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

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Eastech Holding Limited (Formerly known as Eastern Technologies Holding Limited)

Opinion

We have audited the accompanying consolidated financial statements of Eastech Holding Limited, formerly known as Eastern Technologies Holding Limited ("Eastech") and subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC).

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As stated in Note 26(a) to the consolidated financial statements, as of December 31, 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$32,992 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

<u>Revenue Recognition</u>

The Group is the original equipment and design (OEM/ODM) manufacturer of speaker systems, and AV electronics products. Major customers are internationally renowned audio-visual brand enterprises and not related to each other.

Based on the importance of revenue, it is presumed there is a significant risk in revenue recognition because of the pressure from management for achieving the planned results. The main risk is whether revenue occurs. Please refer to Note 4 to the consolidated financial statements for the accounting policy about revenue.

Our key audit procedures performed in respect of the above area included the following:

1. The Group is an OEM/ODM manufacturer, its business model is according to the orders of the brand customers for stock preparation and production. Our focus is whether the sales have actually been supported by the valid orders from international brand enterprises.

2. The tests for internal control include: Whether the sales orders have been supported by a corresponding orders from international brand enterprises, whether the sales orders are approved by the appropriate supervisor, delivery orders are approved by the unit manager and signed by the customer. And check cash receipt is consistent with sale customers. When the cash receipt is not related to the sale customers, we will perform further procedures to understand and investigate the transaction.

3. Perform the following analytical procedures:

   Analysis for revenue of major customers in the current year compared to prior year.
   Analysis for revenue of major products in the current year compared to prior year.

4. We performed testing over major customer contracts by reviewing the terms and conditions of sale, agreeing the accounting treatment and revenue recognition applied; and assessing if IAS 18 is complied with.

<u>Impairment on Intangible Assets (Including Goodwill)</u>

According to the accounting standards, management is required to carry out an annual impairment test which incorporates judgements based on assumptions about future profitability for the related businesses against which appropriate long-term growth rates and discount rates must be applied.

We focus on this risk because it involves a lot of judgements which includes forecasting the future results of the business by estimating future cash flows, profit margins and inflation rates and determining the discount rates for the calculations. No impairment loss has been recognized in current year after the assessment by management.

In addition to considering the need for any impairment loss, we focused on these disclosures because they form a valuable communication and enable the users of the financial statements to understand the basis for management of whether or not an impairment was needed. Please refer to Notes 4 and 14 to the consolidated financial statement for related accounting policy and relevant disclosure information.

Our key audit procedures performed in respect of the above area included the following:

1. We tested the design and implementation of management's key controls around testing the assessment of the recoverability of goodwill and other intangible assets.

2. As part of this process, we obtained copies of the valuation models used to determine the recoverable amount of each cash generating unit and tested the arithmetical accuracy of the models.

3. We challenged the assumptions underpinning the models, including the discount rates used, long-term growth rates and cash flow forecasts. This was achieved through assessment of the reasonableness of forecast future cash flows by comparison to historical performance and future outlook; and discussions with management.

4. We performed further sensitivity analysis taking into account the historical forecasting accuracy of the Group recognizing its recent performance. We evaluated the appropriateness and year-on-year consistency of underlying assumptions applied.

5. We considered the related disclosures to the financial statements by checking if they complied with the requirements of IFRSs.

Capitalization of Expenditure Under Development Stage

With the continuous development of technology, audio and video electronics products continue to weed through the old to bring forth the new. Electronic engineering research and development team needs to spend more cost to improve materials, devices, new products substantially. In addition, the production lines also need to have different configurations in order to match with the different electronic circuit design.

Consider the development expenditure is to cope with the order needs of the international brand enterprises, the management has capitalized certain expenditure under development stage (in accordance with certain conditions met) in order to reflect the financial status of the Group objectively and meet the matching principle of income and expenses. In this way, it will make successful development cost (recorded under intangible assets) closer to its actual value. And it will be amortized gradually over the future production and delivery.

We focus on this risk because certain specific conditions under IFRSs should be met for capitalization of development costs. And it must have appropriate internal control systems and effective implementation to ensure the reality and reasonableness of the development expenditure capitalized. Please refer to Notes 4 and 14 to the consolidated financial statement for related accounting policy and relevant disclosure information.

Our key audit procedures performed in respect of the above area included the following:

1. Considering the Group is an OEM/ODM manufacturer. The value chain activities include product design and development in addition to manufacturing. The focus of the capitalization is whether it has future economic benefits.

2. Discuss with the management and understand the expenditure at the development stage and assess whether the conditions of IAS 38 intangible assets are met.

3. Testing for internal controls includes sampling development list whether future orders support those new models (future economic benefits assessment).

4. Whether the capitalization of development expenditures ceases immediately when it is formally produced and whether the amortization period of intangible assets is consistent with the production and sales plan of the Group.

Impairment on Accounts Receivable

Accounts receivable accounted for significant balance of the Group's balance sheet, which is a significant asset.

The Group's major customers are internationally renowned audio-visual brand enterprises. The related accounts receivable are more concentrated, and the credit period of these international brands are longer. In addition, we are particularly concerned about this risk because the recoverability and impairment of accounts receivable involve management's judgements. Please refer to Notes 4 and 8 to the consolidated financial statement for related accounting policy and relevant disclosure information.

Our key audit procedures performed in respect of the above area included the following:

1. We tested the operating effectiveness of controls on the approval of credit limits for customers and monthly detailed review of the receivables ledger.

2. We evaluated the doubtful debt provision for accounts receivable by testing the aging of amounts due at the balance sheet date to understand and quantify the potential risk in overdue balances.

3. For amounts that were past due and not yet recovered we reviewed the customer's historic payment record and financial status to assess whether the overall doubtful debt accounts receivable provision is sufficient. In addition, we also tested by vouching cash receipts after the year end date to consider whether an additional provision is required.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS, IAS, IFRIC, and SIC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2018

Notice to Readers

For the convenience of readers, the accountants' audit report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants' audit report and consolidated financial statements shall prevail. Also, as stated in Note 30 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

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

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands)

	2017		2016	
ASSETS	**HK$**	**NT$**	**HK$**	**NT$**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 193,004	$ 735,808	$ 225,018	$ 936,412
Financial assets at fair value through profit or loss (Note 7)	51	194	40	166
Notes and accounts receivable, net (Notes 8 and 24)	440,917	1,680,952	272,062	1,132,186
Inventories (Notes 10 and 24)	167,256	637,647	119,877	498,868
Assets held for sale (Note 11)	-	-	387	1,611
Restricted assets (Notes 4 and 24)	1,315	5,013	1,397	5,814
Income tax refund recoverable	4,419	16,847	3,726	15,506
Other receivables and prepayments (Note 9)	94,290	359,471	59,965	249,544
Prepayments for land lease - current (Note 15)	385	1,468	359	1,494
Total current assets	901,637	3,437,400	682,831	2,841,601
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 12 and 24)	213,694	814,687	234,630	976,413
Financial assets measured at cost (Note 13)	29,029	110,670	27,045	112,548
Intangible assets (Notes 14 and 24)	65,213	248,618	50,770	211,279
Prepayments for land lease - non-current (Note 15)	17,893	68,215	17,580	73,159
Deferred tax assets (Notes 4 and 21)	2,855	10,884	3,119	12,980
Total non-current assets	328,684	1,253,074	333,144	1,386,379
TOTAL	$ 1,230,321	$ 4,690,474	$ 1,015,975	$ 4,227,980

	2017		2016	
LIABILITIES AND EQUITY	**HK$**	**NT$**	**HK$**	**NT$**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 16)	$ 258,219	$ 984,434	$ 214,246	$ 891,585
Notes and accounts payable (Note 17)	433,656	1,653,270	294,686	1,226,336
Other payables to related parties (Note 23)	-	-	8,920	37,120
Current tax liabilities (Notes 4 and 21)	3,675	14,011	6,252	26,018
Other payables (Note 17)	97,581	372,018	103,941	432,550
Finance lease payables	-	-	185	770
Total current liabilities	793,131	3,023,733	628,230	2,614,379
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Note 16)	4,210	16,050	6,820	28,381
Deferred tax liabilities (Notes 4 and 21)	28,854	110,003	27,621	114,945
Net defined benefit liabilities - non-current (Notes 4 and 18)	2,266	8,639	2,065	8,594
Total non-current liabilities	35,330	134,692	36,506	151,920
Total liabilities	828,461	3,158,425	664,736	2,766,299
EQUITY (Note 19)				
Share capital - common stock	163,891	619,860	162,632	615,020
Capital surplus	202,979	766,834	200,400	756,922
Treasury shares	(9,929)	(40,671)	(9,929)	(40,671)
Exchange differences on translating foreign operations	(21,289)	(69,570)	(56,697)	(80,307)
Employee unearned benefit	(7,799)	(30,955)	(6,093)	(24,787)
Retained earnings				
Legal reserve	12,143	49,775	9,669	39,411
Unappropriated earnings	61,864	236,776	51,257	196,093
Total equity	401,860	1,532,049	351,239	1,461,681
TOTAL	$ 1,230,321	$ 4,690,474	$ 1,015,975	$ 4,227,980

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

(With Deloitte & Touche audit report dated February 23, 2018)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands)

