

Stock Code: 4915

**PRIMAX ELECTRONICS LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**June 30, 2016 and 2015**

**(With Independent Auditors' Review Report Thereon)**



安侯建業聯合會計師事務所  
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## Independent Auditors' Review Report

The Board of Directors  
Primax Electronics Ltd.:

We have reviewed the accompanying consolidated balance sheets of Primax Electronics Ltd. and its subsidiaries as of June 30, 2016 and 2015, and the related restated consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the three months and for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. The financial statements of Tymphony Worldwide Enterprises Ltd. were reviewed by other auditors. Therefore, our report, insofar as it relates to Tymphony Worldwide Enterprises Ltd., is based solely on the reports of the other auditors. The assets of Tymphony Worldwide Enterprises Ltd. amounted to NT\$3,261,724 thousand, constituting 9.0% of the consolidated total assets as of June 30, 2016. Its operating revenue amounted to NT\$1,650,384 thousand and NT\$3,498,843 thousand, constituting 11.1% and 12.4% of the consolidated operating revenue for the three months and six months ended June 30, 2016, respectively.

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". Those guidelines require that we plan and perform the review, consisting principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, with the objective of expressing an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Also included in the accompanying consolidated financial statements are the financial statements of nonmajor subsidiaries, which were not reviewed by independent auditors. The total assets of these subsidiaries amounted to NT\$4,784,678 thousand and NT\$11,432,427 thousand, constituting 13.1% and 31.9% of the total consolidated assets as of June 30, 2016 and 2015, respectively. The total liabilities amounted to NT\$3,083,010 thousand and NT\$4,075,238 thousand, constituting 13.0% and 16.7% of the total consolidated liabilities as of June 30, 2016 and 2015, respectively. The comprehensive income amounted to NT\$73,967 thousand and NT\$113,646 thousand, constituting 26.4% and 33.6% of the total consolidated comprehensive income for the three months ended June 30, 2016 and 2015, respectively. Also, for the six months ended June 30, 2016 and 2015, the comprehensive income amounted to NT\$60,260 thousand and NT\$292,510 thousand, constituting 9.7% and 43.5% of the total consolidated comprehensive income.



Based on our reviews and the reviews of 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 accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which was endorsed by the Financial Supervisory Commission.

A handwritten signature of the KPMG firm, written in a stylized, cursive script.

August 11, 2016

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and consolidated cash flows in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commission in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated 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' report and financial statements, the Chinese version shall prevail.

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**As of June 30, 2016 and 2015 reviewed only, not audited in accordance with generally accepted auditing standards.**

**Consolidated Balance Sheets**

**June 30, 2016 and December 31 and June 30, 2015**  
(expressed in thousands of New Taiwan dollars)

	June 30, 2016		December 31, 2015		June 30, 2015	
Assets	Amount	%	Amount	%	Amount	%
<b>Current assets:</b>						
Cash and cash equivalents (note 6(i))	\$ 5,511,310	15	7,623,380	18	6,871,180	19
Financial assets at fair value through profit or loss – current (note 6(b))	272,933	1	88,717	-	372,885	1
Notes and accounts receivable, net (note 6(d))	11,486,773	32	14,424,622	35	11,450,469	32
Accounts receivable – related parties, net (notes 6(i) and 7(b))	59,165	-	54,995	-	68,914	-
Other receivables (note 6(d))	266,058	1	462,242	1	452,896	1
Inventories, net (note 6(e))	5,967,200	16	7,350,609	18	5,755,602	16
Non-current assets held for sale (note 6(f))	3,372,535	9	-	-	-	-
Other current assets (note 8)	344,337	1	408,596	1	507,467	2
	<u>27,280,311</u>	<u>75</u>	<u>30,413,161</u>	<u>73</u>	<u>25,479,413</u>	<u>71</u>
<b>Non-current assets:</b>						
Available-for-sale financial assets – non-current (note 6(c))	545,819	1	584,430	1	315,185	1
Property, plant and equipment (notes 6(h) and 8)	5,107,488	14	6,284,023	15	5,583,112	16
Investment property, net (note 6(i))	35,908	-	238,709	1	260,489	1
Intangible assets (note 6(j))	2,732,978	8	3,322,191	8	3,512,934	10
Deferred tax assets	359,321	1	390,414	1	146,976	-
Long-term prepaid rent (note 8)	181,837	1	306,125	1	330,385	1
Other non-current assets (note 8)	172,705	-	172,680	-	199,020	-
	<u>9,136,056</u>	<u>25</u>	<u>11,318,572</u>	<u>27</u>	<u>10,348,101</u>	<u>29</u>
<b>Total assets</b>	<b>\$ 36,416,367</b>	<b>100</b>	<b>\$ 41,731,733</b>	<b>100</b>	<b>\$ 35,827,514</b>	<b>100</b>
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
Short-term borrowings (note 6(k))	\$ 1,808,016	5	1,350,569	3	1,308,069	3
Notes and accounts payable	12,581,552	34	18,723,930	45	12,106,191	34
Financial liabilities at fair value through profit or loss – current (note 6(b))	59,635	-	60,105	-	29,517	-
Other payables (note 7(b))	3,959,590	11	3,891,786	9	3,368,746	9
Salary payable (note 6(q))	648,571	2	1,227,107	3	759,563	2
Other current liabilities	271,002	1	279,120	1	234,837	1
Current portion of long-term borrowings (note 6(l))	715,556	2	622,347	2	622,544	2
Liabilities directly associated with non-current assets held for sale (note 6(f))	1,442,251	4	-	-	-	-
	<u>21,486,173</u>	<u>59</u>	<u>26,154,964</u>	<u>63</u>	<u>21,493,467</u>	<u>60</u>
<b>Non-current liabilities:</b>						
Long-term borrowings (note 6(l))	326,667	1	1,055,140	2	1,317,562	4
Long-term deferred revenue (note 6(h))	1,548,688	4	1,084,133	3	963,905	3
Other non-current liabilities	408,032	1	520,911	1	555,860	1
	<u>2,283,387</u>	<u>6</u>	<u>2,660,184</u>	<u>6</u>	<u>2,837,327</u>	<u>8</u>
<b>Total liabilities</b>	<b>23,769,560</b>	<b>65</b>	<b>28,815,148</b>	<b>69</b>	<b>24,330,794</b>	<b>68</b>
<b>Equity attributable to stockholders of parent:</b>						
Common stock (note 6(p))	4,419,028	12	4,411,877	11	4,395,287	12
Capital collected in advance	-	-	15,174	-	-	-
Capital surplus (note 6(p))	786,087	2	777,368	2	728,845	2
Legal reserve (note 6(p))	788,634	2	611,322	1	611,322	2
Special reserve (note 6(p))	97,300	-	97,300	-	97,300	-
Unappropriated retained earnings (note 6(p))	3,694,312	11	3,951,934	10	2,954,052	8
Other equity	323,429	1	565,406	1	282,369	1
Non-controlling interests (note 6(g))	2,538,017	7	2,486,204	6	2,427,545	7
<b>Total equity</b>	<b>12,646,807</b>	<b>35</b>	<b>12,916,585</b>	<b>31</b>	<b>11,496,720</b>	<b>32</b>
<b>Total liabilities and equity</b>	<b>\$ 36,416,367</b>	<b>100</b>	<b>\$ 41,731,733</b>	<b>100</b>	<b>\$ 35,827,514</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards.

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
Consolidated Statements of Comprehensive Income

For the three months and for the six months ended June 30, 2016 and 2015  
(expressed in thousands of New Taiwan dollars, except earnings per share)

	For the three months ended June 30				For the six months ended June 30			
	2016		2015 (restated)		2016		2015 (restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (notes 6(s) and 7(b))	\$ 14,900,466	100	13,996,233	100	28,305,581	100	26,583,942	100
Operating cost (notes 6(e), (n), (q) and (t) and 12(a))	13,339,884	90	12,549,547	90	25,336,860	90	23,770,637	89
Gross profit	1,560,582	10	1,446,686	10	2,968,721	10	2,813,305	11
Operating expenses (notes 6(u), (q) and (t) and 12(a)):								
Selling expenses	366,816	2	329,450	2	694,125	2	638,658	2
Administrative expenses	250,043	2	266,129	2	474,428	2	517,991	2
Research and development expenses	520,654	3	467,896	3	979,591	3	905,679	4
	1,137,513	7	1,063,475	7	2,148,144	7	2,062,328	8
Net operating income	423,069	3	383,211	3	820,577	3	750,977	3
Non-operating income and expenses:								
Other income (note 6(u))	34,453	-	42,685	-	73,906	-	97,563	-
Other gains and losses (notes 6(c) and (v))	181,587	1	71,507	1	351,197	1	157,183	1
Share of profit of subsidiaries accounted for using equity method	-	-	-	-	-	-	3,772	-
Finance costs	(39,737)	-	(14,739)	-	(50,790)	-	(28,163)	-
	176,303	1	99,453	1	374,313	1	230,355	1
Income before income taxes	599,372	4	482,664	4	1,194,890	4	981,332	4
Income tax expense (note 6(o))	167,065	1	87,859	1	368,078	1	197,362	1
Net income from continuing operations	432,307	3	394,805	3	826,812	3	783,970	3
Net income (loss) from discontinued operations (note 12(b))	50,304	-	(4,879)	-	95,873	-	(16,110)	-
	482,611	3	389,926	3	922,685	3	767,860	3
Other comprehensive income (loss):								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operation's financial statements	(195,275)	(1)	(51,737)	(1)	(344,008)	(1)	(118,884)	-
Unrealized gains and losses on available-for-sale financial assets (notes 6(c) and (v))	(7,383)	-	318	-	44,225	-	23,209	-
Income tax relating to items that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
	(202,658)	(1)	(51,419)	(1)	(299,783)	(1)	(95,675)	-
Other comprehensive income	(202,658)	(1)	(51,419)	(1)	(299,783)	(1)	(95,675)	-
Comprehensive income	\$ 279,953	2	338,507	2	622,902	2	672,185	3
Net income attributable to:								
Stockholders of parent	\$ 446,908	3	398,917	3	847,623	3	767,140	3
Non-controlling interests	35,703	-	(8,991)	-	75,062	-	720	-
	\$ 482,611	3	389,926	3	922,685	3	767,860	3
Comprehensive income attributable to:								
Stockholders of parent	\$ 260,265	2	354,673	2	571,607	2	675,788	3
Non-controlling interests	19,688	-	(16,166)	-	51,295	-	(3,603)	-
	\$ 279,953	2	338,507	2	622,902	2	672,185	3
Earnings (deficit) per share (note 6(r)):								
Basic earnings (deficit) per share (NT dollars)								
Net income from continuing operations	\$	0.98		0.91		1.87		1.77
Net income (loss) from discontinued operations		0.04		-		0.06		(0.01)
Net income	\$	1.02		0.91		1.93		1.76
Diluted earnings (deficit) per share (NT dollars)								
Net income from continuing operations	\$	0.98		0.90		1.85		1.75
Net income (loss) from discontinued operations		0.03		-		0.06		(0.01)
Net income	\$	1.01		0.90		1.91		1.74

