

**Eastern Technologies Holding Limited and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 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 June 30, 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 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 June 30, 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\$36,134 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 10, 2016

Notice to Readers

For the convenience of readers, the auditors’ 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 auditors’ review report and consolidated financial statements shall prevail.

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)		LIABILITIES AND EQUITY	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$		HK\$	NT\$	HK\$	NT\$
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 6)	\$ 202,248	\$ 844,466	\$ 203,065	\$ 864,468	Short-term bank borrowings (Note 15)	\$ 278,260	\$ 1,161,847	\$ 227,244	\$ 967,400
Financial assets at fair value through profit or loss - current (Note 7)	4,037	16,856	5,733	24,406	Notes and accounts payable (Note 16)	226,608	946,179	330,504	1,406,989
Notes and accounts receivable, net (Notes 8 and 22)	218,290	911,448	350,398	1,491,679	Other payables to related parties (Notes 21 and 27)	8,868	37,027	11,680	49,723
Inventories (Notes 10 and 22)	129,352	540,096	137,674	586,092	Current tax liabilities (Notes 4 and 19)	1,592	6,647	1,159	4,934
Restricted assets (Notes 6 and 22)	3,284	13,712	3,261	13,882	Other payables (Note 16)	72,501	302,721	104,330	444,143
Income tax refund receivable	614	2,564	887	3,776	Finance lease payables (Note 11)	316	1,319	234	996
Other receivables and prepayments (Note 9)	59,920	250,190	69,209	294,630	Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	10,132	43,133
Prepayments for land lease - current (Note 14)	375	1,566	381	1,622					
Total current assets	618,120	2,580,898	770,608	3,280,555	Total current liabilities	588,145	2,455,740	685,283	2,917,318
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Property, plant and equipment (Notes 11 and 22)	261,096	1,090,180	283,195	1,205,589	Long-term bank borrowings (Note 15)	16,729	69,850	30,944	131,732
Financial assets measured at cost (Note 12)	26,968	112,602	26,525	112,920	Other payables to related parties (Notes 21 and 27)	-	-	7,906	33,657
Intangible assets (Notes 13 and 22)	47,731	199,296	48,125	204,873	Other payables (Note 16)	-	-	4,543	19,340
Prepayments for land lease - non-current (Note 14)	18,359	76,656	18,831	80,165	Long-term finance lease payables (Note 11)	-	-	192	817
Deferred tax assets (Notes 4 and 19)	2,326	9,712	2,612	11,120	Deferred tax liabilities (Note 4)	26,562	110,907	27,240	115,963
					Net defined benefit liabilities - non-current (Note 4)	1,951	8,146	1,843	7,846
Total non-current assets	356,480	1,488,446	379,288	1,614,667	Total non-current liabilities	45,242	188,903	72,668	309,355
					Total liabilities	633,387	2,644,643	757,951	3,226,673
TOTAL	\$ 974,600	\$ 4,069,344	\$ 1,149,896	\$ 4,895,222	EQUITY (Note 17)				
					Share capital - common stock	161,418	610,020	161,418	610,020
					Capital surplus	197,797	746,197	197,472	744,831
					Treasury shares	(9,929)	(40,671)	(9,929)	(40,671)
					Exchange differences on translating foreign operations	(34,900)	14,982	(26,773)	80,338
					Retained earnings	(2,796)	(11,135)	(3,275)	(13,044)
					Legal reserve	5,647	22,684	5,526	22,178
					Unappropriated earnings	23,976	82,624	67,506	264,897
					Total equity	341,213	1,424,701	391,945	1,668,549
					TOTAL	\$ 974,600	\$ 4,069,344	\$ 1,149,896	\$ 4,895,222

