

Eastech Holding Limited and Subsidiaries
(Formerly Known as Eastern Technologies Holding Limited)

**Consolidated Financial Statements for the
Six Months Ended June 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Eastech Holding Limited

We have reviewed the accompanying consolidated balance sheets of Eastech Holding Limited, formerly known as Eastern Technologies Holding Limited (“EASTECH”) and subsidiaries (collectively, the “Group”) as of June 30, 2017 and the related consolidated statements of comprehensive income for the three months ended June 30, 2017 and 2016 and for the six months ended June 30, 2017 and 2016, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2017 and 2016. 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 26(a) to the consolidated financial statements, as of June 30, 2017, Eastern Asia Technology (HK) Limited (“EAH”), a subsidiary of EASTECH, has receivables, net of allowance, amounted to HK\$8,654 thousand (equivalent to approximately NT\$33,634 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.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 9, 2017

Notice to Readers

For the convenience of readers, the auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors’ review report and consolidated financial statements shall prevail.

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		LIABILITIES AND EQUITY	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$		HK\$	NT\$	HK\$	NT\$
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 6)	\$ 172,227	\$ 669,360	\$ 225,018	\$ 936,412	Short-term bank borrowings (Note 16)	\$ 215,930	\$ 839,212	\$ 214,246	\$ 891,585
Financial assets at fair value through profit or loss (Note 7)	56	218	40	166	Notes and accounts payable (Note 17)	357,272	1,388,538	294,686	1,226,336
Accounts receivable, net (Notes 8 and 24)	307,651	1,195,686	272,062	1,132,186	Other payables to related parties (Notes 23 and 29)	-	-	8,920	37,120
Inventories (Notes 10 and 24)	170,701	663,429	119,877	498,868	Current tax liabilities (Notes 4 and 21)	3,576	13,898	6,252	26,018
Assets held for sale (Note 11)	4,342	16,875	387	1,611	Other payables (Note 17)	108,680	421,895	103,941	432,550
Restricted assets (Notes 4 and 24)	3,573	13,886	1,397	5,814	Finance lease payables	-	-	185	770
Income tax refund receivable	4,464	17,349	3,726	15,506					
Other receivables and prepayments (Note 9)	68,464	266,085	59,965	249,544	Total current liabilities	<u>685,458</u>	<u>2,663,543</u>	<u>628,230</u>	<u>2,614,379</u>
Prepayments for land lease - current (Note 15)	369	1,434	359	1,494					
Total current assets	<u>731,847</u>	<u>2,844,322</u>	<u>682,831</u>	<u>2,841,601</u>	NON-CURRENT LIABILITIES				
NON-CURRENT ASSETS					Long-term bank borrowings (Note 16)	8,175	31,772	6,820	28,381
Property, plant and equipment (Notes 12 and 24)	222,325	864,066	234,630	976,413	Deferred tax liabilities (Notes 4 and 21)	26,488	102,946	27,621	114,945
Financial assets measured at cost (Note 13)	28,680	111,465	27,045	112,548	Net defined benefit liabilities - non-current (Notes 4 and 18)	536	2,083	2,065	8,594
Intangible assets (Notes 14 and 24)	57,377	222,996	50,770	211,279	Total non-current liabilities	<u>35,199</u>	<u>136,801</u>	<u>36,506</u>	<u>151,920</u>
Prepayments for land lease - non-current (Note 15)	17,643	68,570	17,580	73,159	Total liabilities	<u>720,657</u>	<u>2,800,344</u>	<u>664,736</u>	<u>2,766,299</u>
Deferred tax assets (Notes 4 and 21)	3,323	12,915	3,119	12,980	EQUITY (Note 19)				
Total non-current assets	<u>329,348</u>	<u>1,280,012</u>	<u>333,144</u>	<u>1,386,379</u>	Share capital - common shares	162,622	614,980	162,632	615,020
					Capital surplus	200,379	756,836	200,400	756,922
					Treasury shares	(9,929)	(40,671)	(9,929)	(40,671)
					Exchange differences on translating foreign operations	(42,218)	(120,316)	(56,697)	(80,307)
					Employee unearned benefit	(5,110)	(20,804)	(6,093)	(24,787)
					Retained earnings				
					Legal reserve	10,736	43,595	9,669	39,411
					Unappropriated earnings	24,058	90,370	51,257	196,093
					Total equity	<u>340,538</u>	<u>1,323,990</u>	<u>351,239</u>	<u>1,461,681</u>
TOTAL	<u>\$ 1,061,195</u>	<u>\$ 4,124,334</u>	<u>\$ 1,015,975</u>	<u>\$ 4,227,980</u>	TOTAL	<u>\$ 1,061,195</u>	<u>\$ 4,124,334</u>	<u>\$ 1,015,975</u>	<u>\$ 4,227,980</u>

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

(With Deloitte & Touche review report dated August 9, 2017)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
NET REVENUES (Note 20)	\$ 441,048	\$ 1,711,406	\$ 290,351	\$ 1,211,760	\$ 822,444	\$ 3,224,556	\$ 625,828	\$ 2,639,617
COST OF REVENUES (Note 10)	392,064	1,521,450	250,260	1,044,363	728,618	2,856,693	541,422	2,283,606
GROSS PROFIT	48,984	189,956	40,091	167,397	93,826	367,863	84,406	356,011
OPERATING EXPENSES								
Selling and distribution	10,449	40,471	5,897	24,599	21,081	82,652	13,014	54,890
General and administrative	46,833	181,894	43,781	183,285	86,321	338,612	78,461	330,824
Total operating expenses	57,282	222,365	49,678	207,884	107,402	421,264	91,475	385,714
OPERATING LOSS	(8,298)	(32,409)	(9,587)	(40,487)	(13,576)	(53,401)	(7,069)	(29,703)
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 11 and 20)	3,292	12,303	8,886	37,342	16,224	63,609	12,511	52,769
Foreign exchange (loss) gain, net (Note 27)	(2,693)	(10,552)	1,893	7,980	(2,827)	(11,084)	1,981	8,355
Finance costs (Note 20)	(1,786)	(6,918)	(1,737)	(7,255)	(3,593)	(14,087)	(3,582)	(15,108)
Other losses (Note 20)	(162)	(628)	(78)	(326)	(311)	(1,219)	(156)	(658)
Total non-operating income and expense	(1,349)	(5,795)	8,964	37,741	9,493	37,219	10,754	45,358
(LOSS) PROFIT BEFORE INCOME TAX	(9,647)	(38,204)	(623)	(2,746)	(4,083)	(16,182)	3,685	15,655
INCOME TAX (Notes 4 and 21)	(1,090)	(4,121)	(2,278)	(9,564)	(4,359)	(17,090)	(3,418)	(14,416)
(LOSS) PROFIT FOR THE PERIOD	(10,737)	(42,325)	(2,901)	(12,310)	(8,442)	(33,272)	267	1,239
OTHER COMPREHENSIVE INCOME								
Item that may be reclassified subsequently to profit or loss: Exchange differences on translating foreign operations	9,314	33,992	(11,910)	(48,133)	14,479	(40,009)	(8,127)	(65,356)
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	\$ (1,423)	\$ (8,333)	\$ (14,811)	\$ (60,443)	\$ 6,037	\$ (73,281)	\$ (7,860)	\$ (64,117)
EARNINGS (LOSS) PER SHARE (Note 22)								
Basic earnings (loss) per share - after income tax	\$ (0.18)	\$ (0.70)	\$ (0.05)	\$ (0.20)	\$ (0.14)	\$ (0.55)	\$ -	\$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES	60,747 thousand shares		60,249 thousand shares		60,748 thousand shares		60,249 thousand shares	

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

(With Deloitte & Touche review report dated August 9, 2017)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