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the six months ended June 30, 2016 and 2015  
(expressed in thousands of New Taiwan dollars)

	Equity attributable to stockholders of parent									
	Capital			Retained earnings			Exchange differences on translation of foreign financial statements			Total equity
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total	
Balance on January 1, 2015	\$ 4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	(18,241)	9,150,513	10,308,747
Net income	-	-	-	-	-	767,140	-	-	767,140	767,860
Other comprehensive income	-	-	-	-	-	-	23,209	-	(91,352)	(68,143)
Comprehensive income	-	-	-	-	-	-	23,209	-	(68,143)	672,185
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	154,469	-	(154,469)	-	-	-	-
Cash dividends	-	-	-	-	-	(791,107)	-	-	(791,107)	(791,107)
Issuance of restricted stock	12,250	-	41,283	-	-	-	-	(53,533)	-	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	18,307	18,307	18,307
Retirement of restricted stock	-	-	(4,099)	-	-	-	-	4,099	-	-
Compensation cost of share-based payment	-	-	1,381	-	-	-	-	-	1,381	1,381
Exercise of employee stock options	-	14,093	-	-	-	-	-	-	14,093	14,093
Issuance of common stock for employee stock options and abandonment	36,459	(52,996)	16,537	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-
Balance on June 30, 2015	\$ 4,395,287	-	728,845	611,322	97,300	2,954,052	307,821	(49,368)	9,069,175	11,496,528
Balance on January 1, 2016	\$ 4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	(80,399)	10,430,381	12,916,585
Net income	-	-	-	-	-	847,623	-	-	847,623	922,685
Other comprehensive income	-	-	-	-	-	-	44,225	-	(23,767)	(299,783)
Comprehensive income	-	-	-	-	-	-	44,225	-	51,295	622,902
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	177,312	-	(177,312)	-	-	-	-
Cash dividends	-	-	-	-	-	(927,933)	-	-	(927,933)	(927,933)
Amortization expense of restricted stock	-	-	-	-	-	-	-	27,193	27,193	27,193
Retirement of restricted stock	(2,300)	-	(4,546)	-	-	-	-	6,846	-	-
Compensation cost of share-based payment	-	-	1,209	-	-	-	-	-	1,209	1,227
Exercise of employee stock options	-	6,333	-	-	-	-	-	-	6,333	6,333
Issuance of common stock for employee stock options and abandonment	9,451	(21,507)	12,056	-	-	-	-	-	-	-
Balance on June 30, 2016	\$ 4,419,028	-	786,087	788,634	97,300	3,694,312	338,985	(46,360)	10,108,790	12,646,807

See accompanying notes to consolidated financial statements.



Reviewed only, not audited in accordance with generally accepted auditing standards.

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2016 and 2015**

**(expressed in thousands of New Taiwan dollars)**

	<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Income before income taxes from continuing operations	\$ 1,194,890	981,332
Income (loss) before income taxes from discontinued operations	135,017	(4,987)
<b>Income before income taxes</b>	<b>1,329,907</b>	<b>976,345</b>
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	839,490	686,563
Losses related to inventories	558,192	102,561
Provision (reversal of provision) for bad debt allowance and sales returns	30,127	(5,385)
Gain on disposal of available-for-sale financial assets	(140,969)	-
Interest expenses	57,683	34,704
Interest income	(70,117)	(91,290)
Compensation cost of share-based payment	28,920	19,992
Other	577	1,400
	<b>1,303,903</b>	<b>748,545</b>
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable	2,253,841	(376,402)
Accounts receivable – related parties	(4,169)	(8,333)
Other receivables – current and non-current	145,300	(42,038)
Inventories	401,073	(616,675)
Other current assets	14,459	55,091
Financial assets at fair value through profit or loss	(185,210)	(275,397)
Other	17,893	25,720
Changes in operating assets	<b>2,643,187</b>	<b>(1,238,034)</b>
Notes and accounts payable	(5,691,311)	(919,090)
Salary payable	(578,536)	(294,050)
Other payables	(858,834)	(269,156)
Other current liabilities	25,970	77,743
Other	(629)	(49,286)
Changes in operating liabilities	<b>(7,103,340)</b>	<b>(1,453,839)</b>
Changes in operating assets and liabilities	<b>(4,460,153)</b>	<b>(2,691,873)</b>
<b>Adjustments</b>	<b>(3,156,250)</b>	<b>(1,943,328)</b>
<b>Cash flows from operations</b>	<b>(1,826,343)</b>	<b>(966,983)</b>
Interest received	70,117	91,290
Interest paid	(57,650)	(34,672)
Income taxes paid	(338,550)	(223,060)
<b>Net cash flows used in operating activities</b>	<b>(2,152,426)</b>	<b>(1,133,425)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiary (minus cash acquired)	-	(39,041)
Cash from non-current assets held for sale	(322,855)	-
Proceeds from disposal of available-for-sale financial assets	220,270	-
Acquisition of property, plant and equipment	(136,142)	(631,956)
Proceeds from disposal of property, plant and equipment	46,325	6,801
Acquisition of other deferred assets	(23,568)	(22,408)
Other	23,450	20,542
<b>Net cash flows used in investing activities</b>	<b>(192,520)</b>	<b>(666,062)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	724,205	1,917,861
Increase (decrease) in long-term borrowings	(338,035)	4,217
Increase (decrease) in guarantee deposits	17,818	(24,136)
Decrease in other payables – related parties	(63,994)	-
Exercise of employee stock options	6,333	14,093
<b>Net cash flows provided by financing activities</b>	<b>346,327</b>	<b>1,912,035</b>
Effect of foreign currency exchange translation	(113,451)	(55,391)
Net increase (decrease) in cash and cash equivalents	(2,112,070)	57,157
Cash and cash equivalents at beginning of period	7,623,380	6,814,023
<b>Cash and cash equivalents at end of period</b>	<b>\$ 5,511,310</b>	<b>6,871,180</b>

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards.

## **PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**(expressed in thousands of New Taiwan dollars unless otherwise specified)**

#### **(1) Organization**

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 stockholders 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 financial statements of the Company as at and for the years ended June 30, 2016, 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 13 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) Financial Statements Authorization Date and Authorization Process**

The consolidated financial statements were authorized for issuance by the board of directors on August, 11, 2016.

#### **(3) New Standards and Interpretations Not Yet Adopted**

- (a) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”) but not yet in effect

(Continued)



**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

According to the Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to 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 (excluding IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers”, and others which have yet to be approved by the FSC in order for them to take effect) in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 financial statements.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated 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 as of the end of reporting date is as follows:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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
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

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

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
May 28, 2014 April 12, 2016	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;

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
		(iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
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"> <li>• 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.</li> <li>• Impairment: The expected credit loss model is used to evaluate impairment.</li> <li>• Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.</li> </ul>

(Continued)

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**Notes to Consolidated Financial Statements**

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
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"> <li>• 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.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>
January 19, 2016	Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	<p>The objective of this project is to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. It clarifies that taxable profit excluding tax deductions' used for assessing the utilization of deductible temporary differences is different from taxable profit on which income taxes are payable.</p>
January 29, 2016	Amendments to IAS 7 "Disclosure Initiative"	<p>The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.</p>

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 SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(4) Summary of Significant Accounting Policies**

**(a) Statement of compliance**

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

Except as described in the following paragraph, the significant accounting policies adopted in the preparation of the consolidated financial statements are applied consistently with those of the consolidated financial statements for the year ended December 31, 2015. For other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2015.

**(b) Basis of consolidation**

1. Except as described in the following paragraph, the principles of preparation of the consolidated financial statements are consistent with the consolidated financial statements for the year ended December 31, 2015. Please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2015 for further information.

**2. List of subsidiaries in the consolidated financial statements**

The consolidated 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 financial statements are as follows:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2016	December 31, 2015	June 30, 2015	
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%	

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2016	December 31, 2015	June 30, 2015	
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	Primax Electronics Korea Co., Ltd. (Primax Korea)	Market development and customer service	-	100.00%	100.00%	Primax Korea was closed and finished the liquidation process in March 2016
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%	
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%	30.00%	30.00%	(note 2)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Export and import trading	100.00%	100.00%	100.00%	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	70.00%	70.00%	70.00%	(note 1)
Global TEK	Global TEK Co., Ltd. (GT)	Manufacture of sophisticated machinery components and automotive parts	100.00%	100.00%	100.00%	(note 2)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	100.00%	100.00%	100.00%	(note 2)
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%	

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2016	December 31, 2015	June 30, 2015	
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%	(note 1)
TWEL	TYP Enterprises, Inc. (TYP)	Market development and customer service of amplifiers and their components	100.00%	100.00%	100.00%	(note 1)
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%	(note 1)
TYM HK	Tymphany Australia Pty Ltd. (TYM Australia)	Research and development, design, and sale of audio accessories, amplifiers and their components	-	-	100.00%	TYM Australia was closed and finished the liquidation process in August 2015
TYM HK	TYMPHANY LOGISITCS, INC. (TYML)	Sale of audio accessories, amplifiers and their components	100.00%	100.00%	100%	TYML was incorporated in May 2015
TYM HK	Dongguan Tymphany Acoustic Technology Co., (Tymphany Dongguan)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00%	100.00%	-	Tymphany Dongguan was incorporated in September 2015
GT	GP Tech, Inc. (GP)	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	100.00%	100.00%	100.00%	(note 2)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	100.00%	100.00%	100.00%	(note 2)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	100.00%	100.00%	100.00%	(note 2)
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	100.00%	100.00%	100.00%	(note 2)
GTS	GLOBAL TEK (XI' AN) CO., LTD. (GLOBAL TEK XI' AN)	Manufacture of industrial automation parts, communication parts and aerospace components	100.00%	100.00%	100.00%	(note 2)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2016	December 31, 2015	June 30, 2015	
GTS and WUXI GLOBAL TEK	GLOBAL TEK CO. (WUXI), LTD. (GLOBAL TEK WUXI)	Manufacture of sophisticated machinery components and automotive parts	100.00%	100.00%	100.00%	(note 2)

Note 1: TWEL was incorporated in October 2013, acquiring all shares of TYM HK by issuing new common stock. The Company acquired 70% of the shares of TWEL by cash through its subsidiary Diamond on January 10, 2014. Therefore, the Company indirectly acquired all shares of TWEL's subsidiaries, and included them in the consolidated financial statements from the same date.