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

(With Deloitte & Touche review report dated August 10, 2016)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
NET REVENUES (Note 18)	\$ 290,351	\$ 1,211,760	\$ 460,024	\$ 1,818,878	\$ 625,828	\$ 2,639,617	\$ 972,397	\$ 3,884,920
COST OF REVENUES (Note 10)	<u>250,260</u>	<u>1,044,363</u>	<u>395,175</u>	<u>1,562,342</u>	<u>541,422</u>	<u>2,283,606</u>	<u>838,893</u>	<u>3,351,546</u>
GROSS PROFIT	<u>40,091</u>	<u>167,397</u>	<u>64,849</u>	<u>256,536</u>	<u>84,406</u>	<u>356,011</u>	<u>133,504</u>	<u>533,374</u>
OPERATING EXPENSES								
General and administrative	43,781	183,285	53,194	210,408	78,461	330,824	110,156	440,096
Selling and distribution	<u>5,897</u>	<u>24,599</u>	<u>11,455</u>	<u>45,377</u>	<u>13,014</u>	<u>54,890</u>	<u>21,919</u>	<u>87,571</u>
Total operating expenses	<u>49,678</u>	<u>207,884</u>	<u>64,649</u>	<u>255,785</u>	<u>91,475</u>	<u>385,714</u>	<u>132,075</u>	<u>527,667</u>
OPERATING (LOSS) PROFIT	<u>(9,587)</u>	<u>(40,487)</u>	<u>200</u>	<u>751</u>	<u>(7,069)</u>	<u>(29,703)</u>	<u>1,429</u>	<u>5,707</u>
NON-OPERATING INCOME AND EXPENSES								
Gain from bargain purchase (Note 27)	-	-	-	-	-	-	10,146	41,446
Other income (Note 18)	8,886	37,342	6,438	25,614	12,511	52,769	9,315	37,215
Foreign exchange gain, net (Note 25)	1,893	7,980	2,148	8,388	1,981	8,355	7,378	29,477
Finance costs (Note 18)	(1,737)	(7,255)	(1,382)	(5,466)	(3,582)	(15,108)	(2,864)	(11,442)
Other losses (Note 18)	<u>(78)</u>	<u>(326)</u>	<u>(2,660)</u>	<u>(10,528)</u>	<u>(156)</u>	<u>(658)</u>	<u>(5,325)</u>	<u>(21,274)</u>
Total non-operating income and expense	<u>8,964</u>	<u>37,741</u>	<u>4,544</u>	<u>18,008</u>	<u>10,754</u>	<u>45,358</u>	<u>18,650</u>	<u>75,422</u>
(LOSS) PROFIT BEFORE INCOME TAX	(623)	(2,746)	4,744	18,759	3,685	15,655	20,079	81,129
INCOME TAX (Notes 4 and 19)	<u>(2,278)</u>	<u>(9,564)</u>	<u>(1,991)</u>	<u>(7,891)</u>	<u>(3,418)</u>	<u>(14,416)</u>	<u>(3,702)</u>	<u>(14,790)</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(2,901)</u>	<u>(12,310)</u>	<u>2,753</u>	<u>10,868</u>	<u>267</u>	<u>1,239</u>	<u>16,377</u>	<u>66,339</u>
OTHER COMPREHENSIVE INCOME								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	<u>(11,910)</u>	<u>(48,133)</u>	<u>717</u>	<u>(10,122)</u>	<u>(8,127)</u>	<u>(65,356)</u>	<u>(8,120)</u>	<u>(75,244)</u>
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	<u>\$ (14,811)</u>	<u>\$ (60,443)</u>	<u>\$ 3,470</u>	<u>\$ 746</u>	<u>\$ (7,860)</u>	<u>\$ (64,117)</u>	<u>\$ 8,257</u>	<u>\$ (8,905)</u>
(LOSS) EARNINGS PER SHARE (Note 20)								
Basic (loss) earnings per share - after income tax	<u>\$ (0.05)</u>	<u>\$ (0.20)</u>	<u>\$ 0.05</u>	<u>\$ 0.18</u>	<u>\$ -</u>	<u>\$ 0.02</u>	<u>\$ 0.27</u>	<u>\$ 1.10</u>
WEIGHTED AVERAGE NUMBER OF SHARES	<u>60,249 thousand shares</u>		<u>60,444 thousand shares</u>		<u>60,249 thousand shares</u>		<u>60,444 thousand shares</u>	

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

(With Deloitte & Touche review report dated August 10, 2016)

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
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(43,676)	(43,676)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	325	-	-	-	-	-	325
Legal reserve of subsidiaries	-	-	-	-	-	121	(121)	-
Restricted shares plan for employees	-	-	-	-	479	-	-	479
Total comprehensive income (loss) for the six months ended June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,127)</u>	<u>-</u>	<u>-</u>	<u>267</u>	<u>(7,860)</u>
BALANCE AT JUNE 30, 2016	<u>\$ 161,418</u>	<u>\$ 197,797</u>	<u>\$ (9,929)</u>	<u>\$ (34,900)</u>	<u>\$ (2,796)</u>	<u>\$ 5,647</u>	<u>\$ 23,976</u>	<u>\$ 341,213</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,120)</u>	<u>-</u>	<u>-</u>	<u>16,377</u>	<u>8,257</u>
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>

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

(With Deloitte & Touche review report dated August 10, 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
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(183,006)	(183,006)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	1,366	-	-	-	-	-	1,366
Legal reserve of subsidiaries	-	-	-	-	-	506	(506)	-
Restricted shares plan for employees	-	-	-	-	1,909	-	-	1,909
Total comprehensive income (loss) for the six months ended June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,356)</u>	<u>-</u>	<u>-</u>	<u>1,239</u>	<u>(64,117)</u>
BALANCE AT JUNE 30, 2016	<u>\$ 610,020</u>	<u>\$ 746,197</u>	<u>\$ (40,671)</u>	<u>\$ 14,982</u>	<u>\$ (11,135)</u>	<u>\$ 22,684</u>	<u>\$ 82,624</u>	<u>\$ 1,424,701</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,244)</u>	<u>-</u>	<u>-</u>	<u>66,339</u>	<u>(8,905)</u>
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>

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

(With Deloitte & Touche review report dated August 10, 2016)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Six Months Ended June 30			
	2016		2015	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	\$ 3,685	\$ 15,655	\$ 20,079	\$ 81,129
Adjustments for:				
Amortization - other intangible assets	1,640	6,917	1,868	7,463
Amortization - prepayment for land lease	276	1,164	286	1,142
Allowance for inventories provision and inventories write-off	3,802	16,036	1,679	6,708
Depreciation expenses	26,743	112,797	25,154	100,495
Loss on disposal of property, plant and equipment	127	535	702	2,806
Interest expense	3,582	15,108	2,864	11,442
Interest income	(301)	(1,270)	(627)	(2,505)
Gain from bargain purchase	-	-	(10,146)	(41,446)
Employees expenses - restricted shares	479	1,909	80	318
Loss on fair value changes of financial instruments	(3,076)	(12,974)	732	2,924
Realized loss from financial instruments	(339)	(1,430)	-	-
Operating cash flows before working capital changes	36,618	154,447	42,671	170,476
Changes in operating assets and liabilities				
Notes and accounts receivable	132,108	557,205	104,872	418,985
Other receivable and prepayments	9,290	39,183	24,120	96,364
Accounts payables/receivables from related parties	961	4,053	6,274	25,066
Inventories	4,521	19,069	(24,355)	(97,303)
Notes and accounts payable and other payables	(140,268)	(591,623)	(138,368)	(552,808)
Net defined benefit liabilities	108	456	-	-
Cash generated from operations	43,338	182,790	15,214	60,780
Interest paid	(3,582)	(15,108)	(2,864)	(11,442)
Interest received	301	1,270	627	2,505
Income tax paid	(2,656)	(11,207)	(9,436)	(37,699)
Net cash generated from operating activities	<u>37,401</u>	<u>157,745</u>	<u>3,541</u>	<u>14,144</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash inflow on acquisition of subsidiaries	-	-	13,245	54,105
Decrease in payable for investment cost	(11,718)	(49,424)	(5,571)	(22,257)
Payments for acquiring property, plant and equipment	(8,417)	(35,501)	(28,095)	(112,245)
Increase in other intangible assets	(924)	(3,897)	(1,147)	(4,582)
(Increase) decrease in restricted assets	(23)	(97)	4,943	19,748
Proceeds from disposal of property, plant and equipment	560	2,362	979	3,910
Increase in financial assets measured at cost	-	-	(3,801)	(15,186)
Proceeds from disposal of derivative financial instruments	4,439	18,723	-	-
Net cash used in investing activities	<u>(16,083)</u>	<u>(67,834)</u>	<u>(19,447)</u>	<u>(76,507)</u>

