

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

**PRIMAX ELECTRONICS LTD.
AND ITS SUBSIDIARIES**

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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The auditors' review report and the accompanying consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' review report and consolidated interim financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors PRIMAX ELECTRONICS LTD.:

We have reviewed the accompanying consolidated balance sheets of PRIMAX ELECTRONICS LTD. and its subsidiaries (the "Group") as of March 31, 2017 and 2016, and the related restated consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review. We have not reviewed the financial statements of Tymphany Worldwide Enterprises Ltd. with total assets of NT\$4,975,022 thousand and NT\$3,151,814 thousand, constituting 16.5% and 9.0% of the related consolidated total assets, as of March 31, 2017 and 2016, respectively, and with operating revenue of NT\$2,829,895 thousand and NT\$1,848,459 thousand, constituting 22.0% and 13.2%, of the related consolidated operating revenue for the three months ended March 31, 2017 and 2016, respectively. Those financial statements were reviewed by other auditors, whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

Except as described in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Group's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Also included in the accompanying consolidated interim financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. These consolidated subsidiaries had the total assets of NT\$1,558,936 thousand and NT\$5,625,596 thousand, constituting 5.2% and 16.0% of the Group's consolidated total assets as of March 31, 2017 and 2016, respectively. Total liabilities of NT\$1,852,664 thousand and NT\$2,705,646 thousand, constituting 10.4% and 12.4% of the Group's consolidated total liabilities as of March 31, 2017 and 2016, respectively. The comprehensive loss of NT\$88,811 thousand and NT\$13,707 thousand, constituting 1,134.0% and 4.0% of the Group's consolidated comprehensive income for the three months ended March 31, 2017 and 2016, respectively.

Based on our reviews and the reports of the other auditors, except for the effects of the adjustments, if any, that might have emerged had the financial statements of the said consolidated subsidiaries been reviewed by independent auditors, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
May 11, 2017

Notes to Readers

The accompanying consolidated interim financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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 interim financial statements are those generally accepted and applied in the Republic of China.

The auditors’ review report and the accompanying consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ review report and consolidated interim financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2017 and 2016

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2017, December 31, and March 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2017		December 31, 2016		March 31, 2016			March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets							Liabilities and Equity						
Current assets:							Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 4,883,779	16	6,359,916	17	5,666,157	16	2100 Short-term borrowings (note 6(j))	\$ -	-	-	-	2,875,356	8
1110 Current financial assets at fair value through profit or loss (note 6(b))	118,443	-	141,317	-	309,692	1	2170 Notes and accounts payable	11,267,072	37	16,892,918	46	11,340,015	32
1170 Notes and accounts receivable, net (note 6(d))	10,121,289	34	13,603,873	37	11,099,336	32	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	98,297	-	150,430	-	264,151	1
1180 Accounts receivable from related parties, net (notes 6(d) and 7(c))	69,223	-	102,841	-	50,781	-	2200 Other payables (note 7(c))	3,575,500	12	3,878,606	10	3,234,476	9
1200 Other receivables, net (note 6(d))	260,988	1	495,392	2	268,298	1	2201 Salary payable (note 6(p))	468,624	2	1,146,183	3	514,424	1
1310 Inventories (note 6(e))	5,397,286	18	6,670,547	18	5,994,629	17	2300 Other current liabilities	336,829	1	350,860	1	284,698	1
1470 Other current assets (note 8)	325,440	1	425,668	1	434,649	1	2320 Long-term borrowings, current portion (note 6(k))	215,556	1	382,222	1	808,675	2
	<u>21,176,448</u>	<u>70</u>	<u>27,799,554</u>	<u>75</u>	<u>23,823,542</u>	<u>68</u>		<u>15,961,878</u>	<u>53</u>	<u>22,801,219</u>	<u>61</u>	<u>19,321,795</u>	<u>54</u>
Non-current assets:							Non-Current liabilities:						
1523 Available-for-sale financial assets—non-current (note 6(c))	910,470	3	887,801	2	636,038	2	2540 Long-term borrowings (note 6(k))	111,111	-	218,889	1	574,286	2
1600 Property, plant and equipment (notes 6(g) and 8)	4,369,909	14	4,717,422	13	6,399,999	18	2630 Long-term deferred revenue (note 6(g))	1,301,288	4	1,408,138	4	1,346,173	4
1760 Investment property (note 6(h))	35,561	-	35,677	-	36,024	-	2600 Other non-current liabilities	469,099	2	449,345	1	535,473	2
1780 Intangible assets (note 6(i))	2,644,006	9	2,673,670	7	3,285,257	9		<u>1,881,498</u>	<u>6</u>	<u>2,076,372</u>	<u>6</u>	<u>2,455,932</u>	<u>8</u>
1840 Deferred tax assets	558,185	2	570,205	2	386,176	1	Total liabilities	<u>17,843,376</u>	<u>59</u>	<u>24,877,591</u>	<u>67</u>	<u>21,777,727</u>	<u>62</u>
1985 Long-term prepaid rents (note 8)	237,920	1	264,014	1	294,268	1	Equity attributable to owners of parent:						
1990 Other non-current assets (note 8)	178,176	1	173,706	-	197,287	1	3110 Ordinary shares (note 6(o))	4,447,543	15	4,421,343	12	4,417,938	13
	<u>8,934,227</u>	<u>30</u>	<u>9,322,495</u>	<u>25</u>	<u>11,235,049</u>	<u>32</u>	3140 Capital collected in advance	630	-	3,024	-	3,684	-
Total assets	<u>\$ 30,110,675</u>	<u>100</u>	<u>37,122,049</u>	<u>100</u>	<u>35,058,591</u>	<u>100</u>	3200 Capital surplus (note 6(o))	882,416	3	791,466	2	787,085	2
							3310 Legal reserve (note 6(o))	788,634	3	788,634	2	611,322	2
							3320 Special reserve (note 6(o))	97,300	-	97,300	-	97,300	-
							3350 Unappropriated retained earnings (note 6(o))	5,197,855	17	4,779,419	13	4,352,649	13
							3400 Other equity interest	(397,818)	(1)	118,538	-	492,815	1
							36XX Non-controlling interests (note 6(f))	1,250,739	4	1,244,734	4	2,518,071	7
							Total equity	<u>12,267,299</u>	<u>41</u>	<u>12,244,458</u>	<u>33</u>	<u>13,280,864</u>	<u>38</u>
							Total liabilities and equity	<u>\$ 30,110,675</u>	<u>100</u>	<u>37,122,049</u>	<u>100</u>	<u>35,058,591</u>	<u>100</u>

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		<u>For the three months ended March 31</u>			
		<u>2017</u>		<u>2016 (restated)</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(r) and 7(c))	\$ 12,881,184	100	13,405,115	100
5000	Operating costs (notes 6(e), (m), (p), (s), and 12(a))	<u>11,265,889</u>	<u>88</u>	<u>11,996,976</u>	<u>89</u>
	Gross profit	<u>1,615,295</u>	<u>12</u>	<u>1,408,139</u>	<u>11</u>
	Operating expenses (notes 6(m), (p), (s) and 12(a)):				
6100	Selling expenses	304,233	2	327,309	2
6200	Administrative expenses	306,314	2	224,385	2
6300	Research and development expenses	<u>471,139</u>	<u>4</u>	<u>458,937</u>	<u>4</u>
	Total operating expenses	<u>1,081,686</u>	<u>8</u>	<u>1,010,631</u>	<u>8</u>
	Net operating income	<u>533,609</u>	<u>4</u>	<u>397,508</u>	<u>3</u>
	Non-operating income and expenses:				
7010	Other income (note 6(t))	50,725	-	39,453	-
7020	Other gains and losses (note 6(u))	16,907	-	169,610	1
7050	Finance costs	<u>(11,234)</u>	<u>-</u>	<u>(11,052)</u>	<u>-</u>
	Total non-operating income and expenses	<u>56,398</u>	<u>-</u>	<u>198,011</u>	<u>1</u>
	Profit from continuing operations before tax	590,007	4	595,519	4
7950	Less: income tax expense (note 6(n))	<u>137,735</u>	<u>1</u>	<u>201,014</u>	<u>1</u>
	Profit from continuing operations	<u>452,272</u>	<u>3</u>	<u>394,505</u>	<u>3</u>
8100	Profit from discontinued operations, net of tax (note 12(b))	<u>-</u>	<u>-</u>	<u>45,569</u>	<u>-</u>
	Profit	<u>452,272</u>	<u>3</u>	<u>440,074</u>	<u>3</u>
8300	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operation's financial statements	(446,064)	(3)	(148,733)	(1)
8362	Unrealized gains on available-for-sale financial assets (note 6(c))	1,624	-	51,608	-
8399	Income tax expense related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(444,440)</u>	<u>(3)</u>	<u>(97,125)</u>	<u>(1)</u>
8300	Other comprehensive income after tax	<u>(444,440)</u>	<u>(3)</u>	<u>(97,125)</u>	<u>(1)</u>
	Comprehensive income	<u>\$ 7,832</u>	<u>-</u>	<u>342,949</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of parent	\$ 418,436	3	400,715	3
8620	Non-controlling interests	<u>33,836</u>	<u>-</u>	<u>39,359</u>	<u>-</u>
		<u>\$ 452,272</u>	<u>3</u>	<u>440,074</u>	<u>3</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 2,108	-	311,342	2
8720	Non-controlling interests	<u>5,724</u>	<u>-</u>	<u>31,607</u>	<u>-</u>
		<u>\$ 7,832</u>	<u>-</u>	<u>342,949</u>	<u>2</u>
	Earnings per share (note 6(q))				
9710	Basic earnings per share (NT dollars)				
	Profit from continuing operations	\$ 0.95		0.88	
	Profit from discontinued operations	<u>-</u>		<u>0.03</u>	
	Profit per share	<u>\$ 0.95</u>		<u>0.91</u>	
9810	Diluted earnings per share (NT dollars)				
	Profit from continuing operations	\$ 0.94		0.88	
	Profit from discontinued operations	<u>-</u>		<u>0.03</u>	
	Profit per share	<u>\$ 0.94</u>		<u>0.91</u>	