Note 2: The Company acquired 30% of the shares of Global TEK by cash on January 5, 2015. Therefore, the Company indirectly acquired all shares of Global TEK's subsidiaries. The Company has control over its relevant activities by acquiring more than 50% of the board of directors' voting rights based on the resolution of its interim meeting of shareholders held on February 13, 2015. The Company included all Global TEK's subsidiaries in the consolidated financial statements from the same date. Before the Company has control, investments in subsidiaries are accounted for using the equity method.

**(c) Non-current assets held for sale and discontinued operations**

**1. Non-current assets held for sale**

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale or held for distribution to owners. Non-current assets or disposal group under this classification must be available for instant sale, which is highly probable within a year, under current condition. The assets or components of a disposal group are re-measured in accordance with the Group's accounting policies before classifying them as held for sale or held for distribution to owners. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value, less, costs to sell.

Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**2. Discontinued operations**

A discontinued operation is a component, which is a single operating line or area, disposed or available for sale of the Group or a subsidiary acquired for resale. An operation will be classified as a discontinued operation upon disposal or when the operation meets the criteria to be classified as held for sale or held for distribution to owners, whichever comes first. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative year. Therefore, the Group restates the comparative periods in the consolidated statements of comprehensive income.

**(d) Income taxes**

Tax expense in the financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying the profit before tax for the 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.

If tax expense is recognized directly in equity or other comprehensive income, 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 effective tax rate at the time of realization or liquidation.

**(e) Employee benefits**

Pension cost for the period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year adjusted for significant market fluctuations since that time and for significant 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 financial statements in conformity with IAS 34 Interim Financial Reporting 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.

In the preparation of this consolidated financial statements, the major sources of significant accounting assumptions, judgments and estimation uncertainty are consistent with note 5 of the consolidated financial statements for the year ended December 31, 2015.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(6) Explanation of Significant Accounts**

Except as described on the following paragraphs, there were no significant change between the explanations on the significant accounts and those of the consolidated financial statements for the year ended December 31, 2015. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2015 for further information.

**(a) Cash and cash equivalents**

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Cash on hand	\$ 3,084	4,097	3,545
Checking accounts and demand deposits	1,380,129	2,939,622	2,242,718
Time deposits	<u>4,128,097</u>	<u>4,679,661</u>	<u>4,624,917</u>
	<u>\$ 5,511,310</u>	<u>7,623,380</u>	<u>6,871,180</u>

Please refer to note 6(w) 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**

1. The fair value of financial instruments was as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
<b>Financial assets at fair value through profit or loss – current:</b>			
<b>Non-derivative financial assets:</b>			
Open-ended funds	\$ <u>190,169</u>	<u>969</u>	<u>341,239</u>
<b>Derivative financial assets:</b>			
Forward exchange contracts	\$ <u>82,764</u>	<u>87,748</u>	<u>31,646</u>
<b>Financial liabilities at fair value through profit or loss – current:</b>			
<b>Derivative financial liabilities:</b>			
Forward exchange contracts	\$ (22,756)	(60,105)	(27,801)
Foreign exchange swap contracts	<u>(36,879)</u>	<u>-</u>	<u>(1,716)</u>
	<u>\$ (59,635)</u>	<u>(60,105)</u>	<u>(29,517)</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

2. The Group held the following derivative financial instruments not designated as hedging instruments presented as held-for-trading financial assets as of June 30, 2016, and December 31 and June 30, 2015:

<b>June 30, 2016</b>			
<b>Derivative financial instruments</b>	<b>Nominal amount</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
Forward exchange contracts— buy USD / sell TWD	USD 180,000 thousand	July 8, 2016~ September 2, 2016	32.069~32.532
Forward exchange contracts— buy TWD / sell USD	USD 321,000 thousand	July 8, 2016~ September 29, 2016	32.111~32.822
Forward exchange swap contracts—swap in USD / swap out TWD	USD 141,000 thousand	August 23, 2016~ September 29, 2016	32.354~32.753

<b>December 31, 2015</b>			
<b>Derivative financial instruments</b>	<b>Nominal amount</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
Forward exchange contracts— buy USD / sell TWD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.754~32.892
Forward exchange contracts— buy TWD / sell USD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.802~33.010
Forward exchange contracts— buy USD / sell CNY	USD 63,500 thousand	January 4, 2016~ May 19, 2016	6.4115~6.5934
Forward exchange contracts— buy CNY / sell USD	USD 40,000 thousand	January 19, 2016	6.6380
Foreign exchange contracts— buy JPY / sell USD	USD 516 thousand	January 25, 2016	120.75~122.40

<b>June 30, 2015</b>			
<b>Derivative financial instruments</b>	<b>Nominal amount</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
Forward exchange contracts— buy USD / sell TWD	USD 95,000 thousand	July 3, 2015~ August 31, 2015	30.412~30.937
Forward exchange contracts— buy TWD / sell USD	USD 101,000 thousand	July 3, 2015~ August 31, 2015	30.442~31.0597
Forward exchange contracts— buy CNY / sell USD	USD 3,000 thousand	July 8, 2015	6.2195

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**Notes to Consolidated Financial Statements**

<b>June 30, 2015</b>				
<b>Derivative financial instruments</b>		<b>Nominal amount</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
Forward exchange contracts— buy USD / sell EUR	EUR	600 thousand	July 20, 2015~ August 20, 2015	1.1166~1.1435
Foreign exchange swap contracts—swap in TWD / swap out USD	USD	3,250 thousand	July 6, 2015	30.541

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

4. 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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Stocks listed in domestic markets	\$ 519,919	551,600	-
Stocks unlisted in domestic markets	12,017	16,297	298,096
Stocks unlisted in foreign markets	<u>13,883</u>	<u>16,533</u>	<u>17,089</u>
	<b>\$ <u>545,819</u></b>	<b><u>584,430</u></b>	<b><u>315,185</u></b>

1. In the second quarter of 2016, the Group sold 841 thousand shares of Nien Made Enterprise Co., Ltd. for \$220,270. The gain on disposal which was recognized as other gains and losses, amounted to \$140,969, deducting the cost of \$79,301.

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Unrealized gains (losses)	\$ <u>(7,383)</u>	<u>318</u>	<u>44,225</u>	<u>23,209</u>

3. The Group did not provide any of the aforementioned available-for-sale financial assets as collateral.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Notes receivable	\$ 29,489	134,860	21,109
Accounts receivable	11,547,846	14,353,936	11,488,788
Accounts receivable – related parties	59,165	54,995	68,914
Other receivables	266,058	462,242	452,896
Less: allowance for doubtful accounts	(58,053)	(29,247)	(27,175)
allowance for sales returns and discounts	(32,509)	(34,927)	(32,253)
	<b>\$ <u>11,811,996</u></b>	<b><u>14,941,859</u></b>	<b><u>11,972,279</u></b>

1. The Group did not provide any of the aforementioned notes and accounts receivable, and other receivables (including related parties) as collateral.
2. Please refer to note 6(w) for changes in the allowance for doubtful accounts and the credit risk and currency risk.
3. 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 June 30, 2016, and December 31 and June 30, 2015, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

Buyer	Amount sold NTS	Credit facilities US\$ (expressed in thousands)	June 30, 2016	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NTS	Amount not received
			Cash received in advance NTS				
Mega International	\$ -	20,000	-	-	US\$ 5,000	-	-
Commercial Bank	-	64,400	-	-	US\$ 58,000	-	-
HSBC Bank	-	26,000	-	-	NTS 772,200	-	-
Bank of Taiwan	-	-	-	-	-	-	-
	<b>\$ -</b>	<b><u>110,400</u></b>	<b><u>-</u></b>			<b><u>-</u></b>	<b><u>-</u></b>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

<b>December 31, 2015</b>							
<b>Buyer</b>	<b>Amount sold</b>	<b>Credit facilities</b>	<b>Cash received</b>	<b>Interest rate</b>	<b>Guarantee</b>	<b>Amount</b>	<b>Amount</b>
	<b>NTS</b>	<b>US\$ (expressed in</b>	<b>in advance</b>		<b>(promissory note)</b>	<b>derecognized</b>	<b>not received</b>
		<b>thousands)</b>	<b>NTS</b>		<b>expressed in</b>	<b>NTS</b>	
					<b>thousands</b>		
Mega International	\$ -	25,000	-	-	US\$ 7,000	-	-
Commercial Bank							
HSBC Bank	-	64,400	-	-	US\$ 58,000	-	-
Bank of Taiwan	-	26,000	-	-	NT\$ 725,400	-	-
<b>\$</b>	<b>-</b>	<b>115,400</b>	<b>-</b>			<b>-</b>	<b>-</b>

  

<b>June 30, 2015</b>							
<b>Buyer</b>	<b>Amount sold</b>	<b>Credit facilities</b>	<b>Cash received</b>	<b>Interest rate</b>	<b>Guarantee</b>	<b>Amount</b>	<b>Amount</b>
	<b>NTS</b>	<b>US\$ (expressed in</b>	<b>in advance</b>		<b>(promissory note)</b>	<b>derecognized</b>	<b>not received</b>
		<b>thousands)</b>	<b>NTS</b>		<b>expressed in</b>	<b>NTS</b>	
					<b>thousands</b>		
Mega International	\$ -	25,000	-	-	US\$ 7,000	-	-
Commercial Bank							
HSBC Bank	1,140,014	64,400	1,026,012	0.97%-1.12%	NT\$ 58,000	1,026,012	114,002
Bank of Taiwan	-	26,000	-	-	NT\$ 725,400	-	-
<b>\$</b>	<b>1,140,014</b>	<b>115,400</b>	<b>1,026,012</b>			<b>1,026,012</b>	<b>114,002</b>