	2017		2016	
	HK$	**NT$**	**HK$**	**NT$**
NET-REVENUE (Notes 4 and 20)	$ 1,979,285	$ 7,694,273	$ 1,555,769	$ 6,469,043
COST OF REVENUE (Notes 10 and 20)	1,758,806	6,837,182	1,313,893	5,463,299
GROSS PROFIT	220,479	857,091	241,876	1,005,744
OPERATING EXPENSES				
Selling and distribution	40,955	159,208	33,535	139,442
General and administrative	179,088	696,493	182,835	760,078
Total operating expenses	220,043	855,701	216,370	899,520
PROFIT FROM OPERATIONS	436	1,390	25,506	106,224
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 20)	62,596	243,336	20,186	83,935
Foreign exchange (loss) gain, net	(10,709)	(41,630)	8,826	36,699
Finance costs (Note 20)	(7,370)	(28,650)	(7,015)	(29,169)
Other losses (Note 20)	(2,505)	(9,738)	(1,054)	(4,383)
Total non-operating income and expense	42,012	163,318	20,943	87,082
PROFIT BEFORE INCOME TAX	42,448	164,708	46,449	193,306
INCOME TAX (Notes 4 and 21)	(10,229)	(39,764)	(14,279)	(59,374)
NET PROFIT	32,219	124,944	32,170	133,932
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(1,448)	(5,630)	(600)	(2,497)
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	35,408	10,737	(29,924)	(160,645)
	33,960	5,107	(30,524)	(163,142)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 66,179	$ 130,051	$ 1,646	$ (29,210)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands)

	2017		2016	
	HK$	NT$	HK$	NT$
EARNINGS PER SHARE (Note 22)				
Basic earnings per share - after income tax	$0.53	$2.05	$0.53	$2.22
WEIGHTED AVERAGE NUMBER OF SHARES	60,807 thousand shares		60,270 thousand shares	

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

(With Deloitte & Touche audit report dated February 23, 2018) (Concluded)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of Hong Kong Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Retained Earnings		Total Equity
						Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2016	$ 161,418	$ 197,472	$ (9,929)	$ (26,773)	$ (3,275)	$ 5,526	$ 67,506	$ 391,945
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(43,676)	(43,676)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	325	-	-	-	-	-	325
Legal reserve of subsidiaries	-	-	-	-	-	4,143	(4,143)	-
Issuance of restricted shares for employees	1,214	2,603	-	-	(3,817)	-	-	-
Restricted shares plan for employees	-	-	-	-	999	-	-	999
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	32,170	32,170
Other comprehensive loss (net of income tax) for the year ended December 31, 2016	-	-	-	(29,924)	-	-	(600)	(30,524)
BALANCE AT DECEMBER 31, 2016	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)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	131	-	-	-	-	-	131
Legal reserve of subsidiaries	-	-	-	-	-	2,474	(2,474)	-
Issuance of restricted shares for employees	1,298	2,531	-	-	(3,829)	-	-	-
Retirement of restricted shares for employees	(39)	(83)	-	-	122	-	-	-
Restricted shares plan for employees	-	-	-	-	2,001	-	-	2,001
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	32,219	32,219
Other comprehensive income (loss) (net of income tax) for the year ended December 31, 2017	-	-	-	35,408	-	-	(1,448)	33,960
BALANCE AT DECEMBER 31, 2017	$ 163,891	$ 202,979	$ (9,929)	$ (21,289)	$ (7,799)	$ 12,143	$ 61,864	$ 401,860

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

(With Deloitte & Touche audit report dated February 23, 2018)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating Foreign Operations	Employee Unearned Benefit	Retained Earnings		Total Equity
						Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2016	$ 610,020	$ 744,831	$ (40,671)	$ 80,338	$ (13,044)	$ 22,178	$ 264,897	$ 1,668,549
Appropriation of 2015 earnings								
Cash dividends	-	-	-	-	-	-	(183,006)	(183,006)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	1,366	-	-	-	-	-	1,366
Legal reserve of subsidiaries	-	-	-	-	-	17,233	(17,233)	-
Issuance of restricted shares for employees	5,000	10,725	-	-	(15,725)	-	-	-
Restricted shares plan for employees	-	-	-	-	3,982	-	-	3,982
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	133,932	133,932
Other comprehensive loss (net of income tax) for the year ended December 31, 2016	-	-	-	(160,645)	-	-	(2,497)	(163,142)
BALANCE AT DECEMBER 31, 2016	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)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	505	-	-	-	-	-	505
Legal reserve of subsidiaries	-	-	-	-	-	10,364	(10,364)	-
Issuance of restricted shares for employees	5,000	9,750	-	-	(14,750)	-	-	-
Retirement of restricted shares for employees	(160)	(343)	-	-	503	-	-	-
Restricted shares plan for employees	-	-	-	-	8,079	-	-	8,079
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	124,944	124,944
Other comprehensive income (loss) (net of income tax) for the year ended December 31, 2017	-	-	-	10,737	-	-	(5,630)	5,107
BALANCE AT DECEMBER 31, 2017	$ 619,860	$ 766,834	$ (40,671)	$ (69,570)	$ (30,955)	$ 49,775	$ 236,776	$ 1,532,049

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

(With Deloitte & Touche audit report dated February 23, 2018)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands)

	2017		2016	
	HK$	NT$	HK$	NT$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	$ 42,448	$ 164,708	$ 46,449	$ 193,306
Adjustments for:				
Amortization - other intangible assets	6,949	27,014	3,414	14,196
Amortization - prepayment for land lease	544	2,115	546	2,270
(Reversal) provision of impairment loss on bad debt	(404)	(1,571)	1,297	5,393
Allowance for inventories provision and inventories write-off	7,116	27,663	7,961	33,103
Depreciation expenses	49,925	194,078	51,284	213,244
Loss on disposal of property, plant and equipment	1,867	7,258	1,022	4,250
Gain on disposal of financial assets at fair value through profit or loss	-	-	(3,624)	(15,069)
Gain on disposal of assets held for sale	(41,634)	(161,848)	-	-
Loss of write-off other intangible assets	1,040	4,043	-	-
Impairment loss of financial assets measured at cost	132	513	-	-
Interest expense	7,370	28,650	7,015	29,169
Interest income	(1,170)	(4,548)	(607)	(2,524)
Dividend income	(2,868)	(11,149)	(1,609)	(6,690)
Gain on reversal of investment payable	(3,652)	(14,197)	-	-
Employees expenses - restricted shares	2,001	8,079	999	3,982
Gain on fair value changes of financial instruments	(12)	(47)	(17)	(71)
Operating cash flows before working capital changes	69,652	270,761	114,130	474,559
Changes in operating assets and liabilities				
Notes and accounts receivable	(168,451)	(654,836)	77,039	320,336
Other receivable and prepayments	(34,325)	(133,435)	9,245	38,442
Inventories	(54,496)	(211,848)	9,837	40,903
Notes and accounts payable and other payables	140,205	545,033	(40,751)	(169,447)
Accounts payable from related parties	-	-	1,014	4,217
Net defined benefit liabilities	201	781	222	923
Cash (used in) generated from operations	(47,214)	(183,544)	170,736	709,933
Interest paid	(7,370)	(28,650)	(7,015)	(29,169)
Interest received	1,170	4,548	607	2,524
Dividend received	2,868	11,149	1,609	6,690
Income tax paid	(9,680)	(37,630)	(11,817)	(49,136)
Net cash (used in) generated from operating activities	(60,226)	(234,127)	154,120	640,842
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in investment payable	(14,671)	(57,032)	(11,718)	(48,725)
Payments for acquiring property, plant and equipment	(23,290)	(90,538)	(16,512)	(68,659)

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EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands)

	2017		2016	
	HK$	NT$	HK$	NT$
Decrease in restricted assets	$ 82	$ 319	$ 1,864	$ 7,751
Proceeds from disposal of property, plant and equipment	253	984	742	3,085
Proceeds from disposal of financial assets at fair value through profit or loss	-	-	9,359	38,916
Proceeds from disposal of assets held for sale	46,391	180,340	-	-
Increase in other intangible assets	(13,017)	(50,602)	(8,621)	(35,847)
Net cash used in investing activities	(4,252)	(16,529)	(24,886)	(103,479)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank borrowings	1,026,791	3,991,548	808,822	3,363,163
Repayments of bank borrowings	(990,155)	(3,849,129)	(846,403)	(3,519,428)
Payment under capital lease contract	(200)	(778)	(238)	(990)
Cash dividend	(17,690)	(68,267)	(43,676)	(183,006)
Cash dividend received from treasury shares	131	505	325	1,366
Net cash generated from (used in) financing activities	18,877	73,879	(81,170)	(338,895)
EFFECT OF EXCHANGE RATE CHANGES	13,587	(23,827)	(26,111)	(126,524)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32,014)	(200,604)	21,953	71,944
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	225,018	936,412	203,065	864,468
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 193,004	$ 735,808	$ 225,018	$ 936,412
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	$ 194,319	$ 740,821	$ 226,415	$ 942,226
Pledge deposits	(1,315)	(5,013)	(1,397)	(5,814)
Cash and cash equivalents	$ 193,004	$ 735,808	$ 225,018	$ 936,412

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

(With Deloitte & Touche audit report dated February 23, 2018) (Concluded)

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, production and sales of smart speakers and audio/video ("AV") electronics home entertainment systems.

The Group's principal places of operation are located in Hong Kong and Huizhou, Guangdong Province, China.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 23, 2018.

