

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

Consolidated Financial Statements for the
Nine Months Ended September 30, 2019 and 2018 and
Independent Auditors' Review Report

Notice to Readers

For the convenience of readers, 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 consolidated financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Eastech Holding Limited (formerly known as Eastern Technologies Holding Limited)

Introduction

We have reviewed the accompanying consolidated balance sheet of Eastech Holding Limited, formerly known as Eastern Technologies Holding Limited ("Eastech") and subsidiaries (collectively, the "Group") as of September 30, 2019 and the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Accounting Standards 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of September 30, 2019, and its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Chin-Chuan Shih and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 8, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

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

CONSOLIDATED BALANCE SHEETS
(In Thousands of Hong Kong Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 369,324	23	\$ 224,596	18
Financial assets at fair value through profit or loss (Note 7)	49	-	56	-
Notes and accounts receivable, net (Notes 8, 19 and 23)	614,097	38	535,221	42
Inventories (Notes 10 and 23)	215,225	13	144,264	11
Restricted assets (Notes 6 and 23)	5,942	-	5,372	-
Income tax refund recoverable	911	-	164	-
Other receivables and prepayments (Note 9)	107,090	7	75,674	6
Prepayments for land lease - current (Notes 3 and 14)	-	-	367	-
Total current assets	<u>1,312,638</u>	<u>81</u>	<u>985,714</u>	<u>77</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	21,083	1	25,192	2
Property, plant and equipment (Notes 11 and 23)	180,779	11	190,499	15
Right-of-use assets (Notes 3, 4 and 12)	49,765	3	-	-
Intangible assets (Notes 13 and 23)	60,452	4	66,853	5
Prepayments for land lease - non-current (Notes 3 and 14)	-	-	16,769	1
Deferred tax assets (Notes 4 and 20)	<u>4,068</u>	<u>-</u>	<u>2,882</u>	<u>-</u>
Total non-current assets	<u>316,147</u>	<u>19</u>	<u>302,195</u>	<u>23</u>
TOTAL	<u>\$ 1,628,785</u>	<u>100</u>	<u>\$ 1,287,909</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 15)	\$ 188,791	11	\$ 268,850	21
Financial liabilities at fair value through profit or loss - current (Note 7)	1,580	-	-	-
Notes and accounts payable (Note 16)	714,643	44	444,067	34
Lease liabilities - current (Notes 3, 4 and 12)	6,521	-	-	-
Current tax liabilities (Notes 4 and 20)	12,839	1	8,258	1
Other payables (Note 16)	<u>140,285</u>	<u>9</u>	<u>99,616</u>	<u>8</u>
Total current liabilities	<u>1,064,659</u>	<u>65</u>	<u>820,791</u>	<u>64</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 3, 4 and 12)	13,470	1	-	-
Long-term bank borrowings (Note 15)	32,169	2	1,892	-
Deferred tax liabilities (Notes 4 and 20)	30,177	2	30,176	2
Net defined benefit liabilities (Notes 4 and 17)	<u>316</u>	<u>-</u>	<u>1,517</u>	<u>-</u>
Total non-current liabilities	<u>76,132</u>	<u>5</u>	<u>33,585</u>	<u>2</u>
Total liabilities	<u>1,140,791</u>	<u>70</u>	<u>854,376</u>	<u>66</u>
EQUITY (Note 18)				
Share capital - common stock	162,642	10	162,902	13
Capital surplus	200,498	12	199,511	15
Treasury shares	(5,966)	-	(5,966)	-
Exchange differences on translating the financial statements of foreign operations	(56,450)	(3)	(42,546)	(3)
Unearned employee benefits	(2,625)	-	(4,647)	-
Unrealized losses on financial assets at fair value through other comprehensive income	(7,787)	(1)	(7,787)	(1)
Retained earnings				
Legal reserve	13,154	1	13,154	1
Unappropriated earnings	<u>184,528</u>	<u>11</u>	<u>118,912</u>	<u>9</u>
Total equity	<u>487,994</u>	<u>30</u>	<u>433,533</u>	<u>34</u>
TOTAL	<u>\$ 1,628,785</u>	<u>100</u>	<u>\$ 1,287,909</u>	<u>100</u>

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

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

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,462,671	23	\$ 876,643	18
Financial assets at fair value through profit or loss (Note 7)	194	-	219	-
Notes and accounts receivable, net (Notes 8, 19 and 23)	2,432,070	38	2,089,075	42
Inventories (Notes 10 and 23)	852,377	13	563,091	11
Restricted assets (Notes 6 and 23)	23,533	-	20,968	-
Income tax refund recoverable	3,608	-	640	-
Other receivables and prepayments (Note 9)	424,119	7	295,371	6
Prepayments for land lease - current (Notes 3 and 14)	-	-	1,432	-
Total current assets	<u>5,198,572</u>	<u>81</u>	<u>3,847,439</u>	<u>77</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	83,496	1	98,329	2
Property, plant and equipment (Notes 11 and 23)	715,957	11	743,556	15
Right-of-use assets (Notes 3, 4 and 12)	197,089	3	-	-
Intangible assets (Notes 13 and 23)	239,415	4	260,941	5
Prepayments for land lease - non-current (Notes 3 and 14)	-	-	65,453	1
Deferred tax assets (Notes 4 and 20)	<u>16,111</u>	<u>-</u>	<u>11,249</u>	<u>-</u>
Total non-current assets	<u>1,252,068</u>	<u>19</u>	<u>1,179,528</u>	<u>23</u>
TOTAL	<u>\$ 6,450,640</u>	<u>100</u>	<u>\$ 5,026,967</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 15)	\$ 747,688	11	\$ 1,049,375	21
Financial liabilities at fair value through profit or loss - current (Note 7)	6,257	-	-	-
Notes and accounts payable (Note 16)	2,830,272	44	1,733,282	34
Lease liabilities - current (Notes 3, 4 and 12)	25,826	-	-	-
Current tax liabilities (Notes 4 and 20)	50,848	1	32,233	1
Other payables (Note 16)	<u>555,585</u>	<u>9</u>	<u>388,821</u>	<u>8</u>
Total current liabilities	<u>4,216,476</u>	<u>65</u>	<u>3,203,711</u>	<u>64</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 3, 4 and 12)	53,347	1	-	-
Long-term bank borrowings (Note 15)	127,402	2	7,385	-
Deferred tax liabilities (Notes 4 and 20)	119,513	2	117,783	2
Net defined benefit liabilities (Notes 4 and 17)	<u>1,251</u>	<u>-</u>	<u>5,921</u>	<u>-</u>
Total non-current liabilities	<u>301,513</u>	<u>5</u>	<u>131,089</u>	<u>2</u>
Total liabilities	<u>4,517,989</u>	<u>70</u>	<u>3,334,800</u>	<u>66</u>
EQUITY (Note 18)				
Share capital - common stock	615,040	9	616,060	12
Capital surplus	755,909	12	751,962	15
Treasury shares	(24,019)	-	(24,019)	-
Exchange differences on translating the financial statements of foreign operations	(142,401)	(2)	(113,524)	(2)
Unearned employee benefits	(10,369)	-	(18,396)	-
Unrealized losses on financial assets at fair value through other comprehensive income	(29,950)	(1)	(29,950)	(1)
Retained earnings				
Legal reserve	54,382	1	54,382	1
Unappropriated earnings	<u>714,059</u>	<u>11</u>	<u>455,652</u>	<u>9</u>
Total equity	<u>1,932,651</u>	<u>30</u>	<u>1,692,167</u>	<u>34</u>
TOTAL	<u>\$ 6,450,640</u>	<u>100</u>	<u>\$ 5,026,967</u>	<u>100</u>

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

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of Hong Kong Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Note 19)	\$ 880,944	100	\$ 751,696	100	\$ 2,069,064	100	\$ 1,800,240	100
COST OF REVENUE (Note 10)	<u>743,476</u>	<u>85</u>	<u>637,041</u>	<u>85</u>	<u>1,766,068</u>	<u>86</u>	<u>1,585,395</u>	<u>88</u>
GROSS PROFIT	<u>137,468</u>	<u>15</u>	<u>114,655</u>	<u>15</u>	<u>302,996</u>	<u>14</u>	<u>214,845</u>	<u>12</u>
OPERATING EXPENSES								
Selling and distribution	22,114	3	10,544	2	42,918	2	30,218	1
General and administrative	<u>65,615</u>	<u>7</u>	<u>48,030</u>	<u>6</u>	<u>166,567</u>	<u>8</u>	<u>139,078</u>	<u>8</u>
Total operating expenses	<u>87,729</u>	<u>10</u>	<u>58,574</u>	<u>8</u>	<u>209,485</u>	<u>10</u>	<u>169,296</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>49,739</u>	<u>5</u>	<u>56,081</u>	<u>7</u>	<u>93,511</u>	<u>4</u>	<u>45,549</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 19)	5,318	1	7,605	1	10,545	-	11,879	1
Foreign exchange loss, net (Note 25)	13,688	1	7,128	1	15,193	1	5,404	-
Finance costs (Note 19)	(2,214)	-	(2,655)	-	(7,128)	-	(7,321)	(1)
Other losses (Note 19)	<u>(1,361)</u>	<u>-</u>	<u>(251)</u>	<u>-</u>	<u>(7,852)</u>	<u>-</u>	<u>(830)</u>	<u>-</u>
Total non-operating income and expense	<u>15,431</u>	<u>2</u>	<u>11,827</u>	<u>2</u>	<u>10,758</u>	<u>1</u>	<u>9,132</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	65,170	7	67,908	9	104,269	5	54,681	3
INCOME TAX (Notes 4 and 20)	<u>(10,188)</u>	<u>(1)</u>	<u>(10,800)</u>	<u>(1)</u>	<u>(18,663)</u>	<u>(1)</u>	<u>(20,077)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>54,982</u>	<u>6</u>	<u>57,108</u>	<u>8</u>	<u>85,606</u>	<u>4</u>	<u>34,604</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)								
Items that will not be reclassified subsequently to profit or loss:								
Effect of tax rate changes (Note 20)	-	-	-	-	-	-	77	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	<u>(13,585)</u>	<u>(1)</u>	<u>(20,055)</u>	<u>(3)</u>	<u>(13,904)</u>	<u>(1)</u>	<u>(20,779)</u>	<u>(1)</u>
Other comprehensive (loss)/income for the period, net of income tax	<u>(13,585)</u>	<u>(1)</u>	<u>(20,055)</u>	<u>(3)</u>	<u>(13,904)</u>	<u>(1)</u>	<u>(20,702)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 41,397</u>	<u>5</u>	<u>\$ 37,053</u>	<u>5</u>	<u>\$ 71,702</u>	<u>3</u>	<u>\$ 13,902</u>	<u>1</u>

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES**(Formerly Known as Eastern Technologies Holding Limited)****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In Thousands of Hong Kong Dollars, Except Earnings Per Share)****(Reviewed, Not Audited)**

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 21)								
Basic earnings per share								
after income tax	<u>\$ 0.90</u>		<u>\$ 0.94</u>		<u>\$ 1.40</u>		<u>\$ 0.57</u>	
Diluted earnings per share								
after income tax	<u>\$ 0.89</u>		<u>\$ 0.94</u>		<u>\$ 1.38</u>		<u>\$ 0.57</u>	