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Six Months Ended June 30			
	2016		2015	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	\$ 382,259	\$ 1,612,292	\$ 730,212	\$ 2,917,343
Repayments of bank borrowings	(346,826)	(1,462,843)	(609,433)	(2,434,807)
Payment under capital lease contract	(118)	(497)	(134)	(537)
Cash dividend	(43,676)	(183,006)	(76,724)	(303,750)
Cash dividend received from treasury stock	<u>325</u>	<u>1,366</u>	<u>572</u>	<u>2,265</u>
Net cash (used in) generated from financing activities	<u>(8,036)</u>	<u>(32,688)</u>	<u>44,493</u>	<u>180,514</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(14,099)</u>	<u>(77,225)</u>	<u>(9,456)</u>	<u>(55,149)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(817)	(20,002)	19,131	63,002
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<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 PERIOD	<u>\$ 202,248</u>	<u>\$ 844,466</u>	<u>\$ 174,914</u>	<u>\$ 699,376</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	\$ 205,532	\$ 858,178	\$ 186,249	\$ 744,698
Pledge deposits	(3,284)	(13,712)	(11,335)	(45,322)
Cash and cash equivalents	<u>\$ 202,248</u>	<u>\$ 844,466</u>	<u>\$ 174,914</u>	<u>\$ 699,376</u>
IMPACT OF CASH AND NONCASH ITEMS FROM INVESTING ACTIVITIES (Note 27)				
Net cash inflow on acquisition of subsidiaries				
Acquisition of subsidiaries	\$ -	\$ -	\$ (121,718)	\$ (497,219)
Increase in payable for investment cost (recognized under other payables to 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>
NONCASH 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 August 10, 2016)

(Concluded)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 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
			2016	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 third quarter 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 six months ended June 30, 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 2 (Amendments)	Share-based Payment	January 1, 2018
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 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	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 7 (Amendments)	Disclosure Initiative	January 1, 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

Except for the following, the initial application of the above new standards and interpretations does not have any material impact on the Group's accounting policies:

1) IFRS 9, "Financial Instruments"

All recognized financial assets currently in the scope of IAS 39, "Financial Instruments: Recognition and Measurement," will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Group, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

- a) If the objective of the Group's business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.
- b) If the objective of the Group's business model is to hold the financial asset both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When such financial asset is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Group may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost and financial assets mandatorily measured at fair value through other comprehensive income. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Group should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Group should always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

2) IFRS 15, "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16, “Leases”

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

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

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

Except for the aforementioned impact, as of the date that the accompanying consolidated financial statements were issued, the Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

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.

Retirement Benefits

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.

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

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cash on hand	\$ 890	\$ 3,716	\$ 217	\$ 924
Cash at bank	201,358	840,750	202,848	863,544
Fixed deposits	<u>3,284</u>	<u>13,712</u>	<u>3,261</u>	<u>13,882</u>
	205,532	858,178	206,326	878,350
Less: Pledged deposits	<u>(3,284)</u>	<u>(13,712)</u>	<u>(3,261)</u>	<u>(13,882)</u>
	<u>\$ 202,248</u>	<u>\$ 844,466</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

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
<u>Financial assets at FVTPL - current</u>				
Financial assets held for trading				
Non-derivative financial assets				
Foreign-listed stocks	\$ 4,037	\$ 16,856	\$ 4,555	\$ 19,391
Equity funds	<u>-</u>	<u>-</u>	<u>1,178</u>	<u>5,015</u>
	<u>\$ 4,037</u>	<u>\$ 16,856</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>\$ -</u>	<u>\$ -</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\$3,040 thousand (equivalent to approximately NT\$12,693 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 six months ended June 30, 2016.

8. NOTES AND ACCOUNTS RECEIVABLE

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Accounts receivable	\$ 217,561	\$ 908,404	\$ 350,285	\$ 1,491,198
Notes receivable	<u>729</u>	<u>3,044</u>	<u>113</u>	<u>481</u>
	<u>\$ 218,290</u>	<u>\$ 911,448</u>	<u>\$ 350,398</u>	<u>\$ 1,491,679</u>

As of June 30, 2016 the Group's average sales credit term is 83 days (79 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:

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Neither overdue nor impaired	\$ 204,723	\$ 854,800	\$ 333,575	\$ 1,420,062
Overdue but not impaired (a)	<u>13,567</u>	<u>56,648</u>	<u>16,823</u>	<u>71,617</u>
Notes and accounts receivable, net	<u>\$ 218,290</u>	<u>\$ 911,448</u>	<u>\$ 350,398</u>	<u>\$ 1,491,679</u>

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

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
0-90 days	\$ 13,431	\$ 56,080	\$ 15,769	\$ 67,130
91-180 days	127	530	1,043	4,440
181-360 days	<u>9</u>	<u>38</u>	<u>11</u>	<u>47</u>
	<u>\$ 13,567</u>	<u>\$ 56,648</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:

There was no movement of the allowance for doubtful trade receivables for the six months ended June 30, 2016.