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 new, revised or amended standards or interpretations will not have a significant effect on the consolidated financial statements for the year ended December 31, 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
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
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
Amendments to IFRS 7 and IFRS 9 “Mandatory Effective Date and Transition Disclosures”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
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 19 “'Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “' Long-term Interests in Associates and Joint Ventures”	January 1, 2019
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 applied prospectively to clarification of the scope of the Standard that occur in annual periods beginning on or after January 1, 2017; the remaining amendments are applied retrospectively 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:

IFRS 9 “Financial Instruments” and Related Amendments

<u>Classification, measurement and impairment of financial assets</u>

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:

1) 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.

2) 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.

For the financial assets with credit losses at initial recognition, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group analyzed the facts and circumstances of its financial assets as of December 31, 2017 that exist at end of the period and performed an 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.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017		Reclassify		Adjustments Arising from Initial Application		Adjusted Carrying Amount as of January 1, 2018	
Impact on assets, liabilities and equity	HK$	NT$	HK$	NT$	HK$	NT$	HK$	NT$
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 17,373	$ 66,232	$ 4,528	$ 17,264	$ 21,901	$ 83,496
Financial assets at fair value through other comprehensive income - non-current	-	-	11,656	44,438	-	-	11,656	44,438
Financial assets measured at cost - non-current	29,029	110,670	(29,029)	(110,670)	-	-	-	-

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 aforementioned impact, as of the consolidated financial statements report date, the Group is continuingly 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

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. Historical cost is usually determined by the fair value of consideration paid upon obtaining of assets.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents, and assets held primarily for the purpose of trading or assets expected to be realized within 1 year after the reporting period; property, plant and equipment, goodwill and other assets that are not classified as current are classified as non-current. Current liabilities include liabilities held primarily for the purpose of trading, and liabilities due to be settled within 1 year after the reporting period, liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

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

b. Currency of the consolidated financial statements

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

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest December 31 2017	2016	Descriptions
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and earphones	100.00	100.00	The Company acquired EAH 100% ownership interest on March 31, 2011 and thereby obtained 100% controlling power over EAH and its subsidiaries.
EAH	Hymnario-EAW (Huiyang) Co., Ltd. ("HYHY")	Production and sales of speaker systems	100.00	100.00	〃
	Hui Yang Eastern Asia Electronics Co., Ltd. (the "HYEA")	Production, assembly and sales of speaker systems and accessories	100.00	100.00	〃
EAH	Huiyang Dongmei Audio Products Co., Ltd. (the "HYDM")	Production and sales of earphones	100.00	100.00	〃
EAH	Shenzhen MaliMaliBox Trading Corporation Limited ("SZMM")	Import and export trading of audio and earphones products and accessories	100.00	100.00	SZMM was established by EAH on November 13, 2013.
EAH	Scan - Speak A/S ("ScS")	Research, production and sales of high-end speakers	100.00	100.00	EAH acquired ScS 100% ownership interest on April 1, 2014.
EAH	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of smart speaker and AV electronics home entertainment system	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.

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest December 31 2017	2016	Descriptions
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speaker and AV electronics home entertainment system	100.00	100.00	〃
ETH	Eastech Electronics (Hui Yang) Co., Ltd. ("ETHY")	Production and sales of smart speaker and AV electronics home entertainment system	100.00	100.00	〃
ETH	Eastech Electronics (SG) Pte. Ltd. ("ETS")	System architecture/New product concepts/State-of-the-art products/Sound and acoustics advance technology	100.00	-	ETS was established by ETH in October 2017

(Concluded)

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

Revenue from the sales of goods is recognized when all the following conditions are satisfied:

a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Group; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant and Equipment

Land and buildings held for used in production or supply of goods or services, or for administrative purposes, are carried in consolidated balance sheet at cost less accumulated depreciation and accumulated impairment. Major upgrade and improvement are accounted as capital expense, while repair and maintenance are accounted as expenses for the period.

Properties in the course of construction for production, supply or administrative purposes are measured at cost, less any recognized impairment loss.

Machinery and office equipment are measured by cost less accumulated depreciation and accumulated impairment.

Depreciation of these assets (excluded freehold land and properties in the course of construction) is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of the year, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

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

Prepayments for Land Lease

If the lease land held for operation, the cost of payment is recorded as prepayments for land lease and it will be amortized over term of lease by using the straight-line method.

Goodwill

Goodwill arising from the acquisition of the company by the means to obtain the date of acquisition cost over the identifiable assets of the Group's subsidiaries recognized, liabilities and contingent liabilities in the net fair value. Goodwill is initially recognized as cost of assets and cost less any accumulated impairment losses to measure. When the acquired company is disposed, its goodwill should be derecognized and recognized in profit or loss for the period.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of the year, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Internally-generated intangible assets - research and development expenditure

   Expenditure on research activities is recognized as an expense in the period in which it is incurred.

   An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

   1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

   2) The intention to complete the intangible asset and use or sell it;

3) The ability to use or sell the intangible asset;

4) How the intangible asset will generate probable future economic benefits;

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

d. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Impairment of Assets

There is material impairment loss incurred if the recoverable amount of the asset (mainly property, plant and equipment and goodwill) is estimated to be less than its carrying amount, an impairment loss is recognized immediately in profit or loss. If the recoverable amount of the asset (excluding goodwill) increases subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

When conducting impairment test, goodwill should be allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination. Unless there is indication of impairment of the cash generating unit to which goodwill is belong, each cash generating unit shall be tested for impairment annually by comparing the carrying amount (including goodwill) to its recoverable amount. In case the recoverable amount is less than its carrying amount, the impairment loss shall first be allocated to goodwill of the cash generating unit to reduce its carrying amount. Afterwards, the remaining impairment loss shall be allocated to each asset under the cash generating unit based on the share of proportion of the carrying amount. The recognized impairment loss of goodwill will not be reversed.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

b. The Group as lessee

Assets held under finance lease are initially recognized as assets of the Company at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement Benefits

Except for partial employees of ETT adopt defined benefit retirement benefit plans, the rest of employees of ETT and employees in Hong Kong and Mainland China adopt defined contribution retirement benefit plans.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Defined benefit costs (including service cost, net interest and remeasurement) recognized under the defined benefit retirement benefit plans are determined by using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit asset are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit asset represents the actual deficit (surplus) in the Company’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

The Group maintains a Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme, according to the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Pursuant to the MPF Scheme, the contribution will be vested to the employees upon provision of services by the employees and when they are eligible to the benefits, and the cost incurred will be charged as expense.

To comply with the pension scheme requirements in the PRC, subsidiaries of the Group in PRC are required to contribute a specified percentage of payroll costs to the retirement plans operated by the relevant local authorities of the PRC.

Share-based Payment Arrangements - Restricted Shares for Employees

The fair value of share-based payment (equity settled) that will eventually vested and expected share is estimated at the grant date. The fair value is then expensed on a straight-line basis over the vesting period based on the Company’s estimate of equity instruments that will eventually vest, with a corresponding adjustment to other equity - employee unearned benefit. The fair value is recognized as an expense in full at the grant date when the share options are fully vested in grant date.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - restricted shares for employees.

Taxation

Income tax expense represents the sum of the current income tax and deferred tax.

a. Current income tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current income tax assets and liabilities on a net basis.

c. Current and deferred tax for the year

Current and deferred tax are recognized as an expenses or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. For items not recognized in profit and loss, its income tax will not be recognized in profit and loss.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

a. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period. Income or expense is recognized on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

b. Financial assets

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the carrying amount of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss. The financial assets are classified into "financial assets at fair value through profit or loss" and "loans and receivables" based on the nature and purpose of the financial assets at the time of initial recognition.

c. Derivative financial instruments

The Group enters into forward foreign exchange contract principally for the purpose of minimizing any risk that may arise from currency rate fluctuation and generating gains from currency exchange.

Derivative financial instruments are recognized at fair value upon inception of contract, and subsequently be measured at fair value as at balance sheet date. Difference between the carrying amount and the fair value is recognized in profit and loss.

If the maturity of derivative financial instruments is more than 12 months, or it is expected that the instrument will not be realized or settled within 12 months, the derivative financial instruments will be classified as non-current assets or liabilities, otherwise, it will be classified as current assets or liabilities.

d. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Apart from short-term receivables that are minimally affected by interest, loans and receivables (including cash and cash equivalents, trade debtors, other receivables, restricted assets and long-term receivables) are carried at amortized cost using the effective interest method, less any identified impairment loss.

e. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For financial assets, objective evidence of impairment could include:

1) Significant financial difficulty of the issuer or counterparty; or
2) Default or delinquency in interest or principal payments; or
3) It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of financial assets are reduced by impairment directly except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

f. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

g. Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of direct issue costs. The financial liabilities are classified into “financial liabilities at fair value through profit or loss” and “other financial liabilities.”

Other financial liabilities (including trade payables and other payables) are initially measured at fair value, net of transaction costs.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Borrowings are initially recognized at fair value less transaction costs. In subsequent periods, borrowings are measured at amortized cost using the effective interest method. Any difference between the actual proceeds less transaction costs and the settlement or redemption of borrowings is recognized over the term of the borrowings according to the Group’s accounting policy for borrowing costs.

The fair value of financial liabilities denominated in foreign currency and classified as “financial liabilities at fair value through profit and loss” are determined in foreign currency and is translated at the currency rate prevailing at the end of the reporting period. Any exchange difference is recognized as part of the fair value gain or loss. For foreign currency denominated financial liabilities measured at amortized costs, its exchange difference is determined based on the amortized cost and the currency rate at the end of the reporting period. Exchange difference is recognized at profit and loss.

h. Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group’s obligations is discharged, cancelled or they expire.