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

(e) Inventories

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Raw materials	\$ 1,481,433	1,465,472	1,593,764
Semi-finished goods and work in process	1,521,554	1,488,325	1,397,890
Finished goods and merchandise	2,964,213	4,396,812	2,763,948
<b>\$</b>	<b>5,967,200</b>	<b>7,350,609</b>	<b>5,755,602</b>

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

(Continued)



**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Additional gains (losses) on inventory valuation	\$ (178,286)	(22,404)	(459,215)	21,101
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(49,052)	(15,038)	(81,076)	(39,374)
Losses on disposal of inventories	(19,591)	(31,029)	(19,737)	(84,249)
Gain (losses) on physical inventories, net	<u>1,473</u>	<u>125</u>	<u>1,836</u>	<u>(39)</u>
	<b>\$ <u>(245,456)</u></b>	<b><u>(68,346)</u></b>	<b><u>(558,192)</u></b>	<b><u>(102,561)</u></b>

(f) Non-current assets held for sale

The Group resolved to dispose parts of the shares of Global TEK in the directors' meeting held on June 21, 2016, and started the selling progress. It is estimated to be sold in August 2016, therefore, Global TEK and its subsidiaries were recognized as non-current assets held for sale. Details of assets and liabilities held for sale as of June 30, 2016 were as follows:

	<b><u>June 30, 2016</u></b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 322,855
Financial assets at fair value through profit or loss – current	994
Notes and accounts receivable, net	653,881
Other receivables	50,898
Inventories, net	424,144
Other current assets	<u>103,279</u>
	<b><u>1,556,051</u></b>
<b>Non-current assets:</b>	
Property, plant and equipment	1,171,081
Intangible assets	515,368
Deferred tax assets	28,366
Other non-current assets	<u>101,669</u>
	<b><u>1,816,484</u></b>
<b>Reclassified as assets held for sale</b>	<b>\$ <u>3,372,535</u></b>

(Continued)

**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

	<b><u>June 30, 2016</u></b>
<b>Current liabilities:</b>	
Short-term borrowings	\$ 266,758
Notes and accounts payable	451,067
Other payables	277,520
Other current liabilities	19,106
Current portion of long-term borrowings	<u>70,510</u>
	<u>1,084,961</u>
<b>Non-current liabilities:</b>	
Long-term borrowings	226,719
Deferred tax liabilities	124,013
Other non-current liabilities	<u>6,558</u>
	<u>357,290</u>
<b>Reclassified as liabilities held for sale</b>	<b>\$ <u>1,442,251</u></b>

Reclassification of group held for sale is not retroactive on the reporting date; therefore, the comparative periods are not restated. Please refer to note 12(b) for the operating results and cash flows from discontinued operations.

(g) Details of subsidiaries that have material non-controlling interests

Details of subsidiaries that have material non-controlling interests were as follows:

<b><u>Name of subsidiary</u></b>	<b><u>Principal Place of Business/Registered Country</u></b>	<b><u>Proportion of Ownership and Voting Rights Held by Non-controlling Interests</u></b>		
		<b><u>June 30, 2016</u></b>	<b><u>December 31, 2015</u></b>	<b><u>June 30, 2015</u></b>
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	30%	30%	30%
Global TEK and its subsidiaries	Taiwan and China/Taiwan	70%	70%	70%

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information prepared in accordance with the IFRSs endorsed by the FSC reflects the adjustments of fair value and differences in accounting policies. It represents amounts before intragroup eliminations.

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**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**1. TWEL and its subsidiaries:**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Current assets	\$ 2,929,749	4,380,696	2,092,542
Non-current assets	3,061,838	3,126,982	3,068,129
Current liabilities	(1,803,001)	(3,440,368)	(1,174,209)
Non-current liabilities	(232,527)	(97,340)	(103,211)
Net assets	<u>\$ 3,956,059</u>	<u>3,969,970</u>	<u>3,883,251</u>
Non-controlling interests	<u>\$ 1,186,818</u>	<u>1,190,991</u>	<u>1,164,975</u>

  

	<b>For the three months ended June 30</b>	<b>For the six months ended June 30</b>	<b>For the three months ended June 30</b>	<b>For the six months ended June 30</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Operating revenue	\$ <u>1,659,225</u>	<u>959,641</u>	<u>3,516,153</u>	<u>2,262,598</u>
Net income (loss)	\$ 1,637	(18,585)	26,503	39,989
Other comprehensive loss	(14,967)	(10,006)	(42,144)	(17,868)
Comprehensive income (loss)	<u>\$ (13,330)</u>	<u>(28,591)</u>	<u>(15,641)</u>	<u>22,121</u>
Net income (loss) attributable to non-controlling interests	\$ <u>491</u>	<u>(5,575)</u>	<u>7,951</u>	<u>11,997</u>
Comprehensive income (loss) attributable to non-controlling interests	<u>\$ (3,998)</u>	<u>(8,577)</u>	<u>(4,692)</u>	<u>6,637</u>
Cash flows from operating activities	\$ (58,263)	81,368	(698,674)	(553,787)
Cash flows from investing activities	(21,350)	(5,500)	(74,646)	(23,310)
Cash flows from financing activities	(111)	10,497	(308)	10,477
Effect of foreign currency exchange translation	(8,773)	(8,805)	(30,775)	(14,526)
Net increase (decrease) in cash and cash equivalents	<u>\$ (88,497)</u>	<u>77,560</u>	<u>(804,403)</u>	<u>(581,146)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

Reviewed only, not audited in accordance with generally accepted auditing standards.

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

2. Global TEK and its subsidiaries

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Current assets	\$ 1,556,051	1,447,425	1,481,079
Non-current assets	1,816,484	1,805,801	1,833,123
Current liabilities	(1,084,961)	(994,338)	(1,082,678)
Non-current liabilities	(357,290)	(408,586)	(427,853)
Net assets	<u>\$ 1,930,284</u>	<u>1,850,302</u>	<u>1,803,671</u>
Non-controlling interests	<u>\$ 1,351,199</u>	<u>1,295,213</u>	<u>1,262,570</u>

  

	<u>For the three months</u> <u>ended June 30</u>		<u>For the six months</u> <u>ended June 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating revenue	<u>\$ 657,393</u>	<u>543,367</u>	<u>1,264,841</u>	<u>913,549</u>
Net income (loss)	\$ 50,304	(4,879)	95,873	(16,110)
Other comprehensive income (loss)	(16,466)	(5,963)	(15,891)	1,481
Comprehensive income (loss)	<u>\$ 33,838</u>	<u>(10,842)</u>	<u>79,982</u>	<u>(14,629)</u>
Net income (loss) attributable to non-controlling interests	<u>\$ 35,212</u>	<u>(3,416)</u>	<u>67,111</u>	<u>(11,277)</u>
Comprehensive income (loss) attributable to non-controlling interests	<u>\$ 23,686</u>	<u>(7,589)</u>	<u>55,987</u>	<u>(10,240)</u>
Cash flows from operating activities	\$ 198,018	73,682	210,335	28,305
Cash flows from investing activities	(110,094)	(111,066)	(118,657)	(108,519)
Cash flows from financing activities	2,195	(335,937)	(26,884)	(217,976)
Effect of foreign currency exchange translation	(10,836)	20,248	(20,501)	20,248
Net increase (decrease) in cash and cash equivalents	<u>\$ 79,283</u>	<u>(353,073)</u>	<u>44,293</u>	<u>(277,942)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(h) Property, plant and equipment**

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the six months ended June 30, 2016 and 2015, 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
<b>Cost or deemed cost:</b>							
Balance on January 1, 2016	\$ 284,973	4,145,565	6,578,407	680,211	503,242	(12,731)	12,179,667
Additions	-	31,515	194,230	23,999	607,520	-	857,264
Disposals	-	(55,528)	(381,802)	(19,967)	-	-	(457,297)
Reclassifications	111,822	315,363	340,425	(17,002)	(602,063)	-	148,545
Reclassifications to assets held for sale	(262,096)	(424,878)	(728,549)	(159,034)	(128,330)	-	(1,702,887)
Effect of movements in exchange rates	-	(166,073)	(272,048)	(24,968)	(18,220)	558	(480,751)
Balance on June 30, 2016	<u>\$ 134,699</u>	<u>3,845,964</u>	<u>5,730,663</u>	<u>483,239</u>	<u>362,149</u>	<u>(12,173)</u>	<u>10,544,541</u>
Balance on January 1, 2015	\$ 22,879	3,062,153	4,741,057	578,964	779,029	(12,911)	9,171,171
Additions	-	8,307	234,434	21,611	1,126,588	-	1,390,940
Disposals	-	(19,357)	(92,279)	(8,830)	-	-	(120,466)
Acquisition from business combination	174,276	278,206	333,876	72,676	124,127	-	983,161
Reclassifications	-	35,908	403,320	(15,055)	(504,937)	-	(80,764)
Effect of movements in exchange rates	-	(63,808)	(72,940)	3,088	(11,084)	205	(144,539)
Balance on June 30, 2015	<u>\$ 197,155</u>	<u>3,301,409</u>	<u>5,547,468</u>	<u>652,454</u>	<u>1,513,723</u>	<u>(12,706)</u>	<u>11,199,503</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2016	\$ -	1,737,377	3,718,475	449,371	-	(9,579)	5,895,644
Depreciation	-	120,867	573,366	41,087	-	(1,452)	733,868
Disposals	-	(53,198)	(340,359)	(16,857)	-	-	(410,414)
Reclassifications to assets held for sale	-	(115,154)	(313,558)	(103,094)	-	-	(531,806)
Reclassifications	-	52,076	(28,039)	(12,105)	-	-	11,932
Effect of movements in exchange rates	-	(72,566)	(170,899)	(19,169)	-	463	(262,171)
Balance on June 30, 2016	<u>\$ -</u>	<u>1,669,402</u>	<u>3,438,986</u>	<u>339,233</u>	<u>-</u>	<u>(10,568)</u>	<u>5,437,053</u>
Balance on January 1, 2015	\$ -	1,643,871	3,214,184	384,695	-	(6,724)	5,236,026
Depreciation	-	128,694	406,774	47,445	-	(1,461)	581,452
Disposals	-	(19,358)	(56,154)	(7,266)	-	-	(82,778)
Reclassifications	-	3,255	(48,992)	12,518	-	-	(33,219)
Effect of movements in exchange rates	-	(25,643)	(53,008)	(6,536)	-	97	(85,090)
Balance on June 30, 2015	<u>\$ -</u>	<u>1,730,819</u>	<u>3,462,804</u>	<u>430,856</u>	<u>-</u>	<u>(8,088)</u>	<u>5,616,391</u>
<b>Carrying amounts:</b>							
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 June 30, 2016	<u>\$ 134,699</u>	<u>2,176,562</u>	<u>2,291,677</u>	<u>144,006</u>	<u>362,149</u>	<u>(1,605)</u>	<u>5,107,488</u>
Balance on January 1, 2015	<u>\$ 22,879</u>	<u>1,418,282</u>	<u>1,526,873</u>	<u>194,269</u>	<u>779,029</u>	<u>(6,187)</u>	<u>3,935,145</u>
Balance on June 30, 2015	<u>\$ 197,155</u>	<u>1,570,590</u>	<u>2,084,664</u>	<u>221,598</u>	<u>1,513,723</u>	<u>(4,618)</u>	<u>5,583,112</u>

1. The unamortized deferred revenue of equipment subsidy amounted to \$1,445,919, \$1,018,732 and \$897,959 as of June 30, 2016 and December 31 and June 30, 2015, respectively.