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)

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
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> (Concluded)

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

	<u>June 30, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Other receivables	\$ 44,308	\$ 185,004	\$ 40,974	\$ 174,432
Allowance for impairment loss	<u>(13,962)</u>	<u>(58,297)</u>	<u>(13,962)</u>	<u>(59,438)</u>
Other receivables, net	30,346	126,707	27,012	114,994
Prepayments	4,252	17,754	3,065	13,048
Prepaid equipment and mold	497	2,075	7,319	31,158
Value-added tax recoverable and refundable	15,144	63,232	23,683	100,820
Guarantee deposits	<u>9,681</u>	<u>40,422</u>	<u>8,130</u>	<u>34,610</u>
Total	<u>\$ 59,920</u>	<u>\$ 250,190</u>	<u>\$ 69,209</u>	<u>\$ 294,630</u>

Other receivables of the Group mainly consist of the followings:

- a. As of June 30, 2016 and December 31, 2015, the amounts of advance payment to vendors were HK\$3,691 thousand and HK\$3,135 thousand (equivalent to approximately NT\$15,411 thousand and NT\$13,346 thousand), respectively.

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

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables (including guarantee deposits)	\$ 23,652	\$ 98,756	\$ 24,540	\$ 104,470
Less: Allowance for impairment loss	<u>(13,962)</u>	<u>(58,297)</u>	<u>(13,962)</u>	<u>(59,438)</u>
	<u>\$ 9,690</u>	<u>\$ 40,459</u>	<u>\$ 10,578</u>	<u>\$ 45,032</u>

- c. As of June 30, 2016 and December 31, 2015, the amounts of temporary payments as described in Note 16(b) were HK\$8,992 thousand and HK\$8,349 thousand (equivalent to approximately NT\$37,545 thousand and NT\$35,543 thousand), respectively.

10. INVENTORIES

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Raw materials	\$ 54,398	\$ 227,133	\$ 58,872	\$ 250,624
Work-in-progress	49,537	206,837	39,161	166,712
Finished goods	15,277	63,787	32,328	137,624
Goods in transit	<u>10,140</u>	<u>42,339</u>	<u>7,313</u>	<u>31,132</u>
	<u>\$ 129,352</u>	<u>\$ 540,096</u>	<u>\$ 137,674</u>	<u>\$ 586,092</u>

The cost of inventories recognized as cost of goods sold in the six months ended June 30, 2016 and 2015 was HK\$541,422 thousand and HK\$838,893 thousand (equivalent to approximately NT\$2,283,606 thousand and NT\$3,351,546 thousand), respectively, which included HK\$3,802 thousand and HK\$1,679 thousand (equivalent to approximately NT\$16,036 thousand and \$6,708 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, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cost	\$ 491,848	\$ 2,053,662	\$ 496,659	\$ 2,114,327
Accumulated depreciation and impairment	<u>(230,752)</u>	<u>(963,482)</u>	<u>(213,464)</u>	<u>(908,738)</u>
Book value	<u>\$ 261,096</u>	<u>\$ 1,090,180</u>	<u>\$ 283,195</u>	<u>\$ 1,205,589</u>
Land and buildings	\$ 65,853	\$ 274,962	\$ 72,284	\$ 307,720
Machineries and office equipment	194,231	810,992	209,746	892,909
Construction in progress	<u>1,012</u>	<u>4,226</u>	<u>1,165</u>	<u>4,960</u>
Book value	<u>\$ 261,096</u>	<u>\$ 1,090,180</u>	<u>\$ 283,195</u>	<u>\$ 1,205,589</u>

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

Cost	Land and Buildings		Machineries and Office Equipment		Construction in Progress		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
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	(9,758)	(16,817)	(26,765)	(47,628)	(53)	(22)	(36,576)	(64,467)
Balance at December 31, 2015	134,148	571,081	361,346	1,538,286	1,165	4,960	496,659	2,114,327
Additions	326	1,375	7,029	29,647	1,062	4,479	8,417	35,501
Disposals	-	-	(3,948)	(16,652)	(305)	(1,286)	(4,253)	(17,938)
Reclassification to other intangible assets	-	-	924	3,897	(924)	(3,897)	-	-
Effect of exchange rate changes	(2,386)	(20,936)	(6,603)	(57,262)	14	(30)	(8,975)	(78,228)
Balance at June 30, 2016	<u>\$ 132,088</u>	<u>\$ 551,520</u>	<u>\$ 358,748</u>	<u>\$ 1,497,916</u>	<u>\$ 1,012</u>	<u>\$ 4,226</u>	<u>\$ 491,848</u>	<u>\$ 2,053,662</u>
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	6,039	25,471	20,704	87,326	-	-	26,743	112,797
Disposals	-	-	(3,566)	(15,041)	-	-	(3,566)	(15,041)
Effect of exchange rate changes	(1,668)	(12,274)	(4,221)	(30,738)	-	-	(5,889)	(43,012)
Balance at June 30, 2016	<u>\$ 66,235</u>	<u>\$ 276,558</u>	<u>\$ 164,517</u>	<u>\$ 686,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,752</u>	<u>\$ 963,482</u>

The management assessed that there was no impairment loss indicator for the six months ended June 30, 2016 and 2015.

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

Land and buildings	Buildings in Mainland China were 20 years, buildings in Hong Kong and Taiwan were 40 years, lands in Hong Kong were amortized by lease period (43 to 50 years).
Building improvements	2 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 June 30, 2016 and December 31, 2015 were as follows:

June 30, 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.