See accompanying notes to consolidated interim financial statements.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital		Retained earnings				Exchange differences on translation of operation's financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings						
Balance at January 1, 2016	\$ 4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,399)	10,430,381	2,486,204	12,916,585
Profit	-	-	-	-	-	400,715	-	-	-	400,715	39,359	440,074
Other comprehensive income	-	-	-	-	-	-	(140,981)	51,608	-	(89,373)	(7,752)	(97,125)
Comprehensive income	-	-	-	-	-	400,715	(140,981)	51,608	-	311,342	31,607	342,949
Retirement of restricted stock	(1,000)	-	1,000	-	-	-	-	-	-	-	-	-
Compensation cost of share-based payment	-	-	604	-	-	-	-	-	-	604	260	864
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	16,782	16,782	-	16,782
Exercise of employee stock options	-	3,684	-	-	-	-	-	-	-	3,684	-	3,684
Issuance of ordinary shares for employee stock option and abandonment	7,061	(15,174)	8,113	-	-	-	-	-	-	-	-	-
Balance at March 31, 2016	\$ 4,417,938	3,684	787,085	611,322	97,300	4,352,649	210,064	346,368	(63,617)	10,762,793	2,518,071	13,280,864
Balance at January 1, 2017	\$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	405,466	(27,017)	10,999,724	1,244,734	12,244,458
Profit	-	-	-	-	-	418,436	-	-	-	418,436	33,836	452,272
Other comprehensive income	-	-	-	-	-	-	(417,952)	1,624	-	(416,328)	(28,112)	(444,440)
Comprehensive income	-	-	-	-	-	418,436	(417,952)	1,624	-	2,108	5,724	7,832
Compensation cost of share-based payment	-	-	656	-	-	-	-	-	-	656	281	937
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	12,182	12,182	-	12,182
Issuance of restricted stock	24,500	-	87,710	-	-	-	-	-	(112,210)	-	-	-
Exercise of employee stock options	-	1,890	-	-	-	-	-	-	-	1,890	-	1,890
Issuance of ordinary shares for employee stock option and abandonment	1,700	(4,284)	2,584	-	-	-	-	-	-	-	-	-
Balance at March 31, 2017	\$ 4,447,543	630	882,416	788,634	97,300	5,197,855	(677,863)	407,090	(127,045)	11,016,560	1,250,739	12,267,299

See accompanying notes to consolidated interim financial statements.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2017	2016
Cash flows from (used in) operating activities:		
Profit from continuing operations before tax	\$ 590,007	595,519
Profit from discontinued operations before tax	-	63,694
Profit before tax	590,007	659,213
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	370,529	422,905
Losses related to inventories	101,685	312,736
Provision (reversal of provision) for bad debt expense and sales returns and discounts	(52,919)	12,231
Interest expense	10,808	14,438
Interest income	(48,459)	(39,051)
Compensation cost of share-based payments	13,119	17,646
Other	1,315	1,129
Total adjustments to reconcile profit (loss)	396,078	742,034
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss – current	22,874	(220,975)
Notes and accounts receivable	3,535,503	3,313,055
Accounts receivable from related parties	33,618	4,214
Other receivable – current and non-current	234,423	193,951
Inventories	1,171,576	1,043,244
Other current assets	114,799	4,413
Other operating assets	13,261	2,881
Changes in operating assets	5,126,054	4,340,783
Financial liabilities at fair value through profit or loss - current	(52,133)	204,046
Notes and accounts payable	(5,625,846)	(7,383,915)
Salary payable	(677,559)	(712,683)
Other payables	(440,617)	(723,218)
Other current liabilities	(14,031)	5,578
Other operating liabilities	(3,062)	3,737
Changes in operating liabilities	(6,813,248)	(8,606,455)
Total changes in operating assets and liabilities	(1,687,194)	(4,265,672)
Total adjustments	(1,291,116)	(3,523,638)
Cash outflow generated from operations	(701,109)	(2,864,425)
Interest received	48,459	39,051
Interest paid	(10,791)	(14,421)
Income taxes paid	(35,654)	(186,005)
Net cash used in operating activities	(699,095)	(3,025,800)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(300,349)	(139,573)
Proceeds from disposal of property, plant and equipment	338	13,607
Acquisition of unamortized expense	(17,476)	(10,551)
Acquisition of available-for-sale financial assets	(21,045)	-
Other investing activities	1,566	10,312
Net cash flows used in investing activities	(336,966)	(126,205)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	-	1,524,787
Decrease in long-term borrowings	(274,444)	(294,526)
Increase in guarantee deposits	22,799	10,808
Increase in other payables to related parties	-	14
Exercise of employee share options	1,890	3,684
Net cash flows from (used in) financing activities	(249,755)	1,244,767
Effect of exchange rate changes on cash and cash equivalents	(190,321)	(49,985)
Net decrease in cash and cash equivalents	(1,476,137)	(1,957,223)
Cash and cash equivalents at beginning of period	6,359,916	7,623,380
Cash and cash equivalents at end of period	\$ 4,883,779	5,666,157

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
AS OF MARCH 31, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE
WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

PRIMAX ELECTRONICS LTD. (“the Company”), formerly known as Hong Chuan Investments Ltd., was incorporated on March 20, 2006, and registered under the Ministry of Economic Affairs, ROC. The Company changed its name to Hong Chuan Electronics Ltd. and Primax Electronics Ltd. in October 2007 and February 2008, respectively. The address of the Company’s registered office is No. 669, Ruey Kuang Road, Neihu, Taipei.

Primax Electronics Holdings, Ltd. (Primax Holdings, formerly known as Apple Holdings Ltd.) acquired all shares of the Company from YWAN PANG Management Limited on April 2, 2007. The investment was approved by the Investment Commission, Ministry of Economic Affairs. However, all shares of the Company were sold by Primax Holdings to its shareholders in October 2009.

Based on the resolution approved by the Company’s board of directors on November 5, 2007, the Company resolved to acquire and merge with Primax Electronics Ltd. (“Primax”, a listed company) on December 28, 2007. The Company is the surviving company, and Primax was dissolved upon completion of the merger.

The consolidated interim financial statements of the Company as at and for the years ended March 31, 2017, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and industrial automation parts. Please refer to note 14 for further information.

The Company’s common shares were registered with the Financial Supervisory Commission, ROC (“FSC”) on June 22, 2012, and listed on the Taiwan Stock Exchange (“TWSE”) on October 5, 2012.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated interim financial statements were authorized for issuance by the board of directors on May 11, 2017.

(3) New standards, amendments and interpretations adopted

(a) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the FSC which have already taken effect.

The Group conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated interim financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group’s interim financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018

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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 15 “Clarifications of IFRS 15”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IFRS 4 “Insurance Contracts” (“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”)	January 1, 2018
Annual Improvements to IFRSs 2014 - 2016 Cycle :	
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2017
IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 28 “Investments in Associates and Joint Ventures”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018
IAS 40 “Transfers of Investment Property”	January 1, 2018

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014	IFRS 15 “Revenue from Contracts with Customers”	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 “Revenue,” IAS 11 “Construction Contracts,” and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
April 12, 2016		

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Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 “Financial Instruments”	<p>The standard will replace IAS 39 “Financial Instruments: Recognition and Measurement”, and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial assets’ contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that “own credit risk” adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2016. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2016.

(b) Basis of consolidation

(i) Except as described in the following paragraph, the principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2016.

(ii) List of subsidiaries in the consolidated interim financial statements

The consolidated interim financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The details of the subsidiaries included in the consolidated interim financial statements are as follows:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	100.00 %	

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
The Company	Global TEK Fabrication Co., Ltd. (Global TEK)	Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts and aerospace components	- %	- %	30.00 %	(note 1)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	100.00 %	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	70.00 %	70.00 %	70.00 %	
Global TEK	Global TEK Co., Ltd. (GT)	Manufacture of sophisticated machinery components and automotive parts	- %	- %	100.00 %	(note 1)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	- %	- %	100.00 %	(note 1)
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices	100.00 %	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	
TWEL	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TWEL	TYP Enterprises, Inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM HK	Premium Loudspeakers (Hui Zhou) Co., Ltd. (Premium Hui Zhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	

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Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
TYM HK	TYMPHANY LOGISITCS, INC. (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM HK	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
Tymphann Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and Development , design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	-	% TYDC was incorporated in October 2016
Premium Hui Zhou	Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	Research and Development , design, and sale of audio accessories, amplifiers and their components and holdings	100.00 %	-	%	- % (note 2)
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	Research and Development , design of audio accessories, amplifiers and their components	100.00 %	-	%	- % (note 2)
GT	GP Tech, Inc. (GP)	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	-	%	-	% 100.00 % (note 1)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	-	%	-	% 100.00 % (note 1)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	-	%	-	% 100.00 % (note 1)
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	-	%	-	% 100.00 % (note 1)
GTS	GLOBAL TEK (XI' AN) CO., LTD. (GLOBAL TEK XI' AN)	Manufacture of industrial automation parts, communication parts and aerospace components	-	%	-	% 100.00 % (note 1)
GTS and WUXI GLOBAL TEK	GLOBAL TEK CO. (WUXI), LTD. (GLOBAL TEK WUXI)	Manufacture of sophisticated machinery components and automotive parts	-	%	-	% 100.00 % (note 1)

Note 1: The Board resolved to dispose 20% of the shares of Global TEK on June 21 and September 21, 2016. The disposal transaction has been settled on October 3, 2016, and the Company lost control over Global TEK on the same date.