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

	Share Capital - Common Shares	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, 2017	\$ 162,632	\$ 200,400	\$ (9,929)	\$ (56,697)	\$ (6,093)	\$ 9,669	\$ 51,257	\$ 351,239
Appropriation of 2016 earnings								
Cash dividends	-	-	-	-	-	-	(17,690)	(17,690)
Legal reserve of subsidiaries	-	-	-	-	-	1,067	(1,067)	-
Retirement of restricted shares for employees	(10)	(21)	-	-	31	-	-	-
Restricted shares plan for employees	-	-	-	-	952	-	-	952
Total comprehensive income (loss) for the six months ended June 30, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,479</u>	<u>-</u>	<u>-</u>	<u>(8,442)</u>	<u>6,037</u>
BALANCE AT JUNE 30, 2017	<u>\$ 162,622</u>	<u>\$ 200,379</u>	<u>\$ (9,929)</u>	<u>\$ (42,218)</u>	<u>\$ (5,110)</u>	<u>\$ 10,736</u>	<u>\$ 24,058</u>	<u>\$ 340,538</u>
BALANCE AT JANUARY 1, 2016	\$ 161,418	\$ 197,472	\$ (9,929)	\$ (26,773)	\$ (3,275)	\$ 5,526	\$ 67,506	\$ 391,945
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(43,676)	(43,676)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	325	-	-	-	-	-	325
Legal reserve of subsidiaries	-	-	-	-	-	121	(121)	-
Restricted shares plan for employees	-	-	-	-	479	-	-	479
Total comprehensive income (loss) for the six months ended June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,127)</u>	<u>-</u>	<u>-</u>	<u>267</u>	<u>(7,860)</u>
BALANCE AT JUNE 30, 2016	<u>\$ 161,418</u>	<u>\$ 197,797</u>	<u>\$ (9,929)</u>	<u>\$ (34,900)</u>	<u>\$ (2,796)</u>	<u>\$ 5,647</u>	<u>\$ 23,976</u>	<u>\$ 341,213</u>

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

(With Deloitte & Touche review report dated August 9, 2017)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

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

	Share Capital - Common Shares	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, 2017	\$ 615,020	\$ 756,922	\$ (40,671)	\$ (80,307)	\$ (24,787)	\$ 39,411	\$ 196,093	\$ 1,461,681
Appropriation of 2016 earnings								
Cash dividends	-	-	-	-	-	-	(68,267)	(68,267)
Legal reserve of subsidiaries	-	-	-	-	-	4,184	(4,184)	-
Retirement of restricted shares for employees	(40)	(86)	-	-	126	-	-	-
Restricted shares plan for employees	-	-	-	-	3,857	-	-	3,857
Total comprehensive loss for the six months ended June 30, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,009)</u>	<u>-</u>	<u>-</u>	<u>(33,272)</u>	<u>(73,281)</u>
BALANCE AT JUNE 30, 2017	<u>\$ 614,980</u>	<u>\$ 756,836</u>	<u>\$ (40,671)</u>	<u>\$ (120,316)</u>	<u>\$ (20,804)</u>	<u>\$ 43,595</u>	<u>\$ 90,370</u>	<u>\$ 1,323,990</u>
BALANCE AT JANUARY 1, 2016	\$ 610,020	\$ 744,831	\$ (40,671)	\$ 80,338	\$ (13,044)	\$ 22,178	\$ 264,897	\$ 1,668,549
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(183,006)	(183,006)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	1,366	-	-	-	-	-	1,366
Legal reserve of subsidiaries	-	-	-	-	-	506	(506)	-
Restricted shares plan for employees	-	-	-	-	1,909	-	-	1,909
Total comprehensive income (loss) for the six months ended June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,356)</u>	<u>-</u>	<u>-</u>	<u>1,239</u>	<u>(64,117)</u>
BALANCE AT JUNE 30, 2016	<u>\$ 610,020</u>	<u>\$ 746,197</u>	<u>\$ (40,671)</u>	<u>\$ 14,982</u>	<u>\$ (11,135)</u>	<u>\$ 22,684</u>	<u>\$ 82,624</u>	<u>\$ 1,424,701</u>

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

(With Deloitte & Touche review report dated August 9, 2017)

EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

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

	For the Six Months Ended June 30			
	2017		2016	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss) profit before income tax	\$ (4,083)	\$ (16,182)	\$ 3,685	\$ 15,655
Adjustments for:				
Amortization - other intangible assets	2,490	9,763	1,640	6,917
Amortization - prepayments for land lease	269	1,055	276	1,164
Allowance for inventories provision and inventories write-off	2,189	8,582	3,802	16,036
Reversal of impairment loss on bad debt	(404)	(1,584)	-	-
Depreciation expenses	25,374	99,484	26,743	112,797
Loss of disposal of property, plant and equipment	194	758	127	535
Gain on disposal of assets held for sale	(10,059)	(39,438)	-	-
Loss of write-off other intangible assets	1,021	4,003	-	-
Realized gain from financial assets at fair value through profit or loss	-	-	(339)	(1,430)
Interest expense	3,593	14,087	3,582	15,108
Interest income	(331)	(1,298)	(301)	(1,270)
Gain on fair value changes of financial instruments	(16)	(63)	(3,076)	(12,974)
Employees expenses - restricted shares	<u>952</u>	<u>3,857</u>	<u>479</u>	<u>1,909</u>
Operating cash flows before working capital changes	21,189	83,024	36,618	154,447
Changes in operating assets and liabilities				
Notes and accounts receivable	(35,184)	(137,946)	132,108	557,205
Other receivable and prepayments	(8,499)	(33,322)	9,290	39,183
Accounts payables/receivables from related parties	-	-	961	4,053
Inventories	(53,014)	(207,852)	4,521	19,069
Notes and accounts payable and other payables	54,105	212,130	(140,268)	(591,623)
Net defined benefit liabilities	<u>(1,529)</u>	<u>(5,995)</u>	<u>108</u>	<u>456</u>
Cash (used in) generated from operations	(22,932)	(89,961)	43,338	182,790
Interest paid	(3,593)	(14,087)	(3,582)	(15,108)
Interest received	331	1,298	301	1,270
Income tax paid	<u>(7,606)</u>	<u>(29,821)</u>	<u>(2,656)</u>	<u>(11,207)</u>
Net cash (used in) generated from operating activities	<u>(33,800)</u>	<u>(132,571)</u>	<u>37,401</u>	<u>157,745</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in payable for investment cost	(13,453)	(52,745)	(11,718)	(49,424)
Payments for acquiring property, plant and equipment	(11,524)	(45,182)	(8,417)	(35,501)
Increase in other intangible assets	(5,847)	(22,924)	(924)	(3,897)
Increase in restricted assets	(2,176)	(8,531)	(23)	(97)
Proceeds from disposal of property, plant and equipment	17	67	560	2,362
Proceeds from disposal of assets held for sale	10,456	40,995	-	-
Proceeds from disposal of financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>4,439</u>	<u>18,723</u>
Net cash used in investing activities	<u>(22,527)</u>	<u>(88,320)</u>	<u>(16,083)</u>	<u>(67,834)</u>

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EASTECH HOLDING LIMITED AND SUBSIDIARIES
(Formerly Known as Eastern Technologies Holding Limited)

