

Stock code : 5225

**Eastern Technologies Holding Limited and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 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 June 30, 2015 and the related consolidated statements of comprehensive income for the three months ended June 30, 2015 and 2014, and for the six months ended June 30, 2015 and 2014, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 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 June 30, 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\$38,181 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.

August 7, 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	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)		LIABILITIES AND EQUITY	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$		HK\$	NT\$	HK\$	NT\$
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 6)	\$ 174,914	\$ 699,376	\$ 155,783	\$ 636,374	Short-term bank borrowings (Note 15)	\$ 292,308	\$ 1,168,764	\$ 11,573	\$ 47,276
Financial assets at fair value through profit or loss-current (Note 7)	4,629	18,509	-	-	Notes and accounts payable (Note 16)	359,718	1,438,296	243,994	996,715
Notes and accounts receivable, net (Note 8)	395,581	1,581,691	259,935	1,061,834	Other payables to related parties (Notes 21 and 27)	25,070	100,240	1,031	4,212
Accounts receivable from related parties (Note 21)	-	-	32,143	131,304	Current tax liabilities (Notes 4 and 19)	916	3,663	939	3,836
Inventories (Note 10)	173,635	694,262	83,078	339,374	Other payables (Note 16)	101,278	404,950	54,660	223,286
Restricted assets (Notes 4 and 22)	11,335	45,322	2,051	8,378	Finance lease payables	241	964	290	1,185
Income tax refund receivable	8,026	32,091	3,207	13,101	Financial liabilities at fair value through profit or loss - current (Note 7)	8,004	32,003	-	-
Other receivables and prepayments (Note 9)	91,782	366,981	50,762	207,363					
Prepayments for land lease-current (Note 14)	402	1,608	97	396	Total current liabilities	787,535	3,148,880	312,487	1,276,510
Total current assets	860,304	3,439,840	587,056	2,398,124	NON-CURRENT LIABILITIES				
NON-CURRENT ASSETS					Long-term bank borrowings (Note 15)	33,554	134,162	4,195	17,137
Property, plant and equipment (Note 11)	276,176	1,104,262	137,927	563,432	Other payables to related parties (Notes 21 and 27)	12,417	49,648	-	-
Financial assets measured at cost (Note 12)	27,987	111,903	-	-	Other payables	4,563	18,246	10,134	41,397
Intangible assets (Note 13)	55,623	222,403	58,040	237,093	Long-term finance lease payables	310	1,239	472	1,928
Prepayments for land lease - non-current (Note 14)	19,834	79,304	2,980	12,173	Deferred tax liabilities (Notes 4 and 19)	28,287	113,103	8,873	36,246
Net defined benefit assets	1,082	4,326	-	-	Total non-current liabilities	79,131	316,398	23,674	96,708
Deferred tax assets (Note 4 and 19)	3,195	12,775	1,474	6,021	Total liabilities	866,666	3,465,278	336,161	1,373,218
Total non-current assets	383,897	1,534,973	200,421	818,719	EQUITY (Note 17)				
TOTAL	\$ 1,244,201	\$ 4,974,813	\$ 787,477	\$ 3,216,843	Share capital - common stock	161,418	610,020	160,785	607,500
					Capital surplus	197,472	744,831	193,698	729,815
					Treasury shares	(5,966)	(24,018)	-	-
					Exchange differences on translating foreign operations	(1,282)	84,766	6,838	160,010
					Retained earnings	(3,755)	(14,953)	-	-
					Legal reserve	2,147	8,342	2,070	8,031
					Unappropriated earnings	27,501	100,547	87,925	338,269
					Total equity	377,535	1,509,535	451,316	1,843,625
					TOTAL	\$ 1,244,201	\$ 4,974,813	\$ 787,477	\$ 3,216,843

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

(With Deloitte & Touche review report dated August 7, 2015)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended June 30, 2015		For the Three Months Ended June 30, 2014		For the Six Months Ended June 30, 2015		For the Six Months Ended June 30, 2014	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
NET REVENUES (Notes 21 and 26)	\$ 460,024	\$ 1,818,878	\$ 365,126	\$ 1,420,344	\$ 972,397	\$ 3,884,920	\$ 638,684	\$ 2,491,187
COST OF REVENUES (Notes 10, 21 and 26)	<u>395,175</u>	<u>1,562,342</u>	<u>309,492</u>	<u>1,203,880</u>	<u>838,893</u>	<u>3,351,546</u>	<u>544,810</u>	<u>2,125,032</u>
GROSS PROFIT	<u>64,849</u>	<u>256,536</u>	<u>55,634</u>	<u>216,464</u>	<u>133,504</u>	<u>533,374</u>	<u>93,874</u>	<u>366,155</u>
OPERATING EXPENSES								
Selling and marketing	11,455	45,377	8,860	34,471	21,919	87,571	15,074	58,796
General and administrative (Note 21)	<u>53,194</u>	<u>210,408</u>	<u>21,513</u>	<u>83,500</u>	<u>110,156</u>	<u>440,096</u>	<u>50,883</u>	<u>198,469</u>
Total operating expenses	<u>64,649</u>	<u>255,785</u>	<u>30,373</u>	<u>117,971</u>	<u>132,075</u>	<u>527,667</u>	<u>65,957</u>	<u>257,265</u>
OPERATING PROFIT	<u>200</u>	<u>751</u>	<u>25,261</u>	<u>98,493</u>	<u>1,429</u>	<u>5,707</u>	<u>27,917</u>	<u>108,890</u>
NON-OPERATING INCOME AND EXPENSES								
Gain from bargain purchase (Note 27)	-	-	-	-	10,146	41,446	-	-
Other income (Note 18)	6,438	25,614	1,396	5,433	9,315	37,215	3,747	14,615
Foreign exchange gain (loss), net	2,148	8,388	(887)	(3,459)	7,378	29,477	(1,029)	(4,014)
Finance costs (Note 18)	(1,382)	(5,466)	(337)	(1,314)	(2,864)	(11,442)	(337)	(1,314)
Other losses (Note 18)	(2,660)	(10,528)	(874)	(3,408)	(5,325)	(21,274)	(2,388)	(9,314)
Total non-operating income and expense	<u>4,544</u>	<u>18,008</u>	<u>(702)</u>	<u>(2,748)</u>	<u>18,650</u>	<u>75,422</u>	<u>(7)</u>	<u>(27)</u>
PROFIT BEFORE INCOME TAX	4,744	18,759	24,559	95,745	20,079	81,129	27,910	108,863
INCOME TAX (Notes 4 and 19)	(1,991)	(7,891)	(3,549)	(13,822)	(3,702)	(14,790)	(4,971)	(19,389)
PROFIT FOR THE PERIOD	<u>2,753</u>	<u>10,868</u>	<u>21,010</u>	<u>81,923</u>	<u>16,377</u>	<u>66,339</u>	<u>22,939</u>	<u>89,474</u>
OTHER COMPREHENSIVE INCOME								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	<u>717</u>	<u>(10,122)</u>	<u>80</u>	<u>(30,101)</u>	<u>(8,120)</u>	<u>(75,244)</u>	<u>(3,253)</u>	<u>(11,068)</u>
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	<u>\$ 3,470</u>	<u>\$ 746</u>	<u>\$ 21,090</u>	<u>\$ 51,822</u>	<u>\$ 8,257</u>	<u>(\$ 8,905)</u>	<u>\$ 19,686</u>	<u>\$ 78,406</u>
EARNINGS PER SHARE (Note 20)								
Basic earnings per share-after income tax	<u>\$ 0.05</u>	<u>\$ 0.18</u>	<u>\$ 0.35</u>	<u>\$ 1.35</u>	<u>\$ 0.27</u>	<u>\$ 1.10</u>	<u>\$ 0.38</u>	<u>\$ 1.47</u>
WEIGHTED AVERAGE NUMBER OF SHARES	<u>60,444 thousand shares</u>		<u>60,750 thousand shares</u>		<u>60,444 thousand shares</u>		<u>60,750 thousand shares</u>	