Note 2: The Company was incorporated in January 2017.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34 “Interim Financial Reporting”.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated interim financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2016.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 6 of the 2016 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	\$ 3,109	2,946	3,694
Checking accounts and demand deposits	1,991,924	1,761,981	1,979,266
Time deposits	<u>2,888,746</u>	<u>4,594,989</u>	<u>3,683,197</u>
	<u>\$ 4,883,779</u>	<u>6,359,916</u>	<u>5,666,157</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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Please refer to note 6(v) for the currency risk and the interest rate risk of the Group's cash and cash equivalents.

(b) Financial assets and liabilities at fair value through profit or loss

(i) The fair value of financial instruments was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Financial assets at fair value through profit or loss – current:			
Non-derivative financial assets:			
Mutual funds	\$ <u>-</u>	<u>-</u>	<u>1,000</u>
Derivative financial assets:			
Forward exchange contracts	\$ 86,437	141,317	308,692
Foreign exchange swap contracts	<u>32,006</u>	<u>-</u>	<u>-</u>
	<u>\$ 118,443</u>	<u>141,317</u>	<u>308,692</u>
Financial liabilities at fair value through profit or loss – current:			
Derivative financial liabilities:			
Forward exchange contracts	\$ (65,027)	(72,909)	(107,275)
Foreign exchange swap contracts	<u>(33,270)</u>	<u>(77,521)</u>	<u>(156,876)</u>
	<u>\$ (98,297)</u>	<u>(150,430)</u>	<u>(264,151)</u>

(ii) The Group held the following derivative financial instruments not designated as hedging instruments presented as held-for-trading financial assets as of March 31, 2017, and December 31 and March 2016:

March 31, 2017			
Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD 194,000 thousand	April 7, 2017~ June 5, 2017	30.028~30.982
Forward exchange contracts – buy TWD / sell USD	USD 153,200 thousand	April 7, 2017~ June 2, 2017	30.055~32.008
Foreign exchange swap contracts – swap in USD / swap out TWD	USD 20,000 thousand	April 12, 2017	31.953
Foreign exchange swap contracts – swap in TWD / swap out USD	USD 80,300 thousand	April 10, 2017~ June 5, 2017	30.210~30.944

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December 31, 2016

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 252,000 thousand	January 5, 2017~ March 27, 2017	31.157~32.015
Forward exchange contracts — buy TWD / sell USD	USD 189,500 thousand	January 5, 2017~ March 27, 2017	31.765~32.290
Foreign exchange swap contracts — swap in TWD / swap out USD	USD 81,000 thousand	January 5, 2017~ January 19, 2017	31.245~31.920

March 31, 2016

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 141,100 thousand	April 8, 2016~ May 31, 2016	32.510~33.578
Forward exchange contracts — buy TWD / sell USD	USD 298,100 thousand	April 1, 2016~ June 15, 2016	32.580~33.869
Foreign exchange swap contracts — swap in USD / swap out TWD	USD 150,000 thousand	April 13, 2016~ June 15, 2016	32.8975~33.702

(iii) Please refer to note 6(v) for the liquidity risk of the Group's financial instruments.

(iv) The Group did not provide any of the aforementioned financial assets at fair value through profit or loss – current as collateral.

(c) Available-for-sale financial assets – non-current

	March 31, 2017	December 31, 2016	March 31, 2016
Stocks listed in domestic markets	\$ 496,404	586,404	606,600
Stocks unlisted in domestic markets	382,517	287,517	13,297
Stocks unlisted in foreign markets	<u>31,549</u>	<u>13,880</u>	<u>16,141</u>
	<u>\$ 910,470</u>	<u>887,801</u>	<u>636,038</u>

(i) The unrealized gains and losses were recognized as unrealized gains and losses on available-for-sale financial assets. Details were as follows:

	For the three months ended March 31	
	2017	2016
Unrealized gains	<u>\$ 1,624</u>	<u>51,608</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(ii) The Group did not provide any of the aforementioned available-for-sale financial assets as collateral.

(d) Notes and accounts receivable, and other receivables (including related parties)

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable	\$ 114,869	3,761	410,556
Accounts receivable	10,145,830	13,798,350	10,763,700
Accounts receivable – related parties	69,223	102,841	50,781
Other receivables	260,988	495,392	268,298
Less: allowance for doubtful accounts	(89,204)	(99,936)	(37,425)
allowance for sales returns and discounts	(50,206)	(98,302)	(37,495)
Total	<u>\$ 10,451,500</u>	<u>14,202,106</u>	<u>11,418,415</u>

(i) The Group did not provide any of the aforementioned notes and accounts receivable, and other receivables (including related parties) as collateral.

(ii) Please refer to note 6(v) for the movements in the allowance for doubtful accounts and the credit risk and currency.

(iii) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. As of March 31, 2017, and December 31 and March 31, 2016, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

March 31, 2017							
Buyer	Amount sold NT\$	Credit facilities US\$ (expressed in thousand)	Cash received in advance NT\$	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NT\$	Amount not received NT\$
Mega International Commercial Bank	\$ -	20,000	-		US\$ 5,000	-	-
HSBC Bank	-	64,400	-		US\$ 58,000	-	-
Bank of Taiwan	-	26,000	-		NT\$ 772,200	-	-
	<u>\$ -</u>	<u>110,400</u>	<u>-</u>			<u>-</u>	<u>-</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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December 31, 2016							
Buyer	Amount sold NTS	Credit facilities US\$ (expressed in thousand)	Cash received in advance NTS	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NTS	Amount not received NTS
Mega International Commercial Bank	\$ 374,057	20,000	336,651	1.75 %	US\$ 5,000	336,651	37,406
HSBC Bank	592,397	64,400	533,157	1.42 %	US\$ 58,000	533,157	59,240
Bank of Taiwan	449,051	26,000	404,146	2.10 %	NTS 772,200	404,146	44,905
	<u>\$ 1,415,505</u>	<u>110,400</u>	<u>1,273,954</u>			<u>1,273,954</u>	<u>141,551</u>

March 31, 2016							
Buyer	Amount sold NTS	Credit facilities US\$ (expressed in thousand)	Cash received in advance NTS	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NTS	Amount not received NTS
Mega International Commercial Bank	\$ -	25,000	-		US\$ 7,000	-	-
HSBC Bank	-	64,400	-		US\$ 58,000	-	-
Bank of Taiwan	-	26,000	-		NTS 725,400	-	-
	<u>\$ -</u>	<u>115,400</u>	<u>-</u>			<u>-</u>	<u>-</u>

(iv) Please refer to note 9 for guarantee notes provided by the Company to sell its accounts receivable.

(e) Inventories

	March 31, 2017	December 31, 2016	March 31, 2016
Raw materials	\$ 1,266,667	1,618,227	1,393,131
Semi-finished goods and work in process	1,291,194	1,485,837	1,207,622
Finished goods and merchandise	<u>2,839,425</u>	<u>3,566,483</u>	<u>3,393,876</u>
	<u>\$ 5,397,286</u>	<u>6,670,547</u>	<u>5,994,629</u>

The Group did not provide any of the aforementioned inventories as collateral.

The Group recognized the following items as cost of goods sold from continuing operations:

	For the three months ended March 31	
	2017	2016
Losses on inventory valuation	\$ (48,066)	(280,929)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(35,906)	(32,024)
Loss on disposal of inventories	(19,545)	(146)
Gain on physical inventories	<u>1,832</u>	<u>363</u>
	<u>\$ (101,685)</u>	<u>(312,736)</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(f) Material non-controlling interests of subsidiaries

The Material non-controlling interests of subsidiaries were as follows:

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		March 31, 2017	December 31, 2016	March 31, 2016
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	30 %	30 %	30 %
Global TEK and its subsidiaries	Taiwan and China/Taiwan	-	-	70 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

(i) TWEL and its subsidiaries:

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	\$ 4,364,113	4,510,885	2,803,337
Non-current assets	3,299,077	3,377,729	3,109,687
Current liabilities	(3,268,643)	(3,496,113)	(1,702,729)
Non-current liabilities	(225,418)	(243,387)	(241,770)
Net assets	<u>\$ 4,169,129</u>	<u>4,149,114</u>	<u>3,968,525</u>
Non-controlling interests	<u>\$ 1,250,739</u>	<u>1,244,734</u>	<u>1,190,558</u>

	For the three months ended March 31	
	2017	2016
Operating revenue	<u>\$ 2,877,049</u>	<u>1,856,928</u>
Profit	\$ 112,785	24,866
Other comprehensive income	(93,708)	(27,177)
Comprehensive income	<u>\$ 19,077</u>	<u>(2,311)</u>
Profit attributable to non-controlling interests	<u>\$ 33,836</u>	<u>7,460</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 5,724</u>	<u>(694)</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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	For the three months ended March 31	
	2017	2016
Cash flows from operating activities	\$ 400,325	(640,411)
Cash flows from investing activities	(63,294)	(53,296)
Cash flows from financing activities	(691)	(197)
Effect of foreign currency exchange translation	(65,493)	(22,002)
Net increase (decrease) in cash and cash equivalents	<u>\$ 270,847</u>	<u>(715,906)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(ii) Global TEK and its subsidiaries

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	\$ -	-	1,496,334
Non-current assets	-	-	1,779,783
Current liabilities	-	-	(1,007,116)
Non-current liabilities	-	-	(372,553)
Net assets	<u>\$ -</u>	<u>-</u>	<u>1,896,448</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>1,327,513</u>

	For the three months ended March 31	
	2017	2016
Operating revenue	<u>\$ -</u>	<u>607,448</u>
Profit	\$ -	45,569
Other comprehensive income	-	575
Comprehensive income	<u>\$ -</u>	<u>46,144</u>
Profit attributable to non-controlling interests	<u>\$ -</u>	<u>31,899</u>
Comprehensive income attributable to non-controlling interests	<u>\$ -</u>	<u>32,301</u>