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Note 19)	\$ 3,489,052	100	\$ 2,896,085	100	\$ 8,179,631	100	\$ 6,854,234	100
COST OF REVENUE (Note 10)	<u>2,944,706</u>	<u>85</u>	<u>2,456,291</u>	<u>85</u>	<u>6,981,797</u>	<u>86</u>	<u>6,036,233</u>	<u>88</u>
GROSS PROFIT	<u>544,346</u>	<u>15</u>	<u>439,794</u>	<u>15</u>	<u>1,197,834</u>	<u>14</u>	<u>818,001</u>	<u>12</u>
OPERATING EXPENSES								
Selling and distribution	87,536	3	40,785	1	169,668	2	115,052	1
General and administrative	<u>259,938</u>	<u>7</u>	<u>185,874</u>	<u>7</u>	<u>658,509</u>	<u>8</u>	<u>529,841</u>	<u>8</u>
Total operating expenses	<u>347,474</u>	<u>10</u>	<u>226,659</u>	<u>8</u>	<u>828,177</u>	<u>10</u>	<u>644,893</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>196,872</u>	<u>5</u>	<u>213,135</u>	<u>7</u>	<u>369,657</u>	<u>4</u>	<u>173,108</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 19)	21,052	1	29,094	1	41,688	-	45,228	1
Foreign exchange loss, net (Note 25)	54,120	1	27,083	1	60,062	1	20,575	-
Finance costs (Note 19)	(8,779)	-	(10,260)	-	(28,179)	-	(27,874)	(1)
Other losses (Note 19)	<u>(5,415)</u>	<u>-</u>	<u>(974)</u>	<u>-</u>	<u>(31,041)</u>	<u>-</u>	<u>(3,160)</u>	<u>-</u>
Total non-operating income and expense	<u>60,978</u>	<u>2</u>	<u>44,943</u>	<u>2</u>	<u>42,530</u>	<u>1</u>	<u>34,769</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	257,850	7	258,078	9	412,187	5	207,877	3
INCOME TAX (Notes 4 and 20)	<u>(40,322)</u>	<u>(1)</u>	<u>(41,421)</u>	<u>(1)</u>	<u>(73,780)</u>	<u>(1)</u>	<u>(76,441)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>217,528</u>	<u>6</u>	<u>216,657</u>	<u>8</u>	<u>338,407</u>	<u>4</u>	<u>131,436</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)								
Items that will not be reclassified subsequently to profit or loss:								
Effect of tax rate changes (Note 20)	-	-	-	-	-	-	294	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	<u>(52,255)</u>	<u>(1)</u>	<u>(56,555)</u>	<u>(2)</u>	<u>(28,877)</u>	<u>-</u>	<u>(36,225)</u>	<u>(1)</u>
Other comprehensive (loss)/income for the period, net of income tax	<u>(52,255)</u>	<u>(1)</u>	<u>(56,555)</u>	<u>(2)</u>	<u>(28,877)</u>	<u>-</u>	<u>(35,931)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 165,273</u>	<u>5</u>	<u>\$ 160,102</u>	<u>6</u>	<u>\$ 309,530</u>	<u>4</u>	<u>\$ 95,505</u>	<u>1</u>

(Continued)

EASTECH HOLDING LIMITED AND SUBSIDIARIES**(Formerly Known as Eastern Technologies Holding Limited)****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)****(Reviewed, Not Audited)**

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 21)								
Basic earnings per share								
after income tax	<u>\$ 3.56</u>		<u>\$ 3.54</u>		<u>\$ 5.54</u>		<u>\$ 2.15</u>	
Diluted earnings per share								
after income tax	<u>\$ 3.53</u>		<u>\$ 3.54</u>		<u>\$ 5.47</u>		<u>\$ 2.15</u>	

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

(Concluded)

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

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

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unearned Employee Benefits	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings		Total Equity
							Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2018	\$ 163,891	\$ 202,979	\$ (9,929)	\$ (21,289)	\$ (7,799)	\$ -	\$ 12,143	\$ 61,864	\$ 401,860
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	-	4,528	4,528
BALANCE AT JANUARY 1, 2018 AS RESTATED	163,891	202,979	(9,929)	(21,289)	(7,799)	-	12,143	66,392	406,388
Appropriation of 2017 earnings									
Cash dividends	-	-	-	-	-	-	-	(11,421)	(11,421)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	84	-	-	-	-	-	-	84
Cancellation of restricted shares for employees	(134)	(370)	-	-	504	-	-	-	-
Compensation costs of restricted shares plan for employees	-	-	-	-	1,865	-	-	-	1,865
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	-	-	34,604	34,604
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	(20,779)	-	-	-	77	(20,702)
BALANCE AT SEPTEMBER 30, 2018	<u>\$ 163,757</u>	<u>\$ 202,693</u>	<u>\$ (9,929)</u>	<u>\$ (42,068)</u>	<u>\$ (5,430)</u>	<u>\$ -</u>	<u>\$ 12,143</u>	<u>\$ 89,652</u>	<u>\$ 410,818</u>
BALANCE AT JANUARY 1, 2019	\$ 162,902	\$ 199,511	\$ (5,966)	\$ (42,546)	\$ (4,647)	\$ (7,787)	\$ 13,154	\$ 118,912	\$ 433,533
Appropriation of 2018 earnings									
Cash dividends	-	-	-	-	-	-	-	(19,990)	(19,990)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	147	-	-	-	-	-	-	147
Cancellation of restricted shares for employees	(260)	(596)	-	-	856	-	-	-	-
Compensation costs of restricted shares plan for employees	-	-	-	-	1,166	-	-	-	1,166
Compensation costs of employee share options	-	1,436	-	-	-	-	-	-	1,436
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	-	85,606	85,606
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	(13,904)	-	-	-	-	(13,904)
BALANCE AT SEPTEMBER 30, 2019	<u>\$ 162,642</u>	<u>\$ 200,498</u>	<u>\$ (5,966)</u>	<u>\$ (56,450)</u>	<u>\$ (2,625)</u>	<u>\$ (7,787)</u>	<u>\$ 13,154</u>	<u>\$ 184,528</u>	<u>\$ 487,994</u>

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

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

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

	Share Capital - Common Stock	Capital Surplus	Treasury Shares	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unearned Employee Benefits	Unrealized Losses on Financial Assets at Fair value Through Other Comprehensive Income	Retained Earnings		Total Equity
							Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2018	\$ 619,860	\$ 766,834	\$ (40,671)	\$ (69,570)	\$ (30,955)	\$ -	\$ 49,775	\$ 236,776	\$ 1,532,049
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	-	17,264	17,264
BALANCE AT JANUARY 1, 2018 AS RESTATED	619,860	766,834	(40,671)	(69,570)	(30,955)	-	49,775	254,040	1,549,313
Appropriation of 2017 earnings									
Cash dividends	-	-	-	-	-	-	-	(43,377)	(43,377)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	319	-	-	-	-	-	-	319
Cancellation of restricted shares for employees	(540)	(1,492)	-	-	2,032	-	-	-	-
Compensation costs of restricted shares plan for employees	-	-	-	-	7,416	-	-	-	7,416
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	-	-	131,436	131,436
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	(36,225)	-	-	-	294	(35,931)
BALANCE AT SEPTEMBER 30, 2018	<u>\$ 619,320</u>	<u>\$ 765,661</u>	<u>\$ (40,671)</u>	<u>\$ (105,795)</u>	<u>\$ (21,507)</u>	<u>\$ -</u>	<u>\$ 49,775</u>	<u>\$ 342,393</u>	<u>\$ 1,609,176</u>
BALANCE AT JANUARY 1, 2019	\$ 616,060	\$ 751,962	\$ (24,019)	\$ (113,524)	\$ (18,396)	\$ (29,950)	\$ 54,382	\$ 455,652	\$ 1,692,167
Appropriation of 2018 earnings									
Cash dividends	-	-	-	-	-	-	-	(80,000)	(80,000)
Cash dividends distributed to the subsidiaries which adjusted to capital surplus	-	589	-	-	-	-	-	-	589
Cancellation of restricted shares for employees	(1,020)	(2,341)	-	-	3,361	-	-	-	-
Compensation costs of restricted shares plan for employees	-	-	-	-	4,666	-	-	-	4,666
Compensation costs of employee share options	-	5,699	-	-	-	-	-	-	5,699
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	-	338,407	338,407
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	(28,877)	-	-	-	-	(28,877)
BALANCE AT SEPTEMBER 30, 2019	<u>\$ 615,040</u>	<u>\$ 755,909</u>	<u>\$ (24,019)</u>	<u>\$ (142,401)</u>	<u>\$ (10,369)</u>	<u>\$ (29,950)</u>	<u>\$ 54,382</u>	<u>\$ 714,059</u>	<u>\$ 1,932,651</u>

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

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

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

	For the Nine Months Ended September 30			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	\$ 104,269	\$ 412,187	\$ 54,681	\$ 207,877
Adjustments for:				
Amortization - other intangible assets	13,223	52,274	9,081	34,575
Amortization - prepayments for land lease	-	-	421	1,603
Provision impairment loss on bad debt	4,864	19,229	3,239	12,332
Impairment loss recognized on other receivables	3,297	13,034	-	-
Allowance for inventories provision and inventories write-off	9,210	36,410	9,862	37,549
Depreciation expenses of property, plant and equipments	30,678	121,279	34,857	132,715
Depreciation expenses of right-of-use assets	6,050	23,917	-	-
Loss on disposal of property, plant and equipment	967	3,822	732	2,787
Loss on written off other intangible assets	1,069	4,226	3,354	12,770
Interest expense	7,128	28,179	7,321	27,874
Interest income	(1,189)	(4,700)	(694)	(2,642)
Dividend income	(1,690)	(6,681)	(1,753)	(6,674)
Compensation cost of employees restricted shares	1,166	4,666	1,865	7,416
Compensation cost of employees share options	1,436	5,699	-	-
Loss on fair value changes of financial instruments at fair value through profit or loss	<u>6,852</u>	<u>27,088</u>	<u>16</u>	<u>61</u>
Operating cash flows before working capital changes	187,330	740,629	122,982	468,243
Changes in operating assets and liabilities				
Notes and accounts receivable	(83,741)	(331,053)	(213,155)	(811,566)
Other receivables and prepayments	(34,920)	(138,049)	(8,437)	(32,123)
Inventories	(80,171)	(316,940)	(27,555)	(104,913)
Notes and accounts payable and other payables	311,245	1,230,445	136,199	518,564
Net defined benefit liabilities	<u>(1,201)</u>	<u>(4,748)</u>	<u>(197)</u>	<u>(750)</u>
Cash generated from operations	298,542	1,180,284	9,837	37,455
Interest paid	(7,128)	(28,179)	(7,321)	(27,874)
Interest received	1,189	4,700	694	2,642
Dividend received	1,690	6,681	1,753	6,674
Income tax paid	<u>(13,736)</u>	<u>(54,303)</u>	<u>(7,549)</u>	<u>(28,742)</u>
Net cash generated from (used in) operating activities	<u>280,557</u>	<u>1,109,183</u>	<u>(2,586)</u>	<u>(9,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for acquiring right-of-use assets	(13,965)	(55,208)	-	-
Payments for acquiring property, plant and equipment	(29,524)	(116,717)	(25,660)	(97,698)
Proceeds from disposal of property, plant and equipment	272	1,074	199	758
Increase in other intangible assets	(10,351)	(40,921)	(18,206)	(69,318)
Increase in restricted assets	<u>(570)</u>	<u>(2,253)</u>	<u>(4,033)</u>	<u>(15,359)</u>
Net cash used in investing activities	<u>(54,138)</u>	<u>(214,025)</u>	<u>(47,700)</u>	<u>(181,617)</u>

(Continued)

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

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

	For the Nine Months Ended September 30			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceed from bank borrowings	\$ 611,571	\$ 2,422,066	\$ 815,124	\$ 3,103,505
Repayments of bank borrowings	(659,988)	(2,613,816)	(789,181)	(3,004,727)
Repayments of the principal portion of lease liabilities	(5,095)	(20,142)	-	-
Cash dividend	(19,990)	(80,000)	(11,421)	(43,377)
Cash dividend received from treasury shares	147	589	84	319
Net cash (used in) generated from financing activities	(73,355)	(291,303)	14,606	55,720
EFFECT OF EXCHANGE RATE CHANGES	(8,336)	(17,827)	(12,236)	(31,756)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	144,728	586,028	(47,916)	(167,498)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	224,596	876,643	193,004	735,808
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 369,324	\$ 1,462,671	\$ 145,088	\$ 568,310
CASH AND CASH EQUIVALENTS AS FOLLOWS:				
Cash and bank deposits	\$ 375,266	\$ 1,486,204	\$ 150,436	\$ 589,258
Pledge deposits	(5,942)	(23,533)	(5,348)	(20,948)
Cash and cash equivalents	\$ 369,324	\$ 1,462,671	\$ 145,088	\$ 568,310

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

(Concluded)

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (In Thousands of Hong Kong Dollars and New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Eastech Holding Limited (formerly known as Eastern Technologies Holding Limited) (the “Company”) was an investment holding company incorporated in Cayman Islands on February 1, 2011.

The Company was 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 headphones. Through restructuring, 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.

In order to maximize the allocation and to diffuse the risk of cost inflation and tariff on the current main production base, EAH established a wholly-owned subsidiary - Eastech (VN) Company Limited in Vietnam, as second production base, with the registered capital of US\$3.5 million on January 25, 2019.

In order to expand the sales of headphones, EAH established a wholly-owned subsidiary - Eastech Microacoustics (HK) Limited, with the registered capital of HK\$100,000 on August 30, 2019.

The Company’s and its subsidiaries (collectively as the “Group”) 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 November 8, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Standards and interpretations effective for the year

The Group has adopted all new, revised and amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) issued into effect after fiscal year beginning on January 1, 2019. Except for the following, whenever applied, the initial application of the amendments to the IFRSs issued into effect would not have any material impact on the Group’s consolidated financial statements for the nine months ended September 30, 2019.