Foreign Currencies

The individual financial statements of each company comprising the Group are measured and presented on the currency prevailing in the primary economic environment where its operations located. For the purpose of the consolidated financial statement, the operating results and financial status of companies comprising the Group shall be translated from functional currency to the presentation currency of the consolidated financial statement - Hong Kong dollars (“HKD”).

In the initial recognition of foreign currency transactions, the foreign currency amount shall be translated into the functional currency at the exchange rate between the functional currency and the foreign currency prevailing at the date of transaction. Any exchange difference arising from the actual settlement of foreign currency-denominated assets and liabilities shall be carried at profit and loss for the year.

Subsequently at the end of each reporting period, foreign currency denominated item shall be translated at the closing exchange rate. Foreign currency denominated non-monetary items shall be measured at historical cost and translated at the exchange rate prevailing on the date of transaction.

Gain or loss from foreign currency exchange shall be carried at the profit and loss for the year.

For the purposes of presenting the consolidated financial statements, if the functional currency and the presentation currency (HKD) of subsidiaries are different, the assets and liabilities of which are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Their income and expenses are translated at the average exchange rates for the year, the resulting exchange difference is recognized in other comprehensive income and accumulated in equity. Goodwill arising from acquisition of foreign operations and fair value adjustments to the carrying amount of assets and liabilities resulting from the acquisition of foreign operations are considered as assets and liabilities of such foreign operations, and exchanged based on the closing rate at each balance sheet date, with the exchange difference recognized under other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities with uncertainty. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is changed.

The following are the assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period:

a. Allowance for accounts receivable and other receivables

The Group constantly reviews the recoverability of accounts receivable based on the aging analysis of the accounts receivable and other receivables, credit assessment, past collection history and environmental conditions. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Details of the allowances please refer to Notes 8 and 9.

b. Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is calculated by using weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Group constantly reviews its inventories to identify slow moving and obsolete merchandise. It will also make provision for impairment loss by considering their physical conditions and market conditions. It involves management's judgment for the estimation on the net realizable value and slow-moving inventories. Please refer to Note 10 for details about the carrying amount of inventories.

c. Depreciation of property, plant and equipment

Depreciation of the property, plant and equipment is provided after deducting any residual value from cost or revalued amount over the estimated useful years by using straight line basis. Estimated useful years represent estimation of management on the number of years that the Group intends to generate economic benefits from the use of the Group's property, plant and equipment. Residual value means the amount expected to be realized upon retirement or disposal of the property, plant and equipment, net of any cost of disposal, at the end of the useful year. Useful year and residual are subject to the different estimated utilization rate of assets and the development of new technologies. Please refer to Note 12 for details about the carrying amount of the property, plant and equipment.

d. Impairment of goodwill

When determining whether there is any impairment loss on goodwill, estimation shall be made on the recoverable amount of the cash generating unit to which goodwill has been allocated. To calculate the recoverable amount, the management needs to estimate the future cash flow expected to arise from the cash generating unit and its appropriate discount rate. Details of the carrying amount of goodwill at the end of reporting period, with no impairment loss recognized during 2017 and 2016 are set out in Note 14.

e. Amortization of other intangible assets

Amortization of intangible assets of the Group (excluding goodwill) is the cost recognized on straight line basis throughout its estimated useful life. Estimated useful life is the term estimated by the management of which the Group intends to use the intangible assets to generate economic benefits. Difference in expected frequency of use of the assets and development of new technologies would affect the economic useful life of assets. For the carrying amount of intangible assets, please refer to Note 14.

f. Income tax

The Group operates in different jurisdictions, and thus it is subject to different tax laws enacted in different regions. When estimating income tax, the Group will consider if it is eligible for the preferential taxation treatment. If there is any difference between the actual tax charged by the taxation authority with the originally estimated tax, the current income tax expenses and the related deferred income tax assets or liabilities shall be adjusted accordingly. Disclosures on income tax are set out in Note 21.

6. CASH AND CASH EQUIVALENTS

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Cash on hand	$ 224	$ 854	$ 278	$ 1,157
Cash at bank	188,600	719,018	202,478	842,612
Fixed deposits	5,495	20,949	23,659	98,457
	194,319	740,821	226,415	942,226
Less: Pledged deposits	(1,315)	(5,013)	(1,397)	(5,814)
	$ 193,004	$ 735,808	$ 225,018	$ 936,412

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

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Non-derivative financial assets				
Foreign-listed stocks	$ 51	$ 194	$ 40	$ 166

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Notes receivable	$ 11,906	$ 45,390	$ -	$ -
Accounts receivable	429,011	1,635,562	273,359	1,137,583
Less: Allowance for impairment loss	-	-	(1,297)	(5,397)
	$ 440,917	$ 1,680,952	$ 272,062	$ 1,132,186

For the year ended December 31, 2017, the Group’s average sales credit term is 67 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:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Neither overdue nor impaired	$ 433,252	$ 1,651,730	$ 253,245	$ 1,053,879
Overdue but not impaired (a)	7,665	29,222	18,817	78,307
Impaired after overall assessment receivables (b)	-	-	1,297	5,397
Less: Allowance for impairment loss	-	-	(1,297)	(5,397)
Notes and accounts receivable, net	$ 440,917	$ 1,680,952	$ 272,062	$ 1,132,186

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

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
0-90 days	$ 7,317	$ 27,895	$ 18,810	$ 78,278
91-180 days	348	1,327	7	29
	$ 7,665	$ 29,222	$ 18,817	$ 78,307

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

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

Unit: H.K. Dollars

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ -	$ -	$ -
Provision	1,297	-	1,297
Balance at December 31, 2016	1,297	-	1,297
Written off	(893)	-	(893)
Recovered	(404)	-	(404)
Balance at December 31, 2017	$ -	$ -	$ -

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	4	-	4
Balance at December 31, 2016	5,397	-	5,397
Written off	(3,471)	-	(3,471)
Recovered	(1,571)	-	(1,571)
Effect of exchange rate changes	(355)	-	(355)
Balance at December 31, 2017	$ -	$ -	$ -

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

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

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

9. OTHER RECEIVABLES AND PREPAYMENTS

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Other receivables	$ 43,171	$ 164,585	$ 41,847	$ 174,146
Allowance for impairment loss	(13,962)	(53,229)	(13,962)	(58,103)
Other receivables, net	29,209	111,356	27,885	116,043
Prepayments for purchases	12,575	47,941	3,969	16,517
Prepayments	5,173	19,722	4,996	20,791
Prepayments for purchases equipment and mold	2,648	10,095	1,776	7,391
Value-added tax recoverable and refundable	29,173	111,219	17,478	72,735
Guarantee deposits	15,512	59,138	3,861	16,067
	$ 94,290	$ 359,471	$ 59,965	$ 249,544

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:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Other receivables (including security deposits)	$ 23,682	$ 90,285	$ 23,675	$ 98,523
Less: Allowance for impairment loss	(13,962)	(53,229)	(13,962)	(58,103)
	$ 9,720	$ 37,056	$ 9,713	$ 40,420

b. As of December 31, 2017 and 2016, the amounts of temporary payments as described in Note 17(b) were HK$11,643 thousand and HK$9,951 thousand (equivalent to approximately NT$44,388 thousand and NT$41,411 thousand).

10. INVENTORIES

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Raw materials	$ 90,094	$ 343,474	$ 58,727	$ 244,392
Work-in-process	47,768	182,111	30,111	125,307
Finished goods	23,620	90,049	26,614	110,754
Goods in transit	5,774	22,013	4,425	18,415
	$ 167,256	$ 637,647	$ 119,877	$ 498,868

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2017 and 2016 was HK$1,758,806 thousand and HK$1,313,893 thousand (equivalent to approximately NT$6,837,182 thousand and NT$5,463,299 thousand), respectively, which included HK$7,116 thousand and HK$7,961 thousand (equivalent to approximately NT$27,663 thousand and NT$33,103 thousand), allowance for inventories provision and inventories write-off, respectively.

11. ASSETS HELD FOR SALE

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Land and buildings held for sale	$ -	$ -	$ 387	$ 1,611

The Group was expected to dispose the land and buildings, used as the Group's office premises in Hong Kong and staff quarters, within one year. In 2017, the disposal plans had been approved by the boards of directors, the above-mentioned assets, which were originally recorded as property, plant and equipment, were reclassified to the assets held for sale at the book value, amount to HK$4,342 thousand (equivalent to approximately NT$16,880 thousand).

For the year ended December 31, 2017, the gain on disposal of some of the assets held for sale was HK$41,634 thousand (equivalent to approximately NT$161,848 thousand), which was recorded as other income.

