

**Eastern Technologies Holding Limited and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Eastern Technologies Holding Limited

We have reviewed the accompanying consolidated balance sheets of Eastern Technologies Holding Limited ("KYET") and subsidiaries (collectively, the "Group") as of March 31, 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. 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(a) to the consolidated financial statements, as of March 31, 2016, Eastern Asia Technology (HK) Limited ("EAH"), a subsidiary of KYET, has receivables, net of allowance, amounted to HK\$8,654 thousand (equivalent to approximately NT\$36,118 thousand) that is related to litigations. And the outcome of it is dependent on the Courts' judgements. The recoverability of any potential awards by the Courts is also subject to the availability of assets by the defendants to the litigations. EAH has assessed that no further allowance is required to be made of the receivables.

May 11, 2016

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

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		LIABILITIES AND EQUITY	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$		HK\$	NT\$	HK\$	NT\$
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 6)	\$ 231,816	\$ 967,507	\$ 203,065	\$ 864,468	Short-term bank borrowings (Note 15)	\$ 294,469	\$ 1,228,996	\$ 227,244	\$ 967,400
Financial assets at fair value through profit or loss - current (Note 7)	3,091	12,901	5,733	24,406	Financial liabilities at fair value through profit or loss - current (Note 7)	939	3,919	10,132	43,133
Notes and accounts receivable, net (Notes 8 and 22)	285,859	1,193,061	350,398	1,491,679	Notes and accounts payable (Note 16)	249,397	1,040,883	330,504	1,406,989
Inventories (Notes 10 and 22)	134,953	563,240	137,674	586,092	Other payables to related parties (Notes 21 and 27)	8,987	37,508	11,680	49,723
Restricted assets (Notes 6 and 22)	3,314	13,831	3,261	13,882	Current tax liabilities (Notes 4 and 19)	1,078	4,499	1,159	4,934
Income tax refund receivable	305	1,273	887	3,776	Other payables (Note 16)	97,382	406,434	104,330	444,143
Other receivables and prepayments (Note 9)	67,210	280,508	69,209	294,630	Finance lease payables (Note 11)	247	1,031	234	996
Prepayments for land lease - current (Note 14)	385	1,607	381	1,622					
Total current assets	726,933	3,033,928	770,608	3,280,555	Total current liabilities	652,499	2,723,270	685,283	2,917,318
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Property, plant and equipment (Notes 11 and 22)	275,800	1,151,079	283,195	1,205,589	Long-term bank borrowings (Note 15)	19,741	82,391	30,944	131,732
Financial assets measured at cost (Note 12)	26,977	112,591	26,525	112,920	Other payables to related parties (Notes 21 and 27)	-	-	7,906	33,657
Intangible assets (Note 13)	49,271	205,637	48,125	204,873	Other payables	-	-	4,543	19,340
Prepayments for land lease - non-current (Note 14)	18,847	78,660	18,831	80,165	Long-term finance lease payables (Note 11)	134	559	192	817
Deferred tax assets (Notes 4 and 19)	2,599	10,847	2,612	11,120	Deferred tax liabilities (Note 4)	27,002	112,696	27,240	115,963
Total non-current assets	373,494	1,558,814	379,288	1,614,667	Net defined benefit liabilities - non-current	1,916	7,997	1,843	7,846
					Total non-current liabilities	48,793	203,643	72,668	309,355
					Total liabilities	701,292	2,926,913	757,951	3,226,673
					EQUITY (Note 17)				
					Share capital - common stock	161,418	610,020	161,418	610,020
					Capital surplus	197,472	744,831	197,472	744,831
					Treasury shares	(9,929)	(40,671)	(9,929)	(40,671)
					Exchange differences on translating foreign operations	(22,990)	63,115	(26,773)	80,338
					Retained earnings	(3,036)	(12,090)	(3,275)	(13,044)
					Legal reserve	5,646	22,679	5,526	22,178
					Unappropriated earnings	70,554	277,945	67,506	264,897
					Total equity	399,135	1,665,829	391,945	1,668,549
TOTAL	\$ 1,100,427	\$ 4,592,742	\$ 1,149,896	\$ 4,895,222	TOTAL	\$ 1,100,427	\$ 4,592,742	\$ 1,149,896	\$ 4,895,222

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

(With Deloitte & Touche review report dated May 11, 2016)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2016		2015	
	HK\$	NT\$	HK\$	NT\$
NET REVENUES (Note 26)	\$ 335,477	\$ 1,427,857	\$ 512,373	\$ 2,066,042
COST OF REVENUES (Notes 10 and 26)	<u>291,162</u>	<u>1,239,243</u>	<u>443,718</u>	<u>1,789,204</u>
GROSS PROFIT	<u>44,315</u>	<u>188,614</u>	<u>68,655</u>	<u>276,838</u>
OPERATING EXPENSES				
Selling and distribution expenses	7,117	30,291	10,464	42,194
General and administrative expenses	<u>34,680</u>	<u>147,539</u>	<u>56,962</u>	<u>229,688</u>
Total operating expenses	<u>41,797</u>	<u>177,830</u>	<u>67,426</u>	<u>271,882</u>
OPERATING PROFIT	<u>2,518</u>	<u>10,784</u>	<u>1,229</u>	<u>4,956</u>
NON-OPERATING INCOME AND EXPENSES				
Gain from bargain purchase (Note 27)	-	-	10,146	41,446
Other income (Note 18)	3,972	16,904	2,877	11,601
Foreign exchange gain (Note 25)	88	375	5,230	21,089
Finance costs (Note 18)	(1,845)	(7,853)	(1,482)	(5,976)
Other losses (Note 18)	<u>(425)</u>	<u>(1,809)</u>	<u>(2,665)</u>	<u>(10,746)</u>
Total non-operating income and expenses	<u>1,790</u>	<u>7,617</u>	<u>14,106</u>	<u>57,414</u>
PROFIT BEFORE INCOME TAX	4,308	18,401	15,335	62,370
INCOME TAX (Notes 4 and 19)	<u>(1,140)</u>	<u>(4,852)</u>	<u>(1,711)</u>	<u>(6,899)</u>
PROFIT FOR THE PERIOD	<u>3,168</u>	<u>13,549</u>	<u>13,624</u>	<u>55,471</u>
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>3,783</u>	<u>(17,223)</u>	<u>(8,837)</u>	<u>(65,122)</u>
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	<u>\$ 6,951</u>	<u>\$ (3,674)</u>	<u>\$ 4,787</u>	<u>\$ (9,651)</u>

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2016		2015	
	HK\$	NT\$	HK\$	NT\$
EARNINGS PER SHARE (Note 20)				
Basic earnings per share - after income tax	<u>\$0.05</u>	<u>\$0.22</u>	<u>\$0.23</u>	<u>\$0.92</u>
WEIGHTED AVERAGE NUMBER OF SHARES	<u>60,249 thousand shares</u>		<u>60,297 thousand shares</u>	

