Eastern Technologies Holding Limited and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 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 September 30, 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended September 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 25(a) to the consolidated financial statements, as of September 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$35,022 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.

November 1, 2016

<u>*Notice to Readers*</u>

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	September 30, 2016 (Reviewed) HK$	September 30, 2016 (Reviewed) NT$	December 31, 2015 (Audited) HK$	December 31, 2015 (Audited) NT$
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 217,485	$ 880,140	$ 203,065	$ 864,468
Financial assets at fair value through profit or loss - current (Note 7)	72	291	5,733	24,406
Notes and accounts receivable, net (Notes 8 and 23)	382,757	1,548,979	350,398	1,491,679
Inventories (Notes 10 and 23)	166,286	672,943	137,674	586,092
Non-current assets held for sale (Notes 4 and 11)	403	1,631	-	-
Restricted assets (Notes 6 and 23)	3,338	13,508	3,261	13,882
Income tax refund receivable	614	2,485	887	3,776
Other receivables and prepayments (Note 9)	65,193	263,830	69,209	294,630
Prepayments for land lease - current (Note 15)	374	1,514	381	1,622
Total current assets	836,522	3,385,321	770,608	3,280,555
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 12 and 23)	250,979	1,015,687	283,195	1,205,589
Financial assets measured at cost (Note 13)	27,699	112,095	26,525	112,920
Intangible assets (Notes 14 and 23)	54,142	219,107	48,125	204,873
Prepayments for land lease - non-current (Note 15)	18,200	73,654	18,831	80,165
Deferred tax assets (Notes 4 and 20)	2,372	9,599	2,612	11,120
Total non-current assets	353,392	1,430,142	379,288	1,614,667
TOTAL	$ 1,189,914	$ 4,815,463	$ 1,149,896	$ 4,895,222

LIABILITIES AND EQUITY	September 30, 2016 (Reviewed) HK$	September 30, 2016 (Reviewed) NT$	December 31, 2015 (Audited) HK$	December 31, 2015 (Audited) NT$
CURRENT LIABILITIES				
Short-term bank borrowings (Note 16)	$ 288,992	$ 1,169,522	$ 227,244	$ 967,400
Notes and accounts payable (Note 17)	377,436	1,527,446	330,504	1,406,989
Other payables to related parties (Notes 22 and 28)	9,229	37,349	11,680	49,723
Current tax liabilities (Notes 4 and 20)	6,931	28,049	1,159	4,934
Other payables (Note 17)	104,854	424,333	104,330	444,143
Finance lease payables (Note 12)	258	1,044	234	996
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	10,132	43,133
Total current liabilities	787,700	3,187,743	685,283	2,917,318
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Note 16)	11,869	48,033	30,944	131,732
Other payables to related parties (Notes 22 and 28)	-	-	7,906	33,657
Other payables (Note 17)	-	-	4,543	19,340
Long-term finance lease payables (Note 12)	-	-	192	817
Deferred tax liabilities (Note 4)	25,962	105,066	27,240	115,963
Net defined benefit liabilities - non-current (Note 4)	2,050	8,296	1,843	7,846
Total non-current liabilities	39,881	161,395	72,668	309,355
Total liabilities	827,581	3,349,138	757,951	3,226,673
EQUITY (Note 18)				
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	(36,214)	(37,248)	(26,773)	80,338
Employee unearned benefit	(2,556)	(10,181)	(3,275)	(13,044)
Retained earnings				
Legal reserve	5,647	22,679	5,526	22,178
Unappropriated earnings	46,170	175,529	67,506	264,897
Total equity	362,333	1,466,325	391,945	1,668,549
TOTAL	$ 1,189,914	$ 4,815,463	$ 1,149,896	$ 4,895,222

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

(With Deloitte & Touche review report dated November 1, 2016)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	HK$	NT$	HK$	NT$	HK$	NT$	HK$	NT$
NET REVENUES (Note 19)	$ 506,337	$ 2,098,267	$ 579,577	$ 2,378,692	$ 1,132,165	$ 4,737,884	$ 1,551,974	$ 6,263,612
COST OF REVENUES (Note 10)	422,710	1,751,094	481,458	1,977,259	964,132	4,034,700	1,320,351	5,328,805
GROSS PROFIT	83,627	347,173	98,119	401,433	168,033	703,184	231,623	934,807
OPERATING EXPENSES								
Selling and distribution	8,782	36,322	9,600	39,637	21,796	91,212	31,519	127,208
General and administrative	49,979	206,527	51,282	211,469	128,440	537,351	161,438	651,565
Total operating expenses	58,761	242,849	60,882	251,106	150,236	628,563	192,957	778,773
OPERATING PROFIT	24,866	104,324	37,237	150,327	17,797	74,621	38,666	156,034
NON-OPERATING INCOME AND EXPENSES								
Gain from bargain purchase (Note 28)	-	-	-	-	-	-	10,146	41,446
Other income (Note 19)	5,089	20,882	2,916	12,137	17,600	73,652	11,951	48,233
Foreign exchange gain, net (Note 26)	226	881	3,880	15,959	2,207	9,236	11,258	45,436
Finance costs (Note 19)	(1,673)	(6,883)	(1,753)	(7,192)	(5,255)	(21,991)	(4,617)	(18,634)
Other losses (Note 19)	(444)	(1,852)	(5,002)	(20,394)	(600)	(2,511)	(10,047)	(40,549)
Total non-operating income and expense	3,198	13,028	41	510	13,952	58,386	18,691	75,932
PROFIT BEFORE INCOME TAX	28,064	117,352	37,278	150,837	31,749	133,007	57,357	231,966
INCOME TAX (Notes 4 and 20)	(5,870)	(24,452)	(4,462)	(18,159)	(9,288)	(38,868)	(8,164)	(32,949)
PROFIT FOR THE PERIOD	22,194	92,900	32,816	132,678	22,461	94,139	49,193	199,017
OTHER COMPREHENSIVE INCOME								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(1,314)	(52,230)	(15,206)	47,974	(9,441)	(117,586)	(23,326)	(27,270)
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	$ 20,880	$ 40,670	$ 17,610	$ 180,652	$ 13,020	$ (23,447)	$ 25,867	$ 171,747
EARNINGS PER SHARE (Note 20)								
Basic earnings per share - after income tax	$ 0.37	$ 1.54	$ 0.54	$ 2.19	$ 0.37	$ 1.56	$ 0.81	$ 3.29
WEIGHTED AVERAGE NUMBER OF SHARES	60,249 thousand shares		60,444 thousand shares		60,249 thousand shares		60,444 thousand shares	