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

(With Deloitte & Touche review report dated August 7, 2015)

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	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	-	-	-	-	-	77	(77)	-
Treasury stock held by a subsidiary	-	-	(5,966)	-	-	-	-	(5,966)
Restricted shares plan for employees	633	3,202	-	-	(3,755)	-	-	80
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	(8,120)	-	-	16,377	8,257
BALANCE AT JUNE 30, 2015	<u>\$ 161,418</u>	<u>\$ 197,472</u>	<u>\$ (5,966)</u>	<u>\$ (1,282)</u>	<u>\$ (3,755)</u>	<u>\$ 2,147</u>	<u>\$ 27,501</u>	<u>\$ 377,535</u>
BALANCE AT JANUARY 1, 2014	\$ 160,785	\$ 193,698	\$ -	\$ 14,434	\$ -	\$ 1,138	\$ 99,313	\$ 469,368
Appropriation of 2013 earnings								
Cash dividends							(78,005)	(78,005)
Total comprehensive income (loss) for the six months ended June 30, 2014	-	-	-	(3,253)	-	-	22,939	19,686
BALANCE AT JUNE 30, 2014	<u>\$ 160,785</u>	<u>\$ 193,698</u>	<u>\$ -</u>	<u>\$ 11,181</u>	<u>\$ -</u>	<u>\$ 1,138</u>	<u>\$ 44,247</u>	<u>\$ 411,049</u>

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

(With Deloitte & Touche review report dated August 7, 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	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	-	-	-	-	-	311	(311)	-
Treasury stock held by a subsidiary	-	-	(24,018)	-	-	-	-	(24,018)
Restricted shares plan for employees	2,520	12,751	-	-	(14,953)	-	-	318
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	(75,244)	-	-	66,339	(8,905)
BALANCE AT JUNE 30, 2015	<u>\$ 610,020</u>	<u>\$ 744,831</u>	<u>\$ (24,018)</u>	<u>\$ 84,766</u>	<u>\$ (14,953)</u>	<u>\$ 8,342</u>	<u>\$ 100,547</u>	<u>\$ 1,509,535</u>
BALANCE AT JANUARY 1, 2014	\$ 607,500	\$ 729,815	\$ -	\$ 90,925	\$ -	\$ 4,380	\$ 381,018	\$ 1,813,638
Appropriation of 2013 earnings								
Cash dividends							(303,750)	(303,750)
Total comprehensive income (loss) for the six months ended June 30, 2014	-	-	-	(11,068)	-	-	89,474	78,406
BALANCE AT JUNE 30, 2014	<u>\$ 607,500</u>	<u>\$ 729,815</u>	<u>\$ -</u>	<u>\$ 79,857</u>	<u>\$ -</u>	<u>\$ 4,380</u>	<u>\$ 166,742</u>	<u>\$ 1,588,294</u>

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

(With Deloitte & Touche review report dated August 7, 2015)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Six Months Ended June 30			
	2015		2014	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	\$ 20,079	\$ 81,129	\$ 27,910	\$ 108,863
Adjustments for:				
Amortization-other intangible assets	1,868	7,463	1,069	4,170
Amortization-prepayment for land lease	286	1,142	49	191
Allowance for inventories provision and inventories write-off	1,679	6,708	2,671	10,418
Depreciation expenses	25,154	100,495	10,388	40,518
Loss on disposal of property, plant and equipment	702	2,806	883	3,444
Interest expense	2,864	11,442	337	1,314
Interest income	(627)	(2,505)	(713)	(2,781)
Gain from bargain purchase	(10,146)	(41,446)	-	-
Employees expenses-Restricted shares	80	318	-	-
Loss on fair value changes of financial instruments	732	2,924	1,311	5,114
Realized loss from financial instruments	-	-	183	714
Operating cash flows before working capital changes	<u>42,671</u>	<u>170,476</u>	<u>44,088</u>	<u>171,965</u>
Changes in operating assets and liabilities				
Notes and accounts receivable	104,872	418,985	(49,263)	(192,150)
Other receivable and prepayments	24,120	96,364	(4,546)	(17,732)
Accounts payables / receivables from related parties	6,274	25,066	(2,727)	(10,637)
Inventories	(24,355)	(97,303)	(15,790)	(61,589)
Notes and accounts payable and other payables	<u>(138,368)</u>	<u>(552,808)</u>	<u>29,577</u>	<u>115,365</u>
Cash generated used in operations	15,214	60,780	1,339	5,222
Interest paid	(2,864)	(11,442)	(337)	(1,314)
Interest received	627	2,505	713	2,781
Income tax paid	<u>(9,436)</u>	<u>(37,699)</u>	<u>(7,908)</u>	<u>(30,845)</u>
Net cash generated from (used in) operating activities	<u>3,541</u>	<u>14,144</u>	<u>(6,193)</u>	<u>(24,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash inflow on acquisition of subsidiaries	13,245	54,105	(40,330)	(158,593)
Decrease in payable for investment cost	(5,571)	(22,257)	-	-
Payments for acquiring property, plant and equipment	(28,095)	(112,245)	(7,613)	(29,695)
Increase in other intangible assets	(1,147)	(4,582)	(566)	(2,208)
Increase in financial assets at fair value through profit or loss	(3,801)	(15,186)	-	-
Increase in restricted assets	4,943	19,748	(136)	(530)
Proceeds from disposal of property, plant and equipment	979	3,910	535	2,087
Proceeds from disposal of derivative financial instruments	-	-	1,080	4,213
Net cash used in investing activities	<u>(19,447)</u>	<u>(76,507)</u>	<u>(47,030)</u>	<u>(184,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	730,212	2,917,343	507	1,978
Repayments of bank borrowings	(609,433)	(2,434,807)	-	-
Payment under capital lease contract	(134)	(537)	(109)	(425)
Cash dividend	(76,724)	(303,750)	(78,005)	(303,750)
Cash dividend received from treasury stock	<u>572</u>	<u>2,265</u>	<u>-</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>44,493</u>	<u>180,514</u>	<u>(77,607)</u>	<u>(302,197)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(9,456)</u>	<u>(55,149)</u>	<u>(119)</u>	<u>5,092</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,131	63,002	(130,949)	(505,987)