2. Please refer to note 8 for further information on property, plant and equipment provided as collateral.

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Reviewed only, not audited in accordance with generally accepted auditing standards.

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(i) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
<b>Carrying amounts:</b>			
Balance on January 1, 2016	\$ <u>128,071</u>	<u>130,638</u>	<u>258,709</u>
Balance on June 30, 2016	\$ <u>16,249</u>	<u>19,659</u>	<u>35,908</u>
Balance on January 1, 2015	\$ <u>128,071</u>	<u>134,198</u>	<u>262,269</u>
Balance on June 30, 2015	\$ <u>128,071</u>	<u>132,418</u>	<u>260,489</u>

1. The Group reclassified \$222,053 as property, plant and equipment from investment property due to the change of the use of such property in the first quarter of 2016.
2. Except for the above paragraph, there was no significant additions, disposals, or recognition and reversal of impairment losses of the investment property for the six months ended June 30, 2016 and 2015. Please refer to note 6(i) of the consolidated financial statements for the year ended December 31, 2015 for further information.
3. The fair value of the investment property has no significant change from note 6(i) of the consolidated financial statements for the year ended December 31, 2015.
4. The Group did not provide any of the aforementioned investment property as collateral.

(j) Intangible assets

The carrying amounts of the intangible assets of the Group as of June 30, 2016 and 2015, were as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
<b>Carrying amount:</b>					
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 June 30, 2016	\$ <u>1,850,383</u>	<u>540,840</u>	<u>315,489</u>	<u>26,266</u>	<u>2,732,978</u>
Balance at January 1, 2015	\$ <u>1,850,383</u>	<u>648,659</u>	<u>378,384</u>	<u>39,218</u>	<u>2,916,644</u>
Balance at June 30, 2015	\$ <u>2,101,996</u>	<u>877,611</u>	<u>498,434</u>	<u>34,893</u>	<u>3,512,934</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

1. Intangible assets were transferred out due to the resolution to dispose parts of shares of Global TEK approved by the board of directors' meeting held on June 21, 2016. Please refer to note 6(f) for further detail.
2. For the intangible assets from obtaining control over Global TEK and its subsidiaries on January 5, 2015, please refer to note 6(f) of the consolidated financial statements for the year ended December 31, 2015.
3. Except for above paragraph, there was no significant change on intangible assets for the six months ended June 30, 2016 and 2015, please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2015.
4. The Group did not provide any of the aforementioned intangible assets as collateral.

**(k) Short-term borrowings**

The details were as follows:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Unsecured bank loans	\$ 1,808,016	1,130,518	4,339,069
Secured bank loans	-	220,051	30,000
Short-term borrowings	<u>\$ 1,808,016</u>	<u>1,350,569</u>	<u>4,369,069</u>
Unused credit lines	<u>\$ 9,507,328</u>	<u>10,729,002</u>	<u>3,591,151</u>
Annual interest rates	<u>0.96%~1.19%</u>	<u>0.85%~5.89%</u>	<u>0.85%~5.89%</u>

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

**(l) Long-term borrowings**

The details were as follows:

	<u>June 30, 2016</u>			
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.95%~1.56%	2017~2020	\$ 1,042,223
Less: current portion				(715,556)
Total				<u>\$ 326,667</u>
Unused credit lines				<u>\$ -</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

<b>December 31, 2015</b>				
	<b>Currency</b>	<b>Annual interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.95%~2.78%	2016~2020	\$ 1,374,282
"	USD	2.66%	2018	41,037
Secured bank loans	TWD	1.73%~2.13%	2016~2026	215,963
"	USD	3.24%~3.3%	2018~2030	46,205
Less: current portion				(622,347)
Total				\$ <u><b>1,055,140</b></u>
Unused credit lines				\$ <u><b>228,086</b></u>

<b>June 30, 2015</b>				
	<b>Currency</b>	<b>Annual interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.06%~1.56%	2017~2020	\$ 1,563,333
"	USD	2.66%	2018	46,558
Secured bank loans	TWD	2.12%~2.85%	2016~2026	298,604
"	USD	3.24%	2018	34,611
Less: current portion				(625,544)
Total				\$ <u><b>1,317,562</b></u>
Unused credit lines				\$ <u><b>1,631,649</b></u>

1. Pursuant to the loan agreements with Industrial Bank of Taiwan, 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 June 30, 2016, 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) stockholders' 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.
2. Please refer to note 9 for the details of the outstanding guarantee notes.
3. Please refer to note 8 for further information on assets provided as collateral.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(m) Operating lease**

**1. Lessee**

Non-cancellable operating lease rentals are payable as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2016</b>
Less than one year	\$ 228,438	251,403	248,870
Between one and five years	380,114	508,595	587,588
More than five years	-	7,203	33,081
	<b>\$ <u>608,552</u></b>	<b><u>767,201</u></b>	<b><u>869,539</u></b>

The Group leases a number of offices, warehouses and pieces of equipment under operating leases. The lease terms are between 1 and 15 years.

**2. Lessor**

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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2016</b>
Less than one year	\$ <u>353</u>	<u>1,060</u>	<u>2,163</u>

**(n) Employee benefits from continuing operations**

**1. Defined benefit plans**

There was no material volatility of the market, reimbursement and settlement or other material one-time events after the end of the prior fiscal year. As a result, the pension cost in the financial statements was measured and disclosed based on the actuarial calculation as of December 31, 2015 and 2014.

**2. 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.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Defined benefit plans	\$ 619	630	1,238	1,259
Defined contribution plans	<u>90,269</u>	<u>90,242</u>	<u>182,956</u>	<u>164,606</u>
	<b>\$ <u>90,888</u></b>	<b><u>90,872</u></b>	<b><u>184,194</u></b>	<b><u>165,865</u></b>

(o) Income taxes from continuing operations

1. 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.
2. The details of the Group's income tax expenses from continuing operations were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Income tax expense	\$ <u>167,065</u>	<u>87,859</u>	<u>368,078</u>	<u>197,362</u>

3. There were no income tax recognized in equity or other comprehensive income.
4. The income tax returns of the Company have been examined by the tax authority through 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 had been recognized by the Company.
5. Information related to the unappropriated earnings and tax deduction ratio is summarized below:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Unappropriated earnings in 1998 and after	\$ <u>3,694,312</u>	<u>3,951,934</u>	<u>2,954,052</u>
Balance of imputation credit account	\$ <u>541,139</u>	<u>420,838</u>	<u>473,686</u>

(Continued)

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**Notes to Consolidated Financial Statements**

	<u>2015 (estimated)</u>	<u>2014 (actual)</u>
Creditable ratio for earnings distribution to ROC residents stockholders	\$ <u>13.69%</u>	<u>15.12%</u>

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

(p) Capital and other equity

Except for the following paragraph, there were no significant change between the capital and the other equity for the six months ended June 30, 2016 and 2015. Please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2015 for further information.

1. Common stock

As of June 30, 2016 and December 31 and June 30, 2015, the nominal common stock amounted to \$5,000,000. Face value of each share is \$10 (dollars), which means in total there were 500,000 thousand authorized common shares, of which 441,903, 441,188 and 439,529 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	<u>Ordinary shares</u> <u>(in thousands of shares)</u>	
	<u>For the six months</u> <u>ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Balance on January 1	441,188	434,658
Exercise of employee stock options	945	3,646
Issued for restricted stock	-	1,225
Retirement of restricted stock	<u>(230)</u>	<u>-</u>
Balance on June 30	<u><u>441,903</u></u>	<u><u>439,529</u></u>

(Continued)

**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**2. Capital surplus**

The balances of capital surplus were as follows:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Additional paid-in capital	\$ 478,455	447,630	433,067
Employee stock options	231,089	236,277	235,727
Restricted employee stock options	<u>76,543</u>	<u>93,461</u>	<u>60,051</u>
	<u>\$ 786,087</u>	<u>777,368</u>	<u>728,845</u>

**3. 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 stockholders' meeting.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to stockholders, 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.

**(i) 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 stockholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

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**Notes to Consolidated Financial Statements**

(ii) 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 June 30, 2016.

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 stockholders’ 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 stockholders’ equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders’ equity shall qualify for additional distributions.

(iii) Earnings distribution

On June 20, 2016 and on June 29, 2015, the stockholders’ meeting resolved the distribution of earnings for 2015 and 2014, respectively. The distribution was NT\$2.1 and 1.8 (dollars) per share, which amounted to \$927,933 and \$791,107, respectively. The differences between the amounts approved in the stockholders’ meeting and those recognized in the financial statements for employee bonuses and remuneration for directors and supervisors for 2014 were as follows:

	2014		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statements</u>	<u>Difference</u>
Employee bonuses			
Stock	\$ -	-	-
Cash	71,000	71,318	318
Directors’ and supervisors’ remuneration	27,800	28,527	727

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Differences between the amounts approved in the stockholders' meeting and those recognized in the financial statements for the distributions of earnings for 2014 were accounted for as changes in accounting estimates and recognized as profit or loss in the year 2015.

The information about the employee bonuses and the directors' and supervisors' remuneration approved in the board of stockholders' meetings can be accessed in the Market Observation Post System.

**(q) Share-based payment**

Except for the following paragraph, there were no significant change on the share-based payment for the six months ended June 30, 2016 and 2015. Please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2015 for further information.