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

(With Deloitte & Touche review report dated May 11, 2016)

(Concluded)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

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

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Retained Earnings		Total Equity
						Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2016	\$ 161,418	\$ 197,472	\$ (9,929)	\$ (26,773)	\$ (3,275)	\$ 5,526	\$ 67,506	\$ 391,945
Legal reserve of subsidiaries	-	-	-	-	-	120	(120)	-
Restricted shares plan for employees	-	-	-	-	239	-	-	239
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	3,783	-	-	3,168	6,951
BALANCE AT MARCH 31, 2016	<u>\$ 161,418</u>	<u>\$ 197,472</u>	<u>\$ (9,929)</u>	<u>\$ (22,990)</u>	<u>\$ (3,036)</u>	<u>\$ 5,646</u>	<u>\$ 70,554</u>	<u>\$ 399,135</u>
BALANCE AT JANUARY 1, 2015	\$ 160,785	\$ 193,698	\$ -	\$ 6,838	\$ -	\$ 2,070	\$ 87,925	\$ 451,316
Legal reserve of subsidiaries	-	-	-	-	-	77	(77)	-
Treasury shares held by a subsidiary	-	-	(5,966)	-	-	-	-	(5,966)
Total comprehensive income (loss) for the three months ended March 31, 2015	-	-	-	(8,837)	-	-	13,624	4,787
BALANCE AT MARCH 31, 2015	<u>\$ 160,785</u>	<u>\$ 193,698</u>	<u>\$ (5,966)</u>	<u>\$ (1,999)</u>	<u>\$ -</u>	<u>\$ 2,147</u>	<u>\$ 101,472</u>	<u>\$ 450,137</u>

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

(With Deloitte & Touche review report dated May 11, 2016)

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, 2016	\$ 610,020	\$ 744,831	\$ (40,671)	\$ 80,338	\$ (13,044)	\$ 22,178	\$ 264,897	\$ 1,668,549
Legal reserve of subsidiaries	-	-	-	-	-	501	(501)	-
Restricted shares plan for employees	-	-	-	-	954	-	-	954
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	3,783	-	-	13,549	17,332
BALANCE AT MARCH 31, 2016	<u>\$ 610,020</u>	<u>\$ 744,831</u>	<u>\$ (40,671)</u>	<u>\$ 84,121</u>	<u>\$ (12,090)</u>	<u>\$ 22,679</u>	<u>\$ 277,945</u>	<u>\$ 1,686,835</u>
BALANCE AT JANUARY 1, 2015	\$ 607,500	\$ 729,815	\$ -	\$ 160,010	\$ -	\$ 8,031	\$ 338,269	\$ 1,843,625
Legal reserve of subsidiaries	-	-	-	-	-	311	(311)	-
Treasury shares held by a subsidiary	-	-	(24,018)	-	-	-	-	(24,018)
Total comprehensive income (loss) for the three months ended March 31, 2015	-	-	-	(65,122)	-	-	55,471	(9,651)
BALANCE AT MARCH 31, 2015	<u>\$ 607,500</u>	<u>\$ 729,815</u>	<u>\$ (24,018)</u>	<u>\$ 94,888</u>	<u>\$ -</u>	<u>\$ 8,342</u>	<u>\$ 393,429</u>	<u>\$ 1,809,956</u>

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

(With Deloitte & Touche review report dated May 11, 2016)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2016		2015	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	\$ 4,308	\$ 18,401	\$ 15,335	\$ 62,370
Adjustments for:				
Amortization - other intangible assets	857	3,648	940	3,790
Amortization - prepayment for land lease	138	587	143	576
Allowance for inventories provision and inventories write-off	2,117	9,010	406	1,637
Depreciation expenses	13,737	58,467	12,415	50,061
Loss on disposal of property, plant and equipment	50	213	48	194
Loss on disposal of other intangible assets	126	536	-	-
Loss on disposal of financial instruments at fair value though profit or loss	221	941	-	-
Interest expense	1,845	7,853	1,482	5,976
Interest income	(144)	(613)	(303)	(1,222)
Gain from bargain purchase	-	-	(10,146)	(41,446)
Gain (loss) on fair value changes of financial instruments	(324)	(1,379)	123	496
Employees expenses - restricted shares	239	954	-	-
Operating cash flows before working capital changes	23,170	98,618	20,443	82,432
Changes in operating assets and liabilities				
Notes and accounts receivable	64,539	274,691	59,057	238,136
Other receivables and prepayments	2,000	8,512	663	2,673
Accounts receivables from related parties	1,081	4,601	(1,004)	(4,048)
Inventories	605	2,575	(35,918)	(144,832)
Notes and accounts payable and other payables	(92,598)	(394,117)	(57,699)	(232,660)
Net defined benefit liabilities	73	311	-	-
Cash generated from operations	(1,130)	(4,809)	(14,458)	(58,299)
Interest paid	(1,845)	(7,853)	(1,482)	(5,976)
Interest received	144	613	303	1,222
Income tax paid	(572)	(2,435)	(4,527)	(18,254)
Net cash generated from operating activities	(3,403)	(14,484)	(20,164)	(81,307)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash inflow on acquisition of subsidiaries	-	-	13,245	54,105
Decrease in payable for investment cost	(11,718)	(49,874)	(5,621)	(22,666)
Payments for acquiring property, plant and equipment	(3,469)	(14,765)	(8,727)	(35,190)
Increase in other intangible assets	(834)	(3,550)	(423)	(1,706)
Increase in restricted assets	(53)	(226)	(17,618)	(71,041)
Proceeds from disposal of property, plant and equipment	117	498	103	415
Proceeds from disposal of derivative financial instruments	3,182	13,543	-	-
Net cash used in investing activities	(12,775)	(54,374)	(19,041)	(76,083)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	246,390	1,048,686	100,788	406,407
Repayments of bank borrowings	(192,378)	(818,801)	(308)	(1,242)
Payment under capital lease contract	(58)	(247)	(136)	(548)
Net cash used in financing activities	53,954	229,638	100,344	404,617
EFFECT OF EXCHANGE RATE CHANGES	(9,025)	(57,741)	(2,480)	(21,351)

