

Stock Code: 4915

**PRIMAX ELECTRONICS LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**September 30, 2016 and 2015**

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



安侯建業聯合會計師事務所  
KPMG

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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 September 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 nine months ended September 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\$4,353,056 thousand, constituting 10.6% of the consolidated total assets as of September 30, 2016. Its operating revenue amounted to NT\$2,156,067 thousand and NT\$5,654,910 thousand, constituting 11.7% and 12.1% of the consolidated operating revenue for the three months and nine months ended September 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\$5,170,051 thousand and NT\$12,452,302 thousand, constituting 12.5% and 30.4% of the total consolidated assets as of September 30, 2016 and 2015, respectively. The total liabilities amounted to NT\$4,058,872 thousand and NT\$4,225,379 thousand, constituting 14.5% and 14.7% of the total consolidated liabilities as of September 30, 2016 and 2015, respectively. The comprehensive income amounted to NT\$30,515 thousand and NT\$367,673 thousand, constituting 5.9% and 47.4% of the total consolidated comprehensive income for the three months ended September 30, 2016 and 2015, respectively. Also, for the nine months ended September 30, 2016 and 2015, the comprehensive income amounted to NT\$90,775 thousand and NT\$660,183 thousand, constituting 7.9% and 45.6% 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.

KPMG

November 10, 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 September 30, 2016 and 2015 reviewed only, not audited in accordance with generally accepted auditing standards.**

**Consolidated Balance Sheets**

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

	September 30, 2016		December 31, 2015		September 30, 2015		September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
<b>Current assets:</b>												
Cash and cash equivalents (note 6(a))	\$ 6,700,586	16	7,623,380	18	7,949,345	20	\$ 2,892,208	7	1,350,569	3	4,086,918	10
Financial assets at fair value through profit or loss -- current (note 6(b))	69,673	-	88,717	-	193,053	-	16,157,807	39	18,723,930	45	16,452,740	40
Notes and accounts receivable, net (note 6(d))	14,592,671	36	14,424,622	35	13,681,614	34	-	-	60,105	-	140,024	-
Accounts receivable -- related parties, net (notes 6(d) and 7(b))	68,825	-	54,995	-	53,196	-	3,162,843	8	3,891,786	9	3,270,329	8
Other receivables (note 6(d))	108,783	-	462,242	1	489,888	1	998,131	2	1,227,107	3	1,075,675	3
Inventories, net (note 6(e))	6,449,479	16	7,350,609	18	7,294,433	18	292,856	1	279,120	1	349,896	1
Non-current assets held for sale (note 6(f))	3,660,447	9	-	-	-	-	715,555	2	622,347	2	679,709	2
Other current assets (note 8)	442,772	1	408,596	1	458,937	1	1,710,872	4	-	-	-	-
	<u>32,093,236</u>	<u>78</u>	<u>30,413,161</u>	<u>73</u>	<u>30,120,466</u>	<u>74</u>	<u>25,990,830</u>	<u>63</u>	<u>26,154,964</u>	<u>63</u>	<u>26,055,291</u>	<u>64</u>
<b>Non-current assets:</b>												
Available-for-sale financial assets -- non-current (note 6(c))	730,803	2	584,430	1	319,061	1	218,889	-	1,055,140	2	1,056,574	3
Property, plant and equipment (notes 6(h) and 8)	4,760,409	11	6,284,023	15	6,129,265	15	1,464,370	4	1,084,133	3	1,034,576	2
Investment property, net (note 6(i))	35,792	-	258,709	1	259,599	1	381,348	1	520,911	1	521,695	1
Intangible assets (note 6(j))	2,703,302	7	3,322,191	8	3,471,832	8	2,064,607	5	2,660,184	6	2,612,843	6
Deferred tax assets	469,404	1	390,414	1	137,449	-	28,055,457	68	28,815,148	69	28,668,136	70
Long-term prepaid rent (note 8)	276,668	1	306,125	1	356,185	1	-	-	-	-	-	-
Other non-current assets (note 8)	171,310	-	172,680	-	165,927	-	-	-	-	-	-	-
	<u>9,147,688</u>	<u>22</u>	<u>11,318,572</u>	<u>27</u>	<u>10,839,318</u>	<u>26</u>	<u>4,417,478</u>	<u>11</u>	<u>4,411,877</u>	<u>11</u>	<u>4,412,137</u>	<u>11</u>
							9,740	-	15,174	-	3,406	-
							784,936	2	777,368	2	780,058	2
							788,634	2	611,322	1	611,322	1
							97,300	-	97,300	-	97,300	-
							4,256,076	10	3,951,934	10	3,455,346	9
							264,778	1	365,406	1	432,931	1
							2,486,204	6	2,486,204	6	2,492,148	6
							13,185,467	32	12,916,585	31	12,291,648	30
							<u>41,240,924</u>	<u>100</u>	<u>41,731,733</u>	<u>100</u>	<u>40,959,784</u>	<u>100</u>
<b>Total assets</b>	<b>\$ 41,240,924</b>	<b>100</b>	<b>\$ 41,731,733</b>	<b>100</b>	<b>\$ 40,959,784</b>	<b>100</b>						
<b>Liabilities and equity</b>												
<b>Current liabilities:</b>												
Short-term borrowings (note 6(k))												
Notes and accounts payable												
Financial liabilities at fair value through profit or loss -- current (note 6(b))												
Other payables (note 7(b))												
Salary payable (note 6(q))												
Other current liabilities												
Current portion of long-term borrowings (note 6(l))												
Liabilities directly associated with non-current assets held for sale (note 6(f))												
<b>Non-current liabilities:</b>												
Long-term borrowings (note 6(l))												
Long-term deferred revenue (note 6(h))												
Other non-current liabilities												
<b>Total liabilities</b>												
<b>Equity attributable to stockholders of parent:</b>												
Common stock (note 6(p))												
Capital collected in advance												
Capital surplus (note 6(p))												
Legal reserve (note 6(p))												
Special reserve (note 6(p))												
Unappropriated retained earnings (note 6(p))												
Other equity												
<b>Non-controlling interests (note 6(g))</b>												
<b>Total equity</b>												
<b>Total liabilities and equity</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 nine months ended September 30, 2016 and 2015  
(expressed in thousands of New Taiwan dollars, except earnings per share)