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

	For the Six Months Ended June 30			
	2017		2016	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	\$ 542,636	\$ 2,127,514	\$ 382,259	\$ 1,612,292
Repayments of bank borrowings	(543,273)	(2,130,010)	(346,826)	(1,462,843)
Payment under capital lease contract	(192)	(752)	(118)	(497)
Cash dividend	-	-	(43,676)	(183,006)
Cash dividend received from treasury shares	-	-	325	1,366
Net cash used in financing activities	<u>(829)</u>	<u>(3,248)</u>	<u>(8,036)</u>	<u>(32,688)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>4,365</u>	<u>(42,913)</u>	<u>(14,099)</u>	<u>(77,225)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(52,791)	(267,052)	(817)	(20,002)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>225,018</u>	<u>936,412</u>	<u>203,065</u>	<u>864,468</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 172,227</u>	<u>\$ 669,360</u>	<u>\$ 202,248</u>	<u>\$ 844,466</u>
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	\$ 175,800	\$ 683,246	\$ 205,532	\$ 858,178
Pledge deposits	(3,573)	(13,886)	(3,284)	(13,712)
Cash and cash equivalents	<u>\$ 172,227</u>	<u>\$ 669,360</u>	<u>\$ 202,248</u>	<u>\$ 844,466</u>
IMPACT OF CASH AND NONCASH ITEMS FROM FINANCING ACTIVITIES				
Cash dividend				
Distribution of cash dividend	\$ 17,690	\$ 68,267	\$ 43,676	\$ 183,006
Increase in cash dividend payable	(17,690)	(68,267)	-	-
Net cash outflow	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,676</u>	<u>\$ 183,006</u>

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

(With Deloitte & Touche review report dated August 9, 2017)

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

**(In Thousands of Hong Kong Dollars and New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)**

1. GENERAL INFORMATION

Eastech Holding Limited (formerly known as 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. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the six months ended June 30, 2017 were approved by the Company’s board of directors on August 9, 2017.

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, 2017, the Group believes that the adoption of new, revised or amended standards or interpretations have no significant effect on the consolidated financial statements for the six months ended June 30, 2017.

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.

New IFRSs	Effective Date Announced by IASB
Annual Improvements to IFRSs 2014-2016 Cycle	Note
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “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
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the other IAS amendments are retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

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 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. 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. 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.

When IFRS 9 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.

The Group analyzed the facts and circumstances of its financial assets that exist at June 30, 2017 and performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9, unlisted shares measured at cost will be measured at fair value instead.

2) 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.

Apart from the aforesaid impact, as of the consolidated financial statements report date, the Group is continually assessing the possible impact on the Group’s financial position and financial performance upon initial adoption of above standards and interpretations, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2016.

a. Statement of compliance

The interim consolidated financial statements have been prepared in accordance with the International Accounting Standards (IAS) 34 “Interim Financial Reporting” and Rule No. 10200546801 issued by the Financial Supervisory Commission (the “FSC”). Moreover, the IFRSs applicable to these consolidated financial statements have no difference with the IFRS, IAS, interpretations as well as related guidance translated by Accounting Research and Development Foundation (ARDF) endorsed by the FSC with the effective dates (collectively, “Taiwan-IFRSs”).

b. Basis of consolidation

- 1) The basis of consolidated financial statements are consistent with those applied in the consolidated financial statement for the year ended December 31, 2016.
- 2) Pursuant to the above basis of preparation of the consolidated financial statements, the detail information of the subsidiaries was as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			June 30, 2017	December 31, 2016	
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	Hymario-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 electronic 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 electronic products	100.00	100.00	“
ETH	Eastech Electronics (Hui Yang) Co., Ltd. (“ETHY”)	Production and sales of AV electronic products	100.00	100.00	“

c. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

d. 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.

e. 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates and uncertainty 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, 2016. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cash on hand	\$ 979	\$ 3,805	\$ 278	\$ 1,157
Cash at bank	171,248	665,555	202,478	842,612
Fixed deposits	<u>3,573</u>	<u>13,886</u>	<u>23,659</u>	<u>98,457</u>
	175,800	683,246	226,415	942,226
Less: Pledged deposits	<u>(3,573)</u>	<u>(13,886)</u>	<u>(1,397)</u>	<u>(5,814)</u>
	<u>\$ 172,227</u>	<u>\$ 669,360</u>	<u>\$ 225,018</u>	<u>\$ 936,412</u>

Cash equivalents comprise term deposits within 3 months, which are highly liquid and are readily convertible into cash with low risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by bank to the Group (please refer to Note 24), and is recognized under restricted assets.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Financial assets held for trading				
Non-derivative financial assets				
Foreign-listed shares	<u>\$ 56</u>	<u>\$ 218</u>	<u>\$ 40</u>	<u>\$ 166</u>

8. ACCOUNTS RECEIVABLE

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Accounts receivable	\$ 308,285	\$ 1,198,150	\$ 273,359	\$ 1,137,583
Less: Allowance for impairment loss	<u>(634)</u>	<u>(2,464)</u>	<u>(1,297)</u>	<u>(5,397)</u>
	<u>\$ 307,651</u>	<u>\$ 1,195,686</u>	<u>\$ 272,062</u>	<u>\$ 1,132,186</u>

As of June 30, 2016, the Group's average sales credit term is 66 days (74 days in 2016). 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 aging analysis of receivables was as follows:

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Neither overdue nor impaired	\$ 304,061	\$ 1,181,733	\$ 253,245	\$ 1,053,879
Overdue but not impaired (a)	3,590	13,953	18,817	78,307
Impaired after overall assessment receivables (b)	634	2,464	1,297	5,397
Less: Allowance for impairment loss	<u>(634)</u>	<u>(2,464)</u>	<u>(1,297)</u>	<u>(5,397)</u>
Accounts receivable, net	<u>\$ 307,651</u>	<u>\$ 1,195,686</u>	<u>\$ 272,062</u>	<u>\$ 1,132,186</u>

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

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
0-90 days	\$ 2,085	\$ 8,103	\$ 18,810	\$ 78,278
91-180 days	<u>1,505</u>	<u>5,850</u>	<u>7</u>	<u>29</u>
	<u>\$ 3,590</u>	<u>\$ 13,953</u>	<u>\$ 18,817</u>	<u>\$ 78,307</u>

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

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

Unit: H.K. Dollars

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ -	\$ -	\$ -
Provision	<u>1,297</u>	<u>-</u>	<u>1,297</u>
Balance at December 31, 2016	1,297	-	1,297
Recovered	(404)	-	(404)
Written off	<u>(259)</u>	<u>-</u>	<u>(259)</u>
Balance at June 30, 2017	<u>\$ 634</u>	<u>\$ -</u>	<u>\$ 634</u>

Unit: N.T. Dollars

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ -	\$ -	\$ -
Provision	5,393	-	5,393
Effect of exchange rate changes	<u>4</u>	<u>-</u>	<u>4</u>
Balance at December 31, 2016	5,397	-	5,397
Recovered	(1,584)	-	(1,584)
Written off	(1,015)	-	(1,015)
Effect of exchange rate changes	<u>(334)</u>	<u>-</u>	<u>(334)</u>
Balance at June 30, 2017	<u>\$ 2,464</u>	<u>\$ -</u>	<u>\$ 2,464</u>

c. The credit quality of receivables neither overdue nor impaired was as follows:

Considering the recoverability of accounts receivable, the Group takes into account the historical record of individual client. Since the major clients are internationally renowned enterprises and are unrelated to each other, therefore, credit risk of receivables is considered low.

d. The details of the accounts receivables (with recourse) pledged for obtaining bank facilities please refer to Notes 24 and 27(g).

9. OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables	\$ 38,962	\$ 151,427	\$ 41,847	\$ 174,146
Allowance for impairment loss	<u>(13,962)</u>	<u>(54,264)</u>	<u>(13,962)</u>	<u>(58,103)</u>
Other receivables, net	25,000	97,163	27,885	116,043
Prepayments for purchases	7,094	27,571	3,969	16,517
Prepayments	5,878	22,845	4,996	20,791
Prepayments for purchase of equipment and mold	2,128	8,270	1,776	7,391

(Continued)

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Value-added tax recoverable and refundable	\$ 24,331	\$ 94,563	\$ 17,478	\$ 72,735
Guarantee deposits	<u>4,033</u>	<u>15,673</u>	<u>3,861</u>	<u>16,067</u>
	<u>\$ 68,464</u>	<u>\$ 266,085</u>	<u>\$ 59,965</u>	<u>\$ 249,544</u> (Concluded)

Other receivables of the Group mainly consist of the followings:

- a. Other receivables relating to litigations (including guarantee deposits) as described in Note 26(a) were as follows:

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables (including guarantee deposits)	\$ 23,679	\$ 92,029	\$ 23,675	\$ 98,523
Less: Allowance for impairment loss	<u>(13,962)</u>	<u>(54,264)</u>	<u>(13,962)</u>	<u>(58,103)</u>
	<u>\$ 9,717</u>	<u>\$ 37,765</u>	<u>\$ 9,713</u>	<u>\$ 40,420</u>

- b. As of June 30, 2017 and December 31, 2016, the amounts of temporary payments as described in Note 17(b) were HK\$9,317 thousand and HK\$9,951 thousand (equivalent to approximately NT\$36,211 thousand and NT\$41,411 thousand), respectively.

10. INVENTORIES

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Raw materials	\$ 83,993	\$ 326,439	\$ 58,727	\$ 244,392
Work-in-progress	60,440	234,900	30,111	125,307
Finished goods	18,869	73,334	26,614	110,754
Goods in transit	<u>7,399</u>	<u>28,756</u>	<u>4,425</u>	<u>18,415</u>
	<u>\$ 170,701</u>	<u>\$ 663,429</u>	<u>\$ 119,877</u>	<u>\$ 498,868</u>

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2017 and 2016 was HK\$728,618 thousand and HK\$541,422 thousand (equivalent to approximately NT\$2,856,693 thousand and NT\$2,283,606 thousand), respectively, which included HK\$2,189 thousand and HK\$3,802 thousand (equivalent to approximately NT\$8,582 thousand and NT\$16,036 thousand), write-down of impairment loss and inventories disposed, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2017 and 2016 was HK\$392,064 thousand and HK\$250,260 thousand (equivalent to approximately NT\$1,521,450 thousand and NT\$1,044,363 thousand), respectively, which included HK\$1,692 thousand and HK\$1,685 thousand (equivalent to approximately NT\$6,610 thousand and NT\$7,026 thousand), write-down of impairment loss and inventories disposed, respectively.

11. ASSETS HELD FOR SALE

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Land and buildings held for sale	\$ 4,342	\$ 16,875	\$ 387	\$ 1,611

The Group is expected to dispose the land and buildings, used as the Group's office premises in Hong Kong and staff quarters, within one year. The disposal plan has been approved by the board of directors of the Company, the above-mentioned assets, which originally recorded as property, plant and equipment, are reclassified to the assets held for sale at the book value.

In the first quarter of 2017, the gain on disposal of some of the assets held for sale was HK\$10,059 thousand (equivalent to approximately NT\$39,438 thousand), which recorded as other income.

12. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cost	\$ 486,711	\$ 1,891,602	\$ 466,402	\$ 1,940,933
Accumulated depreciation and impairment	(264,386)	(1,027,536)	(231,772)	(964,520)
Book value	\$ 222,325	\$ 864,066	\$ 234,630	\$ 976,413
Land and buildings	\$ 49,102	\$ 190,835	\$ 57,984	\$ 241,301
Machineries and office equipment	170,374	662,158	175,319	729,590
Construction in progress	2,849	11,073	1,327	5,522
Book value	\$ 222,325	\$ 864,066	\$ 234,630	\$ 976,413

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, 2016	\$ 134,148	\$ 571,081	\$ 361,346	\$ 1,538,286	\$ 1,165	\$ 4,960	\$ 496,659	\$ 2,114,327
Additions	320	1,330	13,606	56,576	2,586	10,753	16,512	68,659
Disposals	(1,335)	(5,551)	(11,751)	(48,862)	(286)	(1,189)	(13,372)	(55,602)
Reclassification	(1,122)	(4,665)	2,095	8,711	(2,095)	(8,711)	(1,122)	(4,665)
Effect of exchange rate changes	(7,982)	(46,048)	(24,250)	(135,447)	(43)	(291)	(32,275)	(181,786)
Balance at December 31, 2016	124,029	516,147	341,046	1,419,264	1,327	5,522	466,402	1,940,933
Additions	46	180	9,480	37,168	1,998	7,834	11,524	45,182
Disposals	-	-	(1,532)	(6,007)	-	-	(1,532)	(6,007)
Reclassification	(7,118)	(27,908)	613	2,403	(613)	(2,403)	(7,118)	(27,908)
Effect of exchange rate changes	4,451	(16,567)	12,847	(44,151)	137	120	17,435	(60,598)
Balance at June 30, 2017	\$ 121,408	\$ 471,852	\$ 362,454	\$ 1,408,677	\$ 2,849	\$ 11,073	\$ 486,711	\$ 1,891,602
Accumulated depreciation and impairment								
Balance at January 1, 2016	\$ 61,864	\$ 263,361	\$ 151,600	\$ 645,377	\$ -	\$ -	\$ 213,464	\$ 908,738
Depreciation	11,621	48,321	39,663	164,923	-	-	51,284	213,244
Disposals	(1,335)	(5,551)	(10,273)	(42,716)	-	-	(11,608)	(48,267)

(Continued)

	Land and Buildings		Machineries and Office Equipment		Construction in Progress		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
Reclassification	\$ (718)	\$ (2,986)	\$ -	\$ -	\$ -	\$ -	\$ (718)	\$ (2,986)
Effect of exchange rate changes	(5,387)	(28,299)	(15,263)	(77,910)	-	-	(20,650)	(106,209)
Balance at December 31, 2016	66,045	274,846	165,727	689,674	-	-	231,772	964,520
Depreciation	5,902	23,140	19,472	76,344	-	-	25,374	99,484
Disposals	-	-	(1,321)	(5,182)	-	-	(1,321)	(5,182)
Reclassification	(2,776)	(10,884)	-	-	-	-	(2,776)	(10,884)
Effect of exchange rate changes	3,135	(6,085)	8,202	(14,317)	-	-	11,337	(20,402)
Balance at June 30, 2017	<u>\$ 72,306</u>	<u>\$ 281,017</u>	<u>\$ 192,080</u>	<u>\$ 746,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,386</u>	<u>\$ 1,027,536</u>

(Concluded)

The management assessed that there was no impairment loss indicator for the six months ended June 30, 2017 and for the year ended December 31, 2016.

- c. The depreciation of property, plant and equipment is calculated on a straight-line basis over 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 depreciated over the lease period (43 to 50 years), and building improvements were depreciated over 2 to 10 years.
Machinery equipment	3 to 10 years
Office equipment	1 to 10 years

- d. Details of the land and buildings held by the Group as of June 30, 2017 and December 31, 2016 were as follows:

Company Name	Location	Description	Tenure/Unexpired Term
EAH	Room 1703, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. (Recorded as assets held for sale as of June 30, 2017.)	A 1,627 sq. ft. office.	Lease for a term of 46 years from April 4, 2001 to June 30, 2047.
	Room 1704, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. (Recorded as assets held for sale as of June 30, 2017.)	A 1,452 sq. ft. office.	Lease for a term of 47 years from March 13, 2000 to June 30, 2047.
	Room 1705, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. (Recorded as assets held for sale as of June 30, 2017.)	A 2,171 sq. ft. office.	Lease for a term of 43 years from June 30, 2004 to June 30, 2047.
	Room 1706, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. (Recorded as assets held for sale as of June 30, 2017.)	A 1,452 sq. ft. office.	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.