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Six Months Ended June 30			
	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>\$ 174,914</u>	<u>\$ 699,376</u>	<u>\$ 105,514</u>	<u>\$ 407,706</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	\$ 174,914	\$ 699,376	\$ 106,543	\$ 411,682
Pledge deposits	<u>11,335</u>	<u>45,322</u>	<u>(1,029)</u>	<u>(3,976)</u>
Cash and cash equivalents	<u>\$ 186,249</u>	<u>\$ 744,698</u>	<u>\$ 105,514</u>	<u>\$ 407,706</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)	(\$ 57,352)	(\$ 225,530)
Increase in payable for investment cost (recognized under other payables from related parties)	24,589	100,446	16,984	66,788
Cash and cash equivalents acquired	<u>110,374</u>	<u>450,878</u>	<u>38</u>	<u>149</u>
Net cash inflow	<u>\$ 13,245</u>	<u>\$ 54,105</u>	<u>(\$ 40,330)</u>	<u>(\$ 158,593)</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>

(Concluded)

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

(With Deloitte & Touche review report dated August 7, 2015)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 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
			June 30, 2015	December 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	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	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
			June 30, 2015	December 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 six months ended June 30, 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 2012-2014 Cycle	January 1, 2016
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

(Continued)

Standard/ Interpretation No.	Subject	Effective for Fiscal Year Beginning on or after the Following Dates
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, 2018
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 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. 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.

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.

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.

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 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

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cash on hand	\$ 1,154	\$ 4,614	\$ 39	\$ 160
Cash at bank	166,662	666,381	155,744	636,214
Fixed deposits	<u>18,433</u>	<u>73,703</u>	<u>2,051</u>	<u>8,378</u>
	186,249	744,698	157,834	644,752
Less: Pledged deposits	(<u>11,335</u>)	(<u>45,322</u>)	(<u>2,051</u>)	(<u>8,378</u>)
	<u>\$ 174,914</u>	<u>\$ 699,376</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

	<u>June 30, 2015 (Reviewed)</u>	
	HK\$	NT\$
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Foreign-listed stocks	<u>\$ 4,629</u>	<u>\$ 18,509</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial instrument		
Target redemption forward (“TRF”)	<u>\$ 8,004</u>	<u>\$ 32,003</u>

As stated in Note 1, EAH acquired ETT Group from Luster Green Limited in January 2015, derivative financial instruments held by the 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\$ 12,898 thousand (equivalent to approximately NT\$51,571 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 (please refer to Note 27(a)). Hence, the aforementioned derivative financial instruments did not have any impact on the consolidated net income for the six months ended June 30, 2015.

8. NOTES AND ACCOUNTS RECEIVABLE

	<u>June 30, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Accounts receivable	\$ 395,624	\$ 1,581,864	\$ 260,404	\$ 1,063,750
Less: Allowance for impairment loss	(43)	(173)	(469)	(1,916)
	<u>\$ 395,581</u>	<u>\$ 1,581,691</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:

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Neither overdue nor impaired	\$ 364,757	\$ 1,458,444	\$ 236,789	\$ 967,283
Overdue but not impaired (a)	30,824	123,247	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>\$ 395,581</u>	<u>\$ 1,581,691</u>	<u>\$ 259,935</u>	<u>\$ 1,061,834</u>

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

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
0-90 days	\$ 30,778	\$ 123,063	\$ 22,579	\$ 92,235
91-180 days	46	184	408	1,666
181-360 days	<u>-</u>	<u>-</u>	<u>159</u>	<u>650</u>
	<u>\$ 30,824</u>	<u>\$ 123,247</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:

	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	(468)	-	(468)
Effect of exchange rate changes	(<u> 1</u>)	<u>-</u>	(<u> 1</u>)
Balance at June 30, 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	(1,870)	-	(1,870)
Effect of exchange rate changes	<u>(46)</u>	<u>-</u>	<u>(46)</u>
Balance at June 30, 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 and 25(g).

9. OTHER RECEIVABLES AND PREPAYMENTS

	<u>June 30, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Other receivables	\$ 38,875	\$ 155,437	\$ 36,556	\$ 149,331
Allowance for impairment loss	<u>(13,962)</u>	<u>(55,825)</u>	<u>(13,962)</u>	<u>(57,035)</u>
Other receivables, net	24,913	99,612	22,594	92,296
Prepayments	4,474	17,889	1,345	5,494
Prepaid equipment and mold	36,736	146,885	19,659	80,307
Value-added tax recoverable and refundable	15,606	62,399	6,401	26,149
Guarantee deposits	<u>10,053</u>	<u>40,196</u>	<u>763</u>	<u>3,117</u>
Total	<u>\$ 91,782</u>	<u>\$ 366,981</u>	<u>\$ 50,762</u>	<u>\$ 207,363</u>

Other receivables of the Group mainly consist of the followings:

- a. As of June 30, 2015 and December 31, 2014, the amounts of advance payment to vendors were HK\$ 2,937 thousand and HK\$7,384 thousand (equivalent to approximately NT\$11,743 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:

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables (including security deposits)	\$ 24,717	\$ 98,828	\$ 24,868	\$ 101,586
Less: Allowance for impairment loss	(13,962)	(55,825)	(13,962)	(57,035)
	<u>\$ 10,755</u>	<u>\$ 43,003</u>	<u>\$ 10,906</u>	<u>\$ 44,551</u>

- c. As of June 30, 2015, the amounts of temporary payments as described in Note 16(b) were HK\$7,367 thousand (equivalent to approximately NT\$ 29,456 thousand).