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

(With Deloitte & Touche review report dated November 1, 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	-	-	-	-	719	-	-	719
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	(9,441)	-	-	22,461	13,020
BALANCE AT SEPTEMBER 30, 2016	$ 161,418	$ 197,797	$ (9,929)	$ (36,214)	$ (2,556)	$ 5,647	$ 46,170	$ 362,333
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	-	-	(3,515)	-	-	320
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	(23,326)	-	-	49,193	25,867
BALANCE AT SEPTEMBER 30, 2015	$ 161,418	$ 197,472	$ (5,966)	$ (16,488)	$ (3,515)	$ 2,147	$ 60,317	$ 395,385

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

(With Deloitte & Touche review report dated November 1, 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	-	-	-	-	-	501	(501)	-
Restricted shares plan for employees	-	-	-	-	2,863	-	-	2,863
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	(117,586)	-	-	94,139	(23,447)
BALANCE AT SEPTEMBER 30, 2016	$ 610,020	$ 746,197	$ (40,671)	$ (37,248)	$ (10,181)	$ 22,679	$ 175,529	$ 1,466,325
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	-	-	(13,999)	-	-	1,272
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	(27,270)	-	-	199,017	171,747
BALANCE AT SEPTEMBER 30, 2015	$ 610,020	$ 744,831	$ (24,018)	$ 132,740	$ (13,999)	$ 8,342	$ 233,225	$ 1,691,141

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

(With Deloitte & Touche review report dated November 1, 2016)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30			
	2016		2015	
	HK$	NT$	HK$	NT$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	$ 31,749	$ 133,007	$ 57,357	$ 231,966
Adjustments for:				
Amortization - other intangible assets	2,479	10,374	4,481	18,085
Amortization - prepayment for land lease	413	1,728	428	1,727
Allowance for inventories provision and inventories write-off	5,213	21,815	5,446	21,980
Bad debt expense	893	3,737	19	77
Depreciation expenses	39,549	165,505	37,102	149,740
Loss on disposal of property, plant and equipment	570	2,385	1,733	6,994
Realized loss from financial instruments	(3,624)	(15,166)	-	-
Interest expense	5,255	21,991	4,617	18,634
Interest income	(427)	(1,787)	(753)	(3,039)
Gain from bargain purchase	-	-	(10,146)	(41,446)
Employees expenses - restricted shares	719	2,863	320	1,272
Loss on fair value changes of financial instruments	(49)	(205)	1,237	4,992
Operating cash flows before working capital changes	82,740	346,247	101,841	410,982
Changes in operating assets and liabilities				
Notes and accounts receivable	(33,253)	(139,157)	31,310	126,364
Other receivable and prepayments	4,017	16,810	31,917	128,814
Accounts receivables from related parties	732	3,063	-	-
Inventories	(33,824)	(141,547)	(53,432)	(215,646)
Notes and accounts payable and other payables	42,913	179,582	(41,297)	(166,671)
Accounts payables to related parties	591	2,473	(2,633)	(10,627)
Net defined benefit liabilities	207	866	-	-
Cash generated from operations	64,123	268,337	67,706	273,216
Interest paid	(5,255)	(21,991)	(4,617)	(18,634)
Interest received	427	1,787	753	3,039
Income tax paid	(3,346)	(14,002)	(5,562)	(22,448)
Net cash generated from operating activities	55,949	234,131	58,280	235,173
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash inflow on acquisition of subsidiaries	-	-	13,245	54,105
Decrease in payable for investment cost	(11,718)	(49,037)	(5,463)	(22,048)
Payments for acquiring property, plant and equipment	(12,128)	(50,753)	(53,357)	(215,344)
(Increase) decrease in restricted assets	(78)	(326)	6,045	24,397
Increase in other intangible assets	(7,789)	(32,595)	(1,065)	(4,298)
Increase in financial assets measured at cost	-	-	(3,801)	(15,340)
Proceeds from disposal of property, plant and equipment	631	2,641	2,182	8,806
Proceeds from disposal of derivative financial instruments	9,354	39,145	-	-
Net cash used in investing activities	(21,728)	(90,925)	(42,214)	(169,722)