(Continued)

Company Name	Location	Description	Tenure/Unexpired Term
	Room 1707, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. (Recorded as assets held for sale as of June 30, 2017.)	A 1,627 sq. ft. office.	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.
HYE A	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.)	A 177.67 level ground office (13.13 level ground land).	Acquired land and building on 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 24.

13. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Outlaw Audio Inc.	\$ 132	\$ 512	\$ 132	\$ 548
Audio Design Experts Inc.	11,506	44,721	10,998	45,768
HT Precision Technologies, Inc.	<u>17,042</u>	<u>66,232</u>	<u>15,915</u>	<u>66,232</u>
	<u>\$ 28,680</u>	<u>\$ 111,465</u>	<u>\$ 27,045</u>	<u>\$ 112,548</u>

Since the fair values of the Group's investments in non-publicly traded shares cannot be reliably measured, the investments are measured at the cost less any impairment.

14. INTANGIBLE ASSETS

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Goodwill	\$ 28,258	\$ 109,825	\$ 26,391	\$ 109,826
Technical knowledge (including capitalization of development expense)	22,552	87,648	17,974	74,799
Customer relationship	<u>6,567</u>	<u>25,523</u>	<u>6,405</u>	<u>26,654</u>
	<u>\$ 57,377</u>	<u>\$ 222,996</u>	<u>\$ 50,770</u>	<u>\$ 211,279</u>

a. Details of goodwill were as follows:

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Related to ScS	\$ 25,081	\$ 97,477	\$ 23,302	\$ 96,971
Related to HYDM	<u>3,177</u>	<u>12,348</u>	<u>3,089</u>	<u>12,855</u>
	<u>\$ 28,258</u>	<u>\$ 109,825</u>	<u>\$ 26,391</u>	<u>\$ 109,826</u>

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

Technical knowledge (including capitalization of development expense)	2-15 years
Customer relationship	9 years

15. PREPAYMENTS FOR LAND LEASE

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Prepayments for land lease - current	\$ 369	\$ 1,434	\$ 359	\$ 1,494
Prepayments for land lease - non-current	<u>17,643</u>	<u>68,570</u>	<u>17,580</u>	<u>73,159</u>
	<u>\$ 18,012</u>	<u>\$ 70,004</u>	<u>\$ 17,939</u>	<u>\$ 74,653</u>

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

16. BANK BORROWINGS

a. Short-term bank borrowings:

	June 30, 2017 (Reviewed)			December 31, 2016 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Factoring	4.29%-5.85%	\$ 3,464	\$ 13,463	4.21%-5.49%	\$ 2,358	\$ 9,813
Bank borrowings - secured	1.45%-4.63%	38,097	148,064	1.50%-4.63%	19,143	79,663
Bank borrowings - unsecured	1.8%-2.85%	115,502	448,898	1.52%-3.10%	81,713	340,049
Commercial paper - secured	1.8%	7,719	30,000	1.80%-1.92%	7,209	30,000
Other bank loans	2.27%-3.13%	39,615	153,964	1.98%-3.11%	84,354	351,040
Long-term borrowings due within 1 year - unsecured	2.1%-2.36%	9,476	36,828	1.56%-2.61%	17,992	74,873
Long-term borrowings due within 1 year - secured	4.63%	<u>2,057</u>	<u>7,995</u>	4.63%	<u>1,477</u>	<u>6,147</u>
		<u>\$ 215,930</u>	<u>\$ 839,212</u>		<u>\$ 214,246</u>	<u>\$ 891,585</u>

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

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

b. Long-term bank borrowings:

	June 30, 2017 (Reviewed)			December 31, 2016 (Audited)		
	Annual Interest Rate	HK\$	NT\$	Annual Interest Rate	HK\$	NT\$
Bank borrowings - secured	4.63%	\$ 5,934	\$ 23,062	4.63%	\$ 4,109	\$ 17,100
Bank borrowings - unsecured	2.1%-2.36%	<u>13,774</u>	<u>53,533</u>	1.56%-2.61%	<u>22,180</u>	<u>92,301</u>
		19,708	76,595		26,289	109,401
Less: Long-term bank borrowings due within 1 year		<u>(11,533)</u>	<u>(44,823)</u>		<u>(19,469)</u>	<u>(81,020)</u>
		<u>\$ 8,175</u>	<u>\$ 31,772</u>		<u>\$ 6,820</u>	<u>\$ 28,381</u>

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

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

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Due within 2 to 5 years	<u>\$ 8,175</u>	<u>\$ 31,772</u>	<u>\$ 6,820</u>	<u>\$ 28,381</u>

c. The detail of the Group's pledged assets for obtaining bank facilities please refer to Note 24.

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:

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Accrued salaries	\$ 35,421	\$ 137,664	\$ 37,502	\$ 156,064
Accrued dividend	17,690	68,267	-	-
Temporary receivables (Note 1)	17,954	69,778	17,633	73,380
ScS investment payable -				
current (Note 2)	4,759	18,496	8,814	36,679
Accrued molding payable	-	-	618	2,572
Accrued commission expenses	333	1,294	-	-
Other payable	<u>32,523</u>	<u>126,396</u>	<u>39,374</u>	<u>163,855</u>
	<u>\$ 108,680</u>	<u>\$ 421,895</u>	<u>\$ 103,941</u>	<u>\$ 432,550</u>

Note 1: Temporary receivables are mainly sample fee, test fee, safety certification fee, etc. received in advance. Since the Group supplies 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 customer confirms the completion of the project, the Group will reverse the aforementioned temporary payments and temporary receivables at the same time and the differences are recorded as income.

Note 2: 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. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

ETT adopts a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in PRC, Hong Kong and Denmark are members of a state-managed retirement benefit plan operated by the government of PRC, Hong Kong and Denmark. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

In accordance with the Labor Standard Law, ETT adopts a defined benefit plan which is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. ETT contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

19. EQUITY

a. Share capital

The initial setup capital of the Company is NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of June 30, 2017 and December 31, 2016 was NT\$614,980 thousand and NT\$615,020 thousand (equivalent to approximately HK\$162,622 thousand and HK\$162,632 thousand), divided into 61,498 thousand shares and 61,502 thousand shares (including restricted shares for employees 748 thousand shares and 752 thousand shares, respectively, please refer to Note 19(e). for details), each with a nominal amount of NT\$10 per share. All of the shares are ordinary shares, carrying the rights to vote and receive dividend.

b. Treasury shares

Purpose of Buy-back	Shares Held (In Thousands of Shares)
Shares Transferred to Employees	300
Shares Held by Its Subsidiaries	<u>453</u>
Number of shares as of June 30, 2017 and December 31, 2016	<u><u>753</u></u>

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

June 30, 2017 (Reviewed)

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\$3,497 thousand (equivalent to approximately NT\$13,590 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.

c. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to 10% of the Company's capital annually. As of June 30, 2017 and December 31, 2016, the capital surplus of the Company was NT\$756,836 thousand and NT\$756,922 thousand (equivalent to approximately HK\$200,379 thousand and HK\$200,400 thousand). The details were as follows:

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>				
Arising from issuance of common share	\$ 193,698	\$ 729,815	\$ 193,698	\$ 729,815
Cash dividend received from treasury shares	897	3,631	897	3,631
<u>May not be used for any purpose</u>				
Arising from employee restricted shares	<u>5,784</u>	<u>23,390</u>	<u>5,805</u>	<u>23,476</u>
	<u>\$ 200,379</u>	<u>\$ 756,836</u>	<u>\$ 200,400</u>	<u>\$ 756,922</u>

d. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining net profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The remaining net profit in a fiscal year could be distributed by the Company, subject to the following requirements:

The dividends/bonus distribution to the shareholders under this clause shall not be less than 30% of the remaining net profit for the period, and the cash dividend shall not be less than 50% of the total dividends/bonus distribution and the remaining distribution may be in shares dividends. For information about the accrual basis of the employees' and directors' remuneration and the actual appropriations, please refer to Note 20(c) for details.