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.87%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

Unit: H.K. Dollars

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 37,162
Less: Recognition exemption for short-term leases	<u>(5,116)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 32,046</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 24,756</u>

Unit: N.T. Dollars

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 145,051
Less: Recognition exemption for short-term leases	<u>(19,969)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 125,082</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 96,628</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

Unit: H.K. Dollars

	Carrying Amount Before January 1, 2019	Reclassifi- cation from Initial Application	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	\$ 367	\$ (367)	\$ -	\$ -
Prepayments for leases - non-current	16,769	(16,769)	-	-
Right-of-use assets	<u>-</u>	<u>17,136</u>	<u>24,756</u>	<u>41,892</u>
Total effect on assets	<u>\$ 17,136</u>	<u>\$ -</u>	<u>\$ 24,756</u>	<u>\$ 41,892</u>
Lease liabilities - current	\$ -	\$ -	\$ 6,422	\$ 6,422
Lease liabilities - non-current	<u>-</u>	<u>-</u>	<u>18,334</u>	<u>18,334</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,756</u>	<u>\$ 24,756</u>

Unit: N.T. Dollars

	Carrying Amount Before January 1, 2019	Reclassifi- cation from Initial Application	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	\$ 1,432	\$ (1,432)	\$ -	\$ -
Prepayments for leases - non-current	65,453	(65,453)	-	-
Right-of-use assets	<u>-</u>	<u>66,885</u>	<u>96,628</u>	<u>163,513</u>
Total effect on assets	<u>\$ 66,885</u>	<u>\$ -</u>	<u>\$ 96,628</u>	<u>\$ 163,513</u>
Lease liabilities - current	\$ -	\$ -	\$ 25,066	\$ 25,066
Lease liabilities - non-current	<u>-</u>	<u>-</u>	<u>71,562</u>	<u>71,562</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,628</u>	<u>\$ 96,628</u>

b. Standards and interpretations issued but not yet effective

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

- 1) The basis of consolidated financial statements are consistent with those applied in the consolidated financial statement for the year ended December 31, 2018.

- 2) Pursuant to the above basis of preparation of the consolidated financial statements, the detail information of the subsidiaries was as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest		Descriptions
			September 30, 2019	December 31, 2018	
The Company	Eastern Asia Technology (HK) Limited ("EAH")	Sales of speaker systems and headphones	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	Eastech Systems (Huiyang) Co., Ltd. ("ESHY")	Production and sales of speaker systems	100.00	100.00	"
EAH	Eastech (Huiyang) Co., Ltd. ("EAHY")	Production, assembly and sales of speaker systems and accessories	100.00	100.00	"
EAH	Eastech Microacoustics (Huiyang) Co., Ltd. ("EMHY")	Production and sales of headphones	100.00	100.00	"
EAH	Shenzhen MaliMaliBox Trading Corporation Limited ("MMSZ")	Import and export trading of audio and headphones products machinery and equipment	100.00	100.00	MMSZ 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 (VN) Company Limited ("EAVN")	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones	100.00	-	EAVN was established by EAH on January 25, 2019.
EAH	Eastech Electronics (Taiwan) Inc. ("ETT")	Design and sales of smart speaker and AV electronics home entertainment systems	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.
EAH	Eastech Microacoustics (HK) Limited ("EMH")	Sales of headphones and AV products	100.00	-	EMH was established by EAH on August 30, 2019.
EAH	Eastech Electronics (SG) Pte. Ltd. ("ETS")	Research and development of system architecture/new product concept/ state-of-the-art products/sound and acoustics advance technology Sales of speakers, AV electronics home entertainment systems, smart speakers and headphones	100.00	100.00	ETS was established by ETH in October 2017 and was transferred 100% ownership from ETH to EAH in July 2019.
ETT	Eastech Electronics (HK) Limited ("ETH")	Sales of smart speaker and AV electronics home entertainment systems	100.00	100.00	"
ETH	Eastech Electronics (Huiyang) Co., Ltd. ("ETHY")	Production and sales of smart speaker and AV electronics home entertainment systems	100.00	100.00	"

c. Other significant accounting policies

Except for the following, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2018.

1) Prepayments for land lease

For the lease land held for operation in 2018, 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. Prepayments for land lease were reclassified to right-of-use assets starting from 2019.

2) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a 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 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 leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

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.

3) Derivative financial instruments

The Group enters into derivative financial instruments like foreign exchange forward contract to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

4) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

5) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income and the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

6) Explanatory about the seasonality of interim operations

The Group's majority of clients are internationally renowned audio-visual brand enterprises. In line with the relevant European and American customers' Christmas holiday sales, the Group's production and sales is focus on the third quarter of the year to make sure stock availability before Christmas holiday. The first half of the year is typically the case of the off-season operation; therefore, the Group has a seasonal cycle of operations.

d. 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 the consideration paid upon obtaining of the assets.

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 Group's management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

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

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. 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 11 for details about the carrying amount of the property, plant and equipment.

c. 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 tax authorities 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 20.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cash on hand	\$ 1,097	\$ 4,345	\$ 194	\$ 757
Cash at bank	368,227	1,458,326	224,402	875,886
Fixed deposits	<u>5,942</u>	<u>23,533</u>	<u>5,372</u>	<u>20,968</u>
	375,266	1,486,204	229,968	897,611
Less: Pledged deposits	<u>(5,942)</u>	<u>(23,533)</u>	<u>(5,372)</u>	<u>(20,968)</u>
	<u>\$ 369,324</u>	<u>\$ 1,462,671</u>	<u>\$ 224,596</u>	<u>\$ 876,643</u>

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
<u>Financial assets - current</u>				
Non-derivative financial assets				
Foreign-listed stocks	<u>\$ 49</u>	<u>\$ 194</u>	<u>\$ 56</u>	<u>\$ 219</u>

(Continued)

	<u>September 30, 2019 (Reviewed)</u>		<u>December 31, 2018 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
<u>Financial assets non - current</u>				
Non-derivative financial assets				
Domestic unlisted stocks	\$ 21,083	\$ 83,496	\$ 21,391	\$ 83,496
Embedded derivative financial assets mandatorily classified as at FVTPL (not under hedge accounting)				
Foreign convertible bond and call warrants	<u>-</u>	<u>-</u>	<u>3,801</u>	<u>14,833</u>
	<u>\$ 21,083</u>	<u>\$ 83,496</u>	<u>\$ 25,192</u>	<u>\$ 98,329</u>
<u>Financial liabilities - current</u>				
Financial liabilities held for trading				
Derivative financial liabilities (not under hedge accounting)				
Foreign exchange forward contracts	<u>\$ 1,580</u>	<u>\$ 6,257</u>	<u>\$ -</u>	<u>\$ -</u>
				(Concluded)

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>September 30, 2019</u>			
Sell	USD/RMB	2019.10.21-2019.12.20	USD3,300/RMB22,152

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. NOTES AND ACCOUNTS RECEIVABLE

	<u>September 30, 2019 (Reviewed)</u>		<u>December 31, 2018 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Notes receivable	\$ 3,369	\$ 13,343	\$ 1,957	\$ 7,639
Accounts receivable	618,714	2,450,355	536,434	2,093,809
Less: Allowance for impairment loss	<u>(7,986)</u>	<u>(31,628)</u>	<u>(3,170)</u>	<u>(12,373)</u>
	<u>\$ 614,097</u>	<u>\$ 2,432,070</u>	<u>\$ 535,221</u>	<u>\$ 2,089,075</u>

The Group's average credit period of sales of goods was 76 days (75 days in 2018). No interest was charged on notes and accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs (excluding notes and accounts receivable that recognizes loss allowance at full amount). The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position and adjusted for general economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off the notes and accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the notes and accounts receivable are over 180 days past due, whichever occurs earlier.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

September 30, 2019 (Reviewed)

Unit: H.K. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 527,022	\$ 87,075	\$ 4,021	\$ 3,965	\$ 622,083
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(4,021)</u>	<u>(3,965)</u>	<u>(7,986)</u>
Amortized cost	<u>\$ 527,022</u>	<u>\$ 87,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,097</u>

Unit: N.T. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 2,087,218	\$ 344,852	\$ 15,925	\$ 15,703	\$ 2,463,698
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(15,925)</u>	<u>(15,703)</u>	<u>(31,628)</u>
Amortized cost	<u>\$ 2,087,218</u>	<u>\$ 344,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,432,070</u>

December 31, 2018 (Audited)

Unit: H.K. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 527,476	\$ 7,795	\$ 2,770	\$ 350	\$ 538,391
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(50)</u>	<u>(2,770)</u>	<u>(350)</u>	<u>(3,170)</u>
Amortized cost	<u>\$ 527,476</u>	<u>\$ 7,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,221</u>

Unit: N.T. Dollars

	Not Past Due	1 to 180 Days	181 to 365 Days	Over One Year	Total
Gross carrying amount	\$ 2,058,844	\$ 30,426	\$ 10,812	\$ 1,366	\$ 2,101,448
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(195)</u>	<u>(10,812)</u>	<u>(1,366)</u>	<u>(12,373)</u>
Amortized cost	<u>\$ 2,058,844</u>	<u>\$ 30,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,089,075</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Balance at the beginning of the period	\$ 3,170	\$ 12,373	\$ -	\$ -
Add: Impairment losses recognized	4,864	19,229	3,213	12,362
Effect of foreign currency exchange differences	<u>(48)</u>	<u>26</u>	<u>(43)</u>	<u>11</u>
Balance at the end of the period	<u>\$ 7,986</u>	<u>\$ 31,628</u>	<u>\$ 3,170</u>	<u>\$ 12,373</u>

The notes and accounts receivable (with recourse) pledged as collateral for bank borrowings are set out in Note 23 and 25 (h).

9. OTHER RECEIVABLES AND PREPAYMENTS

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables	\$ 42,791	\$ 169,469	\$ 38,819	\$ 151,518
Allowance for impairment loss	<u>(19,607)</u>	<u>(77,652)</u>	<u>(16,310)</u>	<u>(63,661)</u>
Other receivables, net	23,184	91,817	22,509	87,857
Prepayments	6,587	26,087	5,830	22,757
Prepayments for purchases	6,047	23,949	9,718	37,931
Prepayments for purchases of equipment and mold	4,381	17,351	3,239	12,642

(Continued)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Value-added tax recoverable and refundable	\$ 62,759	\$ 248,551	\$ 30,113	\$ 117,537
Guarantee deposits	<u>4,132</u>	<u>16,364</u>	<u>4,265</u>	<u>16,647</u>
	<u>\$ 107,090</u>	<u>\$ 424,119</u>	<u>\$ 75,674</u>	<u>\$ 295,371</u>
				(Concluded)

Other receivables of the Group mainly consist of the followings:

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

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Other receivables (including security deposits)	\$ 23,390	\$ 92,633	\$ 23,439	\$ 91,487
Less: Allowance for doubtful debts	<u>(19,607)</u>	<u>(77,652)</u>	<u>(16,310)</u>	<u>(63,661)</u>
	<u>\$ 3,783</u>	<u>\$ 14,981</u>	<u>\$ 7,129</u>	<u>\$ 27,826</u>

- b. As of September 30, 2019 and December 31, 2018, the amounts of temporary payments as described in Note 16(b) were HK\$11,565 thousand and HK\$8,893 thousand (equivalent to approximately NT\$45,802 thousand and NT\$34,711 thousand) respectively.

10. INVENTORIES

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Raw materials	\$ 96,695	\$ 382,951	\$ 69,231	\$ 270,222
Work-in-progress	84,080	332,990	46,876	182,966
Finished goods	9,872	39,097	19,784	77,221
Goods in transit	<u>24,578</u>	<u>97,339</u>	<u>8,373</u>	<u>32,682</u>
	<u>\$ 215,225</u>	<u>\$ 852,377</u>	<u>\$ 144,264</u>	<u>\$ 563,091</u>

The cost of inventories recognized as cost of goods sold in the nine months ended September 30, 2019 and 2018 was HK\$1,766,068 thousand and HK\$1,585,395 thousand (equivalent to approximately NT\$6,981,797 thousand and NT\$6,036,233 thousand) respectively, which included HK\$9,210 thousand and HK\$9,862 thousand (equivalent to approximately NT\$36,410 thousand and NT\$37,549 thousand) as allowance for inventories provision and inventories write-off respectively.

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2019 and 2018 was HK\$743,476 thousand and HK\$637,041 thousand (equivalent to approximately NT\$2,944,706 thousand and NT\$2,456,291 thousand), respectively, which included HK\$1,773 thousand and HK\$3,150 thousand (equivalent to approximately NT\$7,049 thousand and NT\$12,212 thousand), write-down of impairment loss and inventories disposed, respectively.