12. PROPERTY, PLANT AND EQUIPMENT

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

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Cost	$ 488,917	$ 1,863,947	$ 466,402	$ 1,940,933
Accumulated depreciation and impairment	(275,223)	(1,049,260)	(231,772)	(964,520)
Book value	$ 213,694	$ 814,687	$ 234,630	$ 976,413
Land and buildings	$ 45,066	$ 171,809	$ 57,984	$ 241,301
Machineries and office equipment	167,106	637,075	175,319	729,590
Construction in progress	1,522	5,803	1,327	5,522
Book value	$ 213,694	$ 814,687	$ 234,630	$ 976,413

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

	Land and Buildings		Machinery Equipment and Office Equipment		Construction in Progress		Total	
	HK$	NT$	HK$	NT$	HK$	NT$	HK$	NT$
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	47	183	19,836	77,110	3,407	13,245	23,290	90,538
Disposals	-	-	(27,039)	(105,112)	(161)	(626)	(27,200)	(105,738)
Reclassification	(7,118)	(27,671)	1,085	4,218	(3,202)	(12,447)	(9,235)	(35,900)
Effect of exchange rate changes	11,291	277	24,218	(26,272)	151	109	35,660	(25,886)
Balance at December 31, 2017	$ 128,249	$ 488,936	$ 359,146	$ 1,369,208	$ 1,522	$ 5,803	$ 488,917	$ 1,863,947
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)
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	11,554	44,915	38,371	149,163	-	-	49,925	194,078
Disposals	-	-	(25,080)	(97,496)	-	-	(25,080)	(97,496)
Reclassification	(2,776)	(10,791)	-	-	-	-	(2,776)	(10,791)
Effect of exchange rate changes	8,360	8,157	13,022	(9,208)	-	-	21,382	(1,051)
Balance at December 31, 2017	$ 83,183	$ 317,127	$ 192,040	$ 732,133	$ -	$ -	$ 275,223	$ 1,049,260

The management assessed that there was no impairment loss indicator for the years ended December 31, 2017 and 2016.

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

Land and buildings	Buildings in Mainland China were 20 years, buildings in Hong Kong and Taiwan were 40 years; lands in Hong Kong were depreciated according to the lease period (43 to 50 years), and building improvements were depreciated by 2 to 10 years.
Machinery equipment	5 years or 10 years
Office equipment	1 year to 10 years

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

December 31, 2017

Company Name	Location	Description	Tenure/Unexpired Term
HYEA	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land (land use right is recognized under prepayments for land lease).	Lease for term of 50 years from December 14, 1995 to December 13, 2045.

(Continued)

Company Name	Location	Description	Tenure/Unexpired Term
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.
ETHY	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC.	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)

December 31, 2016

Company Name	Location	Description	Tenure/Unexpired Term
EAH	Room 1703, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,627 sq. ft. office	Lease for a term of 46 years from April 4, 2001 to June 30, 2047.
EAH	Room 1704, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,452 sq. ft. office	Lease for a term of 47 years from March 13, 2000 to June 30, 2047.
EAH	Room 1705, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 2,171 sq. ft. office	Lease for a term of 43 years from June 30, 2004 to June 30, 2047.
EAH	Room 1706, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,452 sq. ft. office	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.
EAH	Room 1707, 17/F Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	A 1,627 sq. ft. office	Lease for a term of 50 years from April 1, 1997 to June 30, 2047.
HYEA	Xixi Village, Dongfong Administrative Area, Xinyu Town, Huiyang, Guangdong, PRC	3 factory buildings and 2 dormitories built on a 287,077 sq. ft. land (land use right is recognized under prepayments for land lease)	Lease for term of 50 years from December 14, 1995 to December 13, 2045.

(Continued)

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

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Outlaw Audio Inc.	$ -	$ -	$ 132	$ 548
Audio Design Experts Inc.	11,656	44,438	10,998	45,768
HT Precision Technologies, Inc.	17,373	66,232	15,915	66,232
	$ 29,029	$ 110,670	$ 27,045	$ 112,548

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

14. INTANGIBLE ASSETS

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Goodwill	$ 29,683	$ 113,163	$ 26,391	$ 109,826
Technical knowledge (including capitalised development costs)	29,080	110,865	17,974	74,799
Customer relationship	6,450	24,590	6,405	26,654
	$ 65,213	$ 248,618	$ 50,770	$ 211,279

a. Details of goodwill were as follows:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Related to ScS	$ 26,363	$ 100,506	$ 23,302	$ 96,971
Related to HYDM	3,320	12,657	3,089	12,855
	$ 29,683	$ 113,163	$ 26,391	$ 109,826

The above goodwill represents the excess of the cost of acquisition over the net fair value of the identifiable assets from HYDM's acquisition of earphones production line from Shenzhen Dahua Electronics Co., Ltd. in 2006 and EAH's acquisition of a subsidiary - ScS in 2014.

The recoverable amount of this cash-generating unit was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10% per annum for the years ended December 31, 2017 and 2016.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the financial budget period. The cash flows beyond that five-year period have been extrapolated using a steady 0% per annum growth rate. Management believed that any reasonably possible change in the key assumptions on which recoverable amount was based would not cause the aggregate carrying amount of the cash-generating unit to exceed its aggregate recoverable amount.

The key assumptions used in the value in use calculations for the leisure goods cash-generating units were as follows:

1) Expected sales growth rate: The suppose values assigned to the assumption reflect past experience, which is consistent with management's plans for focusing operations in these markets.

2) Net operating profit margin: The suppose values are reflected for expected operating profit margin based on past experience.

3) Depreciation and amortization: The suppose values are estimated from equipment capex during budget period and equipment's useful life based on past experience.

There is no impairment of goodwill at December 31, 2017 and 2016.

The movements of goodwill were as follows:

	2017		2016	
	HK$	NT$	HK$	NT$
Cost				
Balance at January 1	$ 26,391	$ 109,826	$ 27,274	$ 116,108
Effect of exchange rate changes	3,292	3,337	(883)	(6,282)
Balance at December 31	$ 29,683	$ 113,163	$ 26,391	$ 109,826

b. The movements of other intangible assets (technical knowledge and customer relationships) were as follows:

	2017		2016	
	HK$	NT$	HK$	NT$
Cost				
Balance at January 1	$ 24,379	$ 101,453	$ 20,851	$ 88,765
Additions	13,017	50,602	8,621	35,847
Amortization	(6,949)	(27,014)	(3,414)	(14,196)
Reclassification from property, plant and equipment	2,117	8,230	-	-
Write-off	(1,040)	(4,043)	-	-
Effect of exchange rate changes	4,006	6,227	(1,679)	(8,963)
Balance at December 31	$ 35,530	$ 135,455	$ 24,379	$ 101,453

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

Technical acknowledge (including capitalised development costs)	2-15 years
Customer relationship	9 years

15. PREPAYMENTS FOR LAND LEASE

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Prepayments for land lease - current	$ 385	$ 1,468	$ 359	$ 1,494
Prepayments for land lease - non-current	17,893	68,215	17,580	73,159
	$ 18,278	$ 69,683	$ 17,939	$ 74,653

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

16. BANK BORROWINGS

a. Short-term bank borrowings:

	December 31					
	2017			2016		
	Interest Rate	HK$	NT$	Interest Rate	HK$	NT$
Factoring	4.16%-6.25%	$ 2,367	$ 9,024	4.21%-5.49%	$ 2,358	$ 9,813
Bank borrowings	1.58%-4.63%	228,498	871,126	1.50%-4.63%	123,475	513,841
Commercial paper	1.8%	7,869	30,000	1.80%-1.92%	7,209	30,000
Other bank loans	-	-	-	2.54%-3.11%	29,316	121,999
Long-term borrowings due within 1 year	2.1%-4.63%	19,485	74,284	1.56%-4.63%	51,888	215,932
		$ 258,219	$ 984,434		$ 214,246	$ 891,585

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, considering the loans contain repayment on demand clause, which gives the lenders the right to demand repayment as any time at their discretion, other bank loans are reclassified under current liabilities.

Unexpired commercial paper as following:

December 31, 2017

Guarantee/Acceptance Agency	Face Value (NT$)	Book Value (NT$)	Interest Rate	The Name of the Collateral	Book Value of the Collateral
International Bills Finance Corp.	$ 30,000	$ 30,000	1.8%	-	$ -

December 31, 2016

Guarantee/Acceptance Agency	Face Value (NT$)	Book Value (NT$)	Interest Rate	The Name of the Collateral	Book Value of the Collateral
International Bills Finance Corp.	$ 30,000	$ 30,000	1.8%-1.92%	-	$ -

The commercial paper issued by the Group are all short-term (about 1 to 3 months) promissory notes. Due to the short-term period, the interest expenses are not significant. Therefore, the difference between nominal amount and cash received is recognizes interest expense directly at the issuance of commercial paper.

b. Long-term bank borrowings:

	December 31					
	2017			2016		
	Interest Rate	HK	NT$	Interest Rate	HK$	NT$
Long-term bank borrowings	2.1%-4.63%	$ 23,695	$ 90,334	1.56%-4.63%	$ 58,708	$ 244,313
Less: Long-term bank borrowings due within 1 year		(19,485)	(74,284)		(51,888)	(215,932)
		$ 4,210	$ 16,050		$ 6,820	$ 28,381

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:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Due within 2 to 5 years	$ 4,210	$ 16,050	$ 6,820	$ 28,381

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:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Accrued salaries	$ 40,163	$ 153,117	$ 37,502	$ 156,064
Temporary receivables (Note 1)	20,184	76,949	17,633	73,380
ScS investment payable - current (Note 2)	-	-	8,814	36,679
Other payable	37,234	141,952	39,992	166,427
	$ 97,581	$ 372,018	$ 103,941	$ 432,550

Note 1: Temporary receivables are mainly sample fee, test fee, safety certification fee, etc. received in advance. Since the Group produces customized audio-visual electronic products for individual customer demand, related costs associated with the customized audio-visual electronic products, payment on behalf and installment prepayments based on agreements negotiated by both parties, are recorded in temporary payments (please refer to Note 9) and temporary receivables, respectively. After completion of the project (customer confirmed), the Group will reverse the aforementioned temporary payments and temporary receivables at the same time and the differences are recorded as income.