(Continued)

Company Name	Location	Description	Tenure/Unexpired Term
	Room 1705, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.	A 2,171 sq. ft. office.	Lease for a term of 43 years from June 30, 2004 to June 30, 2047.
	Room 1706, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.	A 1,452 sq. ft. office.	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.
	Room 1707, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.	A 1,627 sq. ft. office.	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.
HYEA	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land (land use right is recognized under prepayments for land lease).	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
ETT	13F.-4, No. 99, 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

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Outlaw Audio Inc.	\$ 132	\$ 550	\$ 132	\$ 561
Audio Design Experts Inc.	10,974	45,820	10,834	46,127
HT Precision Technologies, Inc.	<u>15,862</u>	<u>66,232</u>	<u>15,559</u>	<u>66,232</u>
	<u>\$ 26,968</u>	<u>\$ 112,602</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.

13. INTANGIBLE ASSETS

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Goodwill	\$ 27,623	\$ 115,337	\$ 27,274	\$ 116,108
Technical knowledge	12,807	53,474	13,177	56,096
Customer relationship	<u>7,301</u>	<u>30,485</u>	<u>7,674</u>	<u>32,669</u>
	<u>\$ 47,731</u>	<u>\$ 199,296</u>	<u>\$ 48,125</u>	<u>\$ 204,873</u>

a. Details of goodwill were as follows:

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Related to ScS	\$ 24,399	\$ 101,876	\$ 23,999	\$ 102,166
Related to HYDM	<u>3,224</u>	<u>13,461</u>	<u>3,275</u>	<u>13,942</u>
	<u>\$ 27,623</u>	<u>\$ 115,337</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

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Current	\$ 375	\$ 1,566	\$ 381	\$ 1,622
Non-current	<u>18,359</u>	<u>76,656</u>	<u>18,831</u>	<u>80,165</u>
	<u>\$ 18,734</u>	<u>\$ 78,222</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:

	June 30, 2016 (Reviewed)			December 31, 2015 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	1.50%-4.63%	\$ 36,275	\$ 151,463	1.50%-4.63%	\$ 21,262	\$ 90,515
Bank borrowings - unsecured	1.52%-2.81%	137,862	575,629	1.45%-2.51%	99,964	425,557
Commercial paper - secured	1.92%	2,395	10,000	1.92%	2,349	10,000
Factoring	4.26%-5.24%	3,633	15,169	1.90%-4.50%	8,670	36,909
Other bank loans	2.20%-2.70%	77,367	323,038	2.20%-2.70%	64,798	275,851
Long-term borrowings due within 1 year - unsecured	1.56%-2.62%	18,001	75,162	1.56%-2.70%	25,579	108,892
Long-term borrowings due within 1 year - secured	2.22%-4.63%	<u>2,727</u>	<u>11,386</u>	2.38%-4.63%	<u>4,622</u>	<u>19,676</u>
		<u>\$ 278,260</u>	<u>\$ 1,161,847</u>		<u>\$ 227,244</u>	<u>\$ 967,400</u>

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:

	June 30, 2016 (Reviewed)			December 31, 2015 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	2.22%-4.63%	\$ 6,266	\$ 26,163	2.38%-4.63%	\$ 6,887	\$ 29,319
Bank borrowings - unsecured	1.56%-2.61%	<u>31,191</u> 37,457	<u>130,235</u> 156,398	1.56%-2.70%	<u>54,258</u> 61,145	<u>230,981</u> 260,300
Less: Long-term bank borrowings due within 1 year		<u>(20,728)</u>	<u>(86,548)</u>		<u>(30,201)</u>	<u>(128,568)</u>
		<u>\$ 16,729</u>	<u>\$ 69,850</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:

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Due within 2 to 5 years	<u>\$ 16,729</u>	<u>\$ 69,850</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:

	<u>June 30, 2016 (Reviewed)</u>		<u>December 31, 2015 (Audited)</u>	
	<u>HK\$</u>	<u>NT\$</u>	<u>HK\$</u>	<u>NT\$</u>
Accrued salaries	\$ 21,886	\$ 91,383	\$ 41,043	\$ 174,724
Temporary receivables (Note 1)	16,149	67,429	14,997	63,844
Accrued molding payable	616	2,572	2,351	10,008
Accrued tax loss on customs bonded goods	5,809	24,255	5,676	24,159
ScS investment payable - current (Note 2)	9,242	38,589	4,543	19,340
Accrued commission expenses	-	-	6,074	25,858
Other payable	<u>18,799</u>	<u>78,493</u>	<u>29,646</u>	<u>126,210</u>
	<u>\$ 72,501</u>	<u>\$ 302,721</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(f), the Group acquired ScS during 2014 and is expected to pay the remaining 30% acquisition considerations by installments after 2015. The installments are interest-free and 10% of the acquisition consideration each, with payment dates on March 31, 2015, March 31, 2016 and March 31, 2017 respectively. Since ScS's operating performance did not meet the threshold agreed by both parties, the Group has suspended payment of the 10% acquisition consideration originally expected to be paid on March 31, 2016 until both parties reach an agreement in subsequent discussions. The Group will adjust the investment payable if there is difference with the original estimate.

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 June 30, 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 as of June 30, 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:

June 30, 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\$4,003 thousand (equivalent to approximately NT\$16,716 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 June 30, 2016 and December 31, 2015, the capital surplus of the Company were both NT\$746,197 thousand and NT\$744,831 thousand (equivalent to approximately HK\$197,797 thousand and HK\$197,472 thousand). The details were as follows:

	<u>June 30, 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	897	3,631	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>\$ 197,797</u>	<u>\$ 746,197</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 Taiwan 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 resolved by the Company's shareholders' meeting 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(c). for details.