	For the three months ended March 31	
	2017	2016
Cash flows from operating activities	\$ -	12,317
Cash flows from investing activities	-	(8,563)
Cash flows from financing activities	-	(29,079)
Effect of foreign currency exchange translation	-	(9,665)
Net decrease in cash and cash equivalents	<u>\$ -</u>	<u>(34,990)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(g) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the three months ended March 31, 2017 and 2016, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
Cost or deemed cost:							
Balance on January 1, 2017	\$ 134,701	3,802,758	5,672,304	510,457	347,678	(16,286)	10,451,612
Additions	-	22,149	140,500	9,252	57,028	-	228,929
Disposals	-	(1,771)	(61,396)	(3,695)	-	-	(66,862)
Reclassifications	-	39,601	99,245	2,179	(156,014)	-	(14,989)
Effect of movements in exchange rates	-	(194,144)	(318,819)	(27,474)	(16,801)	897	(556,341)
Balance on March 31, 2017	<u>\$ 134,701</u>	<u>3,668,593</u>	<u>5,531,834</u>	<u>490,719</u>	<u>231,891</u>	<u>(15,389)</u>	<u>10,042,349</u>
Balance on January 1, 2016	\$ 284,973	4,145,565	6,578,407	680,211	503,242	(12,731)	12,179,667
Additions	-	7,191	111,084	10,763	305,335	-	434,373
Disposals	-	(9,774)	(180,809)	(8,292)	-	-	(198,875)
Reclassifications	111,822	241,511	89,334	2,308	(256,524)	-	188,451
Effect of movements in exchange rates	-	(70,670)	(115,557)	(10,773)	(8,218)	240	(204,978)
Balance on March 31, 2016	<u>\$ 396,795</u>	<u>4,313,823</u>	<u>6,482,459</u>	<u>674,217</u>	<u>543,835</u>	<u>(12,491)</u>	<u>12,398,638</u>
Depreciation and impairments loss:							
Balance on January 1, 2017	\$ -	1,731,111	3,632,382	383,934	-	(13,237)	5,734,190
Depreciation	-	55,820	254,841	13,329	-	(1,226)	322,764
Disposals	-	(1,771)	(59,660)	(3,778)	-	-	(65,209)
Reclassifications	-	-	(152)	(58)	-	-	(210)
Effect of movements in exchange rates	-	(88,670)	(209,984)	(21,206)	-	765	(319,095)
Balance on March 31, 2017	<u>\$ -</u>	<u>1,696,490</u>	<u>3,617,427</u>	<u>372,221</u>	<u>-</u>	<u>(13,698)</u>	<u>5,672,440</u>
Balance on January 1, 2016	\$ -	1,737,377	3,718,475	449,371	-	(9,579)	5,895,644
Depreciation	-	62,081	285,545	23,303	-	(733)	370,196
Disposals	-	(9,573)	(168,694)	(6,023)	-	-	(184,290)
Reclassifications	-	31,256	(2,657)	(131)	-	-	28,468
Effect of movements in exchange rates	-	(30,956)	(72,393)	(8,221)	-	191	(111,379)
Balance on March 31, 2016	<u>\$ -</u>	<u>1,790,185</u>	<u>3,760,276</u>	<u>458,299</u>	<u>-</u>	<u>(10,121)</u>	<u>5,998,639</u>
Carrying amounts:							
Balance on January 1, 2017	<u>\$ 134,701</u>	<u>2,071,647</u>	<u>2,039,922</u>	<u>126,523</u>	<u>347,678</u>	<u>(3,049)</u>	<u>4,717,422</u>
Balance on March 31, 2017	<u>\$ 134,701</u>	<u>1,972,103</u>	<u>1,914,407</u>	<u>118,498</u>	<u>231,891</u>	<u>(1,691)</u>	<u>4,369,909</u>
Balance on January 1, 2016	<u>\$ 284,973</u>	<u>2,408,188</u>	<u>2,859,932</u>	<u>230,840</u>	<u>503,242</u>	<u>(3,152)</u>	<u>6,284,023</u>
Balance on March 31, 2016	<u>\$ 396,795</u>	<u>2,523,638</u>	<u>2,722,183</u>	<u>215,918</u>	<u>543,835</u>	<u>(2,370)</u>	<u>6,399,999</u>

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- (i) The unamortized deferred revenue of equipment subsidy amounted to \$1,209,931, \$1,310,945 and \$1,282,334 as of March 31, 2017, and December 31 and March 31, 2016, respectively.
- (ii) Please refer to note 8 for further information on property, plant and equipment provided as collateral.

(h) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2017	\$ <u>16,249</u>	<u>19,428</u>	<u>35,677</u>
Balance at March 31, 2017	\$ <u>16,249</u>	<u>19,312</u>	<u>35,561</u>
Balance at January 31, 2016	\$ <u>128,071</u>	<u>130,638</u>	<u>258,709</u>
Balance at March 1, 2016	\$ <u>16,249</u>	<u>19,775</u>	<u>36,024</u>

- (i) The Group reclassified \$220,053 as property, plant and equipment from investment property due to the change of the use of such property in the first quarter of 2016.
- (ii) Except for the above paragraph, there was no significant additions, disposals, or recognition and reversal of impairment losses of the investment property for the three months ended March 31, 2017 and 2016. Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2016 for further information.
- (iii) The fair value of the investment property has no significant change from note 6(j) of the consolidated financial statements for the year ended December 31, 2016.
- (iv) The Group did not provide any of the aforementioned investment property as collateral.

(i) Intangible assets

The carrying amounts of the intangible assets of the Group as of March 31, 2017 and 2016, were as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
Carrying amounts:					
Balance at January 1, 2017	\$ <u>1,850,383</u>	<u>504,899</u>	<u>294,524</u>	<u>23,864</u>	<u>2,673,670</u>
Balance at March 31, 2017	\$ <u>1,850,383</u>	<u>486,929</u>	<u>284,042</u>	<u>22,652</u>	<u>2,644,006</u>
Balance at January 1, 2016	\$ <u>2,191,382</u>	<u>676,241</u>	<u>423,954</u>	<u>30,614</u>	<u>3,322,191</u>
Balance at March 31, 2016	\$ <u>2,191,382</u>	<u>655,547</u>	<u>409,900</u>	<u>28,428</u>	<u>3,285,257</u>

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(i) There was no significant change on intangible assets for the three months ended March 31, 2017 and 2016. Please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2016.

(ii) The Group did not provide any of the aforementioned intangible assets as collateral.

(j) Short-term borrowings

The details were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank loans	\$ -	-	2,724,304
Secured bank loans	-	-	151,052
Short-term borrowings	<u>\$ -</u>	<u>-</u>	<u>2,875,356</u>
Unused credit lines	<u>\$ 14,790,839</u>	<u>13,301,651</u>	<u>8,605,863</u>
Annual interest rates	<u>1.09%~1.43%</u>	<u>0.93%~1.27%</u>	<u>0.96%~5.89%</u>

Please refer to note 8 for further information on assets provided as collateral.

(k) Long-term borrowings

March 31, 2017				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.19%~1.48%	2018~2020	\$ 326,667
Less: current portion				<u>(215,556)</u>
Total				<u>\$ 111,111</u>
Unused credit lines				<u>\$ -</u>
December 31, 2016				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	0.95~1.56%	2017~2020	\$ 601,111
Less: current portion				<u>(382,222)</u>
Total				<u>\$ 218,889</u>
Unused credit lines				<u>\$ -</u>

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

March 31, 2016

	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	0.95%~2.31%	2016~2020	\$ 1,069,194
"	USD	2.66%	2018	36,734
Secured bank loans	TWD	1.66%~2.71%	2018~2026	225,457
"	USD	3.24%~3.3%	2018~2030	51,576
Less: current portion				(808,675)
Total				<u>\$ 574,286</u>
Unused credit lines				<u>\$ 94,749</u>

(i) Pursuant to the loan agreements with The Export-Import Bank of the ROC and CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. As of March 31, 2017, the Company had not violated the financial covenants. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) shareholders' equity of not less than \$4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.

(ii) Please refer to note 9 for the details of the outstanding guarantee notes.

(iii) Please refer to note 8 for further information on assets provided as collateral.

(l) Operating lease

(i) Lessee

Non-cancellable operating lease rentals are payable as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Less than one year	\$ 219,463	234,469	230,673
Between one and five years	317,263	327,873	426,460
More than five years	212,913	12,989	1,019
	<u>\$ 749,639</u>	<u>575,331</u>	<u>658,152</u>

The Group leases a number of offices and warehouses and pieces of equipment under operating leases. The lease terms are between 1 and 20 years.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Lessor

The Group leases out its investment property under operating leases. Please refer to note 6(h) for further information. Non-cancellable operating leases are receivable as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Less than one year	<u>\$ 707</u>	<u>1,060</u>	<u>707</u>

(m) Employee benefits from continuing operations

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2016 and 2015.

(ii) Defined contribution plans

The Company contribute the pension cost on the defined contribution plans to the labor pension personal account at the Bureau of Labor Insurance. Subsidiaries other than the Company set up their defined contribution plans in accordance with the regulations of their respective countries.

(iii) The Group recognized its pension costs from continuing operations and recorded them as operating expenses and operating cost in the statement of comprehensive income.

	For the three months ended March 31	
	2017	2016
Defined benefit plans	\$ 501	619
Defined contribution plans	<u>83,706</u>	<u>92,687</u>
Total	<u>\$ 84,207</u>	<u>93,306</u>

(n) Income taxes from continuing operations

(i) Income tax expense for the period is best estimated by multiplying the profit before tax of the reporting period by the effective annual tax rate as forecasted by the management.