	For the three months ended September 30				For the nine months ended September 30			
	2016		2015 (restated)		2016		2015 (restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (notes 6(s) and 7(b))	\$ 18,488,446	100	17,220,627	100	46,794,027	100	43,804,569	100
Operating cost (notes 6(e), (n), (q) and (t) and 12(a))	16,294,983	88	15,375,245	89	41,631,843	89	39,145,882	89
Gross profit	2,193,463	12	1,845,382	11	5,162,184	11	4,658,687	11
Operating expenses (notes 6(n), (q) and (t) and 12(a)):								
Selling expenses	417,538	3	386,425	3	1,111,663	2	1,025,083	3
Administrative expenses	347,496	2	327,163	2	821,924	2	845,154	2
Research and development expenses	586,091	3	535,264	3	1,565,682	3	1,440,943	3
	1,351,125	8	1,248,852	8	3,499,269	7	3,311,180	8
Net operating income	842,338	4	596,530	3	1,662,915	4	1,347,507	3
Non-operating income and expenses:								
Other income (note 6(u))	51,286	-	50,477	-	125,192	-	148,040	-
Other gains and losses (notes 6(c) and (v))	(62,785)	-	140,066	1	288,412	-	297,249	1
Share of profit of subsidiaries accounted for using equity method	-	-	-	-	-	-	3,772	-
Finance costs	(34,300)	-	(81,671)	-	(85,090)	-	(109,834)	-
	(45,799)	-	108,872	1	328,514	-	339,227	1
Income before income taxes	796,539	4	705,402	4	1,991,429	4	1,686,734	4
Income tax expense (note 6(o))	213,692	1	217,231	1	581,770	1	414,593	1
Net income from continuing operations	582,847	3	488,171	3	1,409,659	3	1,272,141	3
Net income from discontinued operations (note 12(b))	50,411	-	49,221	-	146,284	-	33,111	-
	633,258	3	537,392	3	1,555,943	3	1,305,252	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	(298,990)	(1)	233,515	1	(642,998)	(1)	114,631	-
Unrealized gains and losses on available-for-sale financial assets (notes 6(c) and (v))	184,984	1	5,475	-	229,209	-	28,684	-
Income tax relating to items that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
	(114,006)	-	238,990	1	(413,789)	(1)	143,315	-
Other comprehensive income	(114,006)	-	238,990	1	(413,789)	(1)	143,315	-
Comprehensive income	\$ 519,252	3	776,382	4	1,142,154	2	1,448,567	3
Net income attributable to:								
Stockholders of parent	\$ 561,764	3	501,294	3	1,409,387	3	1,268,434	3
Non-controlling interests	71,494	-	36,098	-	146,556	-	36,818	-
	\$ 633,258	3	537,392	3	1,555,943	3	1,305,252	3
Comprehensive income attributable to:								
Stockholders of parent	\$ 491,024	3	705,056	4	1,062,631	2	1,380,844	3
Non-controlling interests	28,228	-	71,326	-	79,523	-	67,723	-
	\$ 519,252	3	776,382	4	1,142,154	2	1,448,567	3
Earnings per share (note 6(r)):								
Basic earnings per share (NT dollars)								
Net income from continuing operations	\$ 1.28		1.12		3.15		2.89	
Net income from discontinued operations	-		0.03		0.06		0.02	
Net income	\$ 1.28		1.15		3.21		2.91	
Diluted earnings per share (NT dollars)								
Net income from continuing operations	\$ 1.27		1.11		3.12		2.85	
Net income from discontinued operations	-		0.03		0.06		0.02	
Net income	\$ 1.27		1.14		3.18		2.87	

See accompanying notes to consolidated financial statements.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

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

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 nine months ended September 30, 2016 and 2015**

(expressed in thousands of New Taiwan dollars)

	<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Income before income taxes from continuing operations	\$ 1,991,429	1,686,734
Income before income taxes from discontinued operations	202,982	50,847
<b>Income before income taxes</b>	<b>2,194,411</b>	<b>1,737,581</b>
<b>Adjustments:</b>		
Adjustments to reconcile (profit):		
Depreciation and amortization	1,231,025	1,069,445
Losses related to inventories	733,331	235,768
Provision (reversal of provision) for bad debt allowance and sales returns	61,119	(2,002)
Gain on disposal of available-for-sale financial assets	(140,969)	-
Interest expenses	91,983	119,963
Interest income	(103,892)	(137,461)
Compensation cost of share-based payment	38,588	35,132
Other	5,016	2,506
	<b>1,916,201</b>	<b>1,323,351</b>
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable	(958,940)	(2,610,930)
Accounts receivable – related parties	(13,830)	7,385
Other receivables – current and non-current	272,878	(106,119)
Inventories	(275,156)	(2,288,713)
Other current assets	(176,211)	79,562
Financial assets at fair value through profit or loss	18,041	(95,565)
Other	(109,696)	67,059
Changes in operating assets	<b>(1,242,914)</b>	<b>(4,947,321)</b>
Notes and accounts payable	(2,009,472)	3,427,459
Salary payable	(228,976)	22,043
Other payables	(166,648)	235,973
Other current liabilities	27,377	192,802
Other	4,476	57,079
Changes in operating liabilities	<b>(2,373,243)</b>	<b>3,935,356</b>
Changes in operating assets and liabilities	<b>(3,616,157)</b>	<b>(1,011,965)</b>
Adjustments	<b>(1,699,956)</b>	<b>311,386</b>
Cash flows from operations	494,455	2,048,967
Interest received	103,892	137,461
Interest paid	(91,933)	(54,885)
Income taxes paid	(839,064)	(291,478)
<b>Net cash flows provided by (used in) operating activities</b>	<b>(332,650)</b>	<b>1,840,065</b>
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiary (minus cash acquired)	-	(39,041)
Cash from non-current assets held for sale	(439,531)	-
Proceeds from disposal of available-for-sale financial assets	220,270	-
Acquisition of property, plant and equipment	(683,149)	(1,320,170)
Proceeds from disposal of property, plant and equipment	48,707	38,264
Acquisition of other deferred assets	(37,451)	(47,728)
Other	27,968	21,866
<b>Net cash flows used in investing activities</b>	<b>(863,186)</b>	<b>(1,346,809)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,909,114	1,635,710
Decrease in long-term borrowings	(417,568)	(202,606)
Decrease in guarantee deposits	(5,668)	(54,176)
Decrease in other payables – related parties	(63,994)	(21,408)
Cash dividend	(927,933)	(791,107)
Exercise of employee stock options	16,073	17,499
<b>Net cash flows provided by financing activities</b>	<b>510,024</b>	<b>583,912</b>
Effect of foreign currency exchange translation	(236,982)	58,154
Net increase (decrease) in cash and cash equivalents	(922,794)	1,135,322
Cash and cash equivalents at beginning of period	7,623,380	6,814,023
Cash and cash equivalents at end of period	<b>\$ 6,700,586</b>	<b>7,949,345</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**