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

	2015
Ordinary share dividend - cash	NT\$3 per share, totaling NT\$183,006 thousand
	2014
Ordinary share dividend - cash	NT\$5 per share, totaling NT\$303,750 thousand

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, 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 June 30, 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 Six Months Ended June 30, 2016	
	HK\$	NT\$
Balance at January 1, 2016	\$ (3,275)	\$ (13,044)
Issuance of restricted shares	-	-
Recognized share-based payment expenses	<u>479</u>	<u>1,909</u>
Balance at June 30, 2016	<u>\$ (2,796)</u>	<u>\$ (11,135)</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. Operating income

	For the Six Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Traditional speaker	\$ 138,335	\$ 583,469	\$ 280,254	\$ 1,119,671
Electronic speaker	292,196	1,232,424	464,145	1,854,352
Wireless speaker	23,522	99,211	9,638	38,506
Earphone	49,841	210,219	69,802	278,873
Advanced speaker	44,670	188,409	21,762	86,944
Other	<u>77,264</u>	<u>325,885</u>	<u>126,796</u>	<u>506,574</u>
	<u>\$ 625,828</u>	<u>\$ 2,639,617</u>	<u>\$ 972,397</u>	<u>\$ 3,884,920</u>

	For the Three Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Traditional speaker	\$ 51,637	\$ 214,465	\$ 121,389	\$ 479,080
Electronic speaker	141,317	590,253	236,372	935,903
Wireless speaker	11,758	49,141	2,492	9,691
Earphone	23,679	98,868	31,793	125,609
Advanced speaker	23,097	96,590	11,200	44,355
Other	<u>38,863</u>	<u>162,443</u>	<u>56,778</u>	<u>224,240</u>
	<u>\$ 290,351</u>	<u>\$ 1,211,760</u>	<u>\$ 460,024</u>	<u>\$ 1,818,878</u>

b. Depreciation and amortization expenses

	For the Six Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 26,743	\$ 112,797	\$ 25,154	\$ 100,495
Amortization of other intangible assets	1,640	6,917	1,868	7,463
Amortization of prepayments for lease	<u>276</u>	<u>1,164</u>	<u>286</u>	<u>1,142</u>
	<u>\$ 28,659</u>	<u>\$ 120,878</u>	<u>\$ 27,308</u>	<u>\$ 109,100</u>

	For the Three Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 13,006	\$ 54,330	\$ 12,739	\$ 50,434
Amortization of other intangible assets	783	3,269	928	3,673
Amortization of prepayments for lease	<u>138</u>	<u>577</u>	<u>143</u>	<u>566</u>
	<u>\$ 13,927</u>	<u>\$ 58,176</u>	<u>\$ 13,810</u>	<u>\$ 54,673</u>

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

	For the Six Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 17,043	\$ 71,884	\$ 18,138	\$ 72,465
Post-employment benefits	356	1,502	402	1,606
Share-based payments	357	1,424	60	237
Employee benefits				
Short-term benefits	135,449	571,297	176,398	704,745
Post-employment benefits	8,316	35,075	8,877	35,465
Share-based payments	<u>122</u>	<u>485</u>	<u>20</u>	<u>81</u>
	<u>\$ 161,643</u>	<u>\$ 681,667</u>	<u>\$ 203,895</u>	<u>\$ 814,599</u>

	For the Three Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 9,625	\$ 40,312	\$ 9,509	\$ 37,670
Post-employment benefits	188	787	209	828
Share-based payments	179	712	60	237
Employee benefits				
Short-term benefits	63,011	262,986	84,960	336,040
Post-employment benefits	4,304	17,999	4,790	18,985
Share-based payments	<u>61</u>	<u>243</u>	<u>20</u>	<u>81</u>
	<u>\$ 77,368</u>	<u>\$ 323,039</u>	<u>\$ 99,548</u>	<u>\$ 393,841</u>

To be in compliance with the Taiwan Company Act as amended in May 2015 (to stipulate the Company shall provide a fixed amount or percentage of the profit for the year to be distributed as employees' compensation), the Company's Articles of Incorporation had been amended based on aforementioned local regulation by the annual shareholders' meeting held on May 11, 2016. Please refer to below for comparison:

Amended Article	Prior to the Amendment
To distribute employees' compensation at the rates no less than 1% and no higher than 15% and remuneration to directors at the rates no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors.	To distribute bonus to employees at the rates no less than 1% and no higher than 15% and remuneration to directors at the rates no higher than 2%, respectively, of net income (net of the bonus and remuneration).

The Company accrued employees' compensation and directors' remuneration based on amended article, which amounted to HK\$202 thousand (equivalent to approximately NT\$860 thousand) and HK\$79 thousand (equivalent to approximately NT\$336 thousand) for the six months ended June 30, 2016, respectively.

The Company accrued employees bonus and directors' remuneration based on amended article, which amounted to HK\$1,080 thousand (equivalent to approximately NT\$4,315 thousand) and HK\$432 thousand (equivalent to approximately NT\$1,726 thousand) for the six months ended June 30, 2015, respectively.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The resolutions in respect of distribution as well as employees' remuneration/bonus and directors' remuneration for 2015 and 2014 were passed at the Company's annual shareholders' meetings held on May 11, 2016 and May 12, 2015, respectively. Details of the directors' remuneration and employees' remuneration/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)
Employees' remuneration - 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)
Employees' 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 2015 and 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.

d. Other income

	For the Six Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Project service income	\$ 3,385	\$ 14,277	\$ 1,596	\$ 6,376
Interest income	301	1,270	627	2,505
Rental income	137	578	145	579
Scrap income	1,706	7,196	1,056	4,219
Gains on disposal of property, plant and equipment	28	119	28	112
Net gain on financial instruments at FVTPL	3,415	14,404	280	1,119
Others	<u>3,539</u>	<u>14,925</u>	<u>5,583</u>	<u>22,305</u>
	<u>\$ 12,511</u>	<u>\$ 52,769</u>	<u>\$ 9,315</u>	<u>\$ 37,215</u>