The inventories pledged as collateral for bank borrowings are set out in Note 23.

11. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Cost	\$ 446,688	\$ 1,769,063	\$ 464,156	\$ 1,811,694
Accumulated depreciation and impairment	<u>(265,909)</u>	<u>(1,053,106)</u>	<u>(273,657)</u>	<u>(1,068,138)</u>
Carrying amount	<u>\$ 180,779</u>	<u>\$ 715,957</u>	<u>\$ 190,499</u>	<u>\$ 743,556</u>
Land and buildings	\$ 25,899	\$ 102,571	\$ 33,683	\$ 131,471
Machinery and office equipment	143,121	566,816	155,919	608,584
Property under construction	<u>11,759</u>	<u>46,570</u>	<u>897</u>	<u>3,501</u>
Carrying amount	<u>\$ 180,779</u>	<u>\$ 715,957</u>	<u>\$ 190,499</u>	<u>\$ 743,556</u>

b. Changes in real estate, plant and equipment are as follows:

	Land and Buildings		Machinery and Office Equipment		Property under Construction		Total	
	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$	HK\$	NT\$
Cost								
Balance at January 1, 2018	\$ 128,249	\$ 488,936	\$ 359,146	\$ 1,369,208	\$ 1,522	\$ 5,803	\$ 488,917	\$ 1,863,947
Additions	-	-	32,036	123,262	1,311	5,044	33,347	128,306
Disposals	(48)	(185)	(26,707)	(102,758)	(298)	(1,146)	(27,053)	(104,089)
Reclassification	-	-	1,353	5,206	(1,592)	(6,125)	(239)	(919)
Effect of foreign currency exchange differences	(6,644)	(14,290)	(24,126)	(61,186)	(46)	(75)	(30,816)	(75,551)
Balance at December 31, 2018	121,557	474,461	341,702	1,333,732	897	3,501	464,156	1,811,694
Additions	-	-	18,450	72,938	11,074	43,779	29,524	116,717
Disposals	(10)	(40)	(21,039)	(83,172)	(121)	(478)	(21,170)	(83,690)
Reclassification	-	-	45	178	(45)	(178)	-	-
Effect of foreign currency exchange differences	(6,288)	(17,949)	(19,488)	(57,655)	(46)	(54)	(25,822)	(75,658)
Balance at September 30, 2019	<u>\$ 115,259</u>	<u>\$ 456,472</u>	<u>\$ 319,670</u>	<u>\$ 1,266,021</u>	<u>\$ 11,759</u>	<u>\$ 46,570</u>	<u>\$ 446,688</u>	<u>\$ 1,769,063</u>
Accumulated depreciation and impairment								
Balance at January 1, 2018	\$ 83,183	\$ 317,127	\$ 192,040	\$ 732,133	\$ -	\$ -	\$ 275,223	\$ 1,049,260
Depreciation	10,155	39,072	35,073	134,947	-	-	45,228	174,019
Disposals	(23)	(89)	(24,052)	(92,542)	-	-	(24,075)	(92,631)
Effect of foreign currency exchange differences	(5,441)	(13,120)	(17,278)	(49,390)	-	-	(22,719)	(62,510)
Balance at December 31, 2018	87,874	342,990	185,783	725,148	-	-	273,657	1,068,138
Depreciation	7,267	28,729	23,411	92,550	-	-	30,678	121,279
Disposals	(5)	(20)	(19,926)	(78,774)	-	-	(19,931)	(78,794)
Effect of foreign currency exchange differences	(5,776)	(17,798)	(12,719)	(39,719)	-	-	(18,495)	(57,517)
Balance at September 30, 2019	<u>\$ 89,360</u>	<u>\$ 353,901</u>	<u>\$ 176,549</u>	<u>\$ 699,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,909</u>	<u>\$ 1,053,106</u>

The management assessed that there was no indication of impairment for the nine months ended September 30, 2019 and for the year ended December 31, 2018.

- c. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land and buildings	Buildings in Mainland China were 20 years, buildings in Hong Kong and Taiwan were 40 years; and building improvements were depreciated over 2 to 10 years.
Machinery equipment	5 to 10 years
Office equipment	1 to 10 years

- d. Property, plant and equipment pledged as collateral for bank borrowing are set out in Note 23.

12. LEASE ARRANGEMENTS

- a. Right-of-use assets - 2019

	September 30, 2019 (Reviewed)	
	HK\$	NT\$
<u>Carrying amounts</u>		
Land and buildings	\$ 48,435	\$ 191,822
Machinery and office equipment	<u>1,330</u>	<u>5,267</u>
	<u>\$ 49,765</u>	<u>\$ 197,089</u>
	For the Nine Months Ended September 30, 2019 (Reviewed)	
	HK\$	NT\$
Depreciation charge for right-of-use assets		
Land and buildings	\$ 5,558	\$ 21,972
Machinery and office equipment	<u>492</u>	<u>1,945</u>
	<u>\$ 6,050</u>	<u>\$ 23,917</u>
	For the Three Months Ended September 30, 2019 (Reviewed)	
	HK\$	NT\$
Depreciation charge for right-of-use assets		
Land and buildings	\$ 1,865	\$ 7,393
Machinery and office equipment	<u>163</u>	<u>647</u>
	<u>\$ 2,028</u>	<u>\$ 8,040</u>

The management assessed that there was no indication of impairment for the nine months ended September 30, 2019.

b. Lease liabilities - 2019

	September 30, 2019 (Reviewed)	
	HK\$	NT\$
<u>Carrying amounts</u>		
Current	\$ 6,521	\$ 25,826
Non-current	<u>13,470</u>	<u>53,347</u>
	<u>\$ 19,991</u>	<u>\$ 79,173</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2019
Land and buildings	3.73%-4.63%
Machinery and office equipment	3.73%-4.63%

c. Material lease-in activities and terms

The Group leases lands, office, and other operating assets for the operations and manufacturing purpose. The Group does not have bargain purchase options to acquire the leased assets at the end of the lease terms. In addition, since land use right in respect of lands at the PRC and Vietnam were obtained by way of lease as they could not be directly acquired subject to restrictions of laws, the Group's land use rights in the PRC and Vietnam have been paid in full at the inception of the lease. The details of land use right held by the Group were as follows:

September 30, 2019

Company Name	Location	Description	Tenure/Unexpired Term
EAHY	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 right-of-use assets).	Lease for term of 50 years from December 14, 1995 to December 13, 2045.
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 right-of-use assets) 1 factory building and 2 dormitories built on a 134,947 sq. ft. land (land use right is recognized under right-of-use assets)	Lease for a term of 50 years from December 6, 2000 to December 6, 2050. Lease for a term of 50 years from June 19, 2002 to June 19, 2052.
EAVN	Industrial Zone of Chi Linh, Hai Duong Province, Vietnam	41,227.5 sq. ft. land (the land use right is recognized under right-of-use assets)	Lease for a term of 40 years from January 2019 to April 2058.

December 31, 2018

<u>Company Name</u>	<u>Location</u>	<u>Description</u>	<u>Tenure/Unexpired Term</u>
EAHY	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.
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) 1 factory building 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 December 6, 2000 to December 6, 2050. Lease for a term of 50 years from June 19, 2002 to June 19, 2052.

d. Other lease information

2019

	For the Nine Months Ended September 30, 2019 (Reviewed)	
	HK\$	NT\$
Expenses relating to short-term leases	\$ 7,811	\$ 30,879
Total cash outflow for leases	\$ (27,540)	\$ (108,879)
	For the Three Months Ended September 30, 2019 (Reviewed)	
	HK\$	NT\$
Expenses relating to short-term leases	\$ 3,391	\$ 13,429

The Group leases certain motor vehicles, employee dormitories and etc. which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018 (Audited)	
	HK\$	NT\$
Not later than 1 year	\$ 11,883	\$ 46,382
Later than 1 year and not later than 5 years	11,878	46,362
Later than 5 years	<u>13,401</u>	<u>52,307</u>
	<u>\$ 37,162</u>	<u>\$ 145,051</u>

13. INTANGIBLE ASSETS

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Goodwill	\$ 28,190	\$ 111,644	\$ 28,919	\$ 112,877
Technical knowledge (including capitalized costs of R&D)	28,695	113,644	33,099	129,192
Customer relationship	<u>3,567</u>	<u>14,127</u>	<u>4,835</u>	<u>18,872</u>
	<u>\$ 60,452</u>	<u>\$ 239,415</u>	<u>\$ 66,853</u>	<u>\$ 260,941</u>

a. Details of goodwill were as follows:

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Related to ScS	\$ 25,139	\$ 99,561	\$ 25,759	\$ 100,543
Related to EMHY	<u>3,051</u>	<u>12,083</u>	<u>3,160</u>	<u>12,334</u>
	<u>\$ 28,190</u>	<u>\$ 111,644</u>	<u>\$ 28,919</u>	<u>\$ 112,877</u>

b. Intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful lives as follow:

Technical acknowledge (including capitalized costs at development stage)	2-15 years
Customer relationship	9 years

14. PREPAYMENTS FOR LAND LEASE - 2018

	December 31, 2018 (Audited)	
	HK\$	NT\$
Prepayments for land lease - current	\$ 367	\$ 1,432
Prepayments for land lease - non-current	<u>16,769</u>	<u>65,453</u>
	<u>\$ 17,136</u>	<u>\$ 66,885</u>

Prepayments for 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 (c). The aforementioned prepayments for land lease were reclassified to right-of-use assets under IFRS 16 starting from 2019. Please refer to Notes 3 and 12 for details.

15. BANK BORROWINGS

a. Short-term bank borrowings:

	September 30, 2019 (Reviewed)			December 31, 2018 (Audited)		
	Interest Rate	HK\$	NT\$	Interest Rate	HK\$	NT\$
<u>Secured borrowings</u>						
Factoring	4.07%-7.35%	\$ 3,134	\$ 12,412	4.16%-7.37%	\$ 3,886	\$ 15,169
Bank borrowings	1.68%-4.5%	172,356	682,599	1.68%-4.81%	255,121	995,787
Commercial paper	1.99%	7,575	30,000	1.99%	7,686	30,000
Long-term borrowings due within 1 year	2.6%-4.63%	<u>5,176</u>	<u>20,499</u>	2.1%-4.63%	<u>2,157</u>	<u>8,419</u>
		<u>188,241</u>	<u>745,510</u>		<u>268,850</u>	<u>1,049,375</u>
<u>Unsecured borrowings</u>						
Bank borrowings	4.79%	<u>550</u>	<u>2,178</u>	-	<u>-</u>	<u>-</u>
		<u>\$ 188,791</u>	<u>\$ 747,688</u>		<u>\$ 268,850</u>	<u>\$ 1,049,375</u>

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

Outstanding short-term commercial paper was as follow:

September 30, 2019 and December 31, 2018

Promissory Institution	Nominal Amount (NT\$)	Carrying Amount (NT\$)	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corp.	<u>\$ 30,000</u>	<u>\$ 30,000</u>	1.99%	-	<u>\$ -</u>

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

b. Long-term bank borrowings:

	September 30, 2019 (Reviewed)			December 31, 2018 (Audited)		
	Interest Rate	HK\$	NT\$	Interest Rate	HK\$	NT\$
Long-term bank borrowings	2.6%-4.63%	\$ 37,345	\$ 147,901	2.1%-4.63%	\$ 4,049	\$ 15,804
Less: Long-term bank borrowings due within 1 year		<u>(5,176)</u>	<u>(20,499)</u>		<u>(2,157)</u>	<u>(8,419)</u>
		<u>\$ 32,169</u>	<u>\$ 127,402</u>		<u>\$ 1,892</u>	<u>\$ 7,385</u>

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

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

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Due within 2 to 5 years	<u>\$ 32,169</u>	<u>\$ 127,402</u>	<u>\$ 1,892</u>	<u>\$ 7,385</u>

- c. The detail of the Group's pledged assets for the aforementioned bank borrowings please refer to Note 23.

16. NOTES AND ACCOUNTS PAYABLE AND OTHER PAYABLES

- a. Notes and accounts payable were mainly due to the suppliers. The Group's payment terms were 60 to 120 days. No interest is charged by notes and accounts payable in general.
- b. Details of other payables were as follows:

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Accrued salaries	\$ 53,547	\$ 212,068	\$ 44,353	\$ 173,119
Temporary receivables				
(Remark)	21,924	86,828	16,713	65,234
Commission payable	527	2,087	-	-
Other payable	<u>64,287</u>	<u>254,602</u>	<u>38,550</u>	<u>150,468</u>
	<u>\$ 140,285</u>	<u>\$ 555,585</u>	<u>\$ 99,616</u>	<u>\$ 388,821</u>

Remark: 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.