**September 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 September 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 November 10, 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

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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**

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

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

**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	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:
July 24, 2014		<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>

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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**

<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.

(Continued)

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

**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
			September 30, 2016	December 31, 2015	September 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)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2016	December 31, 2015	September 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 & 3)
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 & 3)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	100.00%	100.00%	100.00%	(note 2 & 3)
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)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2016	December 31, 2015	September 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%	100.00%	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%	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 & 3)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	100.00%	100.00%	100.00%	(note 2 & 3)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	100.00%	100.00%	100.00%	(note 2 & 3)
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	100.00%	100.00%	100.00%	(note 2 & 3)
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 & 3)

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2016	December 31, 2015	September 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 & 3)

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.

Note 3: The Board resolved to dispose 20% of the shares of Global TEK on June 21 and September 21, 2016. The transaction has been settled on October 13, 2016, and the Company lost control over Global TEK on the same date.

**(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.

(Continued)

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

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

**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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Cash on hand	\$ 3,169	4,097	4,100
Checking accounts and demand deposits	2,076,992	2,939,622	2,719,884
Time deposits	<u>4,620,425</u>	<u>4,679,661</u>	<u>5,225,361</u>
	<u>\$ 6,700,586</u>	<u>7,623,380</u>	<u>7,949,345</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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 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>-</u>	<u>969</u>	<u>1,203</u>
<b>Derivative financial assets:</b>			
Forward exchange contracts	\$ 57,895	87,748	190,887
Foreign exchange swap contracts	<u>11,778</u>	<u>-</u>	<u>963</u>
	<u>\$ 69,673</u>	<u>87,748</u>	<u>191,850</u>
<b>Financial liabilities at fair value through profit or loss – current:</b>			
<b>Derivative financial liabilities:</b>			
Forward exchange contracts	\$ (57,720)	(60,105)	(139,528)
Foreign exchange swap contracts	<u>(2,858)</u>	<u>-</u>	<u>(496)</u>
	<u>\$ (60,578)</u>	<u>(60,105)</u>	<u>(140,024)</u>

(Continued)

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

**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 September 30, 2016, and December 31 and September 30, 2015:

<b>September 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 371,000 thousand	October 3, 2016~ December 28, 2016	31.053~31.965
Forward exchange contracts — buy TWD / sell USD	USD 262,000 thousand	October 3, 2016~ December 28, 2016	31.204~32.005
Forward exchange swap contracts — swap in TWD / swap out USD	USD 109,000 thousand	November 4, 2016~ December 28, 2016	31.192~31.654
<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

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2015**

<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 145,000 thousand	October 5, 2015~ November 17, 2015	32.187~33.029
Forward exchange contracts— buy TWD / sell USD	USD 155,000 thousand	October 5, 2015~ November 17, 2015	32.325~33.203
Forward exchange contracts— buy USD / sell CNY	USD 125,000 thousand	October 16, 2015~ January 19, 2016	6.452~6.5208
Forward exchange contracts— buy CNY / sell USD	USD 125,000 thousand	October 16, 2015~ January 19, 2016	6.494~6.638
Forward exchange contracts— buy TWD / sell EUR	EUR 300 thousand	October 20, 2015	35.825
Foreign exchange swap contracts—swap in USD / swap out TWD	USD 10,000 thousand	November 16, 2015	33.027
Foreign exchange swap contracts—swap in TWD / swap out USD	USD 800 thousand	October 1, 2015	32.508

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>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Stocks listed in domestic markets	\$ 705,299	551,600	-
Stocks unlisted in domestic markets	12,017	16,297	302,497
Stocks unlisted in foreign markets	13,487	16,533	16,564
	<b><u>\$ 730,803</u></b>	<b><u>584,430</u></b>	<b><u>319,061</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.

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

	<b><u>For the three months ended September 30</u></b>		<b><u>For the nine months ended September 30</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Unrealized gains (losses)	\$ <b><u>184,984</u></b>	<b><u>5,475</u></b>	<b><u>229,209</u></b>	<b><u>28,684</u></b>

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

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

	<b><u>September 30, 2016</u></b>	<b><u>December 31, 2015</u></b>	<b><u>September 30, 2015</u></b>
Notes receivable	\$ 8,977	134,860	53,774
Accounts receivable	14,703,279	14,353,936	13,690,695
Accounts receivable – related parties	68,825	54,995	53,196
Other receivables	108,783	462,242	489,888
Less: allowance for doubtful accounts	(69,243)	(29,247)	(25,702)
allowance for sales returns and discounts	(50,342)	(34,927)	(37,153)
	<b><u>\$ 14,770,279</u></b>	<b><u>14,941,859</u></b>	<b><u>14,224,698</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.