10. INVENTORIES

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Raw materials	\$ 72,282	\$ 289,012	\$ 36,177	\$ 147,783
Work-in-process	63,010	251,939	35,840	146,407
Finished goods	18,379	73,487	10,528	43,007
Goods in transit	<u>19,964</u>	<u>79,824</u>	<u>533</u>	<u>2,177</u>
	<u>\$ 173,635</u>	<u>\$ 694,262</u>	<u>\$ 83,078</u>	<u>\$ 339,374</u>

The cost of inventories recognized as cost of goods sold for the six months period ended June 30, 2015 and 2014 was HK\$838,893 thousand and HK\$544,810 thousand (equivalent to approximately NT\$3,351,546 thousand and NT\$2,125,032 thousand), respectively, which included HK\$1,679 thousand and HK\$2,671 thousand (equivalent to approximately NT\$6,708 thousand and NT\$10,418 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:

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cost	\$ 490,423	\$ 1,960,907	\$ 333,666	\$ 1,363,026
Accumulated depreciation and impairment	(214,247)	(856,645)	(195,739)	(799,594)
Book Value	<u>\$ 276,176</u>	<u>\$ 1,104,262</u>	<u>\$ 137,927</u>	<u>\$ 563,432</u>
Land and buildings	\$ 76,859	\$ 307,311	\$ 35,921	\$ 146,737
Machinery equipment and office equipment	198,323	792,977	101,572	414,922
Construction in progress	<u>994</u>	<u>3,974</u>	<u>434</u>	<u>1,773</u>
Book Value	<u>\$ 276,176</u>	<u>\$ 1,104,262</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\$
<u>Cost</u>								
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	-	-	27,191	108,633	904	3,612	28,095	112,245
Disposals	-	-	(6,720)	(26,848)	(297)	(1,186)	(7,017)	(28,034)
Reclassified	-	-	-	-	-	-	-	-
Reclassification to other intangible assets	-	-	(387)	(1,546)	-	-	(387)	(1,546)
Effect of exchange rate changes	(382)	(13,567)	(1,729)	(35,637)	(47)	(225)	(2,158)	(49,429)
Balance at June 30, 2015	<u>\$ 138,648</u>	<u>\$ 554,370</u>	<u>\$ 350,781</u>	<u>\$ 1,402,563</u>	<u>\$ 994</u>	<u>\$ 3,974</u>	<u>\$ 490,423</u>	<u>\$ 1,960,907</u>
<u>Accumulated Depreciation and Impairment</u>								
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	6,165	24,630	18,989	75,865	-	-	25,154	100,495
Disposals	-	-	(5,336)	(21,318)	-	-	(5,336)	(21,318)
Reclassification to other intangible assets	-	-	(129)	(515)	-	-	(129)	(515)
Effect of exchange rate changes	(165)	(5,469)	(1,016)	(16,142)	-	-	(1,181)	(21,611)
Balance at June 30, 2015	<u>\$ 61,789</u>	<u>\$ 247,059</u>	<u>\$ 152,458</u>	<u>\$ 609,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,247</u>	<u>\$ 856,645</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 six months period ended June 30, 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. Details of the land and buildings held by the Group as of June 30, 2015 and December 31 2014 were as follows:

June 30, 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 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)
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.

December 31, 2014

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

- f. 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>June 30, 2015</u>	
	<u>HK\$</u>	<u>NT\$</u>
Outlaw Audio Inc.	\$ 132	\$ 527
Audio Design Experts Inc.	11,291	45,145
HT Precision Technologies, Inc.	<u>16,564</u>	<u>66,231</u>
	<u>\$ 27,987</u>	<u>\$ 111,903</u>

Since the fair values of the Group's investments in non-publicly traded stocks, convertible bonds and stock options 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

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Goodwill	\$ 27,564	\$ 110,212	\$ 30,203	\$ 123,379
Know-How and knowledge (including R&D)	19,821	79,252	18,013	73,583
Customer relationship	<u>8,238</u>	<u>32,939</u>	<u>9,824</u>	<u>40,131</u>
	<u>\$ 55,623</u>	<u>\$ 222,403</u>	<u>\$ 58,040</u>	<u>\$ 237,093</u>

a. Details of Goodwill were as follows:

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Related to ScS	\$ 24,104	\$ 96,377	\$ 26,733	\$ 109,204
Related to HYDM	<u>3,460</u>	<u>13,835</u>	<u>3,470</u>	<u>14,175</u>
	<u>\$ 27,564</u>	<u>\$ 110,212</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

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Current assets (recognized under prepayments for land lease)	\$ 402	\$ 1,608	\$ 97	\$ 396
Non-current assets	<u>19,834</u>	<u>79,304</u>	<u>2,980</u>	<u>12,173</u>
	<u>\$ 20,236</u>	<u>\$ 80,912</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(e).

15. BANK BORROWINGS

a. Short-term bank borrowings:

	June 30, 2015 (Reviewed)			December 31, 2014 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Factoring	2.45%~4.63%	\$ 39,490	\$ 157,897	4.5%	\$ 6,419	\$ 26,222
Bank borrowings - secured	1.50%~4.63%	35,497	141,931	5%	4,394	17,949
Bank borrowings - unsecured	1.24%~2.49%	126,460	505,638	-	-	-
Commercial paper - secured	1.988%	2,501	10,000	-	-	-
Long-term borrowings due within 1 year - secured	2.45%~4.63%	6,083	24,322	-	-	-
Long-term borrowings due within 1 year - unsecured	1.33%~2.29%			5%		
		<u>82,277</u>	<u>328,976</u>		<u>760</u>	<u>3,105</u>
		<u>\$ 292,308</u>	<u>\$ 1,168,764</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:

	June 30, 2015 (Reviewed)			December 31, 2014 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	2.45%~4.63%	\$ 10,175	\$ 40,684	5%	\$ 4,955	\$ 20,242
Bank borrowings - unsecured	1.33%~2.29%	<u>111,739</u>	<u>446,777</u>	-	-	-
		121,914	487,461		4,955	20,242
Less: Long-term bank borrowings due within 1 year		<u>(88,360)</u>	<u>(353,299)</u>		<u>(760)</u>	<u>(3,105)</u>
		<u>\$ 33,554</u>	<u>\$ 134,162</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:

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Due within 2 to 5 years	\$ 33,554	\$ 134,162	\$ 4,195	\$ 17,137
Due more than 5 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 33,554</u>	<u>\$ 134,162</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:

	June 30, 2015 (reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Temporary receivables(Note)	\$ 14,400	\$ 57,577	\$ -	\$ -
Accrued salaries(please refer to Note 27(b))	36,189	144,698	32,822	134,078
ScS investment payable- current	4,563	18,245	5,065	20,691
Other payable for other	<u>46,126</u>	<u>184,430</u>	<u>16,773</u>	<u>68,517</u>
	<u>\$ 101,278</u>	<u>\$ 404,950</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

a. 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 June 30, 2015 and December 31, 2014 were NT\$610,020 thousand and NT\$607,500 thousand (equivalent to approximately NT\$161,418 and NT\$160,785 thousand), divided into 61,002 thousand shares and 60,750 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)

	2015	2014
Numbers, beginning of year	60,750	60,750
Issue restricted shares (Note)	<u>252</u>	<u>-</u>
Numbers, end of period	<u>61,002</u>	<u>60,750</u>

Note: The Company's board of directors meeting held on May 12, 2015 resolved to issue restricted shares (see detail in Note 17(e)) to the Group's specific employees. The restricted shares issued record date was June 2, 2015 and exercise price per share was NT\$0.

b. 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, June 30, 2015	<u><u>453</u></u>

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

June 30, 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\$5,523 thousand (equivalent to approximately NT\$22,084 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.

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 June 30, 2015 and December 31, 2014, the capital surplus of the Company were NT\$744,831 thousand and NT\$729,815 thousand (equivalent to approximately HK\$197,472 thousand and HK\$193,698 thousand). The details were as follows:

	June 30, 2015 (reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>				
Arising from issuance of common share	\$ 193,698	\$ 729,815	\$ 193,698	\$ 729,815
Cash dividend received from treasury stock	572	2,265	-	-
<u>May not be used for any purpose</u>				
Arising from employee restricted shares	<u>3,202</u>	<u>12,751</u>	-	-
	<u>\$ 197,472</u>	<u>\$ 744,831</u>	<u>\$ 193,698</u>	<u>\$ 729,815</u>

d. 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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders only and do not include employees. Accordingly, the Company plans to make amendments to the Company's Articles of Incorporation, which is going to be approved during the 2016 annual shareholders' meeting.

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)
	2013
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 of 2014.

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 June 30, 2015.

e. Share-Based Payment arrangements

The Company's board of directors meeting held on May 12, 2015 resolved to issue restricted shares, totaling NT\$2,520 thousand, divided into 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) Restricted shares are entitled to receive dividends.
- 3) Restricted shares have voting rights.

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

As of June 30, 2015, outstanding restricted shares were 252 thousand shares. Related information was as follows:

Grant date	June 2, 2015
Fair value share price at grant date	NT\$60.6 (equivalent to approximately HK\$15.2)
Exercise price	NT\$0
Shares number (thousand shares)	252
Vested period	1~4 years (Obtain 25% annually)

The movements of the employee unearned benefits were as follows:

	For the Six Months Ended June 30, 2015	
	HK\$	NT\$
Balance at January 1, 2015	\$ -	\$ -
Issuance of restricted shares	(3,835)	(15,271)
Recognized share-based payment expenses	<u>80</u>	<u>318</u>
Balance at June 30, 2015	<u>(\$ 3,755)</u>	<u>(\$ 14,953)</u>

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 Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 25,154	\$ 100,495	\$ 10,388	\$ 40,518
Amortization of other intangible assets	1,868	7,463	1,069	4,170
Amortization of prepayments for lease	<u>286</u>	<u>1,142</u>	<u>49</u>	<u>191</u>
	<u>\$ 27,308</u>	<u>\$ 109,100</u>	<u>\$ 11,506</u>	<u>\$ 44,879</u>

	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 12,739	\$ 50,434	\$ 5,322	\$ 20,687
Amortization of other intangible assets	928	3,673	1,069	4,170
Amortization of prepayments for lease	<u>143</u>	<u>566</u>	<u>25</u>	<u>97</u>
	<u>\$ 13,810</u>	<u>\$ 54,673</u>	<u>\$ 6,416</u>	<u>\$ 24,954</u>

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

	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 18,138	\$ 72,465	\$ 10,015	\$ 39,064
Post-employment benefits	402	1,606	129	503
Share-based payments	60	237	-	-
Employee benefits				
Short-term benefits	176,398	704,745	100,759	393,010
Post-employment benefits	8,877	35,465	2,646	10,321
Share-based payments	<u>20</u>	<u>81</u>	<u>-</u>	<u>-</u>
	<u>\$ 203,895</u>	<u>\$ 814,599</u>	<u>\$ 113,549</u>	<u>\$ 442,898</u>

	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 9,509	\$ 37,670	\$ 5,878	\$ 22,870
Post-employment benefits	209	828	79	307
Share-based payments	60	237	-	-
Employee benefits				
Short-term benefits	84,960	336,040	56,220	218,662
Post-employment benefits	4,790	18,985	1,577	6,136
Share-based payments	<u>20</u>	<u>81</u>	<u>-</u>	<u>-</u>
	<u>\$ 99,548</u>	<u>\$ 393,841</u>	<u>\$ 63,754</u>	<u>\$ 247,975</u>

c. Other income

	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest income	\$ 627	\$ 2,505	\$ 713	\$ 2,781
Scrap income	1,056	4,219	650	2,536
Gains on disposal of property, plant and equipment	28	112	11	42
Net gain on financial instruments at FVTPL	280	1,119	-	-
Others	<u>7,324</u>	<u>29,260</u>	<u>2,373</u>	<u>9,256</u>
	<u>\$ 9,315</u>	<u>\$ 37,215</u>	<u>\$ 3,747</u>	<u>\$ 14,615</u>

	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest income	\$ 324	\$ 1,283	\$ 245	\$ 949
Scrap income	369	1,449	452	1,761
Gains on disposal of property, plant and equipment	15	60	1	3
Net gain on financial instruments at FVTPL	280	1,119	44	193
Others	<u>5,450</u>	<u>21,703</u>	<u>654</u>	<u>2,527</u>
	<u>\$ 6,438</u>	<u>\$ 25,614</u>	<u>\$ 1,396</u>	<u>\$ 5,433</u>

d. Other losses

	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on scrap of property, plant and equipment	\$ 730	\$ 2,918	\$ 420	\$ 1,638
Losses on disposal of property, plant and equipment	-	-	474	1,848
Net loss on financial instruments at FVTPL	1,012	4,043	1,494	5,828
Other	<u>3,583</u>	<u>14,313</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,325</u>	<u>\$ 21,274</u>	<u>\$ 2,388</u>	<u>\$ 9,314</u>