17. 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.

18. EQUITY

a. Share capital

The initial setup capital of the Company is NT\$1,000 thousand (registered capital is denominated in NTD). After several capital increments, the ordinary share capital of the Company as of September 30, 2019 and December 31, 2018 were NT\$615,040 thousand and NT\$616,060 thousand (equivalent to approximately HK\$162,642 thousand and HK\$162,902 thousand) respectively, divided into 61,504 thousand shares and 61,606 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:

	Number of Shares (In Thousands of Shares)
January 1, 2018	61,986
Cancellation of treasury shares	(300)
Write-off of restricted shares	<u>(80)</u>
December 31, 2018	61,606
Write-off of restricted shares	<u>(102)</u>
September 30, 2019	<u><u>61,504</u></u>

b. Treasury shares

As of September 30, 2019 and December 31, 2018, the detail of treasury shares are as follows:

Purpose of Buy-back	Number of Shares (In Thousands of Shares)
Shares held by its subsidiaries	<u><u>453</u></u>

For the purpose of short-term investment, related information regarding shares of the Company held by its subsidiaries on the balance sheet date was as follows:

September 30, 2019 (reviewed)

Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
ETT	453	HK\$5,966 thousand (equivalent to approximately NT\$24,019 thousand)	HK\$6,485 thousand (equivalent to approximately NT\$25,685 thousand)

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, are bestowed shareholders' rights, except the rights to participate in any share issuance for cash 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 September 30, 2019 and December 31, 2018, the capital surplus of the Company are as follows:

	<u>September 30, 2019 (Reviewed)</u>		<u>December 31, 2018 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
May be used to offset a deficit, distributed as cash dividends, <u>or transferred to share capital</u>				
Issuance of common shares	\$ 189,745	\$ 714,815	\$ 189,745	\$ 714,815
Treasury shares transactions	781	1,348	781	1,348
Cash dividend received from treasury shares	1,259	5,044	1,112	4,455
May not be used for any <u>purpose</u>				
Employee restricted shares	7,129	28,421	7,725	30,762
Employee share options	<u>1,584</u>	<u>6,281</u>	<u>148</u>	<u>582</u>
	<u>\$ 200,498</u>	<u>\$ 755,909</u>	<u>\$ 199,511</u>	<u>\$ 751,962</u>

d. Retained earnings and dividend policy

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

The dividends/bonus distribution to the shareholders under this clause shall not be less than 10% 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. However, if the Company only distributes cash dividend, it can be resolved by special resolution of the board of the directors. For information about the accrual basis of the employees' and directors' remuneration and the actual appropriations, please refer to Note 19 (d) for details.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meeting on June 10, 2019 and June 11, 2018, respectively. Details of the dividend per share of the earnings appropriations for 2018 and 2017 of the Company were as follows:

	2018
Ordinary share dividend - cash	NT\$1.3 per share, totaling NT\$80,000 thousand
	2017
Ordinary share dividend - cash	NT\$0.7 per share, totaling NT\$43,377 thousand

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 September 30, 2019.

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

1) Information on 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:

- Remain employed by the Company within one year after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;
- Remain employed by the Company within two years after the grant date; and performance rating of “A” - 25% of restricted shares will be vested;
- Remain employed by the Company within three years after grant date; and performance rating of “A” - 25% of restricted shares will be vested;
- 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:

- Employees, except for inheritance, should not sell, transfer, pledge, donate or dispose of the shares in any other way.
- The shares should be held in trust.
- 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.
- 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)	
	September 30, 2019	December 31, 2018
Balance at the beginning of the period	652	993
Vested	(44)	(261)
Forfeited	<u>(102)</u>	<u>(80)</u>
Balance at the end of the period	<u>506</u>	<u>652</u>

Information on cost of restricted shares plan for employees the company recognized as follows:

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Costs of restricted shares plans for employees	<u>\$ 1,166</u>	<u>\$ 4,666</u>	<u>\$ 1,865</u>	<u>\$ 7,416</u>

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Costs of restricted shares plans for employees	<u>\$ 346</u>	<u>\$ 1,387</u>	<u>\$ 519</u>	<u>\$ 2,064</u>

2) Employee share options

Information on issuance of employees share options was as follow:

Grant Date	Issued Shares	Vesting Date	Exercisable Price
2018.09.28	1,200 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted date	NT\$23.95 (remark)
2019.06.10	4,747 unit (equivalent to 1,000 outstanding shares per unit)	Within 4 years after the granted date	NT\$33.05 (remark)

Remark: The exercisable price of the employee share options is equal to the closing price on the granting date. After the options are granted, upon the occurrence of certain events relating to the change in the number of common shares of the Company and distribute cash dividend, the exercise price shall be adjusted in accordance with the regulated formula.

Company granted qualified employees of the Company or any of its subsidiaries. The options granted are valid for 4 years and exercisable at 100 percentage after the three years from the grant date.

Information on outstanding employee share options was as follows:

Employee Share Options	For the Nine Months Ended September 30, 2019		For the Three Months Ended December 31, 2018	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
Balance at the beginning of period	1,200	\$ 23.95	-	\$ -
Granted	4,747	33.05	1,200	23.95
Write-off	<u>(70)</u>	-	<u>-</u>	-
Balance at end period	<u>5,877</u>	30.03	<u>1,200</u>	23.95
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ 8.86</u>		<u>\$ 5.82</u>	

As of September 30, 2019 and December 31, 2018, the information of outstanding employee share options were as follows:

	Date of Grant	
	June 10, 2019	September 28, 2018
<u>September 30, 2019</u>		
Range of exercise price (NT\$)	\$31.70	\$23.00
Weighted-average remaining contractual life (years)	3.71 years	3.00 years
<u>December 31, 2018</u>		
Range of exercise price (NT\$)	-	\$23.95
Weighted-average remaining contractual life (years)	-	3.75 years

Employee share options granted on June 10, 2019 and September 28, 2018 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Date of Grant	June 10, 2019	September 28, 2018
Grant-date share price (NT\$)	33.05	23.95
Exercise price (NT\$)	33.05	23.95
Expected volatility	35.61%	31.81%
Expected life (in years)	3.5 years	3.5 years
Expected dividend yield	-	-
Risk-free interest rate	0.56%	0.66%

Expected volatility was based on the historical share price volatility.

Information on costs of employee share options was as followed:

	For the Nine Months Ended September 30, 2019 (Reviewed)		For the Three Months Ended September 30, 2019 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Costs of employee share options	<u>\$ 1,436</u>	<u>\$ 5,699</u>	<u>\$ 1,015</u>	<u>\$ 4,053</u>

f. Other equity items

1) Exchange differences on translating the financial statements of 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.

2) Unrealized gain or loss on financial assets at FVTOCI

Unrealized gains or losses on financial assets at FVTOCI represent the cumulative gains and losses arising on the revaluation of financial assets at FVTOCI that have been recognized in other comprehensive income. The cumulative unrealized gains or losses will not be reclassified to profit or loss on disposal of the equity investments.

3) Unearned employee benefit

In the meetings of shareholders held on May 12, 2015, May 11, 2016 and June 8, 2017, the shareholders approved the restricted shares plans for employees respectively. Refer to Note 18(e) for the information of restricted shares issued.

19. CONSOLIDATED NET PROFIT (LOSS)

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

a. Net revenue

1) Contract information

a) Revenue from the sale of goods

The Group sells audio system related products and recognizes revenue at which time the goods are delivered to the customer's specific location. The Group does not provide any after-sales services, such as warranty, right to return, etc. The quotation of products is based on the current market price of the raw materials, the labor input and direct costs, and the expected profit. The term of sales of products is fixed price, not volatile. Since payment term granted to customers are usually less than 180 days, there is no significant financing component from contracts with customers.

b) Revenue from project service (recognized under non-operating income)

Please refer to the Remark in Note 16 (b).

2) Contact balances

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Notes and accounts receivable, net (Note 8)	\$ 614,097	\$ 2,432,070	\$ 535,221	\$ 2,089,075

3) Disaggregation of revenue from customer contracts

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Home audio	\$ 1,298,134	\$ 5,131,913	\$ 1,216,407	\$ 4,631,348
Personal audio	467,181	1,846,907	412,302	1,569,799
Transducer speaker	87,934	347,629	123,687	470,926
Others	215,815	853,182	47,844	182,161
	<u>\$ 2,069,064</u>	<u>\$ 8,179,631</u>	<u>\$ 1,800,240</u>	<u>\$ 6,854,234</u>

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Home audio	\$ 562,389	\$ 2,227,265	\$ 430,810	\$ 1,665,798
Personal audio	189,407	750,283	240,913	922,823
Transducer speaker	28,644	113,558	71,404	273,563
Others	100,504	397,946	8,569	33,901
	<u>\$ 880,944</u>	<u>\$ 3,489,052</u>	<u>\$ 751,696</u>	<u>\$ 2,896,085</u>

b. Depreciation and amortization expenses

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 30,678	\$ 121,279	\$ 34,857	\$ 132,715
Amortization of other intangible assets	13,223	52,274	9,081	34,575
Depreciation of right-of-use assets	6,050	23,917	-	-
Amortization of prepayments for land lease	-	-	421	1,603
	<u>\$ 49,951</u>	<u>\$ 197,470</u>	<u>\$ 44,359</u>	<u>\$ 168,893</u>

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Depreciation of property, plant and equipment	\$ 9,778	\$ 38,768	\$ 10,754	\$ 41,729
Amortization of other intangible assets	4,229	16,767	3,604	13,900
Depreciation of right-of-use assets	2,028	8,040	-	-
Amortization of prepayments for land lease	-	-	137	531
	<u>\$ 16,035</u>	<u>\$ 63,575</u>	<u>\$ 14,495</u>	<u>\$ 56,160</u>

Prepayments for land lease were reclassified to right-of-use assets under IFRS 16 starting from the beginning of 2019. Please refer to Notes 3, 12 and 14.

c. Remuneration of directors and key management personnel and employee benefits expense

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management personnel				
Short-term employee benefits	\$ 32,159	\$ 127,134	\$ 26,294	\$ 100,112
Post-employment benefits	745	2,945	927	3,529
Share-based payments	2,041	8,094	1,378	5,440
Employee benefits expense				
Short-term employee benefits	328,013	1,296,734	312,116	1,188,350
Post-employment benefits	14,819	58,584	14,928	56,837
Share-based payments	<u>561</u>	<u>2,271</u>	<u>487</u>	<u>1,976</u>
	<u>\$ 378,338</u>	<u>\$ 1,495,762</u>	<u>\$ 356,130</u>	<u>\$ 1,356,244</u>

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Remuneration of directors and key management personnel				
Short-term employee benefits	\$ 7,727	\$ 30,679	\$ 8,783	\$ 34,010
Post-employment benefits	236	936	315	1,219
Share-based payments	1,173	4,676	474	1,871
Employee benefits expense				
Short-term employee benefits	130,094	515,370	110,399	426,888
Post-employment benefits	4,989	19,776	4,935	19,114
Share-based payments	<u>188</u>	<u>764</u>	<u>45</u>	<u>193</u>
	<u>\$ 144,407</u>	<u>\$ 572,201</u>	<u>\$ 124,951</u>	<u>\$ 483,295</u>

d. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at rates of no less than 1% and no higher than 15%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The Company accrued remuneration of directors at rates of no higher than 2% of net profit before income tax, employees' compensation, and remuneration of directors.