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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**

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 September 30, 2016, and December 31 and September 30, 2015, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

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

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

September 30, 2015							
Buyer	Amount sold NTS	Credit facilities US\$ (expressed in thousands)	Cash received in advance NTS	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NTS	Amount not received
Mega International Commercial Bank	\$ -	25,000	-	-	US\$ 7,000	-	-
HSBC Bank	623,846	64,400	561,461	0.97%~1.14%	US\$ 58,000	561,461	62,385
Bank of Taiwan	-	26,000	-	-	NT\$ 725,400	-	-
	<u>\$ 623,846</u>	<u>115,400</u>	<u>561,461</u>			<u>561,461</u>	<u>62,385</u>

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

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(e) Inventories**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Raw materials	\$ 1,551,115	1,465,472	1,972,834
Semi-finished goods and work in process	1,368,635	1,488,325	2,180,421
Finished goods and merchandise	<u>3,529,729</u>	<u>4,396,812</u>	<u>3,141,178</u>
	<b><u>\$ 6,449,479</u></b>	<b><u>7,350,609</u></b>	<b><u>7,294,433</u></b>

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

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Additional losses on inventory valuation	\$ (143,496)	(111,477)	(602,711)	(90,376)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(33,994)	(16,142)	(115,070)	(55,516)
Losses on disposal of inventories	-	(2,990)	(19,737)	(87,239)
Gain (losses) on physical inventories, net	<u>2,351</u>	<u>(1,025)</u>	<u>4,187</u>	<u>(1,064)</u>
	<b><u>\$ (175,139)</u></b>	<b><u>(131,634)</u></b>	<b><u>(733,331)</u></b>	<b><u>(234,195)</u></b>

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(f) Non-current assets held for sale

The Group resolved to dispose parts of the shares of Global TEK during the directors' meeting held on June 21, 2016, and started the selling progress. The said shares were sold on October 3, 2016. Please refer to note 11. Details of assets and liabilities held for sale as of September 30, 2016 were as follows:

	<b><u>September 30, 2016</u></b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 439,531
Financial assets at fair value through profit or loss – current	1,003
Notes and accounts receivable, net	729,772
Other receivables	80,610
Inventories, net	442,955
Other current assets	<u>108,397</u>
	<u>1,802,268</u>
<b>Non-current assets:</b>	
Property, plant and equipment	1,209,963
Intangible assets	515,368
Deferred tax assets	34,145
Long-term prepaid rent	72,263
Other non-current assets	<u>26,440</u>
	<u>1,858,179</u>
<b>Reclassified as assets held for sale</b>	<b>\$ <u>3,660,447</u></b>
<b>Current liabilities:</b>	
Short-term borrowings	\$ 367,475
Notes and accounts payable	556,651
Other payables	309,682
Other current liabilities	13,641
Current portion of long-term borrowings	<u>74,810</u>
	<u>1,322,259</u>
<b>Non-current liabilities:</b>	
Long-term borrowings	250,665
Deferred tax liabilities	131,545
Other non-current liabilities	<u>6,403</u>
	<u>388,613</u>
<b>Reclassified as liabilities held for sale</b>	<b>\$ <u>1,710,872</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.

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

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

<u>Name of subsidiary</u>	<u>Principal Place of Business/Registered Country</u>	<u>Proportion of Ownership and Voting Rights Held by Non-controlling Interests</u>		
		<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
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.

1. TWEL and its subsidiaries:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Current assets	\$ 3,928,615	4,380,696	2,927,090
Non-current assets	3,122,470	3,126,982	3,109,549
Current liabilities	(2,843,118)	(3,440,368)	(1,983,809)
Non-current liabilities	(221,183)	(97,340)	(101,871)
Net assets	<u>\$ 3,986,784</u>	<u>3,969,970</u>	<u>3,950,959</u>
Non-controlling interests	<u>\$ 1,196,035</u>	<u>1,190,991</u>	<u>1,185,288</u>

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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**

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Operating revenue	\$ <u>2,163,868</u>	<u>1,701,532</u>	<u>5,680,021</u>	<u>3,964,130</u>
Net income	\$ 70,276	5,480	96,779	45,469
Other comprehensive income (loss)	(40,482)	61,305	(82,626)	43,437
Comprehensive income	\$ <u>29,794</u>	<u>66,785</u>	<u>14,153</u>	<u>88,906</u>
Net income attributable to non-controlling interests	\$ <u>21,083</u>	<u>1,643</u>	<u>29,034</u>	<u>13,640</u>
Comprehensive income attributable to non-controlling interests	\$ <u>8,938</u>	<u>20,035</u>	<u>4,246</u>	<u>26,672</u>
Cash flows from operating activities	\$ 105,853	559,813	(592,821)	6,026
Cash flows from investing activities	(125,396)	(61,989)	(200,042)	(85,299)
Cash flows from financing activities	(361)	(430)	(669)	10,047
Effect of foreign currency exchange translation	(29,633)	56,742	(60,408)	42,216
Net increase (decrease) in cash and cash equivalents	\$ <u>(49,537)</u>	<u>554,136</u>	<u>(853,940)</u>	<u>(27,010)</u>
Dividends paid to non-controlling interests	\$ -	-	-	-