Note 2: 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 final payment is smaller than the original estimate after discussion. Therefore, the Group recognized a gain on reversal of investment payable, totaling HK$3,652 (equivalent to approximately NT$14,197), which was recorded as other income.

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.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Present value of defined benefit obligation	$ 9,987	$ 38,074	$ 7,392	$ 30,762
Fair value of plan assets	(7,721)	(29,435)	(5,327)	(22,168)
Net defined benefit liability	$ 2,266	$ 8,639	$ 2,065	$ 8,594

The movements of net defined benefit liability were as follows:

Unit: N.T. Dollars

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	$ 37,486	$ (29,640)	$ 7,846
Current service cost	500	-	500
Net interest expense (income)	469	(371)	98
Recognized in profit or loss	969	(371)	598
	38,455	(30,011)	8,444
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	163	163
Actuarial loss - changes in demographic assumptions	1,847	-	1,847
Actuarial loss - changes in financial assumptions	955	-	955
Actuarial loss - experience adjustments	41	-	41
Recognized in other comprehensive income	2,843	163	3,006
Contributions from the employer	(1,756)	(1,100)	(2,856)
Benefits paid	(8,780)	8,780	-
Balance at December 31, 2016	30,762	(22,168)	8,594
Current service cost	192	-	192
Net interest expense (income)	269	(205)	64
Recognized in profit or loss	461	(205)	256
	31,223	(22,373)	8,850
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	(70)	(70)
Actuarial loss - changes in demographic assumptions	982	-	982
Actuarial loss - changes in financial assumptions	(870)	-	(870)
Actuarial loss - experience adjustments	6,739	-	6,739
Recognized in other comprehensive income	6,851	(70)	6,781
Contributions from the employer	-	(6,992)	(6,992)
Balance at December 31, 2017	$ 38,074	$ (29,435)	$ 8,639

Note: Since only ETT (Taiwan company) has retirement benefit plans, the above movement is stated in New Taiwan dollars.

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate	1.125%	0.875%
Expected rate of salary increase	2.750%	2.750%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would change as follows:

	December 31	
	2017	**2016**
Discount rate		
0.25% increase	$ (867)	$ (759)
0.25% decrease	$ 896	$ 786
Expected rate of salary increase		
0.25% increase	$ 865	$ 756
0.25% decrease	$ (842)	$ (734)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 6,562	$ 2,466
The average duration of the defined benefit obligation	9.2 years	10 years

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 December 31, 2017 and 2016 were NT$619,860 thousand and NT$615,020 thousand (equivalent to approximately HK$163,891 and HK$162,632 thousand), respectively, divided into 61,986 thousand shares and 61,502 thousand shares, each with a nominal amount of NT$10 per share. All of the shares are ordinary shares, each carrying the rights to vote and receive dividend.

The movements of the shares issued and outstanding were as follows:

(In Thousands of Shares)

	December 31	
	2017	**2016**
Numbers, beginning of year	61,502	61,002
Issuance of restricted shares (Note)	500	500
Write-off of restricted shares	(16)	-
Numbers, end of year	61,986	61,502

Note: The Company's board of directors meeting held on November 8, 2017 and December 12, 2016, respectively, resolved to issue restricted shares (see detail in Note 19(e)) to the Group's specific employees. The restricted shares issued record dates were November 20, 2017 and December 20, 2016, respectively, and exercise price per share both was NT$0.

b. Treasury shares

Purpose of Buy-back	**Shares Held by a Subsidiary (In Thousands of Shares)**
Shares transferred to employees	300
Shares held by subsidiaries	453
Number of shares as of December 31, 2017 and 2016	753

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

December 31, 2017

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$3,493 thousand (equivalent to approximately NT$13,318 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 December 31, 2017 and 2016, the capital surplus of the Company were NT$766,834 thousand and NT$756,922 thousand (equivalent to approximately HK$202,979 thousand and HK$200,400 thousand). The details were as follows:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital				
Arising from issuance of common share	$ 193,698	$ 729,815	$ 193,698	$ 729,815
Cash dividend received from treasury stock	1,028	4,136	897	3,631
May not be used for any purpose				
Arising from employee restricted shares	8,253	32,883	5,805	23,476
	$ 202,979	$ 766,834	$ 200,400	$ 756,922

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

	2015
Ordinary share dividend - cash	NT$3 per share totaling NT$183,006 thousand

The appropriation of earnings for 2017 had been proposed by the Company's board of directors on February 2018. The appropriation and dividends per share were as follows:

	2017
Ordinary share dividend - cash	NT$0.7 per share, totaling NT$43,377 thousand

The appropriation of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 11, 2018.

Exchange differences on translating foreign operations

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

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

Legal reserve

The old articles of the Company stipulated that 10% of the consolidated net profit of shall be allocated to the legal reserve. However, according to the Articles of the Company revised in June 2013, the Company is not required to allocate 10% of the legal reserve. Legal reserve is used to offset loss.

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 December 31, 2017.

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

e. Share-based payment arrangements - restricted shares plan for employees

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	2017/11/20	2017/11/20	500	-	NT$29.5 (equivalent to approximately HK$7.66)

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 and 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:

	Number of Shares (In Thousands) For the Years Ended December 31	
	2017	**2016**
Balance at the beginning of the period	689	252
Granted	500	500
Vested	(184)	(63)
Forfeited	(16)	-
Balance at the end of the period	989	689

20. CONSOLIDATED NET PROFIT

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

a. Net Revenue

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Traditional Speakers	$ 266,522	$ 1,036,078	$ 283,041	$ 1,176,913
Speakers and Audio Products with Electronics	1,245,533	4,841,885	823,213	3,423,002
Wireless Speakers	73,032	283,905	65,654	272,996
Earphones	154,678	601,295	144,020	598,850
Premium Speakers	56,674	220,315	67,066	278,867
Others	182,846	710,795	172,775	718,415
	$ 1,979,285	$ 7,694,273	$ 1,555,769	$ 6,469,043

b. Depreciation and amortization expenses

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Depreciation of property, plant and equipment	$ 49,925	$ 194,078	$ 51,284	$ 213,244
Amortization of other intangible assets	6,949	27,014	3,414	14,196
Amortization of prepayments for lease	544	2,115	546	2,270
	$ 57,418	$ 223,207	$ 55,244	$ 229,710

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

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Remuneration of directors and key management				
Short-term benefits	$ 34,193	$ 132,922	$ 30,742	$ 127,828
Post-employment benefits	850	3,304	704	2,927
Share-based payments	1,128	4,524	729	2,903
Employee benefits				
Short-term benefits	352,203	1,369,154	316,782	1,317,211
Post-employment benefits	17,827	69,301	16,741	69,611
Share-based payments	873	3,555	270	1,079
	$ 407,074	$ 1,582,760	$ 365,968	$ 1,521,559

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.

The Company accrued employees' and directors' remuneration based on the aforementioned article, which amounted to HK$896 thousand (equivalent to approximately NT$3,486 thousand) and HK$875 thousand (equivalent to approximately NT$3,401 thousand) for the year ended December 31, 2017.

The Company accrued employees' and directors' remuneration based on the aforementioned article, which amounted to HK$2,855 thousand (equivalent to approximately NT$11,869 thousand) and HK$945 thousand (equivalent to approximately NT$3,929 thousand) for the year ended December 31, 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 2017 and 2016 having been resolved by the board of directors on February 23, 2018 and February 20, 2017, respectively, were as below:

	2017
Directors' remuneration - cash	HK$875 thousand (equivalent to approximately NT$3,401 thousand)
Employees' remuneration - cash	HK$896 thousand (equivalent to approximately NT$3,486 thousand)

	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)

There was no significant 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, 2017 and 2016.

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 Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Project service revenue	$ 3,322	$ 12,914	$ 3,711	$ 15,431
Interest income	1,170	4,548	607	2,524
Rent revenue	287	1,116	275	1,143
Dividend income	2,868	11,149	1,609	6,690
Scrap income	1,051	4,086	3,586	14,911
Gains on disposal of property, plant and equipment	7	27	30	125
Gain on disposal of assets held for sale	41,634	161,848	-	-
Net gain on financial instruments at fair value through profit or loss	12	47	3,641	15,140
Others	12,245	47,601	6,727	27,971
	$ 62,596	$ 243,336	$ 20,186	$ 83,935

e. Other losses

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Losses on scrap and disposal of property, plant and equipment	$ 1,874	$ 7,285	$ 1,052	$ 4,375
Others	631	2,453	2	8
	$ 2,505	$ 9,738	$ 1,054	$ 4,383

f. Finance costs

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Interest expense arising from bank borrowings	$ 7,370	$ 28,650	$ 7,015	$ 29,169

21. INCOME TAXES

a. Income tax expense recognized in profit or loss

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Current tax				
In respect of the current year	$ 7,529	$ 29,268	$ 12,390	$ 51,519
Adjustments for prior years	(597)	(2,322)	1,716	7,136
Deferred tax				
In respect of the current year	3,297	12,818	173	719
Income tax expenses recognized in profit or loss	$ 10,229	$ 39,764	$ 14,279	$ 59,374

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Profit before tax	$ 42,448	$ 164,708	$ 46,449	$ 193,306
Income tax expense calculated at the statutory rate (16.5%)	$ 7,004	$ 27,227	$ 7,664	$ 31,868
Tax-exempt income and non-deductible expenses in determining taxable income	6,206	24,126	5,438	22,611
Income tax adjustment for prior years	(597)	(2,322)	1,716	7,136
Effect on deferred tax assets unrecognized in prior years	(4,344)	(16,887)	(3,075)	(12,786)
Effect of different tax rate of foreign operations in other jurisdictions	1,960	7,620	2,536	10,545
Income tax expense recognized in profit or loss	$ 10,229	$ 39,764	$ 14,279	$ 59,374

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 EAH and ETH of the Group according to Hong Kong tax regulation, the local tax rate for Hong Kong subsidiaries is 16.5%. Different period and interim period income tax allocation shall be estimated in accordance with IFRSs.