For the nine months ended September 30, 2019, the employees' compensation and the remuneration of directors are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2019	2018
Employees' compensation	5%	5%
Remuneration of directors	2%	2%

Amount

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Employees' compensation	\$ 5,606	\$ 22,162	\$ 2,940	\$ 11,194
Remuneration of directors	\$ 2,242	\$ 8,863	\$ 1,176	\$ 4,478

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Employees' compensation	\$ 3,504	\$ 13,912	\$ 2,940	\$ 11,194
Remuneration of directors	\$ 1,401	\$ 5,562	\$ 1,176	\$ 4,478

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

The appropriations of employees' compensation and remuneration of directors for 2018 and 2017 that were resolved by the board of directors on February 22, 2019 and February 23, 2018, respectively, are as shown below:

2018	
Remuneration of directors - cash	HK\$1,785 thousand (equivalent to approximately NT\$6,867 thousand)
Employees' compensation - cash	HK\$5,718 thousand (equivalent to approximately NT\$22,000 thousand)
2017	
Remuneration of directors - cash	HK\$875 thousand (equivalent to approximately NT\$3,401 thousand)
Employees' compensation - cash	HK\$896 thousand (equivalent to approximately NT\$3,486 thousand)

There is no significant difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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

e. Other income

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Project service revenue	\$ 4,437	\$ 17,541	\$ 6,495	\$ 24,729
Dividend income	1,690	6,681	1,753	6,674
Interest income	1,189	4,700	694	2,642
Scrap income	681	2,692	931	3,545
Rent revenue	347	1,372	218	830
Gain on disposal of property, plant and equipment	2	8	20	76
Others	<u>2,199</u>	<u>8,694</u>	<u>1,768</u>	<u>6,732</u>
	<u>\$ 10,545</u>	<u>\$ 41,688</u>	<u>\$ 11,879</u>	<u>\$ 45,228</u>

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Project service revenue	\$ 1,247	\$ 4,947	\$ 3,735	\$ 14,310
Dividend income	1,690	6,681	1,753	6,674
Interest income	458	1,814	188	732
Scrap income	296	1,172	331	1,280
Rent revenue	115	456	70	271
Others	<u>1,512</u>	<u>5,982</u>	<u>1,528</u>	<u>5,827</u>
	<u>\$ 5,318</u>	<u>\$ 21,052</u>	<u>\$ 7,605</u>	<u>\$ 29,094</u>

f. Other losses

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on fair value change of financial instruments at FVTPL	\$ 6,852	\$ 27,088	\$ 16	\$ 61
Losses on disposal and written off property, plant and equipment	969	3,830	752	2,863
Others	<u>31</u>	<u>123</u>	<u>62</u>	<u>236</u>
	<u>\$ 7,852</u>	<u>\$ 31,041</u>	<u>\$ 830</u>	<u>\$ 3,160</u>

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Losses on fair value change of financial instruments at FVTPL	\$ 1,290	\$ 5,130	\$ 15	\$ 57
Others (mainly represented loss on disposal and written off property, plant and equipment)	<u>71</u>	<u>285</u>	<u>236</u>	<u>917</u>
	<u>\$ 1,361</u>	<u>\$ 5,415</u>	<u>\$ 251</u>	<u>\$ 974</u>

g. Finance costs

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	\$ 6,459	\$ 25,529	\$ 7,321	\$ 27,874
Interest on lease liabilities	<u>669</u>	<u>2,650</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,128</u>	<u>\$ 28,179</u>	<u>\$ 7,321</u>	<u>\$ 27,874</u>

	For the Three Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Interest expense arising from bank borrowings	\$ 2,009	\$ 7,961	\$ 2,655	\$ 10,260
Interest on lease liabilities	<u>205</u>	<u>818</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,214</u>	<u>\$ 8,779</u>	<u>\$ 2,655</u>	<u>\$ 10,260</u>

20. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense are as follows:

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Current tax				
In respect of the current year	\$ 18,383	\$ 72,674	\$ 17,741	\$ 67,546
Adjustments for prior years	(515)	(2,037)	(1,181)	(4,496)

(Continued)

For the Nine Months Ended September 30				
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Deferred tax				
In respect of the current year	\$ 795	\$ 3,143	\$ 3,644	\$ 13,863
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>-</u>	<u>(127)</u>	<u>(472)</u>
Income tax expenses recognized in profit or loss	<u>\$ 18,663</u>	<u>\$ 73,780</u>	<u>\$ 20,077</u>	<u>\$ 76,441</u> (Concluded)

For the Three Months Ended September 30				
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Current tax				
In respect of the current year	\$ 10,916	\$ 43,195	\$ 11,140	\$ 42,627
Adjustments for prior years	4	12	8	(7)
Deferred tax				
In respect of the current year	<u>(732)</u>	<u>(2,885)</u>	<u>(348)</u>	<u>(1,199)</u>
Income tax expenses recognized in profit or loss	<u>\$ 10,188</u>	<u>\$ 40,322</u>	<u>\$ 10,800</u>	<u>\$ 41,421</u>

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

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

The 2017 applicable tax rate for subsidiaries in Hong Kong is 16.5%. Profits Tax bill of Hong Kong was amended in April 2018. The tax rates were changed from single tax rate to a two-tiered tax rate. The applicable tax rates are as follows:

The first HK\$2 million of assessable profits is 8.25%; over HK\$2 million of assessable profits is 16.5%.

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, EAHY and EMHY obtained the innovation and high technology enterprise certificates issued by local tax authorities in July 2013. Therefore, EAHY and EMHY 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%. EAHY and EMHY obtained the proof of review. Therefore, EAHY and EMHY are still subject to the applicable preferential income tax rate from 2018 to 2020.

In accordance with Enterprise Income Tax Law of the PRC with effective from 2008 as well as 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 the foreign enterprise allocates dividend to the Hong Kong Company, 5% levy tax is imposed on the earnings distribution when it meets certain conditions.

The local tax rates for the subsidiaries in Denmark and Singapore are 22% and 17%, respectively.

The local tax rate for the subsidiary in Vietnam is 20%. EAVN can enjoy the income tax exemption for the first two years after making profit and proceed with fifty percent reduction for the four subsequent years.

The Income Tax Act in Taiwan was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs.

b. Income tax assessments

The Company and its subsidiaries are located in the Cayman Islands, PRC, Hong Kong, Singapore, Vietnam 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.

21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Nine Months Ended September 30			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Basic earnings per share	\$ 1.40	\$ 5.54	\$ 0.57	\$ 2.15
Diluted earnings per share	\$ 1.38	\$ 5.47	\$ 0.57	\$ 2.15

Unit: NT\$ Per Share

	For the Three Months Ended September 30			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Basic earnings per share	\$ 0.90	\$ 3.56	\$ 0.94	\$ 3.54
Diluted earnings per share	\$ 0.89	\$ 3.53	\$ 0.94	\$ 3.54

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the period is as follows:

Unit: NT\$ Per Share

	For the Nine Months Ended September 30			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Profit for the period attributable to owners of the Company	\$ 85,606	\$ 338,407	\$ 34,604	\$ 131,436

Unit: NT\$ Per Share

	For the Three Months Ended September 30			
	2019		2018	
	HK\$	NT\$	HK\$	NT\$
Profit for the period attributable to owners of the Company	\$ <u>54,982</u>	\$ <u>217,528</u>	\$ <u>57,108</u>	\$ <u>216,657</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Nine Months Ended September 30	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	61,099	61,210
Effect of potentially dilutive ordinary shares		
Employee share options	<u>752</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>61,851</u>	<u>61,210</u>

	For the Three Months Ended September 30	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	61,058	61,194
Effect of potentially dilutive ordinary shares		
Employee share options	<u>580</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>61,638</u>	<u>61,194</u>

The restricted shares plan for employees are entitled to vote and to receive dividends after granted. In additions, if employees resign in the vesting 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.

22. TRANSACTIONS WITH RELATED PARTIES

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

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 19 (c) for details.

23. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings. Part of loan guarantees is provided by the Chairman of the Company.

	<u>September 30, 2019 (Reviewed)</u>		<u>December 31, 2018 (Audited)</u>	
	HK\$	NT\$	HK\$	NT\$
Other intangible assets	\$ 16,076	\$ 63,666	\$ 15,214	\$ 59,384
Accounts receivable with recourse	5,942	23,533	5,372	20,968
Machineries and office equipment	5,688	22,527	6,920	27,010
Inventories and other assets	4,955	19,624	3,956	15,441
Pledge deposits (recognized under restricted assets)	<u>3,982</u>	<u>15,770</u>	<u>5,171</u>	<u>20,183</u>
	<u>\$ 36,643</u>	<u>\$ 145,120</u>	<u>\$ 36,633</u>	<u>\$ 142,986</u>

24. COMMITMENTS AND CONTINGENT LIABILITIES

a. Litigation

There is no significant progress regarding EAH's litigation in Brazil for the nine months ended September 30, 2019. However, since the aforementioned litigation has not settled for a long time, EAH assessed other receivables relating to litigations and provided an additional impairment loss, totaling HK\$3,297 thousand (equivalent to approximately NT\$13,034 thousand). The status of litigation in the current phase please refers to Note 25(a) of the consolidated financial statements for the year ended December 31, 2018.

b. Financial guarantees within the Group refer to Table 2 of Note 27.

c. As of September 30, 2019, the commitment that EAVN has contracted for the plant construction were approximately HK\$12,612 thousand (equivalent to approximately NT\$49,947 thousand).

25. DISCLOSURE ON FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's capital risk management policy is consistent as consolidated financial statements for the year ended December 31, 2018. In addition, the Group is not subject to any externally imposed capital requirements.

b. Fair value of financial instruments

1) Fair value of financial instruments not measured at fair value

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

Cash and cash equivalents, notes and accounts receivable, net, other financial assets, notes and accounts payable, other payables, lease liabilities and bank borrowings approach other fair values.

2) Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

September 30, 2019

Unit: H.K. Dollars

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 49	\$ -	\$ -	\$ 49
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>21,083</u>	<u>21,083</u>
	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ 21,083</u>	<u>\$ 21,132</u>

Financial liabilities at FVTPL

Held for trading				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ 1,580</u>

Unit: N.T. Dollars

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 194	\$ -	\$ -	\$ 194
Domestic-unlisted stocks	<u>-</u>	<u>-</u>	<u>83,496</u>	<u>83,496</u>
	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,690</u>

Financial liabilities at FVTPL

Held for trading				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 6,257</u>	<u>\$ -</u>	<u>\$ 6,257</u>

December 31, 2018

Unit: H.K. Dollars

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 56	\$ -	\$ -	\$ 56
Domestic-unlisted stocks	-	-	21,391	21,391
Embedded derivative instrument	<u>-</u>	<u>-</u>	<u>3,801</u>	<u>3,801</u>
	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 25,192</u>	<u>\$ 25,248</u>

Unit: N.T. Dollars

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign-listed stocks	\$ 219	\$ -	\$ -	\$ 219
Domestic-unlisted stocks	-	-	83,496	83,496
Embedded derivative instrument	<u>-</u>	<u>-</u>	<u>14,833</u>	<u>14,833</u>
	<u>\$ 219</u>	<u>\$ -</u>	<u>\$ 98,329</u>	<u>\$ 98,548</u>

3) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2019

Unit: H.K. Dollars

Financial Assets	<u>Financial Assets at FVTPL</u>		Total
	Embedded Derivatives Instruments	Equity Instruments	
Balance at January 1, 2019	\$ 3,801	\$ 21,391	\$ 25,192
Recognized in profit or loss	(4,008)	-	(4,008)
Effect of foreign currency exchange differences	<u>207</u>	<u>(308)</u>	<u>(101)</u>
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 21,083</u>	<u>\$ 21,083</u>
Recognized in other gains and losses - unrealized	<u>\$ 4,008</u>	<u>\$ -</u>	<u>\$ 4,008</u>

Unit: N.T. Dollars

Financial Assets	<u>Financial Assets at FVTPL</u>		Total
	Embedded Derivatives Instruments	Equity Instruments	
Balance at January 1, 2019	\$ 14,833	\$ 83,496	\$ 98,329
Recognized in profit or loss	(15,845)	-	(15,845)
Effect of foreign currency exchange differences	<u>1,012</u>	<u>-</u>	<u>1,012</u>
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 83,496</u>	<u>\$ 83,496</u>
Recognized in other gains and losses - unrealized	<u>\$ 15,845</u>	<u>\$ -</u>	<u>\$ 15,845</u>

For the year ended December 31, 2018

Unit: H.K. Dollars

Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	Total
	Embedded Derivatives Instruments	Equity Instruments	Equity Instruments	
Balance at January 1, 2018 (IAS 39)	\$ -	\$ -	\$ -	\$ -
Reclassification and remeasurements from available-for-sale (IAS 39)	<u>3,801</u>	<u>21,901</u>	<u>7,855</u>	<u>33,557</u>
Balance at January 1, 2018 (IFRS 9)	3,801	21,901	7,855	33,557
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	-	-	(7,787)	(7,787)
Effect of foreign currency exchange differences	<u>-</u>	<u>(510)</u>	<u>(68)</u>	<u>(578)</u>
Balance at December 31, 2018	<u>\$ 3,801</u>	<u>\$ 21,391</u>	<u>\$ -</u>	<u>\$ 25,192</u>
Recognized in other gains and losses - unrealized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Unit: N.T. Dollars

Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	Total
	Embedded Derivatives Financial Instruments	Equity Instruments	Equity Instruments	
Balance at January 1, 2018 (IAS 39)	\$ -	\$ -	\$ -	\$ -
Reclassification and remeasurements from available-for-sale (IAS 39)	<u>14,488</u>	<u>83,496</u>	<u>29,950</u>	<u>127,934</u>
Balance at January 1, 2018 (IFRS 9)	14,488	83,496	29,950	127,934
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	-	-	(29,950)	(29,950)
Effect of foreign currency exchange differences	<u>345</u>	<u>-</u>	<u>-</u>	<u>345</u>
Balance at December 31, 2018	<u>\$ 14,833</u>	<u>\$ 83,496</u>	<u>\$ -</u>	<u>\$ 98,329</u>
Recognized in other gains and losses - unrealized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4) Valuation techniques and inputs applied for Level 3 fair value measurement

- a) The fair values of equity investments at FVTPL are mainly determined by using the income approach. The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. The Group uses significant unobservable inputs, which include long term revenue growth rate of approximately 1%, discount rate of 8%. When other inputs remain equal, if long term revenue growth rate decreases by 1%, the fair value will decrease by NT\$2,043 thousand; if discount rate increases by 1%, the fair value will decrease by NT\$9,597 thousand.
- b) The embedded derivative instruments are the convertible bond of the unlisted company and the call warrant. Since the Group does not expect to exercise the convertible right, the value of the conversion right is determined to be close to zero. Therefore, the substance of the aforementioned investment is closer to regular bonds. The Group, therefore, assessed the fair value of this investment by discounting the recoverable cash flows within the contract term using the market rate of the similar financial investment. As of September 30, 2019, the Group conservatively provided full impairment provision based on recoverability of the bond from its financial information of investee.