2. Global TEK and its subsidiaries

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Current assets	\$ 1,802,268	1,447,425	1,522,914
Non-current assets	1,858,179	1,805,801	1,877,293
Current liabilities	(1,322,259)	(994,338)	(1,084,426)
Non-current liabilities	(388,613)	(408,586)	(438,837)
Net assets	\$ <u>1,949,575</u>	<u>1,850,302</u>	<u>1,876,944</u>
Non-controlling interests	\$ <u>1,370,490</u>	<u>1,295,213</u>	<u>1,313,860</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Operating revenue	\$ <u>613,236</u>	<u>562,205</u>	<u>1,878,077</u>	<u>1,475,753</u>
Net income	\$ <u>50,411</u>	<u>49,221</u>	<u>146,284</u>	<u>33,111</u>
Other comprehensive income (loss)	<u>(31,121)</u>	<u>24,052</u>	<u>(47,012)</u>	<u>25,533</u>
Comprehensive income	\$ <u>19,290</u>	<u>73,273</u>	<u>99,272</u>	<u>58,644</u>
Net income attributable to non-controlling interests	\$ <u>50,411</u>	<u>34,455</u>	<u>117,522</u>	<u>23,178</u>
Comprehensive income attributable to non-controlling interests	\$ <u>19,290</u>	<u>51,291</u>	<u>75,277</u>	<u>41,051</u>
Cash flows from operating activities	\$ <u>55,683</u>	<u>41,979</u>	<u>266,018</u>	<u>70,284</u>
Cash flows from investing activities	<u>(38,866)</u>	<u>(65,043)</u>	<u>(157,523)</u>	<u>(173,562)</u>
Cash flows from financing activities	<u>128,964</u>	<u>31,516</u>	<u>102,080</u>	<u>(186,460)</u>
Effect of foreign currency exchange translation	<u>(29,105)</u>	<u>(7,288)</u>	<u>(49,606)</u>	<u>12,960</u>
Net increase (decrease) in cash and cash equivalents	\$ <u>116,676</u>	<u>1,164</u>	<u>160,969</u>	<u>(276,778)</u>
Dividends paid to non-controlling interests	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the nine months ended September 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	-	35,631	287,320	29,869	722,543	-	1,075,363
Disposals	-	(65,505)	(423,858)	(26,198)	-	-	(515,561)
Reclassifications	111,822	325,418	455,865	(15,126)	(736,898)	(4,813)	136,268
Reclassifications to assets held for sale	(262,096)	(424,878)	(767,431)	(159,034)	(128,330)	-	(1,741,769)
Effect of movements in exchange rates	-	(295,037)	(488,285)	(44,758)	(30,115)	1,104	(857,091)
Balance on September 30, 2016	\$ <u>134,699</u>	<u>3,721,194</u>	<u>5,642,018</u>	<u>464,964</u>	<u>330,442</u>	<u>(16,440)</u>	<u>10,276,877</u>
Balance on January 1, 2015	\$ 22,879	3,062,153	4,741,057	578,964	779,029	(12,911)	9,171,171
Additions	-	13,032	477,975	33,796	1,613,565	-	2,138,368
Disposals	-	(28,261)	(156,052)	(19,903)	-	-	(204,216)
Acquisition from business combination	174,276	278,206	333,876	72,676	124,127	-	983,161
Reclassifications	-	49,329	862,735	(2,103)	(971,837)	-	(61,876)
Effect of movements in exchange rates	-	19,572	107,516	8,008	(12,577)	(109)	122,410
Balance on September 30, 2015	\$ <u>197,155</u>	<u>3,394,031</u>	<u>6,367,107</u>	<u>671,438</u>	<u>1,532,307</u>	<u>(13,020)</u>	<u>12,149,018</u>

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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>Land</u>	<u>Buildings, leasehold improvement, and additional equipment</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Government grants</u>	<u>Total</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	-	177,042	848,556	56,864	-	(2,881)	1,079,581
Disposals	-	(62,530)	(376,322)	(23,003)	-	-	(461,855)
Reclassifications to assets held for sale	-	(115,154)	(313,558)	(103,094)	-	-	(531,806)
Reclassifications	-	52,850	(32,772)	(12,105)	-	-	7,973
Effect of movements in exchange rates	-	(129,822)	(309,555)	(34,554)	-	862	(473,069)
Balance on September 30, 2016	\$ -	<u>1,659,763</u>	<u>3,534,824</u>	<u>333,479</u>	<u>-</u>	<u>(11,598)</u>	<u>5,516,468</u>
Balance on January 1, 2015	\$ -	1,643,871	3,214,184	384,695	-	(6,724)	5,236,026
Depreciation	-	187,113	651,386	72,306	-	(2,193)	908,612
Disposals	-	(28,262)	(115,700)	(17,486)	-	-	(161,448)
Reclassifications	-	5,521	(48,992)	11,434	-	-	(32,037)
Effect of movements in exchange rates	-	17,963	45,183	5,580	-	(126)	68,600
Balance on September 30, 2015	\$ -	<u>1,826,206</u>	<u>3,746,061</u>	<u>456,529</u>	<u>-</u>	<u>(9,043)</u>	<u>6,019,753</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 September 30, 2016	\$ <u>134,699</u>	<u>2,061,431</u>	<u>2,107,194</u>	<u>131,485</u>	<u>330,442</u>	<u>(4,842)</u>	<u>4,760,409</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 September 30, 2015	\$ <u>197,155</u>	<u>1,567,825</u>	<u>2,621,046</u>	<u>214,909</u>	<u>1,532,307</u>	<u>(3,977)</u>	<u>6,129,265</u>

1. The unamortized deferred revenue of equipment subsidy amounted to \$1,365,744, \$1,018,732 and \$967,345 as of September 30, 2016 and December 31 and September 30, 2015, respectively.

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

(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 September 30, 2016	\$ <u>16,249</u>	<u>19,543</u>	<u>35,792</u>
Balance on January 1, 2015	\$ <u>128,071</u>	<u>134,198</u>	<u>262,269</u>
Balance on September 30, 2015	\$ <u>128,071</u>	<u>131,528</u>	<u>259,599</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.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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 nine months ended September 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 September 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 September 30, 2016	\$ <u>1,850,383</u>	<u>522,869</u>	<u>305,007</u>	<u>25,043</u>	<u>2,703,302</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 September 30, 2015	\$ <u>2,101,996</u>	<u>852,760</u>	<u>484,289</u>	<u>32,787</u>	<u>3,471,832</u>

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. 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 nine months ended September 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.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(k) Short-term borrowings**

The details were as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Unsecured bank loans	\$ 2,892,208	1,130,518	3,995,350
Secured bank loans	-	220,051	91,568
Short-term borrowings	<u>\$ 2,892,208</u>	<u>1,350,569</u>	<u>4,086,918</u>
Unused credit lines	<u>\$ 6,800,992</u>	<u>10,729,002</u>	<u>6,412,143</u>
Annual interest rates	<u>0.93%~1.27%</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**

<b>September 30, 2016</b>				
	<b>Currency</b>	<b>Annual interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.95%~1.56%	2017~2020	\$ 934,444
Less: current portion				(715,555)
Total				<u>\$ 218,889</u>
Unused credit lines				<u>\$ -</u>

  

<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>\$ 1,055,140</u>
Unused credit lines				<u>\$ 228,086</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

<b>September 30, 2015</b>				
	<b>Currency</b>	<b>Annual interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.95%~1.56%	2017~2020	\$ 1,316,667
"	USD	2.66%	2018	44,738
Secured bank loans	TWD	1.80%~2.85%	2016~2026	326,449
"	USD	3.24%	2018	48,429
Less: current portion				(679,709)
Total				\$ <u>1,056,574</u>
Unused credit lines				\$ <u>1,974,274</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 September 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.