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2016		2015	
	HK\$	NT\$	HK\$	NT\$
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 28,751	\$ 103,039	\$ 58,659	\$ 225,876
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>203,065</u>	<u>864,468</u>	<u>155,783</u>	<u>636,374</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 231,816</u>	<u>\$ 967,507</u>	<u>\$ 214,442</u>	<u>\$ 862,250</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	\$ 235,130	\$ 981,338	\$ 248,337	\$ 998,538
Pledge deposits	<u>(3,314)</u>	<u>(13,831)</u>	<u>(33,895)</u>	<u>(136,288)</u>
Cash and cash equivalents	<u>\$ 231,816</u>	<u>\$ 967,507</u>	<u>\$ 214,442</u>	<u>\$ 862,250</u>
IMPACT OF CASH AND NON-CASH ITEMS FROM INVESTING ACTIVITIES (Note 27)				
Net cash inflow on acquisition of subsidiaries				
Acquisition of subsidiaries	\$ -	\$ -	\$ (121,718)	\$ (497,219)
Increase in payable for investment cost (recognized under other payables from related parties)	-	-	24,589	100,446
Cash and cash equivalents acquired	<u>-</u>	<u>-</u>	<u>110,374</u>	<u>450,878</u>
Net cash inflow	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,245</u>	<u>\$ 54,105</u>
NON-CASH FOR INVESTING AND FINANCING ACTIVITIES:				
Stock of a parent company held by a subsidiary reclassification as treasury stock from long term investment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,966</u>	<u>\$ 24,018</u>

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

(With Deloitte & Touche review report dated May 11, 2016)

(Concluded)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(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, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

Statement of Compliance

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

Business Combinations

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and investee companies as to 50% being held or controlled by the Company.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

b. Currency of the consolidated financial statements

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

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			March 31 2016	March 31 2015	
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	100.00	100.00	"
	Hui Yang Eastern Asia Electronics Co., Ltd. ("HYEA")	Production, assembly and sales of speaker systems and accessories	100.00	100.00	"
	Huiyang Dongmei Audio Products Co., Ltd. ("HYDM")	Production and sales of earphones	100.00	100.00	"
	Shenzhen MaliMaliBox Trading Corporation Limited ("SZMM")	Import and export trading of audio and earphone products and accessories	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.
	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of AV electronics products	99.98	99.98	As mentioned in Note 1, EAH acquired ETT 99.98% ownership interest in January 2015, and thereby acquired its 100% owned subsidiaries, ETH and ETHY.
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of AV electronics products	100.00	100.00	"
ETH	Eastech Electronics (Hui Yang) Co., Ltd. ("ETHY")	Production and sales of AV electronics products	100.00	100.00	"

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, 2016, the Group believes that the adoption new, revised or amended standards or interpretations will not have a significant effect on the consolidated financial statements for the three months ended March 31, 2016.

b. Standards and interpretation issued but not yet effective

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

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	To be determined by IASB
IFRS 10, 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	January 1, 2016
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 15 (Amendments)	Clarifications to IFRS 15	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 1 (Amendments)	Disclosure Initiative	January 1, 2016
IAS 7 (Amendments)	Disclosure Initiative	January 1, 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
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

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, 2015. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2015.

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, 2015. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	<u>March 31, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Cash on hand	\$ 1,560	\$ 6,511	\$ 217	\$ 924
Cash at bank	230,256	960,996	202,848	863,544
Fixed deposits	<u>3,314</u>	<u>13,831</u>	<u>3,261</u>	<u>13,882</u>
	235,130	981,338	206,326	878,350
Less: Pledged deposits	<u>(3,314)</u>	<u>(13,831)</u>	<u>(3,261)</u>	<u>(13,882)</u>
	<u>\$ 231,816</u>	<u>\$ 967,507</u>	<u>\$ 203,065</u>	<u>\$ 864,468</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>March 31, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
<u>Financial assets at FVTPL - current</u>				
Financial assets held for trading				
Non-derivative financial assets				
Foreign-listed stocks	\$ 3,091	\$ 12,901	\$ 4,555	\$ 19,391
Equity funds	<u>-</u>	<u>-</u>	<u>1,178</u>	<u>5,015</u>
	<u>\$ 3,091</u>	<u>\$ 12,901</u>	<u>\$ 5,733</u>	<u>\$ 24,406</u>
<u>Financial liabilities at FVTPL - current</u>				
Financial liabilities held for trading				
Derivative financial instrument				
Target redemption forward (“TRF”)	<u>\$ 939</u>	<u>\$ 3,919</u>	<u>\$ 10,132</u>	<u>\$ 43,133</u>

As stated in Notes 1 and 27, 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 loss of the aforementioned derivative financial instruments after acquisition is HK\$2,910 thousand (equivalent to approximately NT\$12,145 thousand). Since the related gain or loss is attributed to ETT Group’s former parent company, Luster Green Limited, the Group adjust the balance payment to Luster Green Limited accordingly (please refer to Note 21(a)). Hence, the aforementioned derivative financial instruments did not have any impact on the consolidated net income for the three months ended March 31, 2016.

8. NOTES AND ACCOUNTS RECEIVABLE

	<u>March 31, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Accounts receivable	\$ 285,859	\$ 1,193,061	\$ 350,285	\$ 1,491,198
Notes receivable	<u>-</u>	<u>-</u>	<u>113</u>	<u>481</u>
	<u>\$ 285,859</u>	<u>\$ 1,193,061</u>	<u>\$ 350,398</u>	<u>\$ 1,491,679</u>

As of March 31, 2016 the Group’s average sales credit term is 87 days (78 days in 2015). No interest was charged on any outstanding trade receivables due over the credit term. Allowance for impairment loss were recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The analysis of receivables was as follows:

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Neither overdue nor impaired	\$ 276,563	\$ 1,154,263	\$ 333,575	\$ 1,420,062
Overdue but not impaired (a)	<u>9,296</u>	<u>38,798</u>	<u>16,823</u>	<u>71,617</u>
Notes and accounts receivable, net	<u>\$ 285,859</u>	<u>\$ 1,193,061</u>	<u>\$ 350,398</u>	<u>\$ 1,491,679</u>

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

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
0-90 days	\$ 8,172	\$ 34,107	\$ 15,769	\$ 67,130
91-180 days	431	1,799	1,043	4,440
181-360 days	<u>693</u>	<u>2,892</u>	<u>11</u>	<u>47</u>
	<u>\$ 9,296</u>	<u>\$ 38,798</u>	<u>\$ 16,823</u>	<u>\$ 71,617</u>

The above aging schedule has been analyzed 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: H.K. Dollars			
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	\$ 469	\$ -	\$ 469
Acquisition of ETT Group's assets	43	-	43
Written off	(464)	-	(464)
Recovered	(43)	-	(43)
Effect of exchange rate changes	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Unit: N.T. Dollars			
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	\$ 1,916	\$ -	\$ 1,916
Acquisition of ETT Group's assets	173	-	173
Written off	(1,899)	-	(1,899)
Recovered	(173)	-	(173)
Effect of exchange rate changes	<u>(17)</u>	<u>-</u>	<u>(17)</u>
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 (with recourse) for obtaining bank facilities please refer to Notes 22 and 25(g).