(Continued)

EASTERN TECHNOLOGIES HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30			
	2016		2015	
	HK$	NT$	HK$	NT$
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	$ 564,388	$ 2,361,850	$ 1,045,860	$ 4,220,987
Repayments of bank borrowings	(525,324)	(2,198,377)	(943,594)	(3,808,253)
Payment under capital lease contract	(178)	(746)	(269)	(1,087)
Cash dividend	(43,676)	(183,006)	(76,724)	(303,750)
Cash dividend received from treasury stock	325	1,366	572	2,265
Net cash (used in) generated from financing activities	(4,465)	(18,913)	25,845	110,162
EFFECT OF EXCHANGE RATE CHANGES	(15,336)	(108,621)	(18,004)	(43,417)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,420	15,672	23,907	132,196
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	203,065	864,468	155,783	636,374
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 217,485	$ 880,140	$ 179,690	$ 768,570
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	$ 220,823	$ 893,649	$ 189,922	$ 812,334
Pledge deposits	(3,338)	(13,509)	(10,232)	(43,764)
Cash and cash equivalents	$ 217,485	$ 880,140	$ 179,690	$ 768,570
IMPACT OF CASH AND NONCASH ITEMS FROM INVESTING ACTIVITIES (Note 28)				
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	-	-	110,374	450,878
Net cash inflow	$ -	$ -	$ 13,245	$ 54,105
NONCASH FOR INVESTING AND FINANCING ACTIVITIES:				
Stock of a parent company held by a subsidiary reclassification as treasury stock from long-term investment	$ -	$ -	$ 5,966	$ 24,018

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

(With Deloitte & Touche review report dated November 1, 2016) (Concluded)

1. GENERAL INFORMATION

Eastern Technologies Holding Limited (the "Company") was an investment holding company incorporated in Cayman Islands on February 1, 2011.

The Company is set up to acquire Eastern Asia Technology (HK) Limited (the "EAH") and its subsidiaries (the "EAH Group") and to list on the Taiwan Stock Exchange. EAH Group was originally a subsidiary under Eastern Asia Technology Limited (the "EATL", a company formerly listed on Singapore Stock Exchange and delisted in February 2011) and was principally engaged in the production and sales of speaker systems and earphones. Through reorganization, the Company acquired 100% interests in EAH Group from EATL with a consideration determined based on the carrying amount of EAH Group as at March 31, 2011. After the acquisition, the Company (as EAH Group) applied primary listing on the Taiwan Stock Exchange, and the shares of the Company commenced trading on the Taiwan Stock Exchange from November 5, 2012.

For the integration between the speaker systems and 3C electronic appliances and sales expansion, EAH acquired 99.98% interests in Eastech Electronics (Taiwan) Inc. ("ETT") and its subsidiaries ("ETT Group") from Luster Green Limited in January 2015. The principal activities of ETT Group are to design, manufacturing and sales audio/video ("AV") electronics products.

The registered address of the Company is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The Group's principal place of operation is Units 1704-6, 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 September 30 2016	2015	Descriptions
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and earphones	100.00	100.00	The Company acquired EAH 100% ownership interest on March 31, 2011 and thereby obtained 100% controlling power over EAH and its subsidiaries.
EAH	Hymnario-EAW (Huiyang) Co., Ltd. ("HYHY")	Production and sales of speaker systems	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 nine months ended September 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 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.

Non-current assets held for sale

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

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

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

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Cash on hand	$ 1,650	$ 6,677	$ 217	$ 924
Cash at bank	215,835	873,463	202,848	863,544
Fixed deposits	3,338	13,508	3,261	13,882
	220,823	893,648	206,326	878,350
Less: Pledged deposits	(3,338)	(13,508)	(3,261)	(13,882)
	$ 217,485	$ 880,140	$ 203,065	$ 864,468

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 23), and is recognized under restricted assets.

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

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Financial assets at FVTPL - current				
Financial assets held for trading				
Non-derivative financial assets				
Foreign-listed stocks	$ 72	$ 291	$ 4,555	$ 19,391
Equity funds	-	-	1,178	5,015
	$ 72	$ 291	$ 5,733	$ 24,406

(Continued)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Financial liabilities at FVTPL - current				
Financial liabilities held for trading				
Derivative financial instrument				
Target redemption forward ("TRF")	$ -	$ -	$ 10,132	$ 43,133

(Concluded)

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$3,042 thousand (equivalent to approximately NT$12,311 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 22(a)). Hence, the aforementioned derivative financial instruments did not have any impact on the consolidated net income for the nine months ended September 30, 2016.