**(m) Operating lease**

**1. Lessee**

Non-cancellable operating lease rentals are payable as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Less than one year	\$ 230,713	251,403	236,502
Between one and five years	339,387	508,595	559,316
More than five years	<u>6,818</u>	<u>7,203</u>	<u>17,130</u>
	\$ <u>576,918</u>	<u>767,201</u>	<u>812,948</u>

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

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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:

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
Less than one year	\$ <u>1,414</u>	<u>1,060</u>	<u>2,318</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.

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.

	<u>For the three months</u> <u>ended September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Defined benefit plans	\$ 618	629	1,856	1,888
Defined contribution plans	<u>94,001</u>	<u>104,817</u>	<u>276,957</u>	<u>269,423</u>
	<u>\$ 94,619</u>	<u>105,446</u>	<u>278,813</u>	<u>271,311</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(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 September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Income tax expense	\$ <u>213,692</u>	<u>217,231</u>	<u>581,770</u>	<u>414,593</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>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Unappropriated earnings in 1998 and after	\$ <u>4,256,076</u>	<u>3,951,934</u>	<u>3,455,346</u>
Balance of imputation credit account	\$ <u>392,819</u>	<u>420,838</u>	<u>331,396</u>
		<b><u>2015 (actual)</u></b>	<b><u>2014 (actual)</u></b>
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.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(p) Capital and other equity

Except for the following paragraph, there were no significant change between the capital and the other equity for the nine months ended September 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 September 30, 2016 and December 31 and September 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 441,748, 441,188 and 441,214 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	<b>Ordinary shares</b>	
	<b>(in thousands of shares)</b>	
	<b>For the nine months</b>	
	<b>ended September 30</b>	
	<b>2016</b>	<b>2015</b>
Balance on January 1	441,188	434,658
Exercise of employee stock options	945	3,646
Issued for restricted stock	-	3,000
Retirement of restricted stock	(385)	(90)
Balance on September 30	<u>441,748</u>	<u>441,214</u>

2. Capital surplus

The balances of capital surplus were as follows:

	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Additional paid-in capital	\$ 496,415	447,630	437,398
Employee stock options	231,741	236,277	237,162
Restricted employee stock options	56,780	93,461	105,498
	<u>\$ 784,936</u>	<u>777,368</u>	<u>780,058</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**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.

**(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 September 30, 2016.

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other 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:

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

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.

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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**

**(q) Share-based payment**

Except for the following paragraph, there were no significant change on the share-based payment for the nine months ended September 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 September 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	\$16.20	\$25.20
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~ November 11, 2017)	5 years (November 24, 2011~ November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

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.

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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 nine months ended September 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	-	-	25.10	(102)
Exercised during the period	25.70	(626)	16.76	(1,044)
Expired during the period	-	-	27.70	(77)
Outstanding at September 30	22.56	<u>1,102</u>	23.81	<u>2,501</u>
Exercisable at September 30	22.56	<u>1,102</u>	20.72	<u>1,162</u>

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

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 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	-	-	-
Employee stock option plan 3 –Issued in October 2012	<u>891</u>	<u>1,517</u>	<u>2,055</u>
Outstanding at end of period	<u>1,102</u>	<u>1,728</u>	<u>2,501</u>

- (ii) As of September 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:

	For the nine months ended September 30			
	2016		2015	
	Weighted-average exercise price	Stock options (in thousands)	Weighted-average exercise price	Stock options (in thousands)
Outstanding at January 1	18.20	3,450	15.74	700
Granted during the period	-	-	18.82	2,750
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	16.50	(142)	-	-
Outstanding at September 30	18.27	<u>3,308</u>	18.195	<u>3,450</u>
Exercisable at September 30	-	<u>-</u>	-	<u>-</u>

**2. Restricted stock**

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

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

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**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 nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>
(Thousand shares)		
Outstanding at January 1	3,270	1,310
Granted during the period	-	3,000
Forfeited during the period	-	-
Vesting during the period	(974)	(155)
Expired during the period	(285)	(140)
Outstanding at September 30	<u>2,011</u>	<u>4,015</u>

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Expenses attributable to employee stock options	\$ 932	1,843	2,659	3,528
Restricted stock	<u>8,736</u>	<u>13,297</u>	<u>35,929</u>	<u>31,604</u>
Total	\$ <u>9,668</u>	<u>15,140</u>	<u>38,588</u>	<u>35,132</u>

  

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Salary payable:			
Current	\$ <u>1,938</u>	<u>4,092</u>	<u>4,884</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 per share

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

1. Basic earnings per share

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Profit attributable to common stockholders				
Continuing operations	\$ 561,764	486,528	1,380,625	1,258,501
Discontinued operations	-	14,766	28,762	9,933
Total	<u>\$ 561,764</u>	<u>501,294</u>	<u>1,409,387</u>	<u>1,268,434</u>
Weighted-average number of common shares (thousand shares)	<u>439,380</u>	<u>437,115</u>	<u>438,857</u>	<u>435,961</u>
Basic earnings per share (NT dollars)				
Continuing operations	\$ 1.28	1.12	3.15	2.89
Discontinued operations	-	0.03	0.06	0.02
Total	<u>\$ 1.28</u>	<u>1.15</u>	<u>3.21</u>	<u>2.91</u>

2. Diluted earnings per share

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Profit attributable to ordinary common				
Continuing operations	\$ 561,764	486,528	1,380,625	1,258,501
Discontinued operations	-	14,766	28,762	9,933
Total	<u>\$ 561,764</u>	<u>501,294</u>	<u>1,409,387</u>	<u>1,268,434</u>
Weighted-average number of common shares (diluted / thousand shares)	<u>442,685</u>	<u>441,101</u>	<u>442,884</u>	<u>441,845</u>
Diluted earnings per share (NT dollars):				
Continuing operations	\$ 1.27	1.11	3.12	2.85
Discontinued operations	-	0.03	0.06	0.02
Total	<u>\$ 1.27</u>	<u>1.14</u>	<u>3.18</u>	<u>2.87</u>