9. OTHER RECEIVABLES AND PREPAYMENTS

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables	\$ 44,383	\$ 185,237	\$ 40,974	\$ 174,432
Allowance for impairment loss	<u>(13,962)</u>	<u>(58,272)</u>	<u>(13,962)</u>	<u>(59,438)</u>
Other receivables, net	30,421	126,965	27,012	114,994
Prepayments	4,403	18,376	3,065	13,048
Prepaid equipment and mold	5,707	23,819	7,319	31,158
Value-added tax recoverable and refundable	16,715	69,762	23,683	100,820
Guarantee deposits	<u>9,964</u>	<u>41,586</u>	<u>8,130</u>	<u>34,610</u>
Total	<u>\$ 67,210</u>	<u>\$ 280,508</u>	<u>\$ 69,209</u>	<u>\$ 294,630</u>

Other receivables of the Group mainly consist of the followings:

- a. As of March 31, 2016 and December 31, 2015, the amounts of advance payment to vendors were HK\$6,291 thousand and HK\$3,135 thousand (equivalent to approximately NT\$26,256 thousand and NT\$13,346 thousand), respectively.
- b. Other receivables relating to litigations (including security deposits) as described in Note 24(a) were as follows:

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables (including security deposits)	\$ 23,589	\$ 98,451	\$ 24,540	\$ 104,470
Less: Allowance for impairment loss	<u>(13,962)</u>	<u>(58,272)</u>	<u>(13,962)</u>	<u>(59,438)</u>
	<u>\$ 9,627</u>	<u>\$ 40,179</u>	<u>\$ 10,578</u>	<u>\$ 45,032</u>

- c. As of March 31, 2016 and December 31, 2015, the amounts of temporary payments as described in Note 16(b) were HK\$8,421 thousand and HK\$8,349 thousand (equivalent to approximately NT\$35,146 thousand and NT\$35,543 thousand), respectively.

10. INVENTORIES

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Raw materials	\$ 59,298	\$ 247,486	\$ 58,872	\$ 250,624
Work-in-progress	55,431	231,347	39,161	166,712
Finished goods	14,529	60,638	32,328	137,624
Goods in transit	<u>5,695</u>	<u>23,769</u>	<u>7,313</u>	<u>31,132</u>
	<u>\$ 134,953</u>	<u>\$ 563,240</u>	<u>\$ 137,674</u>	<u>\$ 586,092</u>

The cost of inventories recognized as cost of goods sold in the three months ended March 31, 2016 and 2015 was HK\$291,162 thousand and HK\$443,718 thousand (equivalent to approximately NT\$1,239,243 thousand and NT\$1,789,204 thousand), respectively, which included HK\$2,117 thousand and HK\$406 thousand (equivalent to approximately NT\$9,010 thousand and NT\$1,637 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:

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cost	\$ 506,351	\$ 2,113,307	\$ 496,659	\$ 2,114,327
Accumulated depreciation and impairment	<u>(230,551)</u>	<u>(962,228)</u>	<u>(213,464)</u>	<u>(908,738)</u>
Book value	<u>\$ 275,800</u>	<u>\$ 1,151,079</u>	<u>\$ 283,195</u>	<u>\$ 1,205,589</u>
Land and buildings	\$ 70,381	\$ 293,742	\$ 72,284	\$ 307,720
Machineries and office equipment	205,030	855,713	209,746	892,909
Construction in progress	<u>389</u>	<u>1,624</u>	<u>1,165</u>	<u>4,960</u>
Book value	<u>\$ 275,800</u>	<u>\$ 1,151,079</u>	<u>\$ 283,195</u>	<u>\$ 1,205,589</u>

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

	Land and Buildings		Machineries and Office Equipment		Construction in Progress		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
<u>Cost</u>								
Balance at January 1, 2015	\$ 91,710	\$ 374,635	\$ 241,522	\$ 986,618	\$ 434	\$ 1,773	\$ 333,666	\$ 1,363,026
Additions	5,130	21,000	69,902	286,151	1,774	7,262	76,806	314,413
Acquisition of ETT Group's assets	47,320	193,302	90,904	371,343	-	-	138,224	564,645
Disposals	(251)	(1,027)	(15,020)	(61,485)	(190)	(778)	(15,461)	(63,290)
Reclassification to other intangible assets	(3)	(12)	803	3,287	(800)	(3,275)	-	-
Effect of exchange rate changes	<u>(9,758)</u>	<u>(16,817)</u>	<u>(26,765)</u>	<u>(47,628)</u>	<u>(53)</u>	<u>(22)</u>	<u>(36,576)</u>	<u>(64,467)</u>
Balance at December 31, 2015	134,148	571,081	361,346	1,538,286	1,165	4,960	496,659	2,114,327
Additions	419	1,783	2,932	12,480	118	502	3,469	14,765
Disposals	-	-	(773)	(3,290)	(86)	(366)	(859)	(3,656)
Reclassification to other intangible assets	-	-	834	3,550	(834)	(3,550)	-	-
Effect of exchange rate changes	<u>1,981</u>	<u>(2,967)</u>	<u>5,075</u>	<u>(9,240)</u>	<u>26</u>	<u>78</u>	<u>7,082</u>	<u>(12,129)</u>
Balance at March 31, 2016	<u>\$ 136,548</u>	<u>\$ 569,897</u>	<u>\$ 369,414</u>	<u>\$ 1,541,786</u>	<u>\$ 389</u>	<u>\$ 1,624</u>	<u>\$ 506,351</u>	<u>\$ 2,113,307</u>

(Continued)

	Land and Buildings		Machineries and Office Equipment		Construction in Progress		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
Accumulated depreciation and impairment								
Balance at January 1, 2015	\$ 55,789	\$ 227,898	\$ 139,950	\$ 571,696	\$ -	\$ -	\$ 195,739	\$ 799,594
Depreciation	11,331	46,385	38,657	158,246	-	-	49,988	204,631
Disposals	(85)	(348)	(10,934)	(44,758)	-	-	(11,019)	(45,106)
Effect of exchange rate changes	(5,171)	(10,574)	(16,073)	(39,807)	-	-	(21,244)	(50,381)
Balance at December 31, 2015	61,864	263,361	151,600	645,377	-	-	213,464	908,738
Depreciation	3,030	12,896	10,707	45,571	-	-	13,737	58,467
Disposals	-	-	(692)	(2,945)	-	-	(692)	(2,945)
Effect of exchange rate changes	1,273	(102)	2,769	(1,930)	-	-	4,042	(2,032)
Balance at March 31, 2016	<u>\$ 66,167</u>	<u>\$ 276,155</u>	<u>\$ 164,384</u>	<u>\$ 686,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,551</u>	<u>\$ 962,228</u>

(Concluded)

The management assessed that there was no impairment loss indicator for the three months ended March 31, 2016 and 2015.

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

Land and buildings	Buildings in Mainland China were 20 years, buildings in Hong Kong and Taiwan were 40 to 60 years.
Building improvements	5 years or 10 years
Machineries and equipment	5 years or 10 years
Office equipment	1 year to 10 years

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

March 31, 2016 and December 31, 2015

Company Name	Location	Description	Tenure/Unexpired Term
EAH	Room 1703, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.	A 1,627 sq. ft. office.	Lease for a term of 46 years from April 4, 2001 to June 30, 2047.
	Room 1704, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.	A 1,452 sq. ft. office.	Lease for a term of 47 years from March 13, 2000 to June 30, 2047.
	Room 1705, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.	A 2,171 sq. ft. office.	Lease for a term of 43 years from June 30, 2004 to June 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.