8. NOTES AND ACCOUNTS RECEIVABLE

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Accounts receivable	$ 383,650	$ 1,552,593	$ 350,285	$ 1,491,198
Notes receivable	-	-	113	481
Less: Allowance for impairment loss	(893)	(3,614)	-	-
	$ 382,757	$ 1,548,979	$ 350,398	$ 1,491,679

As of September 30, 2016 the Group's average sales credit term is 89 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:

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Neither overdue nor impaired	$ 370,355	$ 1,498,789	$ 333,575	$ 1,420,062
Overdue but not impaired (a)	12,402	50,190	16,823	71,617
Overall assessment for impaired receivables assessing (b)	893	3,614	-	-
Less: Allowance for impairment loss	(893)	(3,614)	-	-
Notes and accounts receivable, net	$ 382,757	$ 1,548,979	$ 350,398	$ 1,491,679

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

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
0-90 days	$ 12,276	$ 49,680	$ 15,769	$ 67,130
91-180 days	126	510	1,043	4,440
181-360 days	-	-	11	47
	$ 12,402	$ 50,190	$ 16,823	$ 71,617

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

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

Unit: H.K. Dollars

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 469	$ -	$ 469
Acquisition of ETT Group's assets	43	-	43
Written off	(464)	-	(464)
Recovered	(43)	-	(43)
Effect of exchange rate changes	(5)	-	(5)
Balance at December 31, 2015	-	-	-
Provision	893	-	893
Balance at September 30, 2016	$ 893	$ -	$ 893

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	(17)	-	(17)
Balance at December 31, 2015	-	-	-
Provision	3,737	-	3,737
Effect of exchange rate changes	(123)	-	(123)
Balance at September 30, 2016	$ 3,614	$ -	$ 3,614

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 23 and 26(g).

9. OTHER RECEIVABLES AND PREPAYMENTS

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Other receivables	$ 50,197	$ 203,142	$ 40,974	$ 174,432
Allowance for impairment loss	(13,962)	(56,503)	(13,962)	(59,438)
Other receivables, net	36,235	146,639	27,012	114,994
Prepayments	5,859	23,711	3,065	13,048
Prepaid equipment and mold	1,237	5,006	7,319	31,158
Value-added tax recoverable and refundable	17,782	71,962	23,683	100,820
Guarantee deposits	4,080	16,512	8,130	34,610
Total	$ 65,193	$ 263,830	$ 69,209	$ 294,630

Other receivables of the Group mainly consist of the followings:

a. As of September 30, 2016 and December 31, 2015, the amounts of advance payment to vendors were HK$6,811 thousand and HK$3,135 thousand (equivalent to approximately NT$27,563 thousand and NT$13,346 thousand), respectively.

b. Other receivables relating to litigations (including guarantee deposits) as described in Note 25(a) were as follows:

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Other receivables (including guarantee deposits)	$ 23,684	$ 95,847	$ 24,540	$ 104,470
Less: Allowance for impairment loss	(13,962)	(56,503)	(13,962)	(59,438)
	$ 9,722	$ 39,344	$ 10,578	$ 45,032

c. As of September 30, 2016 and December 31, 2015, the amounts of temporary payments as described in Note 17(b) were HK$9,205 thousand and HK$8,349 thousand (equivalent to approximately NT$37,252 thousand and NT$35,543 thousand), respectively.

10. INVENTORIES

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Raw materials	$ 83,086	$ 336,241	$ 58,872	$ 250,624
Work-in-progress	56,701	229,463	39,161	166,712
Finished goods	16,057	64,981	32,328	137,624
Goods in transit	10,442	42,258	7,313	31,132
	$ 166,286	$ 672,943	$ 137,674	$ 586,092

The cost of inventories recognized as cost of goods sold in the nine months ended September 30, 2016 and 2015 was HK$964,132 thousand and HK$1,320,351 thousand (equivalent to approximately NT$4,034,700 thousand and NT$5,328,805 thousand), respectively, which included HK$5,213 thousand and HK$5,446 thousand (equivalent to approximately NT$21,815 thousand and $21,980 thousand), write-down of impairment loss and inventories disposed, respectively.

11. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Land and buildings held for sale	$ 403	$ 1,631	$ -	$ -

The Group expected to dispose part of land and buildings within one year. The net proceeds of disposal are expected to exceed the carrying amount of related net assets, and accordingly, no impairment was recognized.

12. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Cost	$ 488,705	$ 1,977,740	$ 496,659	$ 2,114,327
Accumulated depreciation and impairment	(237,726)	(962,053)	(213,464)	(908,738)
Book value	$ 250,979	$ 1,015,687	$ 283,195	$ 1,205,589
Land and buildings	$ 62,368	$ 252,397	$ 72,284	$ 307,720
Machineries and office equipment	186,963	756,621	209,746	892,909
Construction in progress	1,648	6,669	1,165	4,960
Book value	$ 250,979	$ 1,015,687	$ 283,195	$ 1,205,589

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

	Land and Buildings		Machineries and Office Equipment		Construction in Progress		Total	
	HK$	NT$	HK$	NT$	HK$	NT$	HK$	NT$
Cost								
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	324	1,356	9,790	40,969	2,014	8,428	12,128	50,753
Disposals	-	-	(8,918)	(37,320)	(333)	(1,394)	(9,251)	(38,714)
Reclassification to other intangible assets	(1,715)	(7,177)	1,223	5,118	(1,223)	(5,118)	(1,715)	(7,177)
Effect of exchange rate changes	(2,532)	(38,252)	(6,609)	(102,990)	25	(207)	(9,116)	(141,449)
Balance at September 30, 2016	$ 130,225	$ 527,008	$ 356,832	$ 1,444,063	$ 1,648	$ 6,669	$ 488,705	$ 1,977,740
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	9,133	38,220	30,416	127,285	-	-	39,549	165,505
Disposals	-	-	(8,050)	(33,688)	-	-	(8,050)	(33,688)
Reclassification	(1,307)	(5,470)	-	-	-	-	(1,307)	(5,470)
Effect of exchange rate changes	(1,833)	(21,500)	(4,097)	(51,532)	-	-	(5,930)	(73,032)
Balance at September 30, 2016	$ 67,857	$ 274,611	$ 169,869	$ 687,442	$ -	$ -	$ 237,726	$ 962,053

The management assessed that there was no impairment loss indicator for the nine months ended September 30, 2016 and for the year ended December 31, 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 September 30, 2016 and December 31, 2015 were as follows:

September 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 September 30, 2047.