The appropriations of earnings for 2016 and 2015 were approved in the shareholders' meeting on June 8, 2017 and May 11, 2016, respectively. Details of the dividend per share of the earnings appropriations for 2016 and 2015 of the Company were as follows:

	2016
Ordinary share dividend - cash	NT\$1.11 per share, totaling NT\$68,267 thousand

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

Exchange differences on translating foreign operations

Exchange differences on translation foreign operations which are derived from the exchange difference of net assets of the Group's foreign operations between their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. When all or part of the foreign operations are disposed, exchange differences previously accumulated in the foreign currency translation reserve will be 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 shall be appropriated to the legal reserve. However, according to the Articles of the Company revised in June 2013, the Company is not required to appropriate 10% of the legal reserve. Legal reserve is used to offset loss.

Subsidiaries in China shall appropriate reserve fund (recognized under legal reserves) and provide employees' award and benefit fund (recognized under liabilities items) from the profit after tax in accordance to Section 58 of the "Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises", subject to a proportion of no less than 10% of the profit after tax. No appropriation shall be made when the accumulated amount reaches 50% of the registered capital. The provision in respect of employees' award and benefit fund shall be determined by the Company upon passing of directors' resolution, however, it has not yet been approved as at June 30, 2017.

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

Information on restricted shares plan for employees was as below:

Approved Date	Grant Shares (Thousand)	Grant Date	Issued Date	Issued Shares (Thousand)	Issued Price	Fair Value
2015/05/12	252	2015/06/02	2015/06/02	252	\$ -	NT\$60.60 (equivalent to approximately HK\$15.22)
2016/05/11	500	2016/12/20	2016/12/20	500	-	NT\$31.45 (equivalent to approximately HK\$7.63)
2017/06/08	500	Note	Note	Note	-	Note

Note: Restricted shares will be issued one time or multiple times, based on the actual need after the Company reported to competent authority and the regulation put into effect.

To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period, as follows:

- 1) Remain employed by the Company within one year after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;
- 2) Remain employed by the Company within two years after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;
- 3) Remain employed by the Company within three years after grant date; and performance rating of “A” - 25% of restricted shares will be vested.
- 4) Remain employed by the Company within four years after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;

In addition to the vesting conditions, the limitations are as follows:

- 1) Employees, except for inheritance, should not sell, transfer, pledge, donate or dispose of the shares in any other way.
- 2) The shares should be held in trust.
- 3) Except for the above two restrictions, other rights of restricted shares plan for employees, including but not limited to, dividends, share options of cash capital and voting rights of shareholders, etc. are the same as the Group’s issued ordinary shares.
- 4) When employees do not reach the vesting conditions of restricted shares plan for employees, the Company will retrieve and cancel the shares.

Information on restricted shares plan for employees was as follows:

	<u>Number of Shares (In Thousands)</u>	
	For the Six Months Ended June 30, 2017	For the Year Ended December 31, 2016
Balance at the beginning of the period	689	252
Granted	-	500
Vested	(63)	(63)
Forfeited	<u>(4)</u>	<u>-</u>
Balance at the end of the period	<u><u>622</u></u>	<u><u>689</u></u>

20. CONSOLIDATED NET PROFIT

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

a. Operating income

	For the Six Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Traditional Speakers	\$ 116,771	\$ 457,824	\$ 138,335	\$ 583,469
Speakers and Audio Products with Electronics	508,538	1,993,825	292,196	1,232,424
Wireless Speakers	15,328	60,096	23,522	99,211
Earphones	67,202	263,479	49,841	210,219
Premium Speakers	29,070	113,975	44,670	188,409
Others	<u>85,535</u>	<u>335,357</u>	<u>77,264</u>	<u>325,885</u>
	<u>\$ 822,444</u>	<u>\$ 3,224,556</u>	<u>\$ 625,828</u>	<u>\$ 2,639,617</u>

	For the Three Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Traditional Speakers	\$ 62,118	\$ 240,994	\$ 51,637	\$ 214,465
Speakers and Audio Products with Electronics	274,051	1,063,521	141,317	590,253
Wireless Speakers	7,760	30,071	11,758	49,141
Earphones	40,233	156,482	23,679	98,868
Premium Speakers	15,531	60,260	23,097	96,590
Others	<u>41,355</u>	<u>160,078</u>	<u>38,863</u>	<u>162,443</u>
	<u>\$ 441,048</u>	<u>\$ 1,711,406</u>	<u>\$ 290,351</u>	<u>\$ 1,211,760</u>

b. Depreciation and amortization expenses

	For the Six Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 25,374	\$ 99,484	\$ 26,743	\$ 112,797
Amortization of other intangible assets	2,490	9,763	1,640	6,917
Amortization of prepayments for lease	<u>269</u>	<u>1,055</u>	<u>276</u>	<u>1,164</u>
	<u>\$ 28,133</u>	<u>\$ 110,302</u>	<u>\$ 28,659</u>	<u>\$ 120,878</u>

	For the Three Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 12,147	\$ 47,007	\$ 13,006	\$ 54,330
Amortization of other intangible assets	1,503	5,847	783	3,269
Amortization of prepayments for lease	<u>135</u>	<u>523</u>	<u>138</u>	<u>577</u>
	<u>\$ 13,785</u>	<u>\$ 53,377</u>	<u>\$ 13,927</u>	<u>\$ 58,176</u>

c. Remuneration of directors and key management and employees' benefits

	For the Six Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 17,593	\$ 68,977	\$ 17,043	\$ 71,884
Post-employment benefits	384	1,506	356	1,502
Share-based payments	518	2,085	357	1,424
Employees' benefits				
Short-term benefits	155,891	611,202	135,449	571,297
Post-employment benefits	8,588	33,671	8,316	35,075
Share-based payments	<u>434</u>	<u>1,772</u>	<u>122</u>	<u>485</u>
	<u>\$ 183,408</u>	<u>\$ 719,213</u>	<u>\$ 161,643</u>	<u>\$ 681,667</u>

	For the Three Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management				
Short-term benefits	\$ 9,598	\$ 37,258	\$ 9,625	\$ 40,312
Post-employment benefits	207	804	188	787
Share-based payments	259	1,043	179	712
Employees' benefits				
Short-term benefits	80,608	312,524	63,011	262,986
Post-employment benefits	4,291	16,623	4,304	17,999
Share-based payments	<u>215</u>	<u>877</u>	<u>61</u>	<u>243</u>
	<u>\$ 95,178</u>	<u>\$ 369,129</u>	<u>\$ 77,368</u>	<u>\$ 323,039</u>

Under the Company's Article of Incorporation, the Company should distribute employees' remuneration at the rates no less than 1% and no higher than 15% and remuneration of directors and supervisors at the rates no higher than 2%, respectively, of net profit before income tax, employees' and director's remuneration.

For the six months ended June 30, 2017, the Company was in loss, therefore, the Company did not accrue employees' and directors' remuneration based on the article.