(Continued)

<u>Company Name</u>	<u>Location</u>	<u>Description</u>	<u>Tenure/Unexpired Term</u>
HYEA	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land (land use right is recognized under prepayments for land lease).	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
ETT	13F.-4, No. 99, Nankan Rd., Sec. 1, Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	A177.67 level ground office (13.13 level ground land).	Acquired land and building from July 1, 1999.
ETHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	6 factory buildings and 2 dormitories built on a 365,976 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for a term of 50 years from December 6, 2000 to December 6, 2050.
		1 factory buildings and 2 dormitories built on a 134,947 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for a term of 50 years from June 19, 2002 to June 19, 2052.

(Concluded)

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

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

12. FINANCIAL ASSETS MEASURED AT COST

	<u>March 31, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Outlaw Audio Inc.	\$ 132	\$ 546	\$ 132	\$ 561
Audio Design Experts Inc.	10,976	45,813	10,834	46,127
HT Precision Technologies, Inc.	<u>15,869</u>	<u>66,232</u>	<u>15,559</u>	<u>66,232</u>
	<u>\$ 26,977</u>	<u>\$ 112,591</u>	<u>\$ 26,525</u>	<u>\$ 112,920</u>

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

13. INTANGIBLE ASSETS

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Goodwill	\$ 28,124	\$ 117,378	\$ 27,274	\$ 116,108
Technical knowledge	13,420	56,010	13,177	56,096
Customer relationship	<u>7,727</u>	<u>32,249</u>	<u>7,674</u>	<u>32,669</u>
	<u>\$ 49,271</u>	<u>\$ 205,637</u>	<u>\$ 48,125</u>	<u>\$ 204,873</u>

a. Details of goodwill were as follows:

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Related to ScS	\$ 24,809	\$ 103,543	\$ 23,999	\$ 102,166
Related to HYDM	<u>3,315</u>	<u>13,835</u>	<u>3,275</u>	<u>13,942</u>
	<u>\$ 28,124</u>	<u>\$ 117,378</u>	<u>\$ 27,274</u>	<u>\$ 116,108</u>

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

Technical knowledge	4-15 years
Customer relationship	9 years

14. PREPAYMENTS FOR LAND LEASE

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Current	\$ 385	\$ 1,607	\$ 381	\$ 1,622
Non-current	<u>18,847</u>	<u>78,660</u>	<u>18,831</u>	<u>80,165</u>
	<u>\$ 19,232</u>	<u>\$ 80,267</u>	<u>\$ 19,212</u>	<u>\$ 81,787</u>

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

15. BANK BORROWINGS

a. Short-term bank borrowings:

	March 31, 2016 (Reviewed)			December 31, 2015 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	1.50%-4.63%	\$ 22,723	\$ 94,837	1.50%-4.63%	\$ 21,262	\$ 90,515
Bank borrowings - unsecured	1.52%-2.81%	172,907	721,645	1.45%-2.51%	99,964	425,557

(Continued)

	March 31, 2016 (Reviewed)			December 31, 2015 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Commercial paper - secured	1.92%	\$ 2,396	\$ 10,000	1.92%	\$ 2,349	\$ 10,000
Long-term borrowings due within 1 year - unsecured	1.56%-2.70%	32,304	134,824	1.56%-2.70%	25,579	108,892
Factoring	4.30%-5.19%	3,867	16,139	1.90%-4.50%	8,670	36,909
Other bank loans	2.20%-2.70%	56,735	236,789	2.20%-2.70%	64,798	275,851
Long-term borrowings due within 1 year - secured	2.30%-4.63%	3,537	14,762	2.38%-4.63%	4,622	19,676
		<u>\$ 294,469</u>	<u>\$ 1,228,996</u>		<u>\$ 227,244</u>	<u>\$ 967,400</u>

(Concluded)

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

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

b. Long-term bank borrowings:

	March 31, 2016 (Reviewed)			December 31, 2015 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	2.30%-4.63%	\$ 5,594	\$ 23,347	2.38%-4.63%	\$ 6,887	\$ 29,319
Bank borrowings - unsecured	1.56%-2.70%	49,988	208,630	1.56%-2.70%	54,258	230,981
		<u>55,582</u>	<u>231,977</u>		<u>61,145</u>	<u>260,300</u>
Less: Long-term bank borrowings due within 1 year		(35,841)	(149,586)		(30,201)	(128,568)
		<u>\$ 19,741</u>	<u>\$ 82,391</u>		<u>\$ 30,944</u>	<u>\$ 131,732</u>

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

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

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Due within 2 to 5 years	<u>\$ 19,741</u>	<u>\$ 82,391</u>	<u>\$ 30,944</u>	<u>\$ 131,732</u>

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

16. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

- a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were 60 or 90 days. No interest will be incurred in notes and accounts payable. The Group has financial risk management policies to ensure settlement of all payables within payment term.
- b. Details of other payables were as follows:

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Accrued salaries	\$ 35,579	\$ 148,493	\$ 41,043	\$ 174,724
Temporary receivables (Note 1)	15,703	65,538	14,997	63,844
Accrued molding payable	2,398	10,008	2,351	10,008
Accrued tax loss on customs bonded goods	2,114	8,823	5,676	24,159
ScS investment payable - current (Note 2)	9,402	39,240	4,543	19,340
Accrued commission expenses	-	-	6,074	25,858
Other payable	<u>32,186</u>	<u>134,332</u>	<u>29,646</u>	<u>126,120</u>
	<u>\$ 97,382</u>	<u>\$ 406,434</u>	<u>\$ 104,330</u>	<u>\$ 444,143</u>

Note 1: 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.

Note 2: According to Note 27(g), the Group acquired ScS during 2014 and 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 March 31, 2015, March 31, 2016 and March 31, 2017 respectively. Since ScS's operating performance did not meet the term agreed by both parties, the Group has suspended payments of the 10% acquisition consideration originally expected to pay on March 31, 2016 until both parties reach an agreement in subsequent discussion. The Group will adjust investment payable if there are differences with the original estimate.