(ii) The details of the Group's income tax expenses from continuing operations were as follows:

	For the three months ended March 31	
	2017	2016
Income tax expense	<u>\$ 137,735</u>	<u>201,014</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- (iii) There were no income tax recognized in equity or other comprehensive income.
- (iv) The Company's income tax returns have been examined by the tax authority through the years up to 2013. However, the Company disagreed with the examination of the income tax return for 2008 and requested an administrative remedy. The tax effect of the administrative remedy has been recognized by the Company.
- (v) Information related to the unappropriated earnings and tax deduction ratio is summarized below:

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated earnings of 1998 and after	\$ 5,197,855	4,779,419	4,352,649
Balance of imputation credit account	\$ 508,028	508,028	420,838
	2016 (estimated)	2015 (actual)	
Creditable ratio for earnings distribution to ROC residents	19.06 %	13.69 %	

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the ROC, on October 17, 2013.

- (o) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2017 and 2016. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2016.

- (i) Ordinary shares

As of March 31, 2017 and December 31 and March 31, 2016, the nominal ordinary shares amounted to \$5,000,000. Par value of each share is \$10 (dollars), which means in total there were 500,000 thousand authorized common shares, of which 444,754, 442,134 and 441,794 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	Ordinary shares (in thousands of shares)	
	For the three months ended March 31	
	2017	2016
Balance on January 1	442,134	441,188
Exercise of employee stock options	170	706
Issuance of restricted stock	2,450	-
Retirement of restricted stock	-	(100)
Balance on March 31	444,754	441,794

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Additional paid-in capital	\$ 522,237	508,583	472,651
Employee stock options	228,500	229,175	232,345
Restricted employee stock options	131,679	53,708	82,089
	<u>\$ 882,416</u>	<u>791,466</u>	<u>787,085</u>

(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the earning left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals according to the resolution adopted at the shareholders' meeting.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to shareholders, and balanced dividends. Earnings distribution is made by stock dividend and cash dividend. The cash dividend shall not be less than 10 percent of the total dividends and could be adjusted depending on the Company's operating condition.

1) Legal reserve

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to \$97,300 on March 31, 2017.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On March 7, 2017, the board of directors' meeting resolved to appropriate the 2016 earnings. On June 20, 2016, the shareholders' meeting resolved to distribute the 2015 earnings. The distributions were NT\$2.5 and 2.1 (dollars) per share, which amounted to \$1,111,886 and \$927,933, respectively.

(p) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2017 and 2016. Please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2016 for further information.

After the shareholders' meeting on June 20, 2016, the Company decided to issue 3,000 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,450 thousand shares on January 23, 2016.

(i) Employee stock options and share-based payment

- 1) As of March 31, 2017, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

	Plan 1 (note)	Plan 2 (note)	Plan 3 (note)	
			Issued in November 2011	Issued in October 2012
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	11.42	11.42	16.20	25.20
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~November 11, 2017)	5 years (November 24, 2011~November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

Note: Stock options under Plan 1 included those granted by Primax in May 2005, June and December 2006, and February and March 2007; those granted by Primax Holdings in January, May and November 2008; and those granted by the Company in November 2009.

Stock options under Plan 2 included those granted by Primax Holdings in January and May 2008, and those granted by the Company in November 2009.

Stock options under Plan 3 included those granted by the Company in November 2011 and October 2012.

The Company applied the Black-Scholes Option pricing model to measure the fair value of employee stock options.

The related information on compensatory employee stock option plans was as follows:

	For the three months ended March 31			
	2017		2016	
	Weighted- average exercise price	Stock options (in thousands)	Weighted- average exercise price	Stock options (in thousands)
Outstanding at January 1	22.16	957	24.66	1,728
Granted during the year	-	-	-	-
Exercised during the year	25.20	(75)	26.50	(139)
Expired during the year	-	-	-	-
Outstanding at March 31	21.90	<u>882</u>	24.50	<u>1,589</u>
Exercisable at March 31	21.90	<u>882</u>	24.50	<u>1,589</u>

As of March 31, 2017, and December 31 and March 31, 2016, the information on the employee stock option plans outstanding was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Employee stock option plan 1	-	-	-
Employee stock option plan 2	211	211	211
Employee stock option plan 3 -Issued in November 2011	-	-	-
Employee stock option plan 3 -Issued in October 2012	<u>671</u>	<u>746</u>	<u>1,378</u>
Outstanding at end of year	<u>882</u>	<u>957</u>	<u>1,589</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- 2) As of March 31, 2017, the outstanding employee stock options of TWEL for equity-settled share-based payment were as follows:

	<u>November 2014</u>	<u>July 2015</u>
Grant date	November 18, 2014	July 1, 2015
Exercise price	\$15.74	\$18.82
Granted units (thousand)	700	2,750
Service period	5 years	5 years
Vesting period	3 ~4 years	3 ~5 years

TWEL applied the Black-Scholes option pricing model to measure the fair value of employee stock options.

The related information on compensatory employee stock option plans of TWEL was as follows:

	<u>For the three months ended March 31</u>			
	<u>2017</u>		<u>2016</u>	
	<u>Weighted- average exercise price</u>	<u>Stock options (in thousands)</u>	<u>Weighted- average exercise price</u>	<u>Stock options (in thousands)</u>
Outstanding at January 1	18.27	3,308	18.20	3,450
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	18.82	(215)
Outstanding at March 31	18.27	<u><u>3,308</u></u>	18.15	<u><u>3,235</u></u>
Exercisable at March 31	-	<u><u>-</u></u>	-	<u><u>-</u></u>

(ii) Restricted stock

- 1) As of March 31, 2017, the outstanding restricted stock of the Company was as follows:

	<u>Plan 1 (note 1)</u>				<u>Plan 2 (note 1)</u>		<u>Plan 3 (note 1)</u>
	<u>October 1, 2013</u>	<u>November 20, 2013</u>	<u>February 10, 2014</u>	<u>July 17, 2014</u>	<u>February 24, 2015</u>	<u>August 18, 2015</u>	<u>February 13, 2017</u>
Grant date							
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775	2,450
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3years (note 2 and 3)	1~3 years (note 2)	1~3 years (note 2)

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

Note 1: Plan 1 –After the shareholders’ meeting on June 25, 2013, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company’s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors’ meeting resolved to issue 1,450 thousand shares, 186 thousand shares, 135 thousand shares, and 220 thousand shares on August 13 and November 12, 2013, and January 22 and June 27, 2014, respectively.

Plan 2 –After the shareholders’ meeting on June 24, 2014, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company’s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors’ meeting resolved to issue 1,225 thousand shares and 1,775 thousand shares on January 28 and August 13, 2015, respectively.

Plan 3 –After the shareholders’ meeting on June 20, 2016, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company’s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors’ meeting resolved to issue 2,450 thousand shares on January 23 2017.

Note 2: If the employees continue to provide service to the Company and meet the prior year’s performance indicator, 30% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 30% and 40% shall be vested in year 2 and year 3, respectively, after the grant date.

Note 3: If the employees continue to provide service to the Company and meet the prior year’s performance indicator, 50% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 50% shall be vested in year 2 after the grant date.

Note 4: If the employees continue to provide service to the Company and meet the prior year’s performance indicator, the restricted stock shall be vested in year 1 after the grant date.

The related information on restricted stock of the Company was as follows:

(Thousand shares)	For the three months ended March 31	
	2017	2016
Outstanding at January 1	1,771	3,270
Granted during the year	2,450	-
Forfeited during the year	-	-
Vesting during the year	(289)	(389)
Expired during the year	-	-
Outstanding at March 31	3,932	2,881

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(iii) Expenses and liabilities attributable to share-based payment were as follows:

	For the three months ended March 31		
	2017	2016	
Expenses attributable to employee stock options	\$ 937	864	
Restricted stock	12,182	16,782	
Total	\$ 13,119	17,646	
	March 31, 2017	December 31, 2016	March 31, 2016
Salary payable:			
Current	\$ 1,938	1,938	1,938

(q) Earnings per share

The calculation of basic earnings and diluted earnings per shares was as follows:

(i) Basic earnings per share

	For the three months ended March 31	
	2017	2016
Profit attributable to owners of parent		
Continuing operations	\$ 418,436	387,045
Discontinued operations	-	13,670
Total	\$ 418,436	400,715
Weighted-average number of ordinary shares (thousand shares)	440,499	438,198
Basic earnings per share (NT dollars)		
Continuing operations	\$ 0.95	0.88
Discontinued operations	-	0.03
Total	\$ 0.95	0.91

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Diluted earnings per share

	For the three months ended March 31	
	2017	2016
Profit attributable to owners of parent		
Continuing operations	\$ 418,436	387,045
Discontinued operations	-	13,670
Total	\$ 418,436	400,715
Weighted-average number of ordinary shares (diluted) (thousand shares)	444,049	442,753
Diluted earnings per share		
Continuing operations	\$ 0.94	0.88
Discontinued operations	-	0.03
Total	\$ 0.94	0.91

	For the three months ended March 31	
	2017	2016
Weighted-average number of ordinary shares at March 31 (basic)	440,499	438,198
Effect of employee stock options	508	836
Effect of employee stock bonuses	1,869	2,483
Effect of restricted stock	1,173	1,236
Weighted-average number of ordinary shares at March 31 (diluted)	444,049	442,753

(r) Operating revenue

The operating revenue was as follows:

	For the three months ended March 31	
	2017	2016
Goods sold	\$ 12,589,535	12,930,370
Services rendered	291,649	474,745
Continuing operations	12,881,184	13,405,115
Discontinued operations	-	607,448
Total	\$ 12,881,184	14,012,563

Please refer to note 12(b) for profit and loss, and cash flows from discontinued operations.