	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on scrap of property, plant and equipment	\$ 669	\$ 2,672	\$ 420	\$ 1,638
Losses on disposal of property, plant and equipment	-	-	454	1,770
Net loss on financial instruments at FVTPL	889	3,547	-	-
Other	<u>1,102</u>	<u>4,309</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,660</u>	<u>\$ 10,528</u>	<u>\$ 874</u>	<u>\$ 3,408</u>

e. Finance costs

	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 2,864</u>	<u>\$ 11,442</u>	<u>\$ 337</u>	<u>\$ 1,314</u>

	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 1,382</u>	<u>\$ 5,466</u>	<u>\$ 337</u>	<u>\$ 1,314</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Income tax				
In respect of the current period consist of:	\$ 2,746	\$ 10,971	\$ 5,360	\$ 20,907
In respect of the prior period	1,574	6,288	377	1,470
Deferred tax benefit	(618)	(2,469)	(766)	(2,988)
Income tax expenses	<u>\$ 3,702</u>	<u>\$ 14,790</u>	<u>\$ 4,971</u>	<u>\$ 19,389</u>

	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Income tax				
In respect of the current period consist of:	\$ 1,293	\$ 5,112	\$ 3,588	\$ 13,970
In respect of the prior period	1,019	4,050	377	1,470
Deferred tax benefit	(321)	(1,271)	(416)	(1,618)
Income tax expenses	<u>\$ 1,991</u>	<u>\$ 7,891</u>	<u>\$ 3,549</u>	<u>\$ 13,822</u>

The Group's interim period income taxes are estimated based on 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

a. From the beginning of the year to the end of the interim reporting date

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Earnings Per Share (Dollars)	
	HK\$	NT\$		HK\$	NT\$
<u>Six months ended June 30, 2015 (reviewed)</u>					
<u>Basic earnings per share</u>					
Net profit attributable to owner of the Company	\$ 16,377	\$ 66,339	60,444	\$ 0.27	\$ 1.10
<u>Diluted earnings per share</u>					
Net profit attributable to owner of the Company	\$ 16,377	\$ 66,339	60,444	\$ 0.27	\$ 1.10
Potential dilutive effect-restricted shares (Note)	-	-	-	-	-
Net profit attributable to owner of the Company and potential dilutive effect	\$ 16,377	\$ 66,339	60,444	\$ 0.27	\$ 1.10

Six months ended June 30, 2014 (reviewed)

<u>Basic earnings per share</u>					
Net profit attributable to owner of the company	\$ 22,939	\$ 89,474	60,750	\$ 0.38	\$ 1.47

b. Three months before the end of the interim reporting date

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Earnings Per Share (Dollars)	
	HK\$	NT\$		HK\$	NT\$
<u>Three months ended June 30, 2015 (reviewed)</u>					
<u>Basic earnings per share</u>					
Net profit attributable to owner of the Company	\$ 2,753	\$ 10,86	60,444	\$ 0.05	\$ 1.18
<u>Diluted earnings per share</u>					
Net profit attributable to owner of the Company	\$ 2,753	\$ 10,86	60,444	\$ 0.05	\$ 1.18
Potential dilutive effect-restricted shares (Note)	-	-	-	-	-
Net profit attributable to owner of the Company and potential dilutive effect	\$ 2,753	\$ 10,86	60,444	\$ 0.05	\$ 1.18

Three months ended June 30, 2014 (reviewed)

<u>Basic earnings per share</u>					
Net profit attributable to owner of the company	\$ 21,010	\$ 81,92	60,750	\$ 0.35	\$ 1.35

Note: The fair value of restricted shares as of June 30, 2015 was lower than average closing price from June 2, 2015 (restricted shares issuance date June 2, 2015) to June 30, 2015, hence, there was no dilutive effect.

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

Related Party Categories	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 56,083	\$ 218,752
Related Party Categories	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 30,534	\$ 118,740

b. Purchases

Related Party Categories	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 1,588	\$ 6,194
Related Party Categories	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 1,218	\$ 4,746

c. Manufacture cost

Related Party Categories	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 537	\$ 2,095
Related Party Categories	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 266	\$ 1,034

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

Related Party Categories	For the Six Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 2,118	\$ 8,261
Related Party Categories	For the Three Months Ended June 30			
	2015 (Reviewed)		2014 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Associates	\$ -	\$ -	\$ 1,064	\$ 4,135

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

Related Party Categories	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Receivables				
Associates	\$ -	\$ -	\$ 32,143	\$ 131,304
Other payables				
Associates	\$ 37,487	\$ 149,888	\$ 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:

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Current	\$ 25,070	\$ 100,240	\$ 1,031	\$ 4,212
Non-current	12,417	49,648	-	-
	<u>\$ 37,487</u>	<u>\$ 149,888</u>	<u>\$ 1,031</u>	<u>\$ 4,212</u>

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.

	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other intangible assets	\$ 6,855	\$ 27,409	\$ 7,142	\$ 29,175
Accounts receivable with recourse	48,886	195,466	6,523	26,648
Property, plant and equipment	6,443	25,761	3,669	14,988
Inventories and other assets	11,853	47,393	15,507	63,346
Pledge deposits (recognized under restrict assets - current)	11,335	45,322	2,051	8,378
	<u>\$ 85,372</u>	<u>\$ 341,351</u>	<u>\$ 34,892</u>	<u>\$ 142,535</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>June 30, 2015 (Reviewed)</u>		<u>December 31, 2014 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Within 1 year	\$ 11,604	\$ 46,397	\$ 6,511	\$ 26,597
More than 1 year and within 5 years	18,024	72,067	12,949	52,897
More than 5 years	<u>19,392</u>	<u>77,537</u>	<u>11,842</u>	<u>48,375</u>
	<u>\$ 49,020</u>	<u>\$ 196,001</u>	<u>\$ 31,302</u>	<u>\$ 127,869</u>

Rental expenses of the Group arising from operating leases for six month ended June 30, 2015 and 2014 amounted to HK\$6,789 thousand and HK\$2,482 thousand (equivalent to approximately NT\$27,123 thousand and NT\$9,681 thousand), respectively.

24. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil in the second 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>June 30, 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>\$ 1,507</u>	<u>\$ 6,026</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			
	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 465,820	\$ 1,862,535	\$ 377,550	\$ 1,542,292
HKD	614	2,456	124	507
RMB	<u>15,119</u>	<u>60,450</u>	<u>19,927</u>	<u>81,402</u>
	<u>\$ 481,553</u>	<u>\$ 1,925,441</u>	<u>\$ 397,601</u>	<u>\$ 1,624,201</u>

	Liabilities			
	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 432,910	\$ 1,730,947	\$ 88,218	\$ 360,371
HKD	118,324	473,107	58,992	240,982
RMB	<u>1,245</u>	<u>15,119</u>	<u>1,360</u>	<u>5,556</u>
	<u>\$ 552,479</u>	<u>\$ 2,219,173</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 Six Months Ended June 30, 2015		For the Six Months Ended June 30, 2014	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ 1,646</u>	<u>\$ 6,579</u>	<u>\$ 14,467</u>	<u>\$ 59,096</u>

	Currency HKD Impact		Currency HKD Impact	
	For the Six Months Ended June 30, 2015		For the Six Months Ended June 30, 2014	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>(\$ 5,885)</u>	<u>(\$ 23,553)</u>	<u>(\$ 2,943)</u>	<u>(\$ 12,024)</u>

	Currency RMB Impact		Currency RMB Impact	
	For the Six Months Ended June 30, 2015		For the Six Months Ended June 30, 2014	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ 694</u>	<u>\$ 2,774</u>	<u>\$ 928</u>	<u>\$ 3,792</u>

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

3) Interest rate risk

Management of interest rate risk

The Group is subject to interest rate risk arising from bank deposits and borrowings bearing floating

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

Sensitivity analysis of Interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the six months ended June 30, 2015 and for the year ended 2014 would have been (decreases) increased by HK\$(704) thousand and HK\$868 thousand (equivalent to approximately NT\$2,814 thousand and 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

June 30, 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	-	\$ 359,718	\$ -	\$ -	\$ 359,718
Other payables to related parties	-	25,070	12,417	-	37,487
Other payables	-	101,278	4,563	-	105,841
<u>Interest bearing liabilities</u>					
Finance lease payables	-	241	310	-	551
Bank borrowings	5.22%	305,765	33,716	-	339,481

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	-	\$ 243,994	\$ -	\$ -	\$ 243,994
Other payables to related parties	-	1,031	-	-	1,031
Other payables	-	54,660	10,134	-	64,794
<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

June 30, 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	-	\$ 1,438,296	\$ -	\$ -	\$ 1,438,296
Other payables to related parties	-	100,240	49,648	-	149,888
Other payables	-	404,950	18,246	-	423,196
<u>Interest bearing liabilities</u>					
Finance lease payables	-	964	1,239	-	2,203
Bank borrowings	5.22%	1,222,571	134,810	-	1,357,381

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			
	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Unsecured bank overdraft facility				
Amount unused	\$ 1,600	\$ 6,397	\$ 300	\$ 1,226

Bank borrowings

	Liabilities			
	June 30, 2015 (Reviewed)		December 31, 2014 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Secured borrowings				
Amount unused	<u>\$ 118,869</u>	<u>\$ 475,286</u>	<u>\$ 2,171</u>	<u>\$ 8,868</u>
Unsecured borrowings				
Amount unused	<u>\$ 295,047</u>	<u>\$ 1,179,716</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:

June 30, 2015

Unit: Foreign Currencies Thousand

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 39,323	HKD	31.08	\$ 1,222,160
USD	20,002	NTD	31.08	621,659
USD	234	RMB	31.08	7,277
USD	368	DKK	31.08	11,439
	<u>\$ 59,927</u>			<u>\$ 1,862,535</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 26,427	HKD	31.08	\$ 821,339
USD	14,556	RMB	31.08	452,415
USD	14,257	NTD	31.08	443,111
USD	453	DKK	31.08	14,082
	<u>\$ 55,693</u>			<u>\$ 1,730,947</u>
HKD	\$ 101,908	RMB	3.9984	\$ 407,469
HKD	205	NTD	3.9984	820
	<u>\$ 102,113</u>			<u>\$ 408,289</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	361	DKK	31.7250	11,450
	<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	208	DKK	31.7250	6,614
	<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 six months ended June 30, 2015 and 2014, realized foreign exchange gains were HK\$6,775

thousand (equivalent to approximately NT\$27,068 thousand), unrealized foreign exchange gains were HK\$603 thousand (equivalent to approximately NT\$2,409 thousand) and realized foreign exchange losses were HK\$932 thousand (equivalent to approximately NT\$3,637 thousand), unrealized foreign exchange losses were HK\$97 thousand (equivalent to approximately NT\$377 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.

7) Information of transferred financial assets

As of June 30, 2015, the Group entered into several trade receivable factoring agreements with the banks, with factoring amount of US\$17,000 thousand and DKK\$6,000 thousand. 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 June 30, 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 15 and Note 22, respectively.

26. SEGMENT INFORMATION

a. Operating segments

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

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 Six Months Ended June 30, 2015				
	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$ 557,939	\$ 73,258	\$ 393,763	(\$ 52,563)	\$ 972,397
Cost of revenues	<u>478,874</u>	<u>59,001</u>	<u>354,270</u>	<u>(53,252)</u>	<u>838,893</u>
Gross profit	<u>\$ 79,065</u>	<u>\$ 14,257</u>	<u>\$ 39,493</u>	<u>\$ 689</u>	<u>\$ 133,504</u>

For the Six Months Ended June 30, 2014

	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$ 571,428	\$ 67,256	\$ -	\$ -	\$ 638,684
Cost of revenues	<u>488,954</u>	<u>55,464</u>	<u>-</u>	<u>392</u>	<u>544,810</u>
Gross profit	<u>\$ 82,474</u>	<u>\$ 11,792</u>	<u>\$ -</u>	<u>(\$ 392)</u>	<u>\$ 93,874</u>

For the Three Months Ended June 30, 2015

	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$ 244,018	\$ 33,978	\$ 211,624	(\$ 29,596)	\$ 460,024
Cost of revenues	<u>207,468</u>	<u>28,149</u>	<u>190,089</u>	<u>(30,531)</u>	<u>395,175</u>
Gross profit	<u>\$ 36,550</u>	<u>\$ 5,829</u>	<u>\$ 21,535</u>	<u>\$ 935</u>	<u>\$ 64,849</u>

For the Three Months Ended June 30, 2014

	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$ 331,000	\$ 34,126	\$ -	\$ -	\$ 365,126
Cost of revenues	<u>279,125</u>	<u>29,975</u>	<u>-</u>	<u>392</u>	<u>309,492</u>
Gross profit	<u>\$ 51,875</u>	<u>\$ 4,151</u>	<u>\$ -</u>	<u>(\$ 392)</u>	<u>\$ 55,634</u>

Unit: NTD

For the Six Months Ended June 30, 2015

	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$2,229,078	\$ 292,680	\$1,573,162	(\$ 210,000)	\$3,884,920
Cost of revenues	<u>1,913,198</u>	<u>235,721</u>	<u>1,415,380</u>	<u>(212,753)</u>	<u>3,351,546</u>
Gross profit	<u>\$ 315,880</u>	<u>\$ 56,959</u>	<u>\$ 157,782</u>	<u>\$ 2,753</u>	<u>\$ 533,374</u>

