,373
Cost of revenues	<u>271,406</u>	<u>30,852</u>	<u>164,181</u>	<u>(22,721)</u>	<u>443,718</u>
Gross profit	<u>\$ 42,515</u>	<u>\$ 8,428</u>	<u>\$ 17,958</u>	<u>\$ (246)</u>	<u>\$ 68,655</u>

Unit: NTD

	March 31, 2015				
	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$1,265,824	\$ 158,389	\$ 734,439	\$ (92,610)	\$ 2,066,042
Cost of revenues	<u>1,094,389</u>	<u>124,405</u>	<u>662,027</u>	<u>(91,617)</u>	<u>1,789,204</u>
Gross profit	<u>\$ 171,435</u>	<u>\$ 33,984</u>	<u>\$ 72,412</u>	<u>\$ (993)</u>	<u>\$ 276,838</u>

	March 31, 2014					
	Speakers		Earphones		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
Revenues	\$ 240,428	\$ 941,156	\$ 33,130	\$ 129,687	\$ 273,558	\$ 1,070,843
Cost of revenues	<u>209,829</u>	<u>821,376</u>	<u>25,489</u>	<u>99,776</u>	<u>235,318</u>	<u>921,152</u>
Gross profit	<u>\$ 30,599</u>	<u>\$ 119,780</u>	<u>\$ 7,641</u>	<u>\$ 29,911</u>	<u>\$ 38,240</u>	<u>\$ 149,691</u>

b. Information of key customers

Customers representing more than 10% of the Group's total income as shown in the consolidated statements of comprehensive income for March 31, 2015 and 2014 are as follows:

	March 31, 2015 (Reviewed)			March 31, 2014 (Reviewed)		
	HK\$	NT\$	%	HK\$	NT\$	%
Company A	\$ 144,480	\$ 582,587	28	\$ 107,772	\$ 421,873	39
Company B	70,261	283,313	14	-	-	-
Company C	62,323	251,305	12	27,293	106,838	10
Company D	32,406	130,671	6	26,121	102,251	10
Company E	6,799	27,416	1	29,731	116,382	11

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	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 operation scale expansion, EAH acquired 99.98% interests in ETT (including its subsidiaries, ETH and ETHY) from Luster Green Limited in January 2015.

b. Considerations transferred

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

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
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
Financial assets at fair value through profit and loss	11,942	48,783
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 through profit or loss (Note)	(24,329)	(99,384)
Non-current liabilities		
Long-term bank borrowings	(3,672)	(15,000)
Deferred tax liabilities	<u>(21,073)</u>	<u>(86,083)</u>
	<u>\$ 131,864</u>	<u>\$ 538,665</u>

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	<u>(131,864)</u>	<u>(538,665)</u>
Gain from bargain purchase	<u>\$ (10,146)</u>	<u>\$ (41,446)</u>

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	<u>(110,374)</u>	<u>(450,878)</u>
	<u>\$ (13,245)</u>	<u>\$ (54,105)</u>

f. Impact of acquisitions on the operation results of the Group

The results of the acquiree since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	For the Three Months Ended March 31, 2015	
	HK\$	NT\$
Revenue	<u>\$ 182,139</u>	<u>\$ 734,439</u>
Profit	<u>\$ 1,584</u>	<u>\$ 6,387</u>

28. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on May 12, 2015.