5) Valuation techniques and inputs applied for Level 2 fair value measurement

Foreign exchange forward contracts are measured using forward exchange rates and the discounted yield curves that are derived from quoted market prices.

c. Categories of financial instruments

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
<u>Financial assets</u>				
Financial assets at FVTPL				
Held for trading	\$ 49	\$ 194	\$ 56	\$ 219
Mandatorily at FVTPL	21,083	83,496	25,192	98,329
Financial assets at amortized cost (Note 1)	<u>1,016,679</u>	<u>4,026,455</u>	<u>791,963</u>	<u>3,091,190</u>
	<u>\$ 1,037,811</u>	<u>\$ 4,110,145</u>	<u>\$ 817,211</u>	<u>\$ 3,189,738</u>
<u>Financial liabilities</u>				
FVTPL				
Held for trading	\$ 1,580	\$ 6,257	\$ -	\$ -
Financial liabilities at amortized cost (Note 2)	<u>1,095,879</u>	<u>4,340,120</u>	<u>814,425</u>	<u>3,178,863</u>
	<u>\$ 1,097,459</u>	<u>\$ 4,346,377</u>	<u>\$ 814,425</u>	<u>\$ 3,178,863</u>

Note 1: The balance includes financial assets at amortized cost, which comprise cash and cash equivalents (including pledged deposits), notes and accounts receivable, other receivables and refundable deposits, etc.

Note 2: The balances include financial liabilities at amortized cost, which comprise bank borrowings, notes and accounts payable, other payables, etc.

d. 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 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.

e. Financial risk information

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

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

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

1) Market risk

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

2) Foreign exchange risk

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

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

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

	Assets			
	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 704,475	\$ 2,790,003	\$ 482,905	\$ 1,884,875
HKD	<u>373</u>	<u>1,477</u>	<u>413</u>	<u>1,612</u>
	<u>\$ 704,848</u>	<u>\$ 2,791,480</u>	<u>\$ 483,318</u>	<u>\$ 1,886,487</u>

	Liabilities			
	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
USD	\$ 363,700	\$ 1,440,397	\$ 296,665	\$ 1,157,943
HKD	<u>24,116</u>	<u>95,509</u>	<u>29,841</u>	<u>116,475</u>
	<u>\$ 387,816</u>	<u>\$ 1,535,906</u>	<u>\$ 326,506</u>	<u>\$ 1,274,418</u>

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

	Currency Impact USD		Currency Impact USD	
	For the Nine Months Ended		For the Year Ended	
	September 30, 2019		December 31, 2018	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ 17,039</u>	<u>\$ 67,480</u>	<u>\$ 9,312</u>	<u>\$ 36,347</u>

	Currency Impact HKD		Currency Impact HKD	
	For the Nine Months Ended		For the Year Ended	
	September 30, 2019		December 31, 2018	
	HK\$	NT\$	HK\$	NT\$
Profit or loss	<u>\$ (1,187)</u>	<u>\$ (4,702)</u>	<u>\$ (1,471)</u>	<u>\$ (5,743)</u>

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

3) Interest rate risk

Management of interest rate risk

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

Sensitivity analysis of interest rate

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

0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remain unchanged, without taking into account capitalization of interests, if the interest rate increased 0.5%, the profit and loss of the Group for the nine months ended September 30, 2019 and for the year ended December 31, 2018 would have been increased (decreased) by HK\$766 thousand and HK\$(205) thousand (equivalent to approximately NT\$3,034 thousand and NT\$(800) thousand), respectively.

4) Credit risk

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

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

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

5) Liquidity risk

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

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

Unit: H.K. Dollars

	September 30, 2019 (Reviewed)				
	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 714,643	\$ -	\$ -	\$ 714,643
Other payables	-	140,285	-	-	140,285
Foreign exchange forward contracts	-	1,580	-	-	1,580
<u>Interest bearing liabilities</u>					
Lease liabilities	3.73%-4.63%	7,357	4,849	8,621	20,827
Bank borrowings	3.28%	209,144	19,683	-	228,827

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 7,357</u>	<u>\$ 4,849</u>	<u>\$ 799</u>	<u>\$ 843</u>	<u>\$ 1,073</u>	<u>\$ 5,906</u>

December 31, 2018 (Audited)

	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 444,067	\$ -	\$ -	\$ 444,067
Other payables	-	99,616	-	-	99,616

Interest bearing liabilities

Bank borrowings	3.29%	277,941	1,956	-	279,897
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Unit: N.T. Dollars

September 30, 2019 (Reviewed)

	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 2,830,272	\$ -	\$ -	\$ 2,830,272
Other payables	-	555,585	-	-	555,585
Foreign exchange forward contracts	-	6,257	-	-	6,257

Interest bearing liabilities

Lease liabilities	3.73%-4.63%	29,137	19,204	34,140	82,481
Bank borrowings	3.28%	828,294	77,953	-	906,247

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 29,137</u>	<u>\$ 19,204</u>	<u>\$ 3,165</u>	<u>\$ 3,338</u>	<u>\$ 4,250</u>	<u>\$ 23,387</u>

December 31, 2018 (Audited)

	Effective Interest Rate	On Demand or Within 1 Year	2 Years to 5 Years	More than 5 Years	Total
<u>Non-interest bearing liabilities</u>					
Notes and accounts payable	-	\$ 1,733,282	\$ -	\$ -	\$ 1,733,282
Other payables	-	388,821	-	-	388,821

Interest bearing liabilities

Bank borrowings	3.38%	1,084,859	7,635	-	1,092,494
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f. Financial facilities

Bank borrowings

	Liabilities			
	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)	
	HK\$	NT\$	HK\$	NT\$
Secured borrowings				
Amount unused	<u>\$ 251,657</u>	<u>\$ 996,662</u>	<u>\$ 157,088</u>	<u>\$ 613,146</u>
Unsecured borrowings				
Amount unused	<u>\$ 41,231</u>	<u>\$ 163,291</u>	<u>\$ -</u>	<u>\$ -</u>

g. Significant assets and liabilities denominated in foreign currencies

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

September 30, 2019

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 83,018	HKD	31.035	\$ 2,576,474
USD	4,644	NTD	31.035	144,139
USD	177	RMB	31.035	5,497
USD	198	DKK	31.035	6,131
USD	<u>1,861</u>	VDN	31.035	<u>57,762</u>
	<u>\$ 89,898</u>			<u>\$ 2,790,003</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 24,794	HKD	31.035	\$ 769,461
USD	20,090	RMB	31.035	623,498
USD	1,328	NTD	31.035	41,216
USD	<u>200</u>	DKK	31.035	<u>6,222</u>
	<u>\$ 46,412</u>			<u>\$ 1,440,397</u>
HKD	<u>\$ 24,116</u>	RMB	3.9604	<u>\$ 95,509</u>

December 31, 2018

Unit: Foreign Currencies (In Thousands)

	Foreign Currencies	Function Currencies	Exchange Rate (Note)	Carrying Amount (NT\$)
<u>Financial assets</u>				
Monetary items				
USD	\$ 56,615	HKD	30.7150	\$ 1,738,919
USD	4,296	NTD	30.7150	131,955
USD	143	RMB	30.7150	4,387
USD	<u>313</u>	DKK	30.7150	<u>9,614</u>
	<u>\$ 61,367</u>			<u>\$ 1,884,875</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 23,427	HKD	30.7150	\$ 719,555
USD	10,818	RMB	30.7150	332,272
USD	3,129	NTD	30.7150	96,120
USD	<u>325</u>	DKK	30.7150	<u>9,996</u>
	<u>\$ 37,699</u>			<u>\$ 1,157,943</u>
HKD	\$ 29,815	RMB	3.9032	\$ 116,366
HKD	<u>28</u>	NTD	3.9032	<u>109</u>
	<u>\$ 29,843</u>			<u>\$ 116,475</u>

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

Information of foreign exchange gain and loss are as follow:

	For the Nine Months Ended September 30			
	2019 (Reviewed)		2018 (Reviewed)	
	HK\$	NT\$	HK\$	NT\$
Realized foreign exchange (loss) gain	\$ (1,155)	\$ (4,567)	\$ 144	\$ 548
Unrealized foreign exchange gain	<u>16,348</u>	<u>64,629</u>	<u>5,260</u>	<u>20,027</u>
	<u>\$ 15,193</u>	<u>\$ 60,062</u>	<u>\$ 5,404</u>	<u>\$ 20,575</u>

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

h. Information of transferred financial assets

As of September 30, 2019 and December 31, 2018, the Group entered into several trade receivable factoring agreements with the banks. According to the factoring agreement, the Group received certain percentage of trade receivable in cash from the bank in advance. If the trade receivables are uncollected at maturity, the bank has the right to request the Group to repay the unsettled difference. As the Group has not transferred the significant risks and rewards relating to these trade receivables, the Group continues to recognize the full carrying amount of the receivables and the factoring amount as secured bank borrowings.

As of September 30, 2019 and December 31, 2018, the carrying amount of the trade receivables that have been transferred but have not been derecognized and the related liability recognized please refer to Notes 23 and 15, respectively.

26. SEGMENT INFORMATION

Operating Segments

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

Since the Group's speaker systems, headphones 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 nine months ended September 30, 2019 and 2018, the revenue and operating results of the operating segment can be found in the consolidated income statement for the nine months from January 1 to September 30, 2019 and 2018. The product revenue of the Group please refer to Note 19 (a).

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 9) Trading in derivative instruments (Note 7 and Note 25)
 - 10) Intercompany relationships and significant intercompany transactions (Table 6)
 - 11) Information on investees (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

TABLE 1

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

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
1	EAH	ETH	Other receivables from related parties	Yes	\$ 126,198	\$ -	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,123,599	\$ 1,123,599
		EAVN	Other receivables from related parties	Yes	62,075	62,075	62,075	-	The need for short-term financing	-	Operating capital	-	-	-	1,123,599	1,123,599

Note: EAH’s lending limits for any borrower are set forth below:

The individual financing amount provided to parent and a subsidiary that EAH holds, directly or indirectly, 100% of the voting shares shall not exceed 100% of the net worth of EAH.

TABLE 2**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

(Formerly Known as Eastern Technologies Holding Limited)

ENDORSEMENTS/GUARANTEES PROVIDED**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019****(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Eastech	EAH	Subsidiary	\$ 3,865,302	\$ 745,994	\$ 739,558	\$ 101,855	\$ -	38	\$ 3,865,302	Yes	No	No
		ETH	Subsidiary	3,865,302	691,712	685,367	237,448	-	35	3,865,302	Yes	No	No
		ETHY	Subsidiary	3,865,302	90,319	87,089	1,980	-	5	3,865,302	Yes	No	Yes
		EAVN	Subsidiary	3,865,302	63,099	62,075	-	-	3	3,865,302	Yes	No	No
1	EAH	ScS	Subsidiary	3,865,302	49,563	47,814	16,766	102,411	2	3,865,302	Yes	No	No

Note 1: Relationship of the guarantee:

The subsidiaries that Company hold, directly or indirectly, more than 50% of common shares.