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(s) Employee and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 2 to 10 percent of the profit as employee remuneration and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

Details of remuneration to employees and directors were as follows:

	For the three months ended March 31	
	2017	2016
Employee remuneration	\$ 17,215	18,889
Directors' remuneration	8,611	7,556
	\$ 25,826	26,445

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during each period. The differences between the amounts approved in the directors' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2016 were as follows:

	2016		
	Actual earnings Distributed	Accrued in the financial statement	Difference
Employee remuneration			
Stock	\$ -	-	-
Cash	74,000	74,000	-
Directors' remuneration	36,800	36,803	3
	2015		
	Actual earnings Distributed	Accrued in the financial statement	Difference
Employee remuneration			
Stock	\$ -	-	-
Cash	78,500	78,269	(231)
Directors' remuneration	32,000	31,907	(93)

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

The differences were accounted for as changes in accounting estimates and recognized as profit or loss in the year 2017 and 2016. Information about the remuneration to employee and directors approved in the board of directors' meetings can be accessed in the Market Observation Post System website.

(t) Other income

The other income from continuing operations was as follows:

	For the three months ended March 31	
	2017	2016
Interest revenue of cash in banks	\$ 48,459	38,977
Rent revenue	1,750	-
Other	516	476
	\$ 50,725	39,453

(u) Other gains and losses

The other gains and losses from continuing operations were as follows:

	For the three months ended March 31	
	2017	2016
Net gains on disposal of financial assets measured at fair value through profit or loss	\$ 4,888	286
Net losses on disposal of property, plant and equipment	(1,315)	(1,459)
Net gains on financial assets/liabilities measured at fair value through profit or loss	20,148	44,540
Foreign currency exchange gains (losses), net	(25,800)	114,384
Other	18,986	11,859
	\$ 16,907	169,610

(v) Financial instruments

Except for the following paragraph, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2016 for further information.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(i) Credit risk

The aging analysis of notes, accounts, and other receivables (including related parties) that were past due but not impaired was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Past due 0-30 days	\$ 702,674	763,565	595,183
Past due 31-90 days	14,771	213,509	251,229
Past due 91-180 days	196,806	17,593	15,159
Past due 181-360 days	989	13,247	18,620
Past due over a year	-	-	-
	<u>\$ 915,240</u>	<u>1,007,914</u>	<u>880,191</u>

The Group assesses the uncollectible amount of notes, accounts, and other receivables (including related parties) based on the aging analysis, the collection history, and the customers' current financial status, and recognizes an allowance for doubtful debts accordingly. After the Group's assessment, there is no significant change in the customers' credit quality and the collectability of related receivables.

The movements in the allowance for the three months ended March 31, 2017 and 2016 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2017	\$ -	99,936	99,936
Reversal gains recognized	-	(4,823)	(4,823)
Amounts written off	-	-	-
Exchange differences on translation of foreign currency	-	(5,909)	(5,909)
Balance on March 31, 2017	<u>\$ -</u>	<u>89,204</u>	<u>89,204</u>
	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	\$ -	29,247	29,247
Impairment loss recognized	-	9,663	9,663
Amounts written off	-	(865)	(865)
Exchange differences on translation of foreign currency	-	(620)	(620)
Balance on March 31, 2016	<u>\$ -</u>	<u>37,425</u>	<u>37,425</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6~12 months</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
March 31, 2017							
Non-derivative financial liabilities:							
Notes and accounts payable	\$ 11,267,072	11,267,072	11,267,072	-	-	-	-
Other payables	2,341,027	2,341,027	2,341,027	-	-	-	-
Long-term borrowings	326,667	332,371	110,089	109,024	57,051	56,207	-
Guarantee deposits	166,036	166,036	-	-	-	-	166,036
Derivative financial liabilities:	98,297	-	-	-	-	-	-
Outflow	-	2,545,108	2,545,108	-	-	-	-
Inflow	-	(2,444,943)	(2,444,943)	-	-	-	-
	<u>\$ 14,199,099</u>	<u>14,206,671</u>	<u>13,818,353</u>	<u>109,024</u>	<u>57,051</u>	<u>56,207</u>	<u>166,036</u>
December 31, 2016							
Non-derivative financial liabilities:							
Notes and accounts payable	\$ 16,892,918	16,892,918	16,892,918	-	-	-	-
Other payables	2,713,494	2,713,494	2,713,494	-	-	-	-
Long-term borrowings	601,111	609,653	277,546	110,096	137,431	84,580	-
Guarantee deposits	143,237	143,237	-	-	-	-	143,237
Derivative financial liabilities:	150,430	-	-	-	-	-	-
Outflow	-	2,766,941	2,766,941	-	-	-	-
Inflow	-	(2,615,359)	(2,615,359)	-	-	-	-
	<u>\$ 20,501,190</u>	<u>20,510,884</u>	<u>20,035,540</u>	<u>110,096</u>	<u>137,431</u>	<u>84,580</u>	<u>143,237</u>
March 31, 2016							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 2,875,356	2,875,356	2,875,356	-	-	-	-
Notes and accounts payable	11,340,015	11,340,015	11,340,015	-	-	-	-
Other payables	2,053,454	2,053,454	2,053,454	-	-	-	-
Long-term borrowings	1,382,961	1,430,227	333,440	493,153	309,247	201,581	92,806
Guarantee deposits	129,449	129,449	-	-	-	-	129,449
Derivative financial liabilities:	264,151	-	-	-	-	-	-
Outflow	-	7,562,011	7,562,011	-	-	-	-
Inflow	-	(7,298,960)	(7,298,960)	-	-	-	-
	<u>\$ 18,045,386</u>	<u>18,091,552</u>	<u>16,865,316</u>	<u>493,153</u>	<u>309,247</u>	<u>201,581</u>	<u>222,255</u>

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	March 31, 2017			December 31, 2016			March 31, 2016		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rat	TWD	Foreign currency	Exchange rat	TWD
Financial assets									
Monetary items									
USD:CNY	\$ 285,900	6.8993	8,673,062	385,629	6.937	12,447,718	261,227	6.4612	8,432,930
USD:HKD	94,684	7.7721	2,872,334	101,376	7.755	3,272,316	148,148	7.7542	4,782,502
USD:TWD	314,644	30.3360	9,545,040	428,216	32.279	13,822,384	311,579	32.282	10,058,408
Financial liabilities									
Monetary items									
USD:CNY	280,351	6.8993	8,504,728	366,735	6.937	11,837,839	268,684	6.4612	8,673,671
USD:HKD	80,803	7.7721	2,451,240	94,552	7.755	3,052,044	144,572	7.7542	4,667,063
USD:TWD	266,401	30.3360	8,081,541	377,974	32.279	12,200,623	246,614	32.282	7,961,205

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY and HKD against the USD as of March 31, 2017 and 2016, would have increased or decreased the net profit before tax by \$102,646 and \$98,595, respectively. The analysis is performed on the same basis for both periods.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2017 and 2016, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$(25,800) and \$114,384, respectively.

2) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$1,601 and decreased or increased by \$360 for the three months ended March 31, 2017 and 2016, respectively, mainly as a result of bank savings and borrowings with variable interest rates.

3) Other price risk:

For the three months ended March 31, 2017 and 2016, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income before tax as illustrated below:

<u>Prices of securities at the reporting date</u>	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
	<u>Other comprehensive income before tax</u>	<u>Other comprehensive income before tax</u>
Increasing 10%	\$ 49,640	60,660
Decreasing 10%	\$ (49,640)	(60,660)

(iv) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	<u>March 31, 2017</u>				
	<u>Carrying amounts</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss – current	\$ 118,443	-	-	118,443	118,443
Available-for-sale financial assets – non-current	\$ 910,470	496,404	-	414,066	910,470
Loans and receivables					
Cash and cash equivalents	\$ 4,883,779				
Notes and accounts receivable (including related parties)	10,190,512				
Other receivables	260,988				
Refundable deposits	42,829				
Total	\$ 15,378,108				

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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		March 31, 2017				
		Fair Value				
	Carrying amounts	Level 1	Level 2	Level 3	Total	
Financial liabilities at fair value through profit or loss – current	\$ 98,297	-	-	98,297	98,297	
Financial liabilities carried at amortized cost						
Borrowings	\$ 326,667					
Notes and accounts payable	11,267,072					
Other payables	3,578,300					
Salary payable	468,624					
Guarantee deposits	166,036					
Total	\$ 15,806,699					
		December 31, 2016				
		Fair Value				
	Carrying amounts	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss – current	\$ 141,317	-	-	141,317	141,317	
Available-for-sale financial assets – non-current	\$ 887,801	586,404	-	301,397	887,801	
Loans and receivables						
Cash and cash equivalents	\$ 6,359,916					
Notes and accounts receivable (including related parties)	13,706,714					
Other receivables	495,392					
Refundable deposits	44,429					
Total	\$ 20,606,451					
Financial liabilities at fair value through profit or loss – current	\$ 150,430	-	-	150,430	150,430	
Financial liabilities carried at amortized cost:						
Borrowings	\$ 601,111					
Notes and accounts payable	16,892,918					
Other payables	1,146,183					
Salary payable	3,878,606					
Guarantee deposits	143,237					
Total	\$ 22,662,055					

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

		March 31, 2016				
		Fair Value				
		Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current		\$ 309,692	1,000	-	308,692	309,692
Available-for-sale financial assets – non-current		\$ 636,038	606,600	-	29,438	636,038
Loans and receivables						
Cash and cash equivalents		\$ 5,666,157				
Notes and accounts receivable (including related parties)		11,150,117				
Other receivables		268,298				
Refundable deposits		53,131				
Total		\$ 17,137,703				
Financial liabilities at fair value through profit or loss – current		\$ 264,151	-	-	264,151	264,151
Financial liabilities carried at amortized cost						
Borrowings		\$ 4,258,317				
Notes and accounts payable		11,340,015				
Other payables		514,424				
Salary payable		3,234,476				
Guarantee deposits		129,449				
Total		\$ 19,476,681				

2) Valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be reached, then the market is non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