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

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 appropriations of employees' and directors' remuneration for 2016 and 2015 having been resolved by the board of directors on February 20, 2017 and annual shareholders' meetings on May 12, 2016, respectively, were as below:

	2016
Directors' remuneration - cash	HK\$945 thousand (equivalent to approximately NT\$3,929 thousand)
Employees' remuneration - cash	HK\$2,855 thousand (equivalent to approximately NT\$11,869 thousand)
	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)

There was no difference between the actual amounts of employees' and directors' remuneration paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' remuneration and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other income

	For the Six Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Project service income	\$ 1,049	\$ 4,113	\$ 3,385	\$ 14,277
Interest income	331	1,298	301	1,270
Rental income	143	561	137	578
Scrap income	876	3,435	1,706	7,196
Gain on disposal of assets held for sale	10,059	39,438	-	-
Gain on disposal of property, plant and equipment	32	125	28	119
Net gain on financial assets at fair value through profit or loss	16	63	3,415	14,404
Others	<u>3,718</u>	<u>14,576</u>	<u>3,539</u>	<u>14,925</u>
	<u>\$ 16,224</u>	<u>\$ 63,609</u>	<u>\$ 12,511</u>	<u>\$ 52,769</u>

	For the Three Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Project service income	\$ 820	\$ 3,204	\$ 693	\$ 2,819
Interest income	201	782	157	657
Rental income	72	279	69	289
Scrap income	465	1,804	1,475	6,213
Gain on disposal of property, plant and equipment	26	101	-	-
Net gain on financial assets at fair value through profit or loss	10	39	3,091	13,025
Others	<u>1,698</u>	<u>6,094</u>	<u>3,401</u>	<u>14,339</u>
	<u>\$ 3,292</u>	<u>\$ 12,303</u>	<u>\$ 8,886</u>	<u>\$ 37,342</u>

e. Other losses

	For the Six Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on scrap and disposal of property, plant and equipment	\$ 200	\$ 784	\$ 155	\$ 654
Other	<u>111</u>	<u>435</u>	<u>1</u>	<u>4</u>
	<u>\$ 311</u>	<u>\$ 1,219</u>	<u>\$ 156</u>	<u>\$ 658</u>

	For the Three Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on scrap and disposal of property, plant and equipment	\$ 162	\$ 628	\$ 77	\$ 322
Other	<u>-</u>	<u>-</u>	<u>1</u>	<u>4</u>
	<u>\$ 162</u>	<u>\$ 628</u>	<u>\$ 78</u>	<u>\$ 326</u>

f. Finance costs

	For the Six Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 3,593</u>	<u>\$ 14,087</u>	<u>\$ 3,582</u>	<u>\$ 15,108</u>

	For the Three Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	<u>\$ 1,786</u>	<u>\$ 6,918</u>	<u>\$ 1,737</u>	<u>\$ 7,255</u>

21. INCOME TAXES

a. Income tax expense recognized in profit or loss

	For the Six Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Income tax consist of:				
For current period	\$ 3,413	\$ 13,381	\$ 2,566	\$ 10,822
Adjustment for prior years	1,174	4,603	1,281	5,403
Deferred tax benefit	<u>(228)</u>	<u>(894)</u>	<u>(429)</u>	<u>(1,809)</u>
Income tax expenses	<u>\$ 4,359</u>	<u>\$ 17,090</u>	<u>\$ 3,418</u>	<u>\$ 14,416</u>

	For the Three Months Ended June 30			
	2017 (Reviewed)		2016 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Income tax				
For current period	\$ 635	\$ 2,360	\$ 1,027	\$ 4,272
Adjustment for prior years	519	2,004	1,281	5,403
Deferred tax benefit	<u>(64)</u>	<u>(243)</u>	<u>(30)</u>	<u>(111)</u>
Income tax expenses	<u>\$ 1,090</u>	<u>\$ 4,121</u>	<u>\$ 2,278</u>	<u>\$ 9,564</u>

The Group uses the estimated effective annual interest rate and calculating the income tax expense of each interim period. Therefore, the Group is unable to disclose the difference between the accounting income and the taxable income.

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

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

In accordance with Enterprise Income Tax Law of the PRC, effective on 2008 and taxation on the interpretations and implementation of some clauses in the arrangement between the Mainland of China and Hong Kong Special Administrative Region on the avoidance of double taxation. If foreign dividends allocated to the Hong Kong company meets certain conditions the Department of 5% levy tax earnings distribution.

The local tax rate in Denmark is 22%. 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.

22. EARNINGS (LOSS) 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)	(Loss) Earnings Per Share (Dollars)	
	HK\$	NT\$		HK\$	NT\$
For the six months ended <u>June 30, 2017</u>					
Basic earnings (loss) per share (Note)					
Net loss attributable to owner of the Company	<u>\$ (8,442)</u>	<u>\$ (33,272)</u>	<u>60,748</u>	<u>\$ (0.14)</u>	<u>\$ (0.55)</u>
For the six months ended <u>June 30, 2016</u>					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	<u>\$ 267</u>	<u>\$ 1,239</u>	<u>60,249</u>	<u>\$ -</u>	<u>\$ 0.02</u>

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

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Loss Per Share (Dollars)	
	HK\$	NT\$		HK\$	NT\$
For the three months ended <u>June 30, 2017</u>					
Basic earnings (loss) per share (Note)					
Net loss attributable to owner of the Company	<u>\$ (10,737)</u>	<u>\$ (42,325)</u>	<u>60,747</u>	<u>\$ (0.18)</u>	<u>\$ (0.70)</u>
For the three months ended <u>June 30, 2016</u>					
Basic earnings (loss) per share (Note)					
Net loss attributable to owner of the Company	<u>\$ (2,901)</u>	<u>\$ (12,310)</u>	<u>60,249</u>	<u>\$ (0.05)</u>	<u>\$ (0.20)</u>

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, and there is no dilutive effect on earnings (loss) per share.

23. RELATED-PARTY TRANSACTIONS

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

a. Payable to related parties

Related Party Categories	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other payables				
Related company - Luster Green Limited	\$ -	\$ -	\$ 8,920	\$ 37,120

Other payables include payable for acquiring ETT Group and the temporary payable for ETT Group's derivative financial instruments.

b. Remuneration of key management personnel

The remuneration of directors and key management was determined by the remuneration committee based on the performance of individuals and market trends. Please refer to Note 20(c), for details.

24. RESTRICTED ASSETS

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

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other intangible assets	\$ 5,156	\$ 20,039	\$ 4,451	\$ 18,523
Accounts receivable with recourse	4,480	17,412	3,381	14,070
Property, plant and equipment	6,353	24,691	7,356	30,611
Inventories and other assets	15,172	58,966	14,073	58,565
Pledge deposits (recognized under restricted assets - current)	<u>3,573</u>	<u>13,886</u>	<u>1,397</u>	<u>5,814</u>
	<u>\$ 34,734</u>	<u>\$ 134,994</u>	<u>\$ 30,658</u>	<u>\$ 127,583</u>

25. 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

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Within 1 year	\$ 8,332	\$ 32,382	\$ 7,462	\$ 31,053
More than 1 year and within 5 years	13,878	53,937	13,966	58,120
More than 5 years	<u>15,059</u>	<u>58,527</u>	<u>15,226</u>	<u>63,363</u>
	<u>\$ 37,269</u>	<u>\$ 144,846</u>	<u>\$ 36,654</u>	<u>\$ 152,536</u>

Rental expenses of the Group arising from operating leases for six months ended June 30, 2017 and 2016 amounted to HK\$3,731 thousand and HK\$4,149 thousand (equivalent to approximately NT\$14,628 thousand and NT\$17,500 thousand), respectively.

26. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil in the first half of 2017. The status of litigation in the current phase please refers to Note 26(a), of the consolidated financial statements for the year ended December 31, 2016.

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

27. 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, 2016. 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 shares 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 equivalents, accounts receivable, net, other financial assets, notes and accounts payable, 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 equivalents, 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, and the approach how the management monitor the risks in order to adopt timely, appropriate and effective measures.

d. Financial risk information

Based on the internal report containing analysis of exposure of and amount involved in risks by financial units, the Group monitors and manages financial risks relating to the enterprise as a whole, the domestic and international financial market and the operations of the Group. These risks include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Financial units of the Group constantly report to the management. Management will then monitor the risks and execute policies according to its duties and responsibilities so as to mitigate exposure.

There is no change on the Group's type of exposure and its management and measurement thereof.