Effective from January 1, 2008, subsidiaries in the PRC shall be subject to an applicable tax rate of 25% upon implementation of new Enterprise Income Tax Law. In addition, HYEA and HYDM obtained the innovation and high technology enterprise certificates issued by local tax authorities in July 2013. Therefore, HYEA and HYDM are subject to the applicable preferential income tax rate in the next three years. Their enterprise income tax rate has been reduced from 25% to 15%. HYEA and HYDM obtained the proof of review in February 2016. Therefore, HYEA and HYDM are still subject to the applicable preferential income tax rate from 2015 to 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 a foreign enterprise with allocation of dividend to company in Hong Kong meets certain conditions the Department, 5% tax is levied on its earnings distribution.

The local tax rate for the subsidiary in Denmark is 22%. The local tax rate for the subsidiary in Taiwan is 17%.

b. Deferred tax assets

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Allowance of inventories provision	$ 1,583	$ 6,035	$ 1,805	$ 7,512
Defined benefit plan	746	2,844	449	1,866
Others	526	2,005	865	3,602
	$ 2,855	$ 10,884	$ 3,119	$ 12,980

The movements of deferred tax assets were as follows:

Unit: H.K. Dollars

	Tax Losses	Allowance of Inventories Provision	Defined Benefit Plan	Others	Total
Balance at January 1, 2016	$ 678	$ 719	$ 326	$ 889	$ 2,612
Recognized in profit or loss	(678)	1,177	-	(52)	447
Recognized in other comprehensive income	-	-	123	-	123
Effect of exchange rate changes	-	(91)	-	28	(63)
Balance at December 31, 2016	-	1,805	449	865	3,119
Recognized in profit or loss	-	(345)	-	(454)	(799)
Recognized in other comprehensive income	-	-	297		297
Effect of exchange rate changes	-	123	-	115	238
Balance at December 31, 2017	$ -	$ 1,583	$ 746	$ 526	$ 2,855

Unit: N.T. Dollars

	Tax Losses	Allowance of Inventories Provision	Defined Benefit Plan	Others	Total
Balance at January 1, 2016	$ 2,886	$ 3,061	$ 1,334	$ 3,839	$ 11,120
Recognized in profit or loss	(2,819)	4,894	-	(216)	1,859
Recognized in other comprehensive income	-	-	511	-	511
Effect of exchange rate changes	(67)	(443)	21	(21)	(510)
Balance at December 31, 2016	-	7,512	1,866	3,602	12,980
Recognized in profit or loss	-	(1,341)	-	(1,765)	(3,106)
Recognized in other comprehensive income	-	-	1,154		1,154
Effect of exchange rate changes	-	(136)	(176)	168	(144)
Balance at December 31, 2017	$ -	$ 6,035	$ 2,844	$ 2,005	$ 10,884

c. Deferred tax liabilities

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Temporary differences on other intangible assets	$ 8,174	$ 31,163	$ 5,842	$ 24,312
Temporary differences on inventory and depreciation of property, plant and equipment	7,323	27,918	7,533	31,348
Unappropriated earnings of subsidiaries	13,357	50,922	14,246	59,285
	$ 28,854	$ 110,003	$ 27,621	$ 114,945

The movements of deferred tax liabilities were as follows:

Unit: H.K. Dollars

	Temporary Differences on Other Intangible Assets	Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment	Unappropriated Earnings of Subsidiaries	Total
Balance at January 1, 2016	$ 4,862	$ 8,987	$ 13,391	$ 27,240
Recognized in profit or loss	1,096	(1,342)	866	620
Effect of exchange rate changes	(116)	(112)	(11)	(239)
Balance at December 31, 2016	5,842	7,533	14,246	27,621
Recognized in profit or loss	1,686	(610)	1,422	2,498
Decrease	-	-	(2,311)	(2,311)
Effect of exchange rate changes	646	400	-	1,046
Balance at December 31, 2017	$ 8,174	$ 7,323	$ 13,357	$ 28,854

Unit: N.T. Dollars

	Temporary Differences on Other Intangible Assets	Temporary Differences on Inventory and Depreciation of Property, Plant and Equipment	Unappropriated Earnings of Subsidiaries	Total
Balance at January 1, 2016	$ 20,698	$ 38,258	$ 57,007	$ 115,963
Recognized in profit or loss	4,557	(5,582)	3,601	2,576
Effect of exchange rate changes	(943)	(1,328)	(1,323)	(3,594)
Balance at December 31, 2016	24,312	31,348	59,285	114,945
Recognized in profit or loss	6,554	(2,372)	5,528	9,710
Decrease	-	-	(8,984)	(2,803)
Effect of exchange rate changes	297	(1,058)	(4,907)	(11,849)
Balance at December 31, 2017	$ 31,163	$ 27,918	$ 50,922	$ 110,003

d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Loss carryforwards	$ 48,944	$ 186,594	$ 22,743	$ 94,645

e. 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 2015.

22. EARNINGS PER SHARE

	Amount (In Thousands)		Weighted Average Shares (In Thousands)	Earnings Per Share (Dollars)	
	HK$	NT$		HK$	NT$
For the year ended December 31, 2017					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	$ 32,219	$ 124,944	60,807	$ 0.53	$ 2.05
For the year ended December 31, 2016					
Basic earnings per share (Note)					
Net profit attributable to owner of the Company	$ 32,170	$ 133,932	60,270	$ 0.53	$ 2.22

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 per share.

23. RELATED-PARTY TRANSACTIONS

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

a. Payable to related parties

	December 31			
	2017		2016	
Related Party Categories	**HK$**	**NT$**	**HK$**	**NT$**
Other payables				
Related company	$ -	$ -	$ 8,920	$ 37,120

Other payables include payable for acquiring ETT Group and the temporary payable for ETT Group's derivative financial instruments, the balance is paid in January 2017.

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. PLEDGED ASSETS

The following assets and treasury shares disclosed in Note 19 were provided as collateral for bank borrowings. Part of loan guarantees is provided by the Chairman of the Company.

	December 31			
	2017		2016	
	HK$	**NT$**	**HK$**	**NT$**
Other intangible assets	$ 7,976	$ 30,408	$ 4,451	$ 18,523
Accounts receivable with recourse	3,191	12,165	3,381	14,070
Machineries and office equipment	4,731	18,036	7,356	30,611
Inventories and other assets	16,243	61,925	14,073	58,565
Pledge deposits (recognized under restricted assets - current)	1,315	5,013	1,397	5,814
	$ 33,456	$ 127,547	$ 30,658	$ 127,583

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 lease (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

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Within 1 year	$ 9,370	$ 35,722	$ 7,462	$ 31,053
More than 1 year and within 5 years	17,930	68,356	13,966	58,120
More than 5 years	14,963	57,045	15,226	63,363
	$ 42,263	$ 161,123	$ 36,654	$ 152,536

Rental expenses of the Group arising from operating leases for years ended December 31, 2017 and 2016 amounted to HK$7,818 thousand and HK$9,494 thousand (equivalent to approximately NT$30,392 thousand and NT$39,477 thousand), respectively.

26. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

In December 2005, EAH entered into an agreement with an independent third party to establish a company in Brazil, Eastern Asia Unicoba Electronics Da Amazonia Ltda. ("EAB"). In 2006, EAH invested approximately HK$12,600 thousand in a 68% equity interest in EAB. Since 2007, the investment cost was reclassified as other receivable under current assets due to the withdrawal of EAH as a shareholder of EAB. EAH is involved in several legal matters in Brazil where it is the plaintiff as well as defendant. Regarding aforementioned lawsuit related to EAB please see below for further explanation:

1) The legal matters whereby EAH is the plaintiff are:

As of December 31, 2017 and 2016, the amounts sought for legal matters whereby EAH is the plaintiff are R$12,400 thousand and R$16,400 thousand (approximately NT$111,800 thousand and NT$162,100 thousand) (the amount has considered accrued interest from the date of the prosecution and local court's provision such as inflation index, etc.), respectively. Since EAH does not have any assets in Brazil, EAH must provide security deposits to the courts as possible court costs incurred in the litigation.

Since the outcome of litigation is dependent on the Courts' judgements, EAH has recognized related impairment of aforementioned other receivables based on current litigation progress.

As of December 31, 2017 and 2016, amounts recorded as other receivables (net of impairment loss) are both HK$8,654 thousand (approximately NT$32,992 thousand and NT$36,013 thousand converted by the spot exchange rate of each balance sheet date), respectively.

Based on the assessment of the legal opinion obtained and the assessment of the financial background of the defendants as of December 31, 2017 and 2016, EAH considers that the impairment loss taken is reasonable and sufficient.