(Continued)

Company Name	Location	Description	Tenure/Unexpired Term
	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 September 30, 2047.
	Room 1705, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.	A 2,171 sq. ft. office.	Lease for a term of 43 years from September 30, 2004 to September 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 September 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 September 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 23.

13. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Outlaw Audio Inc.	$ 132	$ 534	$ 132	$ 561
Audio Design Experts Inc.	11,201	45,329	10,834	46,127
HT Precision Technologies, Inc.	16,366	66,232	15,559	66,232
	$ 27,699	$ 112,095	$ 26,525	$ 112,920

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

14. INTANGIBLE ASSETS

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Goodwill	$ 27,873	$ 112,799	$ 27,274	$ 116,108
Technical knowledge	19,148	77,490	13,177	56,096
Customer relationship	7,121	28,818	7,674	32,669
	$ 54,142	$ 219,107	$ 48,125	$ 204,873

a. Details of goodwill were as follows:

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Related to ScS	$ 24,655	$ 99,776	$ 23,999	$ 102,166
Related to HYDM	3,218	13,023	3,275	13,942
	$ 27,873	$ 112,799	$ 27,274	$ 116,108

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

15. PREPAYMENTS FOR LAND LEASE

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Current	$ 374	$ 1,514	$ 381	$ 1,622
Non-current	18,200	73,654	18,831	80,165
	$ 18,574	$ 75,168	$ 19,212	$ 81,787

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

16. BANK BORROWINGS

a. Short-term bank borrowings:

	September 30, 2016 (Reviewed)			December 31, 2015 (Audited)		
	Annual Interest Rate	**HK$**	**NT$**	**Annual Interest Rate**	**HK$**	**NT$**
Bank borrowings - secured	1.5%-4.63%	$ 30,486	$ 123,374	1.5%-4.63%	$ 21,262	$ 90,515
Bank borrowings - unsecured	1.52%-2.9%	148,122	599,435	1.45%-2.51%	99,964	425,557
Commercial paper - secured	1.92%	2,471	10,000	1.92%	2,349	10,000
Factoring	4.22%-5.42%	3,500	14,164	1.9%-4.5%	8,670	36,909
Other bank loans	2.5%-3.02%	84,868	343,452	2.20%-2.70%	64,798	275,851
Long-term borrowings due within 1 year - unsecured	1.56%-2.62%	17,989	72,800	1.56%-2.70%	25,579	108,892
Long-term borrowings due within 1 year - secured	4.63%	1,556	6,297	2.38%-4.63%	4,622	19,676
		$ 288,992	$ 1,169,522		$ 227,244	$ 967,400

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

Although other bank loans' term is over 1 year, 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:

	September 30, 2016 (Reviewed)			December 31, 2015 (Audited)		
	Annual Interest Rate	**HK$**	**NT$**	**Annual Interest Rate**	**HK$**	**NT$**
Bank borrowings - secured	4.63%	$ 4,740	$ 19,183	2.38%-4.63%	$ 6,887	$ 29,319
Bank borrowings - unsecured	1.56%-2.62%	26,674	107,947	1.56%-2.70%	54,258	230,981
		31,414	127,130		61,145	260,300
Less: Long-term bank borrowings due within 1 year		(19,545)	(79,097)		(30,201)	(128,568)
		$ 11,869	$ 48,033		$ 30,944	$ 131,732

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

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

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	**NT$**	**HK$**	**NT$**
Due within 2 to 5 years	$ 11,869	$ 48,033	$ 30,944	$ 131,732

c. The detail of the Group's pledged assets for obtaining bank facilities please refer to Note 23.

17. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

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

b. Details of other payables were as follows:

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Accrued salaries	$ 40,089	$ 162,236	$ 41,043	$ 174,724
Temporary receivables (Note 1)	18,918	76,559	14,997	63,844
Accrued molding payable	635	2,570	2,351	10,008
Accrued tax loss on customs bonded goods	-	-	5,676	24,159
ScS investment payable - current (Note 2)	9,342	37,806	4,543	19,340
Accrued commission expenses	-	-	6,074	25,858
Other payable	35,870	145,162	29,646	126,210
	$ 104,854	$ 424,333	$ 104,330	$ 444,143

Note 1: Temporary receivables are mainly sample fee, test fee, safety certification fee, etc. received in advance. Since the Group produces customized audio-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 28(f), the Group acquired ScS during 2014 and is expected to pay the remaining 30% acquisition considerations by installments after 2015. The installments are interest-free and 10% of the acquisition consideration each, with payment dates on March 31, 2015, March 31, 2016 and March 31, 2017 respectively. Since ScS's operating performance did not meet the threshold agreed by both parties, the Group has suspended payment of the 10% acquisition consideration originally expected to be paid on March 31, 2016 until both parties reach an agreement in subsequent discussions. The Group will adjust the investment payable if there is difference with the original estimate.