Note 2: a. The Company's limitation of the endorsements/guarantees are set forth below:

- 1) The total amount of the guarantee provided by the Company to other entities shall not exceed two hundred percent (200%) of the Company's consolidated net worth.
- 2) The total amount of the guarantee provided by the Company and its subsidiaries to any individual entity shall not exceed three hundred percent (300%) of the Company's consolidated net worth.

b. EAH's limitation of the endorsements/guarantees are set forth below:

The total amount of the guarantee provided by EAH to other entities shall not exceed two hundred percent (200%) of the listed parent company's consolidated net worth.

Note 3: According to the endorsements/guarantees guidance of the Company, "net worth" is calculated based on the Company's most recent audited/reviewed financial statements. The endorsements/guarantees limits disclosed on the Company's public announcement in September 2019 is different from the above amounts. Since 2019 Q3 financial statements have not yet been reviewed, the amount on the announcement is based on the reviewed financial statements for the six months ended June 30, 2019.

TABLE 3

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

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ETH	<u>Oversea publicly traded stocks</u> Audio Pixels Holdings Limited	-	FVTPL - current	500	<u>\$ 194</u>	-	<u>\$ 194</u>	Note
ETT	<u>Taiwan publicly traded stocks</u> Eastech Holding Limited	Subsidiary	FVTPL	453,000	<u>\$ 25,685</u>	1	<u>\$ 25,685</u>	
	<u>Taiwan non-publicly traded stocks</u> HT Precision Technologies, Inc.	-	FVTPL - non-current	5,574,114	<u>\$ 83,496</u>	19	<u>\$ 83,496</u>	

Note: The stocks are held by the Company’s subsidiary, hence, the investment is accounted for treasury shares.

TABLE 4**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

(Formerly Known as Eastern Technologies Holding Limited)

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019****(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
EAH	ESHY	Parent and subsidiary	Purchase	\$ 2,121,283	51	90 days	\$ -	-	\$ (757,273)	(52)	Note
ESHY	EAH	Parent and subsidiary	Sale	(2,121,283)	(67)	90 days	-	-	757,273	64	Note
EAH	EAHY	Parent and subsidiary	Purchase	1,358,349	33	90 days	-	-	(435,479)	(30)	Note
EAHY	EAH	Parent and subsidiary	Sale	(1,358,349)	(83)	90 days	-	-	435,479	70	Note
EAH	EMHY	Parent and subsidiary	Purchase	390,365	9	90 days	-	-	(161,439)	(11)	Note
EMHY	EAH	Parent and subsidiary	Sale	(390,365)	(98)	90 days	-	-	161,439	100	Note
EAHY	EAH	Parent and subsidiary	Purchase	347,855	24	90 days	-	-	435,479	70	Note
EAH	EAHY	Parent and subsidiary	Sale	(347,855)	(8)	90 days	-	-	(435,479)	(30)	Note
ETH	ETHY	Parent and subsidiary	Purchase	1,941,841	100	90 days	-	-	(798,366)	(99)	Note
ETHY	ETH	Parent and subsidiary	Sale	(1,941,841)	(55)	90 days	-	-	798,366	55	Note
ETT	ETH	Parent and subsidiary	Purchase	308,504	75	90 days	-	-	(148,741)	(95)	Note
ETH	ETT	Parent and subsidiary	Sale	(308,504)	(14)	90 days	-	-	148,741	18	Note
ETHY	ETT	Parent and subsidiary	Purchase	105,613	3	90 days	-	-	(32,962)	(2)	Note
ETT	ETHY	Parent and subsidiary	Sale	(105,613)	(24)	90 days	-	-	32,962	21	Note
ESHY	EAHY	Fellow subsidiary	Purchase	251,105	8	90 days	-	-	(155,248)	(13)	Note
EAHY	ESHY	Fellow subsidiary	Sale	(251,105)	(15)	90 days	-	-	155,248	25	Note
ESHY	ETHY	Fellow subsidiary	Purchase	1,055,229	34	90 days	-	-	(110,019)	(9)	Note
ETHY	ESHY	Fellow subsidiary	Sale	(1,055,229)	(30)	90 days	-	-	110,019	8	Note
ETHY	ESHY	Fellow subsidiary	Purchase	333,760	10	90 days	-	-	110,019	8	Note
ESHY	ETHY	Fellow subsidiary	Sale	(333,760)	(11)	90 days	-	-	(110,019)	(9)	Note

Note: Intercompany transactions are eliminated in consolidated financial statement.

TABLE 5

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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
EAHY	EAH	Parent and subsidiary	\$ 435,479	3.40	\$ -	-	\$ 97,071	\$ -
EMHY	EAH	Parent and subsidiary	161,439	3.20	-	-	87,674	-
ESHY	EAH	Parent and subsidiary	757,273	7.47	-	-	326,488	-
ETHY	ETH	Parent and subsidiary	798,366	4.26	-	-	273,271	-
EAHY	ESHY	Fellow subsidiary	155,248	2.81	-	-	35,904	-
ETHY	ESHY	Fellow subsidiary	110,019	7.38	-	-	162,745	-

TABLE 6**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

(Formerly Known as Eastern Technologies Holding Limited)

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
	<u>2019 Q3</u>						
1	EAH	ESHY	a, b	Dividend Income	\$ 81,881	Dividends	1
1	EAH	EAHY	a, b	Net revenue from sale of goods and purchases	347,855	Credit on transfer pricing policy	4
2	EAHY	EAH	a, b	Net revenue from sale of goods and purchases	1,358,349	Credit on transfer pricing policy	17
2	EAHY	EAH	a, b	Receivables from and payables to related parties	435,479	90 days	7
2	EAHY	ESHY	c	Net revenue from sale of goods and purchases	251,105	Credit on transfer pricing policy	3
2	EAHY	ESHY	c	Receivables from and payables to related parties	155,248	90 days	2
3	EMHY	EAH	a, b	Net revenue from sale of goods and purchases	390,365	Credit on transfer pricing policy	5
3	EMHY	EAH	a, b	Receivables from and payables to related parties	161,439	90 days	3
4	ESHY	EAH	a, b	Net revenue from sale of goods and purchases	2,121,283	Credit on transfer pricing policy	26
4	ESHY	EAH	a, b	Receivables from and payables to related parties	757,273	90 days	12
4	ESHY	ETHY	c	Net revenue from sale of goods and purchases	333,760	Credit on transfer pricing policy	4
5	ETT	ETHY	a, b	Net revenue from sale of goods and purchases	105,613	Credit on transfer pricing policy	1
5	ETT	ETHY	a, b	Receivables from and payables to related parties	32,962	90 days	1
6	ETHY	ETH	a, b	Net revenue from sale of goods and purchases	1,941,841	Credit on transfer pricing policy	24
6	ETHY	ETH	a, b	Receivables from and payables to related parties	798,366	90 days	12
6	ETHY	ESHY	c	Net revenue from sale of goods and purchases	1,055,229	Credit on transfer pricing policy	13
6	ETHY	ESHY	c	Receivables from and payables to related parties	110,019	90 days	2
7	ETH	ETT	a, b	Net revenue from sale of goods and purchases	308,504	Credit on transfer pricing policy	4
7	ETH	ETT	a, b	Receivables from and payables to related parties	148,741	90 days	2
8	MMSZ	EAH	a, b	Net revenue from sale of goods and purchases	55,250	Credit on transfer pricing policy	1

Note 1: For the disclosure of intercompany transactions within the Group, individual code numbers are assigned to each entity of the Group, which are set forth below:

a. No. 0 represents the parent company.

b. The code number for the subsidiaries is listed below:

No. 1: EAH; No. 2 EAHY; No. 3: EMHY; No. 4: ESHY; No. 5: ETT; No. 6: ETHY; No. 7: ETH; and No. 8: MMSZ.

Note 2: There are three categories of the related party transactions:

- Parent company to its subsidiary.
- Subsidiary to its parent company.
- Subsidiary to other subsidiary.

Note 3: In calculation the weight percentages of related party transactions over total sales or total assets, the consolidated total asset is used for calculating the balance sheet item, whereas the consolidated sales accumulated sales up to date is used for calculating the net income items.

TABLE 7**EASTECH HOLDING LIMITED AND SUBSIDIARIES**

(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION ON INVESTEEES**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019****(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				September 30, 2019	December 31, 2018	Number of Shares	%	Carrying Amount (Note 1)			
The Company	EAH	Hong Kong	Sales of speaker systems and headphones	\$ 1,341,546	\$ 1,341,546	80,000,000	100.00	\$ 1,341,546	\$ 227,171	\$ -	
EAH	ScS	Denmark	Research, development, production and sales of high-end speaker	225,530	225,530	1,320,045	100.00	225,530	5,020	-	
	ETT	Taiwan	Design and sales of smart speaker and AV electronics home entertainment systems	497,219	497,219	9,529,966	99.98	497,219	15,017	-	
ETT	ETH	Hong Kong	Sales of smart speaker and AV electronics home entertainment systems	349,011	349,011	40,000,000	100.00	349,011	82,611	-	
EAH	ETS	Singapore	Research and development of system architecture/new product concept/state-of-the-art products/sound and acoustics advance technology	-	-	100	100.00	-	(1,924)	-	Note 3
			Sales of speaker, AV electronics home entertainment systems, smart speaker and headphones								
	EAVN	Vietnam	Production, assembly and sales of transducer speakers, Bluetooth speakers and headphones.	108,556	-	-	100.00	108,556	(1,769)	-	
	EMH	Hong Kong	Sales of headphones and AV products	396	-	100,000	100.00	396	(57)	-	

Note 1: Based on IAS 27: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.

Note 2: Please refer to Table 8 for the information on investments in Mainland China.

Note 3: ETS was invested and established by ETH in October 2017, and has been directly held by EAH since July 2019.

TABLE 8

EASTECH HOLDING LIMITED AND SUBSIDIARIES

(Formerly Known as Eastern Technologies Holding Limited)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

1. Information of investee company, main business and products, paid-in capital, method of investment, remittance of funds, net income of the investee, % of ownership, carrying amount of investments and repatriation of investment income

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of September 30, 2019 (Note 3)	Accumulated Repatriation of Investment Income as of September 30, 2019
					Outward	Inward						
ESHY	Production and sales of speaker systems	HK\$ 9,000	c.	\$ -	\$ -	\$ -	\$ -	\$ 72,789	100	(3)	HK\$ 9,282 (NT\$ 36,760)	\$ -
EAHY	Production, assembly and sales of speaker systems and accessories	US\$ 6,500	c.	-	-	-	-	103,758	100	(3)	HK\$ 38,576 (NT\$ 152,776)	-
EMHY	Production and sales of headphones	US\$ 2,145	c.	-	-	-	-	23,182	100	(3)	HK\$ 17,018 (NT\$ 67,398)	-
MMSZ	Import and export trading of audio and headphones products, machinery and equipment	RMB 2,000	b.	-	-	-	-	971	100	(3)	HK\$ 2,528 (NT\$ 10,012)	-
ETHY	Production and sales of smart speaker and AV electronics home entertainment systems	HK\$ 58,000	c.	-	-	-	-	(11,856)	100	(3)	HK\$ 58,000 (NT\$ 229,703)	-

2. Upper Limit on the amount of investment in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A (Note 2)	N/A (Note 2)	N/A (Note 2)

(Continued)

3. The significant transactions (including purchases and sales, property transactions, and the rendering or receipt of services) with investee companies in mainland China, either directly or indirectly through a third party: Please see Table 6.
4. The negotiable instrument endorsements or guarantees or pledges with investee companies in mainland China, either directly or indirectly through a third party: None.
5. The financing of funds with investee companies in mainland China, either directly or indirectly through a third party: None.

Note 1: The amounts are represented registered capital.

Note 2: The Method of Investment is divided into 3 types as follows:

- a. Direct investment from the Company.
- b. Indirect investment via the Company's subsidiary in Hong Kong.
- c. The Company was established in the Cayman Islands and is a foreign company listed in Taiwan. The companies located in China (except ETHY) had established before the Company listed in Taiwan, so the main source of investment funds were not come from Taiwan. ETHY is the investee obtained from the acquisition of ETT Group after the listing, and the source of funds for the acquisition of the ETT Group is based on the working capital of the Company.

Note 3:

- a. If the investee company is in preparation, and no investment income and losses are recognized, it should be noted.
- b. Recognized investment income (loss):
 - 1) The basis for investment income (loss) recognition is from the financial statements audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - 2) The basis for investment income (loss) recognition is from the financial statements audited and attested by R.O.C. parent company's CPA.
 - 3) Other. (Based on IAS 27: The investments in subsidiaries are account for at cost less impairment. Dividends from a subsidiary are recognized in profit or loss.)

(Concluded)