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Weighted-average number of common shares at September 30 (basic)	439,380	437,115	438,857	435,961
Effect of employee stock options	698	1,063	759	1,886
Effect of employee stock remuneration	1,444	1,537	2,105	2,735
Effect of restricted stock	1,163	1,386	1,163	1,263
Weighted-average number of common shares at September 30 (diluted)	<u><b>442,685</b></u>	<u><b>441,101</b></u>	<u><b>442,884</b></u>	<u><b>441,845</b></u>

(s) Operating revenue

The operating revenue was as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Goods sold	\$ 18,220,719	16,748,135	45,673,753	42,390,727
Services rendered	<u>267,727</u>	<u>472,492</u>	<u>1,120,274</u>	<u>1,413,842</u>
Continuing operations	18,488,446	17,220,627	46,794,027	43,804,569
Discontinued operations	<u>613,236</u>	<u>562,204</u>	<u>1,878,077</u>	<u>1,475,753</u>
Total	<u><b>\$ 19,101,682</b></u>	<u><b>17,782,831</b></u>	<u><b>48,672,104</b></u>	<u><b>45,280,322</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.

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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**

Details of remuneration to employees and directors were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Employee remuneration	\$ 24,970	31,966	66,365	65,631
Directors remuneration	9,988	12,786	26,546	26,252
	<b>\$ 34,958</b>	<b>44,752</b>	<b>92,911</b>	<b>91,883</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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**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 September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Interest revenue of cash in banks	\$ 33,775	46,139	103,396	137,281
Rent revenue	1,969	3,872	3,229	8,991
Dividend revenue	14,692	-	14,692	-
Other	850	466	3,875	1,768
	<u>\$ 51,286</u>	<u>50,477</u>	<u>125,192</u>	<u>148,040</u>

(v) Other gains and losses

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 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	-
Net losses on disposal of property, plant and equipment	(4,439)	(1,087)	(5,016)	(4,341)
Net gains (losses) on financial assets/liabilities measured at fair value through profit or loss	(14,062)	49,702	9,097	52,053
Foreign currency exchange gains (losses), net	(1,043)	90,726	153,076	233,928
Loss on impairment of available-for-sale financial assets	-	-	-	(940)
Other	(43,241)	725	(9,714)	16,549
	<u>\$ (62,785)</u>	<u>140,066</u>	<u>288,412</u>	<u>297,249</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Unrealized gains (losses) on available-for-sale financial assets (after tax)				
Net changes measured at fair value during the period	\$ 184,984	5,475	370,178	28,684
Net changes measured at fair value reclassified to income statement	<u>-</u>	<u>-</u>	<u>(140,969)</u>	<u>-</u>
Net changes measured at fair value recognized as other comprehensive income	<u>\$ 184,984</u>	<u>5,475</u>	<u>229,209</u>	<u>28,684</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:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Past due 0-30 days	\$ 561,821	1,215,010	689,020
Past due 31-90 days	47,009	122,456	146,563
Past due 91-180 days	10,559	14,149	28,968
Past due 181-360 days	16,142	26,023	4,000
Past due over a year	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 635,531</u>	<u>1,377,638</u>	<u>868,551</u>

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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**

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

The changes in the allowance for the nine months ended September 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	-	45,704	45,704
Amounts written off	-	(865)	(865)
Reclassification to assets held for sale	-	(2,450)	(2,450)
Exchange differences on translation of foreign currency	-	(2,393)	(2,393)
Balance on September 30, 2016	\$ -	<u>69,243</u>	<u>69,243</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	-	375	375
Acquisition from business combination	-	469	469
Amounts written off	-	(1,893)	(1,893)
Exchange differences on translation of foreign currency	-	717	717
Balance on September 30, 2015	\$ -	<u>25,702</u>	<u>25,702</u>

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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**

**2. Liquidity risk**

The following table shows the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6~12 months</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
<b>September 30, 2016</b>							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 2,892,208	2,892,208	2,892,208	-	-	-	-
Notes and accounts payable	16,157,807	16,157,807	16,157,807	-	-	-	-
Other payables	1,961,064	1,961,064	1,961,064	-	-	-	-
Long-term borrowings	934,444	944,148	611,474	110,084	137,729	84,861	-
Guarantee deposits	112,973	112,973	-	-	-	-	112,973
Derivative financial liabilities:	60,578	-	-	-	-	-	-
Outflow	-	3,550,436	3,550,436	-	-	-	-
Inflow	-	(3,484,502)	(3,484,502)	-	-	-	-
	<u>\$ 22,119,074</u>	<u>22,134,134</u>	<u>21,688,487</u>	<u>110,084</u>	<u>137,729</u>	<u>84,861</u>	<u>112,973</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>September 30, 2015</b>							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 4,086,918	4,086,918	4,086,918	-	-	-	-
Notes and accounts payable	16,452,740	16,452,740	16,452,740	-	-	-	-
Other payables	2,252,512	2,252,512	2,252,512	-	-	-	-
Long-term borrowings	1,736,283	1,792,944	352,810	343,205	662,609	322,704	101,616
Guarantee deposits	110,534	110,534	-	-	-	-	110,534
Derivative financial liabilities:	140,024	-	-	-	-	-	-
Outflow	-	4,308,828	4,308,828	-	-	-	-
Inflow	-	(4,177,754)	(4,177,754)	-	-	-	-
	<u>\$ 24,779,011</u>	<u>24,826,722</u>	<u>23,276,054</u>	<u>343,205</u>	<u>662,609</u>	<u>332,704</u>	<u>212,150</u>