17. EQUITY

- a. Share capital

The initial setup capital of the Company is NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of March 31, 2016 and December 31, 2015 were both NT\$610,020 thousand (equivalent to approximately NT\$161,418 thousand), divided into 61,002 thousand shares (including issue restricted shares divided into 252 thousand shares, please refer to Note 17, e for details.), 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.

b. Treasury shares

Purpose of Buy-back	Shares Held by a Subsidiary (In Thousands of Shares)
Shares Transferred to Employees	300
Shares Held by Its Subsidiaries	<u>453</u>
Number of shares, March 31, 2016 and December 31, 2015	<u><u>753</u></u>

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

March 31, 2016

Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
ETT	453	HK\$5,966 thousand (equivalent to approximately NT\$24,018 thousand)	HK\$4,591 thousand (equivalent to approximately NT\$19,162 thousand)

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The shares held by a subsidiary are treated as treasury shares which retain shareholders' rights, except the rights to participate in new share issuance and to vote. 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 March 31, 2016 and December 31, 2015, the capital surplus of the Company were both NT\$744,831 thousand (equivalent to approximately HK\$197,472 thousand). The details were as follows:

	<u>March 31, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	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	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>3,202</u>	<u>12,751</u>
	<u>\$ 197,472</u>	<u>\$ 744,831</u>	<u>\$ 197,472</u>	<u>\$ 744,831</u>

d. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, the Company should make appropriations 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 surplus reserve was proposed by the Board, the remaining net profit for the period could be distributed by the Company, subject to the following requirements:

The Company's Articles of Incorporation also stipulate a dividend policy that the issuance of stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 50% of total dividends distributed.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on December 16, 2015 and are subject to the resolution of the shareholders in their meeting to be held on May 11, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 18(b) for details.

The appropriation of earnings for 2014 was approved in the shareholder's meetings on May 12, 2015. Details of the dividend per share of the earnings appropriations for 2014 of the Company were as follows:

2014

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

The appropriation of earnings for 2015 had been proposed by the Company's board of directors on February 22, 2016. The appropriations and dividends per share were as follows:

2015

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

The appropriation of earnings for 2015 is resolved by the shareholders' meeting held on May 11, 2016.

Exchange differences on translating foreign operations

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

In addition, according to the requirements of the regulatory authority, the consolidated financial statements of the Company shall present amounts in New Taiwan dollars which are translated from Hong Kong dollars to New Taiwan dollars.

Legal reserve

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

Subsidiaries in China shall appropriate reserve fund (recognized under legal reserves) and provide employees' award and benefit fund (recognized under liabilities items) from the profit after tax in accordance to Section 58 of the "Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises", subject to a proportion of no less than 10% of the profit after tax. No appropriation shall be made when the accumulated amount reaches 50% of the registered capital. The provision in respect of employees' award and benefit fund shall be determined by the Company upon passing of directors' resolution, however, it has not yet been approved as at March 31, 2016.

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

e. Share-based payment arrangements - issue restricted shares

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) 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 March 31, 2016 and December 31, 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 of 25% annually)

The movements of the employee unearned benefits were as follows:

	For the Three Months Ended March 31, 2016	
	HK\$	NT\$
Balance at January 1, 2016	\$ (3,275)	\$ (13,044)
Issuance of restricted shares	-	-
Recognized share-based payment expenses	<u>239</u>	<u>954</u>
Balance at March 31, 2016	<u>\$ (3,036)</u>	<u>\$ (12,090)</u>
	For the Year Ended December 31, 2015	
	HK\$	NT\$
Balance at January 1, 2015	\$ -	\$ -
Issuance of restricted shares	(3,835)	(15,271)
Recognized share-based payment expenses	<u>560</u>	<u>2,227</u>
Balance at December 31, 2015	<u>\$ (3,275)</u>	<u>\$ (13,044)</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 Three Months Ended March 31			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 13,737	\$ 58,467	\$ 12,415	\$ 50,061
Amortization of other intangible assets	857	3,648	940	3,790
Amortization of prepayments for lease	<u>138</u>	<u>587</u>	<u>143</u>	<u>576</u>
	<u>\$ 14,732</u>	<u>\$ 62,702</u>	<u>\$ 13,498</u>	<u>\$ 54,427</u>

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

	For the Three Months Ended March 31			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 7,418	\$ 31,572	\$ 8,629	\$ 34,795
Post-employment benefits	168	715	193	778
Share-based payments	178	712	-	-
Employee benefits				
Short-term benefits	72,438	308,311	91,438	368,705
Post-employment benefits	4,012	17,076	4,087	16,480
Share-based payments	<u>61</u>	<u>242</u>	<u>-</u>	<u>-</u>
	<u>\$ 84,275</u>	<u>\$ 358,628</u>	<u>\$ 104,347</u>	<u>\$ 420,758</u>

The existing Articles of Incorporation of the Company stipulate to distribute bonus to employees at the rates no less than 1% and no higher than 15% and remuneration to directors and supervisors at the rates no higher than 2%, respectively, of net income (net of the bonus and remuneration). For the three months ended March 31, 2015, the bonus to employees and the remuneration to directors and supervisors were HK\$825 thousand (equivalent to approximately NT\$3,327 thousand) and HK\$338 thousand (equivalent to approximately NT\$1,363 thousand).

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation at the rates no less than 1% and no higher than 15% and remuneration to directors and supervisors at the rates no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months ended March 31, 2016, the employees' compensation and the remuneration to directors and supervisors were HK\$237 thousand (equivalent to approximately NT\$1,009 thousand) and HK\$93 thousand (equivalent to approximately NT\$396 thousand). The employees' compensation and remuneration to directors and supervisors in cash for the three months ended March 31, 2016 have been approved by the Company's board of directors on February 22, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for

adoption by the shareholders in their meeting to be held on May 11, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The resolutions in respect of distribution as well as employee bonus and directors' remuneration for 2015 and 2014 were passed at the Company's board of directors on February 22, 2016 and annual shareholders' meetings held on May 12, 2015, respectively. Details of the directors' remuneration and employee bonus of the earnings appropriations for 2015 and 2014 of the Company were as follows:

2015	
Directors' remuneration - cash	HK\$1,505 thousand (equivalent to approximately NT\$6,161 thousand)
Employee bonus - cash	HK\$4,159 thousand (equivalent to approximately NT\$17,024 thousand)
2014	
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)

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

c. Other income

	For the Three Months Ended March 31			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Project service revenue	\$ 2,692	\$ 11,458	\$ 236	\$ 952
Interest income	144	613	303	1,222
Rent revenue	68	289	72	290
Scrap income	231	983	687	2,770
Gains on disposal of property, plant and equipment	28	119	13	52
Gains on financial assets at fair value through profit	324	1,379	-	-
Others	<u>485</u>	<u>2,063</u>	<u>1,566</u>	<u>6,315</u>
	<u>\$ 3,972</u>	<u>\$ 16,904</u>	<u>\$ 2,877</u>	<u>\$ 11,601</u>

d. Other losses

	For the Three Months Ended March 31			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on scrap and disposal of property, plant and equipment	\$ 78	\$ 332	\$ 61	\$ 246
Net loss on financial instruments at FVTPL	221	941	-	-
Loss on financial assets at fair value through loss	-	-	123	496
Losses on scrap and disposal of intangible assets	126	536	-	-
Other	<u>-</u>	<u>-</u>	<u>2,481</u>	<u>10,004</u>
	<u>\$ 425</u>	<u>\$ 1,809</u>	<u>\$ 2,665</u>	<u>\$ 10,746</u>

e. Finance costs

	For the Three Months Ended March 31			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 1,845</u>	<u>\$ 7,853</u>	<u>\$ 1,482</u>	<u>\$ 5,976</u>