The Group uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

- a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.
 - b) Available-for-sale financial assets – non-current are investments in domestic or foreign non-listed stock. If the price of capital increase by cash is reliable, the fair value will be estimated on the issuance price of ordinary shares, while others will be based on market approach of comparable business. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.
- 3) There is no transferring of fair value hierarchy for the three months ended March 31, 2017 and 2016.
 - 4) Changes in Level 3

	For the three months ended March 31					
	2017			2016		
	Fair value through profit or loss	Available for sale	Total	Fair value through profit or loss	Available for sale	Total
Balance on January 1	\$ (9,113)	301,397	292,284	27,643	32,830	60,473
Recognized in profit or loss	20,146	-	20,146	44,521	-	44,521
Recognized in other comprehensive income	-	91,624	91,624	-	(3,392)	(3,392)
Acquisition / disposal	9,113	21,045	30,158	(27,643)	-	(27,643)
Balance on March 31	<u>\$ 20,146</u>	<u>414,066</u>	<u>434,212</u>	<u>44,521</u>	<u>29,438</u>	<u>73,959</u>

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets and liabilities at fair value through profit or loss", "derivative financial instruments" and "available-for-sale financial assets – equity investments". Quantified information of significant unobservable inputs was as follows:

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value measurement</u>
Available-for-sale financial assets – equity securities not listed on emerging stock market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at fair value through profit or loss	(note 2)	(note 2)	(note 2)

note 1: The fair value is based on unadjusted prior trade prices, therefore there is no need to show the sensitivity analysis of unobservable inputs.

note 2: The fair value is based on the quotation of a third party, therefore there is no need to show the sensitivity analysis of unobservable inputs.

(w) Financial risk management

The Group's objectives and policies on financial risk management are consistent with note 6(z) of the consolidated financial statements for the year ended December 31, 2016.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2016. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2016. Please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2016 for further details.

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) Names and relationship of the related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated interim financial statements.

<u>Name</u>	<u>Relationship</u>
Specialty Technologies, LLC (Specialty)	Real related party
HUANG, YA- HSING	The general manager of GT
LIU, TSU- YING	The chairman of the board of GT
Key management personnel	Key management personnel of the Group

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(c) Other related-party transactions

(i) Sales

The amounts of sales by the Group to related parties and the outstanding balances were as follows:

	Sales		Accounts receivable - related party		
	For the three months ended March 31		March 31,	December 31,	March 31,
	2017	2016	2017	2016	2016
Other related parties:					
Specially	\$ <u>53,211</u>	<u>42,605</u>	<u>69,223</u>	<u>102,841</u>	<u>50,781</u>

There were no significant differences in the selling prices and trading terms between the related parties and other customers.

(ii) Loans from related parties

The outstanding balance of loans to the Group from its related parties was as follows:

	For the three ended March 31, 2017		For the three ended March 31, 2016	
	Highest balance	Ending balance	Highest balance	Ending balance
	Other related parties:			
HUANG, YA-HSING & LIU, TSU-YING	\$ <u>-</u>	<u>-</u>	<u>64,008</u>	<u>64,008</u>

(d) Key management personnel transactions

Key management personnel compensation from continuing operations:

	For the three months ended March 31	
	2017	2016
Short-term employee benefits	\$ 49,061	38,670
Post-employment benefits	-	286
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	<u>11,034</u>	<u>4,546</u>
	<u>\$ 60,095</u>	<u>43,502</u>

Please refer to note (6)(p) for information related to share-based payments.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	March 31, 2017	December 31, 2016	March 31, 2016
Other current assets – restricted assets	Guarantee letters issued by bank	\$ -	-	6,116
Other non-current assets – restricted assets	Loan collateral and guarantee letters issued by bank	\$ 1,099	1,163	6,477
Property, plant and equipment	Loan collateral	\$ -	-	651,699
Long-term prepaid rent	Loan collateral	\$ -	-	90,866

(9) Significant commitments and contingencies:

- (a) The Group's guarantee of purchasing materials and borrowings, please refer to note 13.
- (b) The following are savings accounts provided by the Group to the bank in order for the bank to issue a guarantee letter to customs as guarantee deposits. Please refer to note 8.

	March 31, 2017	December 31, 2016	March 31, 2016
Guarantee letters	\$ 182,267	198,121	64,392

- (c) Guarantee notes provided as part of agreements with banks to sell accounts receivables, to acquire long-term borrowings, and to purchase materials were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Sales of accounts receivable	\$ 2,683,368	2,805,777	2,823,730
Long-term borrowings	\$ 880,000	2,160,000	2,595,488
Purchase of material	\$ -	-	21,988

- (d) The aggregate unpaid amounts of contracts pertaining to the purchase of equipment were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Property, plant and equipment	\$ 33,164	42,286	62,445

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- (e) TWEL Group entered into patent license agreements with several companies in July 2015. According to the agreements, TWEL Group shall pay amounts as follows:

<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>
<u>\$ -</u>	<u>-</u>	<u>68,018</u>

- (f) The Group entered into lease agreements for its offices and warehouses. Please refer to note (6)(l) for future rent payables.

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

- (a) Employee benefit, depreciation, and amortization expenses are summarized by function from continuing operations are below:

By function By item	For the three months ended March 31, 2017			For the three months ended March 31, 2016		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	680,444	557,786	1,238,230	801,511	517,956	1,319,467
Labor and health insurance	23,888	35,033	58,921	28,908	32,421	61,329
Pension	55,926	28,281	84,207	68,243	25,063	93,306
Others	14,411	35,811	50,222	13,985	31,756	45,741
Depreciation	296,711	26,053	322,764	316,171	30,566	346,737
Amortization	4,499	43,150	47,649	5,286	46,459	51,745

- (b) Discontinued operations

The Group sold parts of the shares of Global TEK on October 3, 2016. Since the segment of Global TEK and its subsidiaries was not a discontinued operation or classified as held for sale on March 31, 2016, the comparative statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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Profit and loss, and cash flows from discontinued operations are summarized as follows:

	For the three months ended March 31, 2016
Operating revenue	\$ 607,448
Operating cost	<u>(448,421)</u>
Gross profit	159,027
Operating expenses	<u>(93,992)</u>
Net operating income	65,035
Non-operating income and expenses	<u>(1,341)</u>
Profit before income taxes	63,694
Income tax expense	<u>(18,125)</u>
Profit from discontinued operations	<u>\$ 45,569</u>
Profit attributable to:	
Owners of Parent	\$ 13,670
Non-controlling interests	<u>31,899</u>
	<u>\$ 45,569</u>
Cash flows from discontinued operations:	
Cash flows from operating activities	\$ 12,317
Cash flows from investing activities	(8,563)
Cash flows from financing activities	(29,079)
Effect of foreign currency exchange translation	<u>(9,665)</u>
Net increase (decrease) in cash and cash in equivalents	<u>\$ (34,990)</u>

- (c) The Board of the Company's subsidiary – TWEL resolved to acquire 100% shares of Bang & Olufsen s.r.o. with the approximate amount of €18,000 on March 13, 2017. Through the acquisition, TWEL will extend its business scale in acoustic products throughout Europe, strengthen cooperation with its clients, and further expand the depth of its design, techniques, and manufacturing process.

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the Regulations for the Group:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
												Item	Value		
1	PKSI	The Company	Other accounts receivable	781,263	734,235	734,235	-	Necessary to loan to other parties	-	Operating capital	-		-	855,712	855,712
2	Tymphany Dongguan	TYDC	Other accounts receivable	38,341	37,814	37,814	2%	"	-	"	-		-	25,850	25,850

Note 1: After approval by the Board of directors, PKSI and Tymphany Dongguan can lend the individual and total amount shall not exceed its net worth in the latest financial statements to parent company and subsidiaries whose voting shares are 100% owned, directly or indirectly.

Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statement.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of PHK1 and PTH2	3,304,968	338,930	318,528	1,573	-	2.89 %	8,813,249	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,261,399	193,674	133,478	16,304	-	3.17 %	3,363,730	-	-	Y
"	"	PKSI	"	1,261,399	166,848	166,848	53,555	-	3.97 %	3,363,730	-	-	Y

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.

Note 2: The amount of the guarantee to a company shall not exceed 30% of the PCH2's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the PCH2's net worth in the latest financial statements.

Note 3: The above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated interim financial statements.

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- (iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Shares: Green Rich Technology Co., Ltd.	-	Available-for-sale financial asset-non-current	359	4,000	3.59	4,000	
	WK Technology Fund IV LTD.	-	"	512	3,820	0.38	3,820	
	Changing Information Technology Inc.	-	"	179	2,802	1.66	2,802	
	Formosoft International Inc.	-	"	53	646	0.76	646	
	Syntronix Corp.	-	"	6	749	0.02	749	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Nien Made Enterprise Co., Ltd.	-	"	1,764	496,404	0.60	496,404	
	Global TEK	-	"	5,510	370,500	10.00	370,500	
	Grove Ventures, L.P.	-	"	-	20,932	5.74	20,932	
				<u>899,853</u>				
Primax Tech.	Shares: Echo. Bahn.	-	Available-for-sale financial asset-non-current	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	630	10,617	1.32	10,617	
					<u>10,617</u>			

- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
PCH2	Financial instruments of floating income and capital guaranteed	Held-for-trading financial assets	Initial offerings	None	-	-	-	1,450,402	-	1,455,108	1,450,402	4,706 (note 1)	-	-
PCH2	Money market fund of RMB	"	"	"	-	-	-	3,326,502	-	3,312,008	3,307,738	(14,494) (note 1)	-	-

Note 1: Gains of disposal include valuation and exchange differences on translation.

- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PCH2	The subsidiary of Primax HK	Purchase	6,041,274	81 %	60 days	Price agreed by both side	The same as general purchasing	(4,575,937)	(74)%	
"	PKS1	The subsidiary of Primax HK	Purchase	204,008	3 %	"	"	"	(265,598)	(4)%	
"	PCQ1	The subsidiary of Primax HK	Purchase	1,222,896	16 %	"	"	"	(1,201,926)	(19)%	
"	Polaris	The subsidiary of Primax Tech	(Sale)	(784,847)	(9)%	90 days	"	The same as general selling	170,096	3%	
"	TYM HK	The subsidiary of TWEL	(Sale)	(118,507)	(1)%	60 days	"	"	133,014	2%	
"	Tymphony Dongguan	The subsidiary of TYM HK	(Sale)	(192,245)	(2)%	"	"	"	184,177	3%	
Primax HK	PCH2	Subsidiary	Purchase	-	- %	30 days	"	The same as general purchasing	(300,191)	(100)%	
PCH2	Primax HK	Parent	(Sale)	-	- %	"	"	The same as general selling	300,191	4%	
"	The Company	The parent of Primax Cayman	(Sale)	(6,041,274)	(80)%	60 days	"	"	4,575,937	68%	
PKS1	The Company	The parent of Primax Cayman	(Sales)	(204,008)	(100)%	"	"	"	265,598	27%	
PCQ1	Primax HK	The parent of Primax Cayman	(Sale)	(1,222,896)	(91)%	"	"	"	1,201,926	89%	
Polaris	The Company	The parent of Primax Tech	Purchase	784,847	100 %	90 days	"	The same as general purchasing	(170,096)	(100)%	
TYM HK	Premium Hui Zhou	Subsidiary	Purchase	781,185	31 %	60 days	"	"	(651,878)	(34)%	
"	The Company	The parent of Diamond	Purchase	118,507	5 %	"	"	"	(133,014)	(7)%	
"	Tymphony Dongguan	Subsidiary	Purchase	1,266,814	50 %	"	"	"	(975,685)	(51)%	
"	TYDC	Subsidiary	Purchase	100,863	4 %	"	"	"	(44,409)	(2)%	
Premium Hui Zhou	TYM HK	Parent	(Sale)	(781,185)	(94)%	"	"	The same as general selling	651,878	98%	
Tymphony Dongguan	The Company	The parent of Diamond	Purchase	192,245	15 %	"	"	The same as general purchasing	(184,177)	(10)%	
"	TYM HK	Parent	(Sale)	(1,266,814)	(94)%	"	"	The same as general selling	975,685	91%	
TYDC	TYM HK	Parent	(Sale)	(100,863)	(100)%	"	"	"	44,409	100%	

Note 1: Accounts receivables over payment terms has been classified as other payables-non-current.

Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statement.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The Subsidiary of Primax Tech	170,096	15.85	-		170,096	-
"	TYM HK	The subsidiary of TWEL	133,014	3.18	-		57,278	-
"	Tymphony Dongguan	The Subsidiary of TYM HK	184,177	8.35	-		131,935	-
PCH2	Primax HK	Parent	300,191	-	-		-	-
"	The Company	The Parent of Primax Cayman	4,575,937	4.19	-		2,294,421	-
PKS1	The Company	The Parent of Primax Cayman	999,833	2.42	734,235	Reclassify to Long-term payable, and enhance the control of receivables	7,743	-
PCQ1	The Company	The Parent of Primax Cayman	1,201,926	3.13	-		153,443	-
Premium Hui Zhou	TYM HK	Parent	651,878	3.82	-		326,771	-
Tymphony Dongguan	TYM HK	Parent	975,685	4.68	-		548,212	-

Note 1: The above information ended May 11, 2017.

Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statement.

- (ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the three months ended, 2017			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	PCH2	The subsidiary of Primax HK	Purchase	6,041,274	Price agreed by both side	46.90%
"	"	"	"	Accounts payable	4,575,937	60 days	15.20%
"	"	PKS1	The subsidiary of Primax HK	Purchase	204,008	Price agreed by both side	1.58%
"	"	"	"	Accounts payable	265,598	60 days	0.88%
"	"	PCQ1	"	purchase	1,222,896	Price agreed by both side	9.49%
"	"	"	"	Accounts payable	1,201,926	60 days	3.99%
"	"	Polaris	The subsidiary of Primax Tech	Sale	784,847	Price agreed by both side	6.09%
"	"	"	"	Accounts receivable	170,096	90 days	0.56%
"	"	TYM HK	The subsidiary of TWEL	Sale	118,507	Price agreed by both side	0.92%
"	"	"	"	Accounts receivable	133,014	60 days	0.44%

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the three months ended, 2017			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
"	"	Tymphony Dongguan	The subsidiary of TYM HK	Sale	192,245	Price agreed by both side	1.49%
"	"	"	"	Accounts receivable	184,177	60 days	0.61%
1	Primax HK	PCH2	Subsidiary	Accounts payable	300,191	30 days	1.00%
2	TYM HK	Premium Hui Zhou	Subsidiary	Purchase	781,185	Price agreed by both side	6.06%
"	"	"	"	Accounts payable	651,878	60 days	2.16%
"	"	Tymphony Dongguan	Subsidiary	Purchase	1,266,814	Price agreed by both side	9.83%
"	"	"	"	Accounts payable	975,685	60 days	3.24%
"	"	TYDC	Subsidiary	Purchase	100,863	Price agreed by both side	0.78%

Note 1: Disclosure of the amounts exceeding the lower of NTS100 million.

Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statement.

(b) Information on investments:

The following are the information on investees for the three months ended March 31, 2017 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	4,277,535	24,306	63,339	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	1,820,905	(5,115)	5,332	
"	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	25,013	366	366	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	15,898	7	7	
"	Diamond	Cayman Islands	Holding company	2,517,298	2,517,298	84,050	100.00	3,016,546	74,227	74,227	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	9,376	98	98	
	Total			<u>6,002,608</u>	<u>6,002,608</u>	-		<u>9,165,273</u>	<u>93,889</u>	<u>143,369</u>	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	4,339,955	27,866	27,866	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	373,444	2,874	2,874	
Diamond	TWEL	Cayman Islands	Holding company	2,515,800	2,515,800	38,501	70.00	2,918,390	139,924	78,950	
TWEL	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,576,045	129,312	129,312	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	5,148	583	583	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	(5,846)	664	4,539	

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value			
Premium Hui Zhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components	-	-	-	100.00	-	-	-	
TYM Acoustic HK	TYM UK	United Kingdom	Research and development design of audio accessories, amplifiers and their components	-	-	-	100.00	-	-	-	

Note 1: The amount is the initial investment costs from the original shareholders prior to the acquisition of the Company through Diamond.
Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statement.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,960,794	Indirect investment through Primax Cayman and Primax Tech.	1,773,902 (note 2)	-	-	1,666,084 (note 2)	(8,972)	100%	(8,972)	4,204,663	-
Destiny Beijing	Research and development of computer peripheral devices and software	38,842	Indirect investment through Destiny BVI.	33,893 (note 2)	-	-	31,853 (note 2)	366	100%	366	25,009	-
PKS1	Manufacture of computer, peripherals and keyboards	858,567	Indirect investment through Primax Cayman	710,138 (note 2)	-	-	667,392 (note 2)	(14,843)	100%	(14,843)	855,712	-
PCQ1	Manufacture of computer, peripherals and keyboards	551,042	Indirect investment through Primax Cayman	645,580 (note 2)	-	-	606,720 (note 2)	55,912	100%	55,912	919,193	-
Premium Hui Zhou	Research and development, design, and sale of audio accessories, amplifiers and their components	138,248 (note 3)	Indirect investment through Diamond	2,711,436	-	-	2,548,224	5,438	70%	3,807	391,667	-
Tymphony Dongguan	"	15,168	"	16,140	-	-	15,168	(20,030)	70%	(14,021)	18,095	-
TYDC	"	87,940	"	-	-	-	- (Note 2)	(32,531)	70%	(22,772)	39,160	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD \$3.9032; USD:TWD 30.336; RMB:TWD 4.3970.

Note 2: The difference between accumulated out flow of investments and paid-in capital derived was from the currency exchange on translation, capital increase from retained earnings and working capital.

Note 3: The amount is the initial investment costs from the original shareholders prior to the acquisition of the Company through Diamond.

Note 4: Related transactions have been eliminated during preparing the consolidated interim financial statement.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Upper limit on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	5,619,633	6,387,689	None (Note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in Mainland China, except for PCH2, was reviewed by the Company's auditors, Premium Hui Zhou, Tymphany Dongguan and TYDC were reviewed by other auditors, and other information related to subsidiaries came from financial reports prepared by the investees, not reviewed by auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated interim financial statements for the three months ended March 31, 2017, are disclosed in "Information on significant transactions" and "Significant transactions and business relationship between the parent company and its subsidiaries."

(14) Segment information:

For the three months ended March 31, 2017 and 2016, the Group's segment information has no significant change. Please refer to note 14 of the consolidated financial statements for the year ended December 31, 2016 for further information.

	<u>For the three months ended March 31, 2017</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Revenue			
External revenue	\$ 4,757,801	8,123,383	12,881,184
Intra-group revenue	-	-	-
Elimination from discontinued operations	-	-	-
Total segment revenue	<u>\$ 4,757,801</u>	<u>8,123,383</u>	<u>12,881,184</u>
Profit from segments reported	\$ 231,712	358,295	590,007
Elimination from discontinued operations	-	-	-
Total profit	<u>\$ 231,712</u>	<u>358,295</u>	<u>590,007</u>

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2016			
(restated)			
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 6,750,050	7,262,513	14,012,563
Intra-group revenue	-	-	-
Elimination from discontinued operations	-	(607,448)	(607,448)
Total segment revenue	\$ 6,750,050	6,655,065	13,405,115
Profit from segments reported	\$ 341,174	318,039	659,213
Elimination from discontinued operations	-	(63,694)	(63,694)
Total profit	\$ 341,174	254,345	595,519