**1. Employee stock options and share-based payment**

- (i) As of June 30, 2016, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

	<b>Plan 1 (note 1)</b>	<b>Plan 2 (note 2)</b>	<b>Plan 3 (note 3)</b>	
			<b>Issued in November 2011</b>	<b>Issued in October 2012</b>
Modification/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	\$17.10	\$26.50
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

Note 1: 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.

Note 2: 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.

Note 3: 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.

(Continued)



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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

	<b>For the six months ended June 30</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Weighted-average exercise price</b>	<b>Stock options (in thousands)</b>	<b>Weighted-average exercise price</b>	<b>Stock options (in thousands)</b>
Outstanding at January 1	24.66	1,728	22.66	3,724
Granted during the period	-	-	-	-
Forfeited during the period	-	-	27.70	(77)
Exercised during the period	26.50	(239)	16.01	(880)
Expired during the period	-	-	27.70	(77)
Outstanding at June 30	24.36	<u>1,489</u>	24.55	<u>2,690</u>
Exercisable at June 30	24.36	<u>1,489</u>	21.42	<u>1,351</u>

As of June 30, 2016 and December 31 and June 30, 2015, the information on the employee stock option plans outstanding was as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Employee stock option plan 1	-	-	-
Employee stock option plan 2	211	211	446
Employee stock option plan 3			
-Issued in November 2011	-	-	125
Employee stock option plan 3			
-Issued in October 2012	1,278	1,517	2,119
Outstanding at end of period	<u>1,489</u>	<u>1,728</u>	<u>2,690</u>

- (ii) As of June 30, 2016, the outstanding employee stock options of TWEL for equity-settled share-based payment were as follows:

	<b>November 2014</b>	<b>July 2015</b>
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.

(Continued)

**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

	<b>For the six months ended June 30</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Weighted-average exercise price</b>	<b>Stock options (in thousands)</b>	<b>Weighted-average exercise price</b>	<b>Stock options (in thousands)</b>
Outstanding at January 1	18.20	3,450	15.74	700
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	15.74	(107)	-	-
Outstanding at June 30	18.27	<u>3,343</u>	15.74	<u>700</u>
Exercisable at June 30	-	<u>-</u>	-	<u>-</u>

**2. Restricted stock**

As of June 30, 2016, the outstanding restricted stocks of the Company were as follows:

	<b>Plan 1 (note 1)</b>				<b>Plan 2 (note 1)</b>	
	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015
Fair value on grant date (per share)	22.8	25.15	27.30	52.00	43.70	38.40
Exercise price	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
Vesting period	1~3 years	1~2 years	1~2 years	1~2 years	1~3 years	1~3 years
	(notes 2 and 3)	(notes 3 and 4)	(notes 3 and 4)	(note 3)	(note 2 and 3)	(note 2)

Note 1: Plan 1 – After the stockholders' 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 stockholders' 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.

(Continued)

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**Notes to Consolidated Financial Statements**

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:

	<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>
(Thousand shares)		
Outstanding at January 1	3,270	1,310
Granted during the period	-	1,225
Forfeited during the period	-	-
Vesting during the period	(389)	(55)
Expired during the period	(170)	(90)
Outstanding at June 30	<u><b>2,711</b></u>	<u><b>2,390</b></u>

3. Expenses and liabilities attributable to share-based payment from continuing operations were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Expenses attributable to employee stock options	\$ 863	538	1,727	1,685
Restricted stock	<u>10,411</u>	<u>13,909</u>	<u>27,193</u>	<u>18,307</u>
Total	<u><b>\$ 11,274</b></u>	<u><b>14,447</b></u>	<u><b>28,920</b></u>	<u><b>19,992</b></u>
	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>	
Salary payable:				
Current	<u><b>\$ 1,938</b></u>	<u><b>4,092</b></u>	<u><b>4,865</b></u>	

(Continued)

**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(r) Earnings (Deficit) per share

The calculation of basic earnings and diluted earnings (deficit) per share was as follows:

1. Basic earnings (deficit) per share

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Profit (loss) attributable to common stockholders				
Continuing operations	\$ 431,817	400,381	818,861	771,973
Discontinued operations	<u>15,091</u>	<u>(1,464)</u>	<u>28,762</u>	<u>(4,833)</u>
Total	<b>\$ <u>446,908</u></b>	<b><u>398,917</u></b>	<b><u>847,623</u></b>	<b><u>767,140</u></b>
Weighted-average number of common-shares (thousand shares)	<b><u>438,992</u></b>	<b><u>436,462</u></b>	<b><u>438,595</u></b>	<b><u>435,384</u></b>
Basic earnings (deficit) per share (NT dollars)				
Continuing operations	\$ 0.98	0.91	1.87	1.77
Discontinued operations	<u>0.04</u>	<u>-</u>	<u>0.06</u>	<u>(0.01)</u>
Total	<b>\$ <u>1.02</u></b>	<b><u>0.91</u></b>	<b><u>1.93</u></b>	<b><u>1.76</u></b>

2. Diluted earnings (deficit) per share

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Profit (loss) attributable to ordinary stockholders				
Continuing operations	\$ 431,817	400,381	818,861	771,973
Discontinued operations	<u>15,091</u>	<u>(1,464)</u>	<u>28,762</u>	<u>(4,833)</u>
Total	<b>\$ <u>446,908</u></b>	<b><u>398,917</u></b>	<b><u>847,623</u></b>	<b><u>767,140</u></b>
Weighted-average number of common shares (loss) (diluted / thousand shares)	<b><u>441,644</u></b>	<b><u>441,326</u></b>	<b><u>442,804</u></b>	<b><u>441,424</u></b>
Diluted earnings per share (NT dollars):				
Continuing operations	\$ 0.98	0.90	1.85	1.75
Discontinued operations	<u>0.03</u>	<u>-</u>	<u>0.06</u>	<u>(0.01)</u>
Total	<b>\$ <u>1.01</u></b>	<b><u>0.90</u></b>	<b><u>1.91</u></b>	<b><u>1.74</u></b>

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Weighted-average number of ordinary shares at June 30 (basic)	438,992	436,462	438,595	435,384
Effect of employee stock options	603	1,467	719	2,233
Effect of employee stock bonuses	535	2,184	1,976	2,658
Effect of restricted stock	<u>1,514</u>	<u>1,213</u>	<u>1,514</u>	<u>1,149</u>
Weighted-average number of ordinary shares at June 30 (diluted)	<u><b>441,644</b></u>	<u><b>441,326</b></u>	<u><b>442,804</b></u>	<u><b>441,424</b></u>

**(s) Operating revenue**

The operating revenue was as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Goods sold	\$ 14,522,664	13,474,405	27,453,034	25,642,592
Services rendered	<u>377,802</u>	<u>521,828</u>	<u>852,547</u>	<u>941,350</u>
Continuing operations	14,900,466	13,996,233	28,305,581	26,583,942
Discontinued operations	<u>657,393</u>	<u>543,367</u>	<u>1,264,841</u>	<u>913,549</u>
Total	<u><b>\$ 15,557,859</b></u>	<u><b>14,539,600</b></u>	<u><b>29,570,422</b></u>	<u><b>27,497,491</b></u>

Please refer to note 12(b) for operating results and cash flows from discontinued operations.

**(t) Remuneration to employees and directors**

The Company shall distribute 2 to 10 percent of distributable profit of the current year as employee remuneration, and not more than 2% of the profit as directors remuneration; provided, however, that the Company shall first reserve a sufficient amount to offset its accumulated losses. Employees from subsidiaries who meets the requirements are also included in the condition.

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

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Details of remuneration to employees and directors were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Employee remuneration	\$ 22,506	15,110	41,395	33,665
Directors remuneration	<u>9,002</u>	<u>6,044</u>	<u>16,558</u>	<u>13,466</u>
	<b>\$ <u>31,508</u></b>	<b><u>21,154</u></b>	<b><u>57,953</u></b>	<b><u>47,131</u></b>

The amounts were calculated based on the Company's income before income taxes, excluding remuneration to employees and directors, by using the earnings allocation method as stated under the Company's articles. These benefits 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 2015 were as follows:

	<b>2015</b>		
	<b>Actual earnings distributed</b>	<b>Accrued in the financial statements</b>	<b>Difference</b>
Employee remuneration			
Stock	\$ -	-	-
Cash	78,500	78,269	(231)
Directors remuneration	32,000	31,907	(93)

The differences were accounted for as changes in accounting estimates and recognized as profit or loss in the year 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.

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**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(u) Other income

The other income from continuing operations was as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Interest revenue of cash in banks	\$ 30,644	39,393	69,621	91,142
Rent revenue	1,368	2,580	1,260	5,119
Other	2,441	712	3,025	1,302
	<b>\$ 34,453</b>	<b>42,685</b>	<b>73,906</b>	<b>97,563</b>

(v) Other gains and losses

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Gain on disposal of available-for-sale financial assets	\$ 140,969	-	140,969	-
Net losses on disposal of property, plant and equipment	882	15	(577)	(3,254)
Net gains on financial assets/liabilities measured at fair value through profit or loss	(21,381)	(2,284)	23,159	2,351
Foreign currency exchange gains, net	39,735	67,195	154,119	143,202
Loss on impairment of available-for-sale financial assets	-	(940)	-	(940)
Other	21,382	7,521	33,527	15,824
	<b>\$ 181,587</b>	<b>71,507</b>	<b>351,197</b>	<b>157,183</b>

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

The reclassifications to the other comprehensive income from the combined company in this year ended June 30, 2016 and 2015 were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Unrealized gains (losses) on available-for-sale financial assets (after tax)				
Net changes measured at fair value during the period	\$ 133,586	318	185,194	23,209
Net changes measured at fair value reclassified to income statement	<u>140,969</u>	<u>-</u>	<u>140,969</u>	<u>-</u>
Net changes measured at fair value recognized as other comprehensive income	\$ <u><u>(7,383)</u></u>	<u><u>318</u></u>	<u><u>44,225</u></u>	<u><u>23,209</u></u>

(w) Financial instruments

Except for the following paragraph, the credit risk, liquidity risk, currency risk and fair value have no significant change from the consolidated financial statements for the year ended December 31, 2015. Please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2015 for further information.

1. Credit risk

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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Past due 0-30 days	\$ 537,210	1,215,010	1,443,926
Past due 31-90 days	33,563	122,456	151,208
Past due 91-180 days	69,844	14,149	10,899
Past due 181-360 days	5,410	26,023	14,691
Past due over a year	-	-	-
	\$ <u><u>646,027</u></u>	<u><u>1,377,638</u></u>	<u><u>1,620,724</u></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.