19. INCOME TAXES

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

	For the Three Months Ended March 31			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Current tax				
In respect of the current year	\$ 1,539	\$ 6,550	\$ 1,453	\$ 5,859
Adjustments for prior years	-	-	555	2,238
Deferred tax				
In respect of the current year	<u>(399)</u>	<u>(1,698)</u>	<u>(297)</u>	<u>(1,198)</u>
Income tax expenses recognized in profit or loss	<u>\$ 1,140</u>	<u>\$ 4,852</u>	<u>\$ 1,711</u>	<u>\$ 6,899</u>

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

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

Effective from January 1, 2008, subsidiaries in the PRC shall be subject to an applicable tax rate of 25% upon implementation of new Enterprise Income Tax Law. In addition, HYE A and HYDM obtained the innovation and high technology enterprise certificates issued by local tax authorities in February 2016. Therefore, HYE A and HYDM are subject to the applicable preferential income tax rate (enterprise income tax rate has been reduced from 25% to 15%) in the next three years (2015-2017).

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 2014.

20. EARNINGS PER SHARE

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Earnings Per Share (Dollars)	
	HK\$	NT\$		HK\$	NT\$
Three months ended March 31, 2016					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	<u>\$ 3,168</u>	<u>\$ 13,549</u>	<u>60,249</u>	<u>\$ 0.05</u>	<u>\$ 0.22</u>
Three months ended March 31, 2015					
Basic earnings per share					
Net profit attributable to owner of the Company	<u>\$ 13,624</u>	<u>\$ 55,471</u>	<u>60,297</u>	<u>\$ 0.23</u>	<u>\$ 0.92</u>

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

21. RELATED-PARTY TRANSACTIONS

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

a. Payable to related parties

Related Party Categories	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other payables				
Related company	<u>\$ 8,987</u>	<u>\$ 37,508</u>	<u>\$ 19,586</u>	<u>\$ 83,380</u>

Other payables in current period include payable for acquiring ETT Group and the temporary payable for ETT Group's derivative financial instruments. Please refer to Notes 7 and 27.

Classification by payment period as follows:

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Current	\$ 8,987	\$ 37,508	\$ 11,680	\$ 49,723
Non-current	<u>-</u>	<u>-</u>	<u>7,906</u>	<u>33,657</u>
	<u>\$ 8,987</u>	<u>\$ 37,508</u>	<u>\$ 19,586</u>	<u>\$ 83,380</u>

b. Compensation of key management personnel

The remuneration of directors and other key management was determined by the compensation committee in accordance with the individual performance and the market trends. Please refer to Note 18(b) for details.

22. RESTRICTED 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.

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other intangible assets	\$ 4,608	\$ 19,232	\$ 4,488	\$ 19,106
Accounts receivable with recourse	5,628	24,489	10,666	45,406
Property, plant and equipment	6,517	27,200	6,619	28,178
Inventories and other assets	14,183	59,194	13,640	58,067
Pledge deposits (recognized under restrict assets - current)	<u>3,314</u>	<u>13,831</u>	<u>3,261</u>	<u>13,882</u>
	<u>\$ 34,250</u>	<u>\$ 142,946</u>	<u>\$ 38,674</u>	<u>\$ 164,639</u>

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

Lease Agreement

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

Non-cancellable Operating Leases

	<u>March 31, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Within 1 year	\$ 12,206	\$ 50,943	\$ 10,224	\$ 43,525
More than 1 year and within 5 years	15,928	66,477	15,609	66,449
More than 5 years	<u>17,977</u>	<u>75,029</u>	<u>18,671</u>	<u>79,484</u>
	<u>\$ 46,111</u>	<u>\$ 192,449</u>	<u>\$ 44,504</u>	<u>\$ 189,458</u>

Rental expenses of the Group arising from operating leases for three month ended March 31, 2016 and 2015 amounted to HK\$2,348 thousand and HK\$4,173 thousand (equivalent to approximately NT\$9,994 thousand and NT\$16,827 thousand), respectively.

24. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil in the first quarter of 2016. The status of litigation in the current phase please refers to Note 25(a) of the consolidated financial statements for the year ended December 31, 2015.

EAH has received partial compensation payments from the court, totaling HK\$895 thousand (equivalent to approximately NT\$3,809 thousand) which directly recorded as decrease in other receivables.

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

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, 2015. 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 U.S. 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 U.S. dollar.

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

	Assets			
	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 385,506	\$ 1,608,948	\$ 465,174	\$ 1,980,292
HKD	<u>544</u>	<u>2,270</u>	<u>437</u>	<u>1,860</u>
	<u>\$ 386,050</u>	<u>\$ 1,611,218</u>	<u>\$ 465,611</u>	<u>\$ 1,982,152</u>

	Liabilities			
	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 350,456	\$ 1,462,663	\$ 360,840	\$ 1,536,132
HKD	<u>59,319</u>	<u>247,574</u>	<u>101,003</u>	<u>429,980</u>
	<u>\$ 409,775</u>	<u>\$ 1,710,237</u>	<u>\$ 461,843</u>	<u>\$ 1,966,112</u>

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

	Currency USD Impact		Currency USD Impact	
	For the Three Months Ended		For the Year Ended	
	March 31, 2016		December 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ 1,753</u>	<u>\$ 7,314</u>	<u>\$ 5,217</u>	<u>\$ 22,208</u>

	Currency HKD Impact		Currency HKD Impact	
	For the Three Months Ended		For the Year Ended	
	March 31, 2016		December 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ (2,939)</u>	<u>\$ (12,265)</u>	<u>\$ (5,028)</u>	<u>\$ (21,406)</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 three months ended March 31, 2016 and for the year ended December 31, 2015 would have been decreased by HK\$403 thousand and HK\$260 thousand (equivalent to approximately NT\$1,683 thousand and NT\$1,009 thousand), respectively.