EAH is required to place bonds (also recorded as other receivables) with the Courts in Brazil to secure payment of court costs. As of December 31, 2017 and 2016, pledged deposit recorded as other receivables (net of impairment loss) are HK$1,066 thousand and HK$1,059 thousand (approximately NT$4,064 thousand and NT$4,407 thousand), respectively.

2) The legal matters whereby EAH is the defendant are:

The plaintiff sought partial dissolution of EAB with the withdrawal of EAH from EAB; and the assessment of assets and liabilities of the partners arising from the termination of the partnership. The plaintiff also sought an injunction to prevent or suspend the effects of the shareholders meeting held in November 2006. In June 2008, the judge ordered that an accounting expert examination takes place to verify the reimbursement of the amount equivalent to EAH's equity interest in EAB. As of July 16, 2012, the accounting expert examination report identified when EAH divestment of EAB, EAB's net equity is positive (R$1,978 thousand, approximately NT$17,836 thousand). Hence, EAH is not liable for any debt of EAB. In contrast, after consideration of interest and inflation factors, the court ruled that the plaintiff shall pay EAH R$4,429 thousand (approximately NT$39,937 thousand) within 90 days from the date of the judgment. Since the plaintiff has filed an appeal on September 4, 2012 and the recoverability of any potential awards by the courts is also subject to the availability of assets by the defendants to the litigations, EAH will recognized related income when actual recovery. At current stage, it has no material impact on the Group's financial position.

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

27. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return through the optimization of the capital and debt structure balance. The Group's overall strategy remains unchanged in 2017.

The Group regularly review to the appropriate categories of capital structure. The Group manages based on the cost of capital and the risks associated with the various types of capital determine a reasonable proportion of the Group's capital structure.

As of December 31, 2017 and 2016, the cash and cash equivalents, restricted assets - current (pledged deposit) and bank borrowings were as follows:

	December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Debt (bank borrowing)	$ (262,429)	$ (1,000,484)	$ (221,066)	$ (919,966)
Cash and cash equivalents (including pledged deposit)	194,319	740,821	226,415	942,226
Net (debt) cash	$ (68,110)	$ (259,663)	$ 5,349	$ 22,260
Equity	$ 401,860	$ 1,532,049	$ 351,239	$ 1,461,681
Debt-equity ratio	17%	17%	NA	NA

b. Fair value of financial instruments

The Group's financial instruments involve publicly traded stocks (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).

If a non-derivative instrument has short maturity, its future amount receivable and payable approximate its carrying amount, and its carrying amount provides a reasonable basis for estimation of fair value, then the fair value of which shall be estimated based on its carrying amount as shown in the balance sheet. Hence, the carrying amounts of the following financial instruments approximate their fair values:

Cash and cash in banks, notes and accounts receivable, 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 in bank, notes and accounts receivable, other financial assets, bank borrowings loans and financial liabilities, etc. Details of the aforementioned financial instruments have been disclosed in the consolidated financial statements.

Set out below are the risks related to the financial instruments, policies to mitigate the risks, how the management monitor the risks in order to adopt timely, appropriate and effective measures.

d. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	Assets			
	December 31			
	2017		**2016**	
	HK$	**NT$**	**HK$**	**NT$**
USD	$ 456,780	$ 1,741,428	$ 319,479	$ 1,329,512
HKD	391	1,491	624	2,597
	$ 457,171	$ 1,742,919	$ 320,103	$ 1,332,109

	Liabilities			
	December 31			
	2017		**2016**	
	HK$	**NT$**	**HK$**	**NT$**
USD	$ 283,078	$ 1,079,207	$ 276,463	$ 1,150,501
HKD	65,720	250,551	51,303	213,497
	$ 348,798	$ 1,329,758	$ 327,766	$ 1,363,998

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 Year Ended December 31, 2017		**For the Year Ended December 31, 2016**	
	HK$	**NT$**	**HK$**	**NT$**
Profit or loss	$ 8,685	$ 33,111	$ 2,151	$ 8,951

	Currency H.K. Dollars Impact For the Year Ended December 31, 2017		Currency H.K. Dollars Impact For the Year Ended December 31, 2016	
	HK$	**NT$**	**HK$**	**NT$**
Profit or loss	$ (3,266)	$ (12,453)	$ (2,534)	$ (10,545)

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

3) Interest rate risk

Management of interest rate risk

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

Sensitivity analysis of interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the years ended 2017 and 2016 would have been decreased by HK$360 thousand and HK$25 thousand (equivalent to approximately NT$1,376 thousand 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

	December 31, 2017				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 433,656	$ -	$ -	$ 433,656
Other payables	-	97,581	-	-	97,581
Interest bearing liabilities					
Bank borrowings	2.88%	265,661	4,331	-	269,992

Unit: H.K. Dollars

	December 31, 2016				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 294,686	$ -	$ -	$ 294,686
Other payables to related parties	-	8,920	-	-	8,920
Other payables	-	103,941	-	-	103,941
Interest bearing liabilities					
Finance lease payables	-	185	-	-	185
Bank borrowings	2.39%	219,366	6,983	-	226,349

Unit: N.T. Dollars

	December 31, 2017				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
Notes and accounts payable	-	$ 1,653,270	$ -	$ -	$ 1,653,270
Other payables	-	372,018	-	-	372,018
Interest bearing liabilities					
Bank borrowings	2.88%	1,012,806	16,512	-	1,029,318

	December 31, 2016				
	Effective Interest Rate	**On Demand or Within 1 Year**	**2 Years to 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing liabilities					
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
Interest bearing liabilities					
Finance lease payables	-	770	-	-	770
Bank borrowings	2.39%	912,892	29,060	-	941,952

e. Financial facilities

Bank borrowings

	Liabilities			
	December 31			
	2017		2016	
	HK$	**NT$**	**HK$**	**NT$**
Secured borrowings				
Amount unused	$ 250,530	$ 955,121	$ 412,512	$ 1,716,668

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:

December 31, 2017

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT$)
Financial assets				
Monetary items				
USD	$ 51,114	HKD	29.745	$ 1,520,390
USD	7,288	NTD	29.745	216,795
USD	58	RMB	29.745	1,727
USD	85	DKK	29.745	2,516
	$ 58,545			$ 1,741,428
Financial liabilities				
Monetary items				
USD	$ 20,926	HKD	29.745	$ 622,457
USD	14,806	RMB	29.745	440,416
USD	533	NTD	29.745	15,854
USD	16	DKK	29.745	480
	$ 36,281			$ 1,079,207
HKD	$ 65,696	RMB	3.8124	$ 250,463
HKD	23	RMB	3.8124	88
	$ 65,719			$ 250,551

December 31, 2016

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT$)
Financial assets				
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	172	DKK	32.235	5,543
	$ 41,245			$ 1,329,512
Financial liabilities				
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	245	DKK	32.235	7,911
	$ 35,690			$ 1,150,501
HKD	$ 51,302	RMB	4.1615	$ 213,497

Note: Exchange rates represent the closing exchange rate of foreign currency into New Taiwan dollars.

Information of foreign exchange gains and losses are as follow:

	For the Years Ended December 31			
	2017		2016	
	HK$	NT$	HK$	NT$
Realized foreign exchange (loss) gain	$ (4,108)	$ (15,969)	$ 9,751	$ 40,545
Unrealized foreign exchange loss	(6,601)	(25,661)	(925)	(3,846)
	$ (10,709)	$ (41,630)	$ 8,826	$ 36,699

It is impractical to disclose net foreign exchange gain (loss) 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

In 2017 and 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 collected at maturity, the bank has the right to request the Group to repay the unsettled difference. As the Group has not transferred the significant risks and rewards relating to these trade receivables, the Group continues to recognize the full carrying amount of the receivables and the factoring amount as secured bank borrowings.

As of December 31, 2017 and 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 Note 16 and Note 24, respectively.

28. SEGMENT INFORMATION

a. Operating segments

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

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 years ended December 31, 2017 and 2016, the revenue and operating results of the operating segment can be found in the consolidated income statement for the years from January 1 to December 31, 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).

b. Geographic information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	For the Years Ended December 31			
	2017		2016	
	Revenue from External Customers		Revenue from External Customers	
	HK$	NT$	HK$	NT$
China	$ 1,042,502	$ 4,052,622	$ 785,481	$ 3,266,108
Hong Kong	340,842	1,324,989	354,004	1,471,984
Japan	144,250	560,757	146,845	610,597
Brazil	7,149	27,791	6,418	26,686
Others	444,542	1,728,114	263,021	1,093,668
	$ 1,979,285	$ 7,694,273	$ 1,555,769	$ 6,469,043

	December 31			
	2017		2016	
	Non-current Assets		Non-current Assets	
	HK$	NT$	HK$	NT$
China	$ 234,363	$ 893,487	$ 240,602	$ 1,001,265
Hong Kong	5,908	22,524	11,393	47,412
Taiwan	4,640	17,689	5,156	21,457
Denmark	51,889	197,820	45,829	190,717
	$ 296,800	$ 1,131,520	$ 302,980	$ 1,260,851

c. Information of key customers

Customers representing more than 10% of the Group's total income as shown in the consolidated statements of comprehensive income are as follows:

	For the Years Ended December 31					
	2017			2016		
	HK$	NT$	%	HK$	NT$	%
Company A	$ 367,004	$ 1,426,691	19	$ 380,682	$ 1,582,914	24
Company B	516,502	2,007,850	26	280,496	1,166,330	18
Company C	204,943	796,695	10	204,204	849,101	13
Company D	232,467	903,692	12	41,621	173,064	3