For the Six Months Ended June 30, 2014					
	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$2,228,855	\$ 262,332	\$ -	\$ -	\$2,491,187
Cost of revenues	<u>1,907,165</u>	<u>216,337</u>	<u>-</u>	<u>1,530</u>	<u>2,125,032</u>
Gross profit	<u>\$ 321,690</u>	<u>\$ 45,995</u>	<u>\$ -</u>	<u>(\$ 1,530)</u>	<u>\$ 366,155</u>

For the Three Months Ended June 30, 2015					
	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$ 963,254	\$ 134,291	\$ 838,723	(\$ 117,390)	\$1,818,878
Cost of revenues	<u>818,809</u>	<u>111,316</u>	<u>753,353</u>	<u>(121,136)</u>	<u>1,562,342</u>
Gross profit	<u>\$ 144,445</u>	<u>\$ 22,975</u>	<u>\$ 85,370</u>	<u>\$ 3,746</u>	<u>\$ 256,536</u>

For the Three Months Ended June 30, 2014					
	Speakers	Earphones	AV electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$1,287,699	\$ 132,645	\$ -	\$ -	\$1,420,344
Cost of revenues	<u>1,085,789</u>	<u>116,561</u>	<u>-</u>	<u>1,530</u>	<u>1,203,880</u>
Gross profit	<u>\$ 201,910</u>	<u>\$ 16,084</u>	<u>\$ -</u>	<u>(\$ 1,530)</u>	<u>\$ 216,464</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 June 30, 2015 and 2014 are as follows:

	For the Six Months Ended June 30, 2015			For the Six Months Ended June 30, 2014		
	HK\$	NT\$	%	HK\$	NT\$	%
Company A	\$ 230,400	\$ 920,494	24	\$ 245,762	\$ 958,595	38
Company B	120,276	480,527	12	101,618	396,361	16
Company C	9,772	39,041	1	96,509	376,433	15
Company D	156,970	627,127	16	-	-	-
	For the Three Months Ended June 30, 2015			For the Three Months Ended June 30, 2014		
	HK\$	NT\$	%	HK\$	NT\$	%
Company A	\$ 85,920	\$ 337,907	19	\$ 137,990	\$ 536,722	38
Company B	57,953	229,222	13	74,325	289,523	20
Company D	86,709	343,814	19	-	-	-
Company E	46,523	182,966	10	-	-	-

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

1. 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>

2. 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 though 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.

3. 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.

4. 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>

5. 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 Six Months Ended June 30, 2015	
	HK\$	NT\$
Revenue	<u>\$ 393,763</u>	<u>\$ 1,573,162</u>
Profit	<u>\$ 6,925</u>	<u>\$ 27,667</u>

b. Subsidiaries acquired- ScS

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
ScS	Research and development, production and sales of high-end speakers	April 1, 2015	100.00	HK\$57,352 (approximately NT\$225,530 thousand)

The Group acquired ScS with the view of further expanding its product portfolio, as well as to improve its product quality, acoustics technologies and attract target clients and enhance competitive strengths.

1. Considerations transferred

	HK\$	NT\$
Cash	\$ 40,368	\$ 158,742
Contingent consideration (recognized under other payables)	<u>16,984</u>	<u>66,788</u>
	<u>\$ 57,352</u>	<u>\$ 225,530</u>

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 on 31 March 2015, 31 March 2016 and 31 March 2017 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 Group estimate that 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). As of March 31 2015, the Group has paid HK\$5,571 thousand (approximately NT\$22,257 thousand).

Related costs of acquisition HK\$2,424 thousand (approximately NT\$9,455 thousand) are excluded from the transaction consideration, and to be recognized as expenses upon acquisition.

2. Assets and liabilities acquired at the date of acquisition - ScS

	HK\$	NT\$
Current assets		
Cash and cash equivalents	\$ 38	\$ 149
Pledged deposits	893	3,512
Accounts receivables	6,357	24,998
Other receivable and prepayments	372	1,463
Inventories	13,504	53,103
Non-current assets		
Property, plant and equipment	6,387	25,116
Customer relationship	11,879	46,713
Know-How and knowledge	21,204	83,383
Deferred tax assets	1,316	5,175
Current liabilities		
Accounts payables and other payables	(10,660)	(41,919)
Bank borrowings	(10,430)	(41,015)
Finance lease payables- current	(708)	(2,784)
Non-current liabilities		
Long-term bank borrowings	(\$ 3,043)	(\$ 11,966)
Finance lease payables- non-current	(750)	(2,949)
Deferred tax liabilities	<u>(8,731)</u>	<u>(34,334)</u>
	<u>(\$ 27,628)</u>	<u>(\$ 108,645)</u>

The initial accounting for the acquisition of ScS Limited had only been provisionally determined at the end of the reporting period. The tax bases of ScS's assets were required to be reset based on market values of the assets.

3. Goodwill arising on acquisitions - ScS

	HK\$	NT\$
Consideration transferred	\$ 57,352	\$ 225,530
Less: Fair value of the identifiable net assets acquired	(<u>27,628</u>)	(<u>108,645</u>)
Goodwill arising on acquisitions	<u>\$ 29,724</u>	<u>\$ 116,885</u>

Goodwill arose in the acquisition of ScS because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of ScS Limited. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquisition goodwill was not deductible for tax purposes.

4. Net cash outflow on acquisition of subsidiaries - ScS

	HK\$	NT\$
Consideration paid in cash	\$ 40,368	\$ 158,742
Less: Cash and cash equivalent balances acquired	(<u>38</u>)	(<u>149</u>)
	<u>\$ 40,330</u>	<u>\$ 158,593</u>

5. 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 Six Months Ended June 30, 2015	
	HK\$	NT\$
Revenue	<u>\$ 13,359</u>	<u>\$ 52,107</u>
Profit	<u>\$ 20</u>	<u>\$ 78</u>

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been HK\$26,633 thousand (equivalent to approximately NT\$103,882 thousand), and the profit from continuing operations would have been HK\$766 thousand (equivalent to approximately NT\$2,988 thousand) for the six months ended June 30, 2015. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had ScS been acquired at the beginning of the current reporting period, management consider:

- 1) Calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- 2) Calculated amortization based on the fair value of customer relationships arising from business combinations; and

3) Subsequently adjustments of deferred income tax liabilities which come from the aforementioned assets acquired from business combinations

28. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 7, 2015.