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**Notes to Consolidated Financial Statements**

The changes in the allowance for the six months ended June 30, 2016 and 2015 were as follows:

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance on January 1, 2016	\$ -	29,247	29,247
Impairment loss recognized	-	32,545	32,545
Amounts written off	-	(865)	(865)
Reclassification to assets held for sale	-	(2,450)	(2,450)
Exchange differences on translation of foreign currency	-	(424)	(424)
Balance on June 30, 2016	<u>\$ -</u>	<u>58,053</u>	<u>58,053</u>

  

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance on January 1, 2015	\$ -	26,034	26,034
Impairment loss recognized	-	1,892	1,892
Acquisition from business combination	-	469	469
Amounts written off	-	(625)	(625)
Exchange differences on translation of foreign currency	-	(595)	(595)
Balance on June 30, 2015	<u>\$ -</u>	<u>27,175</u>	<u>27,175</u>

**2. Liquidity risk**

The following table shows the contractual maturities of financial liabilities:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 6 months</b>	<b>6~12 months</b>	<b>1~2 years</b>	<b>2~5 years</b>	<b>Over 5 years</b>
<b>June 30, 2016</b>							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 1,808,016	1,808,016	1,808,016	-	-	-	-
Notes and accounts payable	12,581,552	12,581,552	12,581,552	-	-	-	-
Other payables	1,854,410	1,854,410	1,854,410	-	-	-	-
Long-term borrowings	1,042,223	1,058,353	114,436	611,052	219,171	113,694	-
Guarantee deposits	136,459	136,459	-	-	-	-	136,459
Derivative financial liabilities:	59,635	-	-	-	-	-	-
Outflow	-	9,390,046	9,390,046	-	-	-	-
Inflow	-	(9,442,051)	(9,442,051)	-	-	-	-
	<u>\$ 17,482,295</u>	<u>17,386,785</u>	<u>16,306,409</u>	<u>611,052</u>	<u>219,171</u>	<u>113,694</u>	<u>136,459</u>

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**Notes to Consolidated Financial Statements**

	<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>
<b>December 31, 2015</b>							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 1,350,569	1,350,569	1,350,569	-	-	-	-
Notes and accounts payable	18,723,930	18,723,930	18,723,930	-	-	-	-
Other payables	2,737,288	2,737,288	2,737,288	-	-	-	-
Long-term borrowings	1,677,487	1,735,887	338,378	332,881	641,587	326,777	96,264
Guarantee deposits	118,641	118,641	-	-	-	-	118,641
Derivative financial liabilities:	60,105	-	-	-	-	-	-
Outflow	-	1,217,415	1,217,415	-	-	-	-
Inflow	-	(1,157,310)	(1,157,310)	-	-	-	-
	<u>\$ 24,668,020</u>	<u>24,726,420</u>	<u>23,210,270</u>	<u>332,881</u>	<u>641,587</u>	<u>326,777</u>	<u>214,905</u>
<b>June 30, 2015</b>							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 4,369,069	4,369,069	4,369,069	-	-	-	-
Notes and accounts payable	12,106,191	12,106,191	12,106,191	-	-	-	-
Other payables	1,734,956	1,734,956	1,734,956	-	-	-	-
Long-term borrowings	1,943,106	2,010,580	318,093	335,048	815,363	434,603	107,473
Guarantee deposits	140,574	140,574	-	-	-	-	140,574
Derivative financial liabilities:	29,517	-	-	-	-	-	-
Outflow	-	3,139,785	3,139,785	-	-	-	-
Inflow	-	(3,109,616)	(3,109,616)	-	-	-	-
	<u>\$ 20,323,413</u>	<u>20,391,539</u>	<u>18,558,478</u>	<u>335,048</u>	<u>815,363</u>	<u>434,603</u>	<u>248,047</u>

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

**3. Currency risk**

**(i) Exposure to foreign currency risk**

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

	<u>June 30, 2016</u>			<u>December 31, 2015</u>			<u>June 30, 2015</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>Financial assets</b>									
<b>Monetary items</b>									
USD:CNY	\$ 302,528	6.6312	9,767,419	472,140	6.4936	15,611,768	269,238	6.1136	8,365,225
USD:HKD	168,861	7.7588	5,451,842	403,487	7.751	1,334,701	125,365	7.7524	3,895,091
USD:TWD	320,877	32.286	10,359,832	430,293	33.066	14,228,077	360,143	31.070	11,189,633
<b>Financial liabilities</b>									
<b>Monetary items</b>									
USD:CNY	302,448	6.6312	9,764,829	434,501	6.4936	14,367,209	307,189	6.1136	9,544,364
USD:HKD	168,767	7.7588	5,448,804	395,385	7.751	13,073,812	128,476	7.7524	3,991,735
USD:TWD	259,847	32.286	8,389,412	397,940	33.066	13,158,292	304,378	31.070	9,457,021

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**Notes to Consolidated Financial Statements**

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 June 30, 2016 and 2015, would have increased or decreased the net profit after tax by \$82,006 and \$18,958, 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 June 30, 2016 and 2015, the foreign exchange gains, including both realized and unrealized, amounted to \$39,735 and \$67,195, respectively. For the six months ended June 30, 2015 and 2016, the foreign exchange gains, including both realized and unrealized, amounted to \$154,119 and \$143,202, respectively.

(ii) Interest rate analysis

Please refer to the note of liquidity risk for the exposure of financial assets and liabilities to changes in interest rates.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. The analysis is based on the assumption that the assets and liabilities with floating interest rates outstanding at the reporting date were outstanding throughout the year. The rate of change is an interest rate increase or decrease of 0.25% when reporting to management internally, which also represents the assessment of the Group's management for the reasonably possible changes in interest rates.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$1,326 and decreased or increased \$1,751 for the six months ended June 30, 2016 and 2015, respectively, mainly as a result of bank savings and borrowings with variable interest rates.

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**Notes to Consolidated Financial Statements**

**4. Fair value**

**(i) Kinds of financial instruments and fair value**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information on financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and on investments in equity instruments which do not have any quoted price in an active market.

June 30, 2016					
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss — current	\$ <u>272,933</u>	<u>190,169</u>	<u>-</u>	<u>82,764</u>	<u>272,933</u>
Available-for-sale financial assets — non-current	\$ <u>545,819</u>	<u>519,919</u>	<u>-</u>	<u>25,900</u>	<u>545,819</u>
Loans and receivables					
Cash and cash equivalents	\$ 5,511,310				
Notes and accounts receivable (including related parties)	11,545,938				
Other receivables	<u>266,058</u>				
Total	\$ <u>17,323,306</u>				
Financial liabilities at fair value through profit or loss — current	\$ <u>59,635</u>	<u>-</u>	<u>-</u>	<u>59,635</u>	<u>59,635</u>
Financial liabilities carried at amortized cost					
Borrowings	\$ 2,850,239				
Notes and accounts payable	12,581,552				
Salary payable	648,571				
Other payables	3,959,590				
Guarantee deposits received	<u>136,459</u>				
Total	\$ <u>20,176,411</u>				

December 31, 2015					
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss — current	\$ <u>88,717</u>	<u>969</u>	<u>-</u>	<u>87,748</u>	<u>88,717</u>
Available-for-sale financial assets — non-current	\$ <u>584,430</u>	<u>551,600</u>	<u>-</u>	<u>32,830</u>	<u>584,430</u>
Loans and receivables					
Cash and cash equivalents	\$ 7,623,380				
Notes and accounts receivable (including related parties)	14,479,617				
Other receivables	<u>462,242</u>				
Total	\$ <u>22,565,239</u>				

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**Notes to Consolidated Financial Statements**

		December 31, 2015				
		Carrying	Fair Value			
		amounts	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value through profit or loss — current</b>		<b>\$ <u>60,105</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>60,105</u></b>	<b><u>60,105</u></b>
<b>Financial liabilities carried at amortized cost</b>						
Borrowings	\$	3,028,056				
Notes and accounts payable		18,723,930				
Salary payable		1,227,107				
Other payables		3,891,786				
Guarantee deposits received		<u>118,641</u>				
Total	\$	<u><b>26,989,520</b></u>				

		June 30, 2015				
		Carrying	Fair Value			
		amounts	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss — current</b>		<b>\$ <u>372,885</u></b>	<b><u>341,239</u></b>	<b><u>-</u></b>	<b><u>31,646</u></b>	<b><u>372,885</u></b>
<b>Available-for-sale financial assets — non-current</b>		<b>\$ <u>315,185</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>315,185</u></b>	<b><u>315,185</u></b>
<b>Loans and receivables</b>						
Cash and cash equivalents	\$	6,871,180				
Notes and accounts receivable (including related parties)		11,519,383				
Other receivables		<u>452,896</u>				
Total	\$	<u><b>18,843,459</b></u>				
<b>Financial liabilities at fair value through profit or loss — current</b>		<b>\$ <u>29,517</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>29,517</u></b>	<b><u>29,517</u></b>
<b>Financial liabilities carried at amortized cost</b>						
Borrowings	\$	6,312,175				
Notes and accounts payable		12,106,191				
Salary payable		759,563				
Other payables		3,368,746				
Guarantee deposits received		<u>140,574</u>				
Total	\$	<u><b>22,687,249</b></u>				

(ii) Fair value 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.

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**Notes to Consolidated Financial Statements**

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.

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. The fair value is based on a valuation technique. 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.

(iii) There is no transferring of fair value hierarchy for the six months ended June 30, 2016 and 2015.

(iv) Changes in Level 3

For the six months ended June 30						
	2016			2015		
	Fair value through profit or loss	Available for sale	Total	Fair value through profit or loss	Available for sale	Total
Balance on January 1	\$ 27,643	32,830	60,473	15,695	292,916	308,611
Recognized in profit or loss	23,129	-	23,129	2,129	(940)	1,189
Recognized in other comprehensive income	-	(3,396)	(3,396)	-	23,209	23,209
Acquisition / disposal	(27,643)	(3,534)	(31,177)	(15,695)	-	(15,695)
Balance on June 30	<u>\$ 23,129</u>	<u>25,900</u>	<u>49,029</u>	<u>2,129</u>	<u>315,185</u>	<u>317,314</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(v) Fair value measurements using significant unobservable inputs (Level 3)**

The fair value measurements of the Group which are categorized within level 3 are classified as financial assets and liabilities at fair value through profit or loss – derivative financial instruments and available-for-sale financial assets – equity securities. The quantitative information about significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Available-for-sale financial assets – equity securities listed on emerging stock market	Guideline Public Company method (note 1)	Lack-of-Marketability Discount(80% on June 30, 2015) (note 1)	The higher the Lack-of-Marketability Discount is, the lower the fair value will be. (note 1)
Available-for-sale financial assets – equity securities not listed on emerging stock market			
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.