18. 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 September 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 18(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	453
Number of shares as of September 30, 2016 and December 31, 2015	753

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

September 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$3,923 thousand (equivalent to approximately NT$15,878 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 September 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:

	September 30, 2016 (Reviewed)		**December 31, 2015 (Audited)**	
	HK$	**NT$**	**HK$**	**NT$**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital				
Arising from issuance of common share	$ 193,698	$ 729,815	$ 193,698	$ 729,815
Cash dividend received from treasury stock	897	3,631	572	2,265

(Continued)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
May not be used for any purpose				
Arising from employee restricted shares	$ 3,202	$ 12,751	$ 3,202	$ 12,751
	$ 197,797	$ 746,197	$ 197,472	$ 744,831

(Concluded)

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 resoluted 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 19(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 September 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 September 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 Nine Months Ended September 30, 2016	
	HK$	**NT$**
Balance at January 1, 2016	$ (3,275)	$ (13,044)
Issuance of restricted shares	-	-
Recognized share-based payment expenses	719	2,863
Balance at September 30, 2016	$ (2,556)	$ (10,181)

	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	560	2,227
Balance at December 31, 2015	$ (3,275)	$ (13,044)

19. CONSOLIDATED NET PROFIT

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

a. Operating income

	For the Nine Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Traditional speaker	$ 223,779	$ 936,470	$ 404,495	$ 1,632,501
Electronic speaker	582,050	2,435,763	797,827	3,219,950
Wireless speaker	44,158	184,792	25,449	102,710
Earphone	93,493	391,250	111,035	448,126
Advanced speaker	56,030	234,474	32,668	131,845
Other	132,655	555,135	180,500	728,480
	$ 1,132,165	$ 4,737,884	$ 1,551,974	$ 6,263,612

	For the Three Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Traditional speaker	$ 85,444	$ 353,001	$ 124,241	$ 512,830
Electronic speaker	289,854	1,203,339	333,682	1,365,598
Wireless speaker	20,636	85,581	15,811	64,204
Earphone	43,652	181,031	41,233	169,253
Advanced speaker	11,360	46,065	10,906	44,901
Other	55,391	229,250	53,704	221,906
	$ 506,337	$ 2,098,267	$ 579,577	$ 2,378,692

b. Depreciation and amortization expenses

	For the Nine Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Depreciation of property, plant and equipment	$ 39,549	$ 165,505	$ 37,102	$ 149,740
Amortization of other intangible assets	2,479	10,374	4,481	18,085
Amortization of prepayments for lease	413	1,728	428	1,727
	$ 42,441	$ 177,607	$ 42,011	$ 169,552

	For the Three Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Depreciation of property, plant and equipment	$ 12,806	$ 52,708	$ 11,948	$ 49,245
Amortization of other intangible assets	839	3,457	2,613	10,622
Amortization of prepayments for lease	137	564	142	585
	$ 13,782	$ 56,729	$ 14,703	$ 60,452

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

	For the Nine Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Remuneration of directors and key management				
Short-term benefits	$ 22,804	$ 95,430	$ 24,011	$ 96,906
Post-employment benefits	533	2,230	585	2,361
Share-based payments	536	2,136	239	950
Employee benefits				
Short-term benefits	232,066	971,150	276,777	1,117,044
Post-employment benefits	12,322	51,565	13,356	53,903
Share-based payments	183	727	81	322
	$ 268,444	$ 1,123,238	$ 315,049	$ 1,271,486

	For the Three Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Remuneration of directors and key management				
Short-term benefits	$ 5,761	$ 23,546	$ 5,873	$ 24,441
Post-employment benefits	177	728	183	755
Share-based payments	179	712	179	713
Employee benefits				
Short-term benefits	96,617	399,853	100,379	412,299
Post-employment benefits	4,006	16,490	4,479	18,438
Share-based payments	61	242	61	241
	$ 106,801	$ 441,571	$ 111,154	$ 456,887

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$1,744 thousand (equivalent to approximately NT$7,298 thousand) and HK$683 thousand (equivalent to approximately NT$2,858 thousand) for the nine months ended September 30, 2016, respectively.

The Company accrued employees bonus and directors' remuneration based on amended article, which amounted to HK$3,084 thousand (equivalent to approximately NT$12,447 thousand) and HK$1,233 thousand (equivalent to approximately NT$4,976 thousand) for the nine months ended September 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 Nine Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Project service income	$ 3,687	$ 15,429	$ 6,763	$ 27,295
Interest income	427	1,787	753	3,039
Rental income	207	866	215	868
Dividend income	1,603	6,708	-	-
Scrap income	2,573	10,767	1,351	5,453
Gains on disposal of property, plant and equipment	29	121	28	113
Net gain on financial instruments at FVTPL	3,673	15,371	-	-
Others	5,401	22,603	2,841	11,465
	$ 17,600	$ 73,652	$ 11,951	$ 48,233

	For the Three Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Project service income	$ 302	$ 1,152	$ -	$ -
Interest income	126	517	126	534
Rental income	70	288	70	289
Dividend income	1,603	6,708	-	-
Scrap income	867	3,571	295	1,234
Gains on disposal of property, plant and equipment	1	2	-	-
Net gain on financial instruments at FVTPL	258	967	-	-
Others	1,862	7,677	2,425	10,080
	$ 5,089	$ 20,882	$ 2,916	$ 12,137

e. Other losses

	For the Nine Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Losses on scrap and disposal of property, plant and equipment	$ 599	$ 2,506	$ 1,761	$ 7,107
Net loss on financial instruments at FVTPL	-	-	1,237	4,992
Tax loss on customs bonded goods	-	-	7,049	28,450
Other	1	5	-	-
	$ 600	$ 2,511	$ 10,047	$ 40,549