1) Market risk

The Group's financial instrument transaction is exposed to foreign exchange risk and interest rate risk (refer to (2) and (3) below).

2) Foreign exchange risk

The Group has foreign currency-denominated transactions that are exposed to the risk caused by fluctuation of exchange rates in the market. To monitor the risk, the responsible team of the Group reviews constantly the portion of assets and liabilities that are exposed to the risk and makes appropriate adjustment so as to control any risk arising from fluctuation of exchange rates.

Since the principal currency of the Group is the U.S. dollar, thus the Group is exposed to risk of exchange rate fluctuation. Fortunately, the risk is mitigated as the majority of receivables and payables and bank borrowings are denominated in U.S. dollar.

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

	Assets			
	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 326,804	\$ 1,270,124	\$ 319,479	\$ 1,329,512
HKD	<u>591</u>	<u>2,297</u>	<u>624</u>	<u>2,597</u>
	<u>\$ 327,395</u>	<u>\$ 1,272,421</u>	<u>\$ 320,103</u>	<u>\$ 1,332,109</u>

	Liabilities			
	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 285,431	\$ 1,109,328	\$ 276,463	\$ 1,150,501
HKD	<u>50,494</u>	<u>196,245</u>	<u>51,303</u>	<u>213,497</u>
	<u>\$ 335,925</u>	<u>\$ 1,305,573</u>	<u>\$ 327,766</u>	<u>\$ 1,363,998</u>

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

	Currency USD Impact		Currency USD Impact	
	For the Six Months Ended		For the Year Ended	
	June 30, 2017		December 31, 2016	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ 2,069</u>	<u>\$ 8,040</u>	<u>\$ 2,151</u>	<u>\$ 8,951</u>

	Currency HKD Impact		Currency HKD Impact	
	For the Six Months Ended		For the Year Ended	
	June 30, 2017		December 31, 2016	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ (2,495)</u>	<u>\$ (9,697)</u>	<u>\$ (2,534)</u>	<u>\$ (10,545)</u>

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

3) Interest rate risk

Management of interest rate risk

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

Sensitivity analysis of interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss

before tax of the Group for the six months ended June 30, 2017 and for the year ended December 31, 2016 would have been decreased by HK\$246 thousand and HK\$25 thousand (equivalent to approximately NT\$958 thousand and NT\$106 thousand), respectively.

4) Credit risk

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

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

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

5) Liquidity risk

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

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

Unit: H.K. Dollars

	June 30, 2017 (Reviewed)				
	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 357,272	\$ -	\$ -	\$ 357,272
Other payables	-	108,680	-	-	108,680
<u>Interest bearing liabilities</u>					
Bank borrowings	2.55%	221,454	8,385	-	229,839

December 31, 2016 (Audited)

	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 294,686	\$ -	\$ -	\$ 294,686
Other payables to related parties	-	8,920	-	-	8,920
Other payables	-	103,941	-	-	103,941
<u>Interest bearing liabilities</u>					
Finance lease payables	-	185	-	-	185
Bank borrowings	2.39%	219,366	6,983	-	226,349

Unit: N.T. Dollars

June 30, 2017 (Reviewed)

	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 1,388,538	\$ -	\$ -	\$ 1,388,538
Other payables	-	421,895	-	-	421,895
<u>Interest bearing liabilities</u>					
Bank borrowings	2.55%	860,681	32,588	-	893,269

December 31, 2016 (Audited)

	Effective Interest Rate	Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 1,226,336	\$ -	\$ -	\$ 1,226,336
Other payables to related parties	-	37,120	-	-	37,120
Other payables	-	432,550	-	-	432,550
<u>Interest bearing liabilities</u>					
Finance lease payables	-	770	-	-	770
Bank borrowings	2.39%	912,892	29,060	-	941,952

e. Financial facilities

1) Bank overdraft facility

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Unsecured bank overdraft facility				
Amount unused	<u>\$ 600</u>	<u>\$ 2,332</u>	<u>\$ 600</u>	<u>\$ 2,497</u>

2) Bank borrowings

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Secured borrowings				
Amount unused	<u>\$ 73,170</u>	<u>\$ 284,375</u>	<u>\$ 76,702</u>	<u>\$ 319,195</u>
Unsecured borrowings				
Amount unused	<u>\$ 314,042</u>	<u>\$ 1,220,524</u>	<u>\$ 335,810</u>	<u>\$ 1,397,473</u>

f. Significant assets and liabilities denominated in foreign currencies

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

June 30, 2017

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 31,316	HKD	30.41	\$ 952,318
USD	9,129	NTD	30.41	277,620
USD	1,148	RMB	30.41	34,924
USD	<u>173</u>	DKK	30.41	<u>5,262</u>
	<u>\$ 41,766</u>			<u>\$ 1,270,124</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 16,735	HKD	30.41	\$ 508,902
USD	14,192	RMB	30.41	431,565
USD	5,334	NTD	30.41	162,207
USD	<u>219</u>	DKK	30.41	<u>6,654</u>
	<u>\$ 36,480</u>			<u>\$ 1,109,328</u>
HKD	<u>\$ 50,493</u>	RMB	3.8865	<u>\$ 196,245</u>

December 31, 2016

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 30,819	HKD	32.235	\$ 993,459
USD	10,009	NTD	32.235	322,624
USD	245	RMB	32.235	7,886
USD	<u>172</u>	DKK	32.235	<u>5,543</u>
	<u>\$ 41,245</u>			<u>\$ 1,329,512</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 23,802	HKD	32.235	\$ 767,260
USD	9,573	RMB	32.235	308,592
USD	2,070	NTD	32.235	66,738
USD	<u>245</u>	DKK	32.235	<u>7,911</u>
	<u>\$ 35,690</u>			<u>\$ 1,150,501</u>
HKD	<u>\$ 51,302</u>	RMB	4.1615	<u>\$ 213,497</u>

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

Information of foreign exchange gains and losses are as follow:

	For the Six Months Ended June 30			
	2017		2016	
	HK\$	NT\$	HK\$	NT\$
Realized foreign exchange gains	\$ 3,811	\$ 14,942	\$ 2,605	\$ 10,987
Unrealized foreign exchange losses	<u>(6,638)</u>	<u>(26,026)</u>	<u>(624)</u>	<u>(2,632)</u>
	<u>\$ (2,827)</u>	<u>\$ (11,084)</u>	<u>\$ 1,981</u>	<u>\$ 8,355</u>

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

g. Information of transferred financial assets

As of June 30, 2017 and December 31, 2016, the Group entered into several trade receivable factoring agreements with the banks. 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 uncollected at maturity, the bank has the right to request the Group to repay the unsettled difference. As the Group has not transferred the significant risks and rewards relating to these trade receivables, the Group continues to recognize the full carrying amount of the receivables and the factoring amount as secured bank borrowings.

As of June 30, 2017 and December 31, 2016, 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 24, respectively.

28. 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, there is no other segment which has allocated resources or whose performance has been assessed other than processing of speaker systems, earphones and AV electronics products.

Since the Group's speaker systems, earphones and AV electronics sectors have been fully integrated and centrally managed and the financial management information provided to chief decision maker has also been changed to a single segment, the entire Group's resources to be allocated to and evaluates the overall performance, no longer distinguish from the speaker system, headphones and audio-visual electronic sector. As a result, the operating information to the chief decision maker for periodical review is measured in the same way as the financial statements, which is reported by a single segment. For the six months ended June 30, 2017 and 2016, the revenue and operating results of the operating segment can be found in the consolidated income statement for the period from January 1 to June 30, 2017 and 2016. The product revenue will be divided into the following: Traditional Speakers, Speakers and Audio Products with Electronics, Wireless Speakers, Earphones, Premium Speakers, and other products (see Note 20).