**(vi) Sensitivity analysis for fair values of financial instrument using Level 3 Inputs**

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on net income or loss and other comprehensive income or loss are as follows:

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**Notes to Consolidated Financial Statements**

<u>June 30, 2015</u>	<u>Input</u>	<u>Variation</u>	<u>Other comprehensive income</u>	
			<u>Advantageous change</u>	<u>Disadvantageous change</u>
Available-for-sale financial assets – equity securities listed on emerging stock market	Discount of lock Marketability	10%	\$ <u>34,600</u>	<u>34,600</u>

(x) Financial risk management

The Group's objectives and policies on financial risk management are consistent with note 6(y) of the consolidated financial statements for the year ended December 31, 2015.

(y) Capital management

The Group's objectives, policies and process of managing capital are consistent with the consolidated financial statements for the year ended December 31, 2015. The information on capital management items has no significant change from that of the consolidated financial statements for the year ended December 31, 2015. Please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2015 for further information.

**(7) Related-party Transactions**

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group and its subsidiaries.

(b) Other related-party transactions

1. Sale of goods to related parties

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

	<u>Sales</u>				<u>Notes and accounts receivable</u>		
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>		<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>			
Other related parties	\$ <u>45,480</u>	<u>56,247</u>	<u>88,085</u>	<u>72,841</u>	<u>59,165</u>	<u>54,995</u>	<u>68,914</u>

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

**2. Loans from related parties**

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

**June 30, 2015**

Key management personnel of Global TEK **\$ 125,344**

The highest outstanding balance amounted to \$144,330 for the six months ended June 30, 2015.

**(c) Key management personnel compensation**

Key management personnel compensation from continuing operations:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Short-term employee benefits	\$ 45,583	29,251	84,253	69,432
Post-employment benefits	286	286	572	490
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	<u>4,541</u>	<u>3,434</u>	<u>9,087</u>	<u>4,787</u>
	<b><u>\$ 50,410</u></b>	<b><u>32,971</u></b>	<b><u>93,912</u></b>	<b><u>74,709</u></b>

For information related to share-based payments, please refer to note 6(q).

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**Notes to Consolidated Financial Statements**

**(8) Pledged Assets**

Assets pledged as collateral were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>Book value of pledged assets</u>		
		<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Other current assets – restricted assets	Guarantee letters issued by bank	\$ <u>-</u>	<u>4,502</u>	<u>-</u>
Other non-current assets – restricted assets	Loan collateral and guarantee letters issued by bank	\$ <u>1,217</u>	<u>4,667</u>	<u>36,274</u>
Property, plant and equipment	Loan collateral	\$ <u>-</u>	<u>699,107</u>	<u>529,476</u>
Long-term prepaid rent	Loan collateral	\$ <u>-</u>	<u>99,832</u>	<u>137,785</u>

**(9) Commitments and Contingencies**

(a) The amounts of guarantee were as follows:

<u>Guarantor</u>	<u>Guarantee</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
The Company	PCH2	\$ 375,163	384,227	50,333
PCH2	PCQ1	193,716	231,462	217,490
PCH2	PKS1	96,858	99,198	93,210
Global TEK	GT	30,000	30,000	64,000
Global TEK	GLOBAL TEK CO (WUXI), LTD	-	-	46,605
GT	Global TEK	-	50,000	55,000
GT	GLOBAL TEK CO (WUXI), LTD	48,429	49,599	46,605
		\$ <u>744,166</u>	<u>844,486</u>	<u>573,243</u>

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**Notes to Consolidated Financial Statements**

- (b) The following are savings accounts provided by the Group to the banks in order for the banks to issue a guarantee letter to customs as guarantee deposits. Please refer to note 8.

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Guarantee letters	\$ <u>61,532</u>	<u>39,912</u>	<u>40,748</u>

- (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. Please refer to note 6(d) for further information on sales of accounts receivable.

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Sales of accounts receivable	\$ <u>2,806,218</u>	<u>2,874,690</u>	<u>2,744,950</u>
Long-term borrowings	\$ <u>2,160,000</u>	<u>2,598,906</u>	<u>5,524,552</u>
Purchase of material	\$ <u>-</u>	<u>39,732</u>	<u>-</u>

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

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Property, plant and equipment	\$ <u>96,756</u>	<u>66,482</u>	<u>33,979</u>

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

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Patent license agreements	\$ <u>-</u>	<u>69,670</u>	<u>-</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(10) Loss Due to Major Disasters: None**

**(11) Subsequent Events: None.**

**(12) Others**

(a) The following is a summary statement of current-period employee benefit, depreciation, and amortization expenses from continuing operations by function:

By function By item	For the three months ended June 30, 2016			For the three months ended June 30, 2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	966,467	561,251	1,527,718	972,020	528,080	1,500,100
Labor and health insurance	24,761	23,412	48,173	26,296	28,663	54,959
Pension	66,266	24,622	90,888	67,231	23,641	90,872
Others	11,750	38,076	49,826	18,061	40,285	58,346
Depreciation	319,246	28,749	347,995	241,230	31,360	272,590
Amortization	4,712	40,555	45,267	3,330	39,037	42,367

By function By item	For the six months ended June 30, 2016			For the six months ended June 30, 2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	1,767,978	1,079,207	2,847,185	1,898,415	1,046,501	2,944,916
Labor and health insurance	53,669	55,833	109,502	50,115	55,703	105,818
Pension	134,509	49,685	184,194	119,500	46,365	165,865
Others	25,735	69,832	95,567	42,664	70,986	113,650
Depreciation	635,417	58,599	694,016	478,777	62,034	540,811
Amortization	9,998	80,196	90,194	6,371	79,027	85,398

(b) Discontinued operations

The Group resolved to dispose parts of the shares of Global TEK in the directors' meeting held on June 21, 2016. Since the business of Global TEK and its subsidiaries continued to operate on June 30, 2015, the comparative periods in the consolidated statements of comprehensive income are restated. Income from continuing and discontinued operations are disclosed respectively.

(Continued)

**Reviewed only, not audited in accordance with generally accepted auditing standards.**

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Details of discontinued operations were as follow:

	For the three months ended June 30		For the six months ended June 30	
	2016	2015	2016	2015
Operating revenue	\$ 657,393	543,367	1,264,841	913,549
Operating cost	(494,760)	(444,510)	(958,250)	(748,937)
Gross profit	162,633	98,857	306,591	164,612
Operating expenses	(92,329)	(89,719)	(171,252)	(150,008)
Net operating income	70,304	9,138	135,339	14,604
Non-operating income (expenses)	1,019	(7,054)	(322)	(19,591)
Income (loss) before income taxes	71,323	2,084	135,017	(4,987)
Income tax expense	(21,019)	(6,963)	(39,144)	(11,123)
Net income (loss) from discontinued operations	\$ <u>50,304</u>	<u>(4,879)</u>	<u>95,873</u>	<u>(16,110)</u>
Net income (loss) attributable to:				
Stockholders of parent	15,091	(1,464)	28,762	(4,833)
Non-controlling interests	35,213	(3,415)	67,111	(11,277)
	\$ <u>50,304</u>	<u>(4,879)</u>	<u>95,873</u>	<u>(16,110)</u>
Cash flows from discontinued operations:				
Cash flows from operating activities	198,018	73,682	210,335	28,305
Cash flows from investing activities	(110,094)	(111,066)	(118,657)	(108,519)
Cash flows from financing activities	2,195	(335,937)	(26,884)	(217,976)
Effect of foreign currency exchange translation	(10,836)	20,248	(20,501)	20,248
Net increase (decrease) in cash and cash in equivalents	\$ <u>79,283</u>	<u>(353,073)</u>	<u>44,293</u>	<u>(277,942)</u>

**(13) Segment Information**

For the six months ended June 30, 2016 and 2015, 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, 2015 for further information.

	For the three months ended June 30, 2016		
	Computer Peripherals	Non-computer Peripherals	Total
External revenue	\$ 6,291,550	9,266,309	15,557,859
Intra-group revenue	-	-	-
Elimination from discontinued operations	-	(657,393)	(657,393)
Total revenue	\$ <u>6,291,550</u>	<u>8,608,916</u>	<u>14,900,466</u>
Profit from segments reported	\$ 438,078	232,617	670,695
Elimination from discontinued operation	-	(71,323)	(71,323)
Total profit	\$ <u>438,078</u>	<u>161,294</u>	<u>599,372</u>

(Continued)

## PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**For the three months ended June 30, 2015 (restated)**

	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
External revenue	\$ 7,413,810	7,125,790	14,539,600
Intra-group revenue	-	-	-
Elimination from discontinued operation	-	(543,367)	(543,367)
Total revenue	<u>\$ 7,413,810</u>	<u>6,582,423</u>	<u>13,996,233</u>
Profit from segments reported	\$ 403,704	81,044	484,748
Elimination from discontinued operation	-	(2,084)	(2,084)
Total profit	<u>\$ 403,704</u>	<u>78,960</u>	<u>482,664</u>

**For the six months ended June 30, 2016**

	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
External revenue	\$ 13,041,600	16,528,842	29,570,442
Intra-group revenue	-	-	-
Elimination from discontinued operation	-	(1,264,861)	(1,264,861)
Total revenue	<u>\$ 13,041,600</u>	<u>15,263,981</u>	<u>28,305,581</u>
Profit from segments reported	\$ 779,252	550,655	1,329,907
Elimination from discontinued operation	-	(135,017)	(135,017)
Total profit	<u>\$ 779,252</u>	<u>415,638</u>	<u>1,194,890</u>

**For the six months ended June 30, 2015 (restated)**

	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
External revenue	\$ 13,489,642	14,007,849	27,497,491
Intra-group revenue	-	-	-
Elimination from discontinued operation	-	(913,549)	(913,549)
Total revenue	<u>\$ 13,489,642</u>	<u>13,094,300</u>	<u>26,583,942</u>
Profit from segments reported	\$ 750,240	226,105	976,345
Elimination from discontinued operation	-	4,987	4,987
Total profit	<u>\$ 750,240</u>	<u>231,092</u>	<u>981,332</u>