	For the Three Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Losses on scrap and disposal of property, plant and equipment	$ 444	$ 1,852	$ 1,031	$ 4,189
Net loss on financial instruments at FVTPL	-	-	505	2,068
Tax loss on customs bonded goods	-	-	3,466	14,137
Other	-	-	-	-
	$ 444	$ 1,852	$ 5,002	$ 20,394

f. Finance costs

	For the Nine Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Interest expense arising from bank borrowings	$ 5,255	$ 21,991	$ 4,617	$ 18,634

	For the Three Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Interest expense arising from bank borrowings	$ 1,673	$ 6,883	$ 1,753	$ 7,192

20. INCOME TAXES

a. Income tax expense recognized in profit or loss

	For the Nine Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Income tax consist of:				
In respect of the current period	$ 8,720	$ 36,491	$ 8,099	$ 32,687
In respect of the prior period	826	3,457	1,523	6,146
Deferred tax benefit	(258)	(1,080)	(1,458)	(5,884)
Income tax expenses	$ 9,288	$ 38,868	$ 8,164	$ 32,949

	For the Three Months Ended September 30			
	2016 (Reviewed)		2015 (Reviewed)	
	HK$	NT$	HK$	NT$
Income tax				
In respect of the current period	$ 6,154	$ 25,669	$ 5,353	$ 21,716
In respect of the prior period	(455)	(1,946)	(51)	(142)
Deferred tax benefit	171	729	(840)	(3,415)
Income tax expenses	$ 5,870	$ 24,452	$ 4,462	$ 18,159

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, HYEA and HYDM obtained the innovation and high technology enterprise certificates issued by local tax authorities in February 2016. Therefore, HYEA 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.

21. EARNINGS PER SHARE

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

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Earnings Per Share (Dollars)	
	HK$	NT$		HK$	NT$
For the Nine Months Ended September 30, 2016 (reviewed)					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	$ 22,461	$ 94,139	60,249	$ 0.37	$ 1.56
For the Nine Months Ended September 30, 2015 (reviewed)					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	$ 49,193	$ 199,017	60,444	$ 0.81	$ 3.29

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

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Earnings (Loss) Per Share (Dollars)	
	HK$	NT$		HK$	NT$
For the Three Months Ended September 30, 2016 (reviewed)					
Basic loss per share (Note)					
Net loss attributable to owner of the Company	$ 22,194	$ 92,900	60,249	$ 0.37	$ 1.54
For the Three Months Ended September 30, 2015 (reviewed)					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	$ 32,816	$ 132,678	60,444	$ 0.54	$ 2.19

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.

22. 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	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Other payables				
Related company	$ 9,229	$ 37,349	$ 19,586	$ 83,380

Other payables in current period include payable for acquiring ETT Group and the temporary payable for ETT Group's derivative financial instruments. Please refer to Notes 7 and 28.

Classification by payment period as follows:

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Current	$ 9,229	$ 37,349	$ 11,680	$ 49,723
Non-current	-	-	7,906	33,657
	$ 9,229	$ 37,349	$ 19,586	$ 83,380

b. Compensation of key management personnel

The remuneration of directors and other key management was determined by the compensation committee in accordance with the individual performance and the market trends. Please refer to Note19(c), for details.

23. RESTRICTED ASSETS

The following assets and treasury shares disclosed in Note 18 were provided as collateral for bank borrowings. Part of loan guarantees is provided by the Chairman of the Company.

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Other intangible assets	$ 4,438	$ 17,960	$ 4,488	$ 19,106
Accounts receivable with recourse	4,491	18,175	10,666	45,406
Property, plant and equipment	7,292	29,510	6,619	28,178
Inventories and other assets	14,708	59,522	13,640	58,067
Pledge deposits (recognized under restrict assets - current)	3,338	13,508	3,261	13,882
	$ 34,267	$ 138,675	$ 38,674	$ 164,639

24. 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 15), that terms of leases are mainly from 1 to 50 years. For operating lease period with more than 5 years, the lease contracts stipulate that the rental should be increased by certain percentage for every 5 years. The Group does not have acquisition rights to the leased land at the termination of the lease.

b. Non-cancellable operating leases

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Within 1 year	$ 11,591	$ 46,908	$ 10,224	$ 43,525
More than 1 year and within 5 years	14,236	57,612	15,609	66,449
More than 5 years	16,377	66,276	18,671	79,484
	$ 42,204	$ 170,796	$ 44,504	$ 189,458

Rental expenses of the Group arising from operating leases for nine months ended September 30, 2016 and 2015 amounted to HK$7,566 thousand and HK$8,272 thousand (equivalent to approximately NT$31,662 thousand and NT$33,385 thousand), respectively.

25. 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$3,745 thousand) which directly recorded as decrease in other receivables.

b. Financial guarantees within the Group refer to Table 2 of Note 30.