	For the Three Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Project service income	\$ 693	\$ 2,819	\$ 1,360	\$ 5,424
Interest income	157	657	324	1,283
Rental income	69	289	73	289
Scrap income	1,475	6,213	369	1,449
Gains on disposal of property, plant and equipment	-	-	15	60
Net gain on financial instruments at FVTPL	3,091	13,025	280	1,119
Others	<u>3,401</u>	<u>14,339</u>	<u>4,017</u>	<u>15,990</u>
	<u>\$ 8,886</u>	<u>\$ 37,342</u>	<u>\$ 6,438</u>	<u>\$ 25,614</u>

e. Other losses

	For the Six Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on scrap and disposal of property, plant and equipment	\$ 155	\$ 654	\$ 730	\$ 2,918
Net loss on financial instruments at FVTPL	-	-	1,012	4,043
Other	<u>1</u>	<u>4</u>	<u>3,583</u>	<u>14,313</u>
	<u>\$ 156</u>	<u>\$ 658</u>	<u>\$ 5,325</u>	<u>\$ 21,274</u>

	For the Three Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on scrap and disposal of property, plant and equipment	\$ 77	\$ 322	\$ 669	\$ 2,672
Net loss on financial instruments at FVTPL	-	-	889	3,547
Other	<u>1</u>	<u>4</u>	<u>1,102</u>	<u>4,309</u>
	<u>\$ 78</u>	<u>\$ 326</u>	<u>\$ 2,660</u>	<u>\$ 10,528</u>

f. Finance costs

	For the Six Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 3,582</u>	<u>\$ 15,108</u>	<u>\$ 2,864</u>	<u>\$ 11,442</u>

	For the Three Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 1,737</u>	<u>\$ 7,255</u>	<u>\$ 1,382</u>	<u>\$ 5,466</u>

19. INCOME TAXES

a. Income tax expense recognized in profit or loss

	For the Six Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Income tax consist of:				
In respect of the current period	\$ 2,566	\$ 10,822	\$ 2,746	\$ 10,971
In respect of the prior period	1,281	5,403	1,574	6,288
Deferred tax benefit	<u>(429)</u>	<u>(1,809)</u>	<u>(618)</u>	<u>(2,469)</u>
Income tax expenses	<u>\$ 3,418</u>	<u>\$ 14,416</u>	<u>\$ 3,702</u>	<u>\$ 14,790</u>

	For the Three Months Ended June 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Income tax				
In respect of the current period	\$ 1,027	\$ 4,272	\$ 1,293	\$ 5,112
In respect of the prior period	1,281	5,403	1,019	4,050
Deferred tax benefit	<u>(30)</u>	<u>(111)</u>	<u>(321)</u>	<u>(1,271)</u>
Income tax expenses	<u>\$ 2,278</u>	<u>\$ 9,564</u>	<u>\$ 1,991</u>	<u>\$ 7,891</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

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

	Amount		Weighted Average Shares (In Thousands)	Earnings Per Share	
	(In Thousands)			(Dollars)	
	HK\$	NT\$		HK\$	NT\$
<u>For the Six Months Ended</u>					
<u>June 30, 2016 (reviewed)</u>					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	<u>\$ 267</u>	<u>\$ 1,239</u>	<u>60,249</u>	<u>\$ -</u>	<u>\$ 0.02</u>

(Continued)

	Amount		Weighted Average Shares (In Thousands)	Earnings Per Share	
	(In Thousands)			(Dollars)	
	HK\$	NT\$		HK\$	NT\$
<u>For the Six Months Ended</u> <u>June 30, 2015 (reviewed)</u>					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	<u>\$ 16,377</u>	<u>\$ 66,339</u>	<u>60,444</u>	<u>\$ 0.27</u>	<u>\$ 1.10</u>
					(Concluded)

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

	Amount		Weighted Average Shares (In Thousands)	Earnings (Loss) Per Share	
	(In Thousands)			(Dollars)	
	HK\$	NT\$		HK\$	NT\$
<u>For the Three Months Ended</u> <u>June 30, 2016 (reviewed)</u>					
Basic loss per share (Note)					
Net loss attributable to owner of the Company	<u>\$ (2,901)</u>	<u>\$ (12,310)</u>	<u>60,249</u>	<u>\$ (0.05)</u>	<u>\$ (0.20)</u>
<u>For the Three Months Ended</u> <u>June 30, 2015 (reviewed)</u>					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	<u>\$ 2,753</u>	<u>\$ 10,868</u>	<u>60,444</u>	<u>\$ 0.05</u>	<u>\$ 0.18</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	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other payables				
Related company	<u>\$ 8,868</u>	<u>\$ 37,027</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:

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Current	\$ 8,868	\$ 37,027	\$ 11,680	\$ 49,723
Non-current	<u>-</u>	<u>-</u>	<u>7,906</u>	<u>33,657</u>
	<u>\$ 8,868</u>	<u>\$ 37,027</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(c), 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.

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other intangible assets	\$ 4,426	\$ 18,480	\$ 4,488	\$ 19,106
Accounts receivable with recourse	5,158	21,537	10,666	45,406
Property, plant and equipment	6,289	26,259	6,619	28,178
Inventories and other assets	14,241	59,462	13,640	58,067
Pledge deposits (recognized under restrict assets - current)	<u>3,284</u>	<u>13,712</u>	<u>3,261</u>	<u>13,882</u>
	<u>\$ 33,398</u>	<u>\$ 139,450</u>	<u>\$ 38,674</u>	<u>\$ 164,639</u>

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

a. Lease agreement

Operating leases involve leases of land, offices premises and other operating assets, except prepayments for land (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.

b. Non-cancellable operating leases

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Within 1 year	\$ 10,913	\$ 45,566	\$ 10,224	\$ 43,525
More than 1 year and within 5 years	14,638	61,120	15,609	66,449
More than 5 years	<u>16,724</u>	<u>69,829</u>	<u>18,671</u>	<u>79,484</u>
	<u>\$ 42,275</u>	<u>\$ 176,515</u>	<u>\$ 44,504</u>	<u>\$ 189,458</u>

Rental expenses of the Group arising from operating leases for six months ended June 30, 2016 and 2015 amounted to HK\$4,149 thousand and HK\$6,789 thousand (equivalent to approximately NT\$17,500 thousand and NT\$27,123 thousand), respectively.

24. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil in the first half of 2016 except below. 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\$3,775 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 on a recurring basis, 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			
	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 274,502	\$ 1,146,156	\$ 465,174	\$ 1,980,292
HKD	<u>484</u>	<u>2,021</u>	<u>437</u>	<u>1,860</u>
	<u>\$ 274,986</u>	<u>\$ 1,148,177</u>	<u>\$ 465,611</u>	<u>\$ 1,982,152</u>

	Liabilities			
	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 329,335	\$ 1,375,105	\$ 360,840	\$ 1,536,132
HKD	<u>44,530</u>	<u>185,931</u>	<u>101,003</u>	<u>429,980</u>
	<u>\$ 373,865</u>	<u>\$ 1,561,036</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 Six Months Ended		For the Year Ended	
	June 30, 2016		December 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ (2,742)</u>	<u>\$ (11,447)</u>	<u>\$ 5,217</u>	<u>\$ 22,208</u>

	Currency HKD Impact		Currency HKD Impact	
	For the Six Months Ended		For the Year Ended	
	June 30, 2016		December 31, 2015	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ (2,202)</u>	<u>\$ (9,195)</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 six months ended June 30, 2016 and for the year ended December 31, 2015 would have been decreased by HK\$452 thousand and HK\$260 thousand (equivalent to approximately NT\$1,886 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

June 30, 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	-	\$ 226,608	\$ -	\$ -	\$ 226,608
Other payables to related parties	-	8,868	-	-	8,868
Other payables	-	72,501	-	-	72,501
<u>Interest bearing liabilities</u>					
Finance lease payables	-	316	-	-	316
Bank borrowings	2.20%	284,381	17,097	-	301,478

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	-	\$ 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

June 30, 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	-	\$ 946,179	\$ -	\$ -	\$ 946,179
Other payables to related parties	-	37,027	-	-	37,027
Other payables	-	302,721	-	-	302,721
<u>Interest bearing liabilities</u>					
Finance lease payables	-	1,319	-	-	1,319
Bank borrowings	2.20%	1,187,404	71,387	-	1,258,791

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			
	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Unsecured bank overdraft facility				
Amount unused	<u>\$ 1,600</u>	<u>\$ 6,681</u>	<u>\$ 1,600</u>	<u>\$ 6,811</u>

2) Bank borrowings

	Liabilities			
	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Secured borrowings				
Amount unused	<u>\$ 42,738</u>	<u>\$ 178,448</u>	<u>\$ 188,030</u>	<u>\$ 800,463</u>
Unsecured borrowings				
Amount unused	<u>\$ 366,644</u>	<u>\$ 1,530,885</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:

June 30, 2016

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 25,644	HKD	32.40	\$ 830,875
USD	9,334	NTD	32.40	302,437
USD	145	RMB	32.40	4,706
USD	<u>251</u>	DKK	32.40	<u>8,138</u>
	<u>\$ 35,374</u>			<u>\$ 1,146,156</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 26,131	HKD	32.40	\$ 846,633
USD	7,260	RMB	32.40	235,230
USD	8,708	NTD	32.40	282,148
USD	<u>342</u>	DKK	32.40	<u>11,094</u>
	<u>\$ 42,441</u>			<u>\$ 1,375,105</u>
HKD	\$ 44,355	RMB	4.1754	\$ 185,200
HKD	<u>175</u>	NTD	4.1754	<u>731</u>
	<u>\$ 44,530</u>			<u>\$ 185,931</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>

(Continued)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<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> (Concluded)

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 Six Months Ended June 30			
	2016		2015	
	HK\$	NT\$	HK\$	NT\$
Realized foreign exchange gains (loss)	\$ 2,605	\$ 10,987	\$ 6,775	\$ 27,068
Unrealized foreign exchange gains (loss)	<u>(624)</u>	<u>(2,632)</u>	<u>603</u>	<u>2,409</u>
	<u>\$ 1,981</u>	<u>\$ 8,355</u>	<u>\$ 7,378</u>	<u>\$ 29,477</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 June 30, 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 June 30, 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

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. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Group is aggregated into a single segment.

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>

Regarding the above investment payable (final payments of the 20% acquisition consideration), 10% investment amount had been paid in the beginning of 2016 and remaining 10% investment amount expected to pay in the beginning of 2017. As of June 30, 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
Financial assets at fair value through profit and loss	11,942	48,783

(Continued)

	HK\$	NT\$
Income tax refund receivable	\$ 3,329	\$ 13,597
Other receivable and prepayments	65,140	266,097
Inventories	67,881	277,295
Non-current assets		
Property, plant and equipment	138,224	564,645
Financial assets measured at cost	23,677	96,719
Prepayments for land lease	17,486	71,431
Net defined benefit assets	1,081	4,416
Deferred tax assets	2,008	8,202
Intangible assets	3,525	14,400
Current liabilities		
Accounts payables and other payables (including related parties)	(332,365)	(1,357,713)
Current tax liabilities	(3,062)	(12,507)
Bank borrowings	(185,042)	(755,896)
Financial liabilities at fair value 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. According to the acquisition agreement, the Group is expected to pay the remaining 30% acquisition considerations by installments after 2015. The installment is interest-free and 10% of the acquisition consideration each, with payment dates in the end of first quarter in the following three years, respectively. In addition, the remaining 30% consideration will be adjusted based on the actual profit or loss of ScS in 2014, 2015 and 2016 (contingent consideration). The 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). The detail of investment payables 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 August 10, 2016.