4) Credit risk

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

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

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

5) Liquidity risk

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

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

Unit: H.K. Dollars

March 31, 2016					
	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	-	\$ 249,397	\$ -	\$ -	\$ 249,397
Other payables to related parties	-	8,987	-	-	8,987
Other payables	-	97,382	-	-	97,382
<u>Interest bearing liabilities</u>					
Finance lease payables	-	247	134	-	381
Bank borrowings	2.14%	300,769	20,163	-	320,932
March 31, 2015					
	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 330,504	\$ -	\$ -	\$ 330,504
Other payables to related parties	-	11,680	7,906	-	19,586
Other payables	-	104,330	4,543	-	108,873
<u>Interest bearing liabilities</u>					
Finance lease payables	-	234	192	-	426
Bank borrowings	2.44%	166,410	98,078	-	264,488

Unit: N.T. Dollars

March 31, 2016					
	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	-	\$ 1,040,883	\$ -	\$ -	\$ 1,040,883
Other payables to related parties	-	37,508	-	-	37,508
Other payables	-	406,434	-	-	406,434
<u>Interest bearing liabilities</u>					
Finance lease payables	-	1,031	559	-	1,590
Bank borrowings	2.14%	1,255,289	84,152	-	1,339,441
December 31, 2015					
	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 1,406,989	\$ -	\$ -	\$ 1,406,989
Other payables to related parties	-	49,723	33,657	-	83,380
Other payables	-	444,143	19,340	-	463,483
<u>Interest bearing liabilities</u>					
Finance lease payables	-	996	817	-	1,813
Bank borrowings	2.44%	708,424	417,528	-	1,125,952

e. Financial facilities

1) Bank overdraft facility

	Liabilities			
	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Unsecured bank overdraft facility				
Amount unused	\$ 1,600	\$ 6,678	\$ 1,600	\$ 6,811

2) Bank borrowings

	Liabilities			
	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Secured borrowings				
Amount unused	<u>\$ 190,504</u>	<u>\$ 795,087</u>	<u>\$ 188,030</u>	<u>\$ 800,463</u>
Unsecured borrowings				
Amount unused	<u>\$ 328,995</u>	<u>\$ 1,373,094</u>	<u>\$ 390,647</u>	<u>\$ 1,663,023</u>

f. Significant assets and liabilities denominated in foreign currencies

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

March 31, 2016

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 40,037	HKD	32.4150	\$ 1,297,789
USD	9,252	NTD	32.4150	299,894
USD	178	RMB	32.4150	5,780
USD	<u>169</u>	DKK	32.4150	<u>5,485</u>
	<u>\$ 49,636</u>			<u>\$ 1,608,948</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 28,417	HKD	32.4150	\$ 921,139
USD	7,487	RMB	32.4150	242,682
USD	9,000	NTD	32.4150	291,747
USD	<u>219</u>	DKK	32.4150	<u>7,095</u>
	<u>\$ 45,123</u>			<u>\$ 1,462,663</u>
HKD	\$ 59,314	RMB	4.1736	\$ 247,549
HKD	<u>6</u>	NTD	4.1736	<u>25</u>
	<u>\$ 59,320</u>			<u>\$ 247,574</u>

December 31, 2015

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

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

Information of foreign exchange gains and losses are as follow:

	For the Three Months Ended March 31, 2015		For the Year Ended December 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Realized foreign exchange gains (loss)	\$ 2,457	\$ 10,459	\$ 4,104	\$ 16,549
Unrealized foreign exchange gains (loss)	<u>(2,369)</u>	<u>(10,084)</u>	<u>1,126</u>	<u>4,540</u>
	<u>\$ 88</u>	<u>\$ 375</u>	<u>\$ 5,230</u>	<u>\$ 21,089</u>

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

g. Information of transferred financial assets

As of March 31, 2016 and December 31, 2015, the Group entered into several trade receivable factoring agreements with the banks, with factoring amount HK\$70,000 thousand, US\$17,000 thousand and DKK7,000 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 March 31, 2016 and December 31, 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 Notes 15 and 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 split by segment.

Unit: H.K. Dollars

	For the Three Months Ended March 31, 2016				Total
	Speakers	Earphones	AV Electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	
Revenues	\$ 209,963	\$ 26,665	\$ 116,697	\$ (17,848)	\$ 335,477
Cost of revenues	<u>181,438</u>	<u>21,896</u>	<u>105,834</u>	<u>(18,006)</u>	<u>291,162</u>
Gross profit	<u>\$ 28,525</u>	<u>\$ 4,769</u>	<u>\$ 10,863</u>	<u>\$ 158</u>	<u>\$ 44,315</u>

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

Unit: N.T. Dollars

For the Three Months Ended March 31, 2016					
	Speakers	Earphones	AV Electronics	Unallocated Costs Among Segments (Including Inter-segments Transaction)	Total
Revenues	\$ 893,645	\$ 113,492	\$ 496,686	\$ (75,966)	\$ 1,427,857
Cost of revenues	<u>772,238</u>	<u>93,194</u>	<u>450,451</u>	<u>(76,640)</u>	<u>1,239,243</u>
Gross profit	<u>\$ 121,407</u>	<u>\$ 20,298</u>	<u>\$ 46,235</u>	<u>\$ 674</u>	<u>\$ 188,614</u>

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

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 are as follows:

	For the Three Months Ended March 31					
	2016 (Reviewed)			2015 (Reviewed)		
	HK\$	NT\$	%	HK\$	NT\$	%
Company A	\$ 78,965	\$ 336,091	23	\$ 144,480	\$ 582,587	28
Company B	63,350	269,630	19	62,323	251,305	12
Company C	37,281	158,675	11	70,261	283,313	14

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 thousand (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 100% interests in ETT (including its subsidiaries, ETH and ETHY) from Luster Green Limited.

b. Considerations transferred

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

The above investment payable (final payments of the 20% acquisition consideration) expected to pay in the beginning of 2016 and 2017. As of March 31, 2016, investment payable is recorded as other payable, please refer to Note 21.

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

	HK\$	NT\$
Current assets		
Cash and cash equivalents	\$ 110,374	\$ 450,878
Pledged deposits	14,226	58,115
Accounts receivables (including related parties)	242,514	990,670
Income tax refund receivable	3,329	13,597
Other receivable and prepayments	65,140	266,097
Inventories	67,881	277,295
Non-current assets		
Property, plant and equipment	138,224	564,645
Financial assets measured at cost	23,677	96,719
Financial assets at fair value through profit and loss	11,942	48,783
Prepayments for land lease	17,486	71,431
Net defined benefit assets	1,081	4,416
Deferred tax assets	2,008	8,202
Intangible assets	3,525	14,400

(Continued)

	HK\$	NT\$
Current liabilities		
Accounts payables and other payables (including related parties)	\$ (332,365)	\$ (1,357,713)
Current tax liabilities	(3,062)	(12,507)
Bank borrowings	(185,042)	(755,896)
Financial liabilities at fair value through profit or loss (Note)	(24,329)	(99,384)
Non-current liabilities		
Long-term bank borrowings	(3,672)	(15,000)
Deferred tax liabilities	<u>(21,073)</u>	<u>(86,083)</u>
	<u>\$ 131,864</u>	<u>\$ 538,665</u> (Concluded)

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

d. Gain from bargain purchase of acquisitions on ETT

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

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

e. Net cash outflow on acquisition of subsidiaries

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

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

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

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

- g. 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 March 31, 2015, March 31, 2016 and March 31, 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). Please refer to Note 16(b).

28. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on May 11, 2016.