26. 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			
	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
USD	$ 374,992	$ 1,517,555	$ 465,174	$ 1,980,292
HKD	708	2,865	437	1,860
	$ 375,700	$ 1,520,420	$ 465,611	$ 1,982,152

	Liabilities			
	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
USD	$ 380,174	$ 1,538,526	$ 360,840	$ 1,536,132
HKD	60,907	246,485	101,003	429,980
	$ 441,081	$ 1,785,011	$ 461,843	$ 1,966,112

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

	Currency USD Impact		Currency USD Impact	
	For the Nine Months Ended September 30, 2016		For the Year Ended December 31, 2015	
	HK$	NT$	HK$	NT$
Profit or loss	$ (259)	$ (1,049)	$ 5,217	$ 22,208

	Currency HKD Impact		Currency HKD Impact	
	For the Nine Months Ended September 30, 2016		For the Year Ended December 31, 2015	
	HK$	NT$	HK$	NT$
Profit or loss	$ (3,010)	$ (12,181)	$ (5,028)	$ (21,406)

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

3) Interest rate risk

Management of interest rate risk

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

Sensitivity analysis of interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the nine months ended September 30, 2016 and for the year ended December 31, 2015 would have been decreased by HK$408 thousand and HK$260 thousand (equivalent to approximately NT$1,653 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

	September 30, 2016				
	Effective Interest Rate	**Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 377,436	$ -	$ -	$ 377,436
Other payables to related parties	-	9,229	-	-	9,229
Other payables	-	104,854	-	-	104,854
Interest bearing liabilities					
Finance lease payables	-	258	-	-	258
Bank borrowings	2.31%	295,675	12,144	-	307,819

	December 31, 2015				
	Effective Interest Rate	**Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
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
Interest bearing liabilities					
Finance lease payables	-	234	192	-	426
Bank borrowings	2.44%	166,410	98,078	-	264,488

Unit: N.T. Dollars

	September 30, 2016				
	Effective Interest Rate	**Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 1,527,446	$ -	$ -	$ 1,527,446
Other payables to related parties	-	37,349	-	-	37,349
Other payables	-	424,333	-	-	424,333
Interest bearing liabilities					
Finance lease payables	-	1,044	-	-	1,044
Bank borrowings	2.31%	1,196,567	49,146	-	1,245,713

	December 31, 2015				
	Effective Interest Rate	**Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 1,406,989	$ -	$ -	$ 1,406,989
Other payables to related parties	-	49,723	33,657	-	83,380
Other payables	-	444,143	19,340	-	463,483
Interest bearing liabilities					
Finance lease payables	-	996	817	-	1,813
Bank borrowings	2.44%	708,424	417,528	-	1,125,952

e. Financial facilities

1) Bank overdraft facility

	Liabilities			
	September 30, 2016 (Reviewed)		**December 31, 2015 (Audited)**	
	HK$	**NT$**	**HK$**	**NT$**
Unsecured bank overdraft facility				
Amount unused	$ 600	$ 2,428	$ 1,600	$ 6,811

2) Bank borrowings

	Liabilities			
	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)	
	HK$	NT$	HK$	NT$
Secured borrowings				
Amount unused	$ 42,826	$ 173,313	$ 188,030	$ 800,463
Unsecured borrowings				
Amount unused	$ 314,391	$ 1,272,309	$ 390,647	$ 1,663,023

f. Significant assets and liabilities denominated in foreign currencies

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

September 30, 2016

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT$)
Financial assets				
Monetary items				
USD	$ 34,705	HKD	31.42	$ 1,090,417
USD	13,186	NTD	31.42	414,318
USD	259	RMB	31.42	8,126
USD	149	DKK	31.42	4,694
	$ 48,299			$ 1,517,555
Financial liabilities				
Monetary items				
USD	$ 27,857	HKD	31.42	$ 875,255
USD	12,094	RMB	31.42	379,984
USD	8,816	NTD	31.42	277,014
USD	200	DKK	31.42	6,273
	$ 48,967			$ 1,538,526
HKD	$ 60,048	RMB	4.0469	$ 243,009
HKD	859	NTD	4.0469	3,476
	$ 60,907			$ 246,485

December 31, 2015

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

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

Information of foreign exchange gains and losses are as follow:

	For the Nine Months Ended September 30			
	2016		2015	
	HK$	NT$	HK$	NT$
Realized foreign exchange gains (loss)	$ 7,245	$ 30,319	$ 5,067	$ 20,450
Unrealized foreign exchange gains (loss)	(5,038)	(21,083)	6,191	24,986
	$ 2,207	$ 9,236	$ 11,258	$ 45,436

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 September 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 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 September 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 16 and 23, respectively.

27. 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.

28. 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)	24,589	100,446
	$ 121,718	$ 497,219

Regarding the above investment payable (final payments of the 20% acquisition consideration), 10% investment amount had been paid in the beginning of 2016 and remaining 10% investment amount expected to pay in the beginning of 2017. As of September 30, 2016, investment payable is recorded as other payable, please refer to Note 22.

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

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

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

d. Gain from bargain purchase of acquisitions on ETT

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

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

e. Net cash outflow on acquisition of subsidiaries

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

f. According to the acquisition agreement, the Group is expected to pay the remaining 30% acquisition considerations by installments after 2015. The installment is interest-free and 10% of the acquisition consideration each, with payment dates in the end of first quarter in the following three years, respectively. In addition, the remaining 30% consideration will be adjusted based on the actual profit or loss of ScS in 2014, 2015 and 2016 (contingent consideration). The 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 17(b).

29. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on November 1, 2016.