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

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**3. Currency risk**

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

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

	September 30, 2016			December 31, 2015			September 30, 2015		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b><u>Financial assets</u></b>									
<b><u>Monetary items</u></b>									
USD:CNY	\$ 346,113	6.6778	10,856,180	472,140	6.4936	15,611,768	359,995	6.3613	11,925,914
USD:HKD	70,180	7.7561	2,201,259	403,487	7.751	13,341,701	247,384	7.75	8,195,337
USD:TWD	382,290	31.366	11,990,895	430,293	33.066	14,228,077	400,390	33.128	13,264,106
<b><u>Financial liabilities</u></b>									
<b><u>Monetary items</u></b>									
USD:CNY	372,337	6.6778	11,678,725	434,501	6.4936	14,367,209	405,086	6.3613	13,419,695
USD:HKD	78,235	7.7561	2,453,910	395,385	7.751	13,073,812	242,013	7.75	8,017,395
USD:TWD	339,487	31.366	10,648,360	397,940	33.066	13,158,292	333,485	33.128	11,047,685

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 September 30, 2016 and 2015, would have increased or decreased the net profit after tax by \$11,095 and \$37,374, 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 September 30, 2016 and 2015, the foreign exchange gains, including both realized and unrealized, amounted to \$(1,043) and \$90,726, respectively. For the nine months ended September 30, 2016 and 2015, the foreign exchange gains, including both realized and unrealized, amounted to \$153,076 and \$233,928, 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.

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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 after tax would have increased or decreased by \$1,235 and decreased or increased \$930 for the nine months ended September 30, 2016 and 2015, respectively, mainly as a result of bank savings and borrowings with variable interest rates.

**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.

	September 30, 2016				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss — current	\$ 69,673	-	-	69,673	69,673
Available-for-sale financial assets — non-current	\$ 730,803	705,299	-	25,504	730,803
Loans and receivables					
Cash and cash equivalents	\$ 6,700,586				
Notes and accounts receivable (including related parties)	14,661,496				
Other receivables	108,783				
Total	\$ 21,470,865				
Financial liabilities at fair value through profit or loss — current	\$ 60,578	-	-	60,578	60,578
Financial liabilities carried at amortized cost					
Borrowings	\$ 3,826,652				
Notes and accounts payable	16,157,807				
Salary payable	998,131				
Other payables	3,162,843				
Guarantee deposits received	112,972				
Total	\$ 24,258,405				

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

		December 31, 2015			
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss — current</b>	<b>\$ 88,717</b>	<b>969</b>	<b>-</b>	<b>87,748</b>	<b>88,717</b>
<b>Available-for-sale financial assets — non-current</b>	<b>\$ 584,430</b>	<b>551,600</b>	<b>-</b>	<b>32,830</b>	<b>584,430</b>
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 7,623,380				
Notes and accounts receivable (including related parties)	14,479,617				
Other receivables	462,242				
<b>Total</b>	<b>\$ 22,565,239</b>				
<b>Financial liabilities at fair value through profit or loss — current</b>	<b>\$ 60,105</b>	<b>-</b>	<b>-</b>	<b>60,105</b>	<b>60,105</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	118,641				
<b>Total</b>	<b>\$ 26,989,520</b>				
		September 30, 2015			
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss — current</b>	<b>\$ 193,053</b>	<b>1,203</b>	<b>-</b>	<b>191,850</b>	<b>193,053</b>
<b>Available-for-sale financial assets — non-current</b>	<b>\$ 319,061</b>	<b>-</b>	<b>-</b>	<b>319,061</b>	<b>319,061</b>
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 7,949,345				
Notes and accounts receivable (including related parties)	13,734,810				
Other receivables	489,888				
<b>Total</b>	<b>\$ 22,174,043</b>				
<b>Financial liabilities at fair value through profit or loss — current</b>	<b>\$ 140,024</b>	<b>-</b>	<b>-</b>	<b>140,024</b>	<b>140,024</b>
<b>Financial liabilities carried at amortized cost</b>					
Borrowings	\$ 5,823,201				
Notes and accounts payable	16,452,740				
Salary payable	1,075,675				
Other payables	3,270,329				
Guarantee deposits received	110,534				
<b>Total</b>	<b>\$ 26,732,479</b>				

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(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.

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 nine months ended September 30, 2016 and 2015.

(iv) Changes in Level 3

For the nine months ended September 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	9,095	-	9,095	51,826	(940)	50,886
Recognized in other comprehensive income	-	(3,792)	(3,792)	-	28,684	28,684
Acquisition / disposal	(27,643)	(3,534)	(31,177)	(15,695)	(1,599)	(17,294)
Balance on September 30	\$ <u>9,095</u>	<u>25,504</u>	<u>34,599</u>	<u>51,826</u>	<u>319,061</u>	<u>370,887</u>

(Continued)

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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	Lack-of-Marketability Discount(80% on September 30, 2015)	The higher the Lack-of-Marketability Discount is, the lower the fair value will be.
Available-for-sale financial assets – equity securities not listed on emerging stock market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at fair value through profit or loss	(note 2)	(note 2)	(note 2)

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

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

**(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>September 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>35,189</u>	<u>35,189</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.

(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 September 30</u>		<u>For the nine months ended September 30</u>		<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>			
Other related parties	\$ <u>54,464</u>	<u>37,509</u>	<u>142,549</u>	<u>110,350</u>	<u>68,825</u>	<u>54,995</u>	<u>53,196</u>

(Continued)

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

**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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:

	<u>September 30, 2015.</u>
Key management personnel of Global TEK	\$ <u>103,936</u>

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

**(c) Key management personnel compensation**

Key management personnel compensation from continuing operations:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	\$ 49,481	34,465	133,734	103,897
Post-employment benefits	262	231	834	721
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	<u>4,011</u>	<u>5,734</u>	<u>13,098</u>	<u>10,521</u>
	<u>\$ 53,754</u>	<u>40,430</u>	<u>147,666</u>	<u>115,139</u>

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

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 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>1,174</u>	<u>4,667</u>	<u>4,310</u>
Property, plant and equipment	Loan collateral	\$ <u>-</u>	<u>699,107</u>	<u>554,791</u>
Long-term prepaid rent	Loan collateral	\$ <u>-</u>	<u>99,832</u>	<u>130,981</u>

**(9) Commitments and Contingencies**

(a) The amounts of guarantee were as follows:

<u>Guarantor</u>	<u>Guarantee</u>	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
The Company	PCH2	\$ 364,473	384,227	53,667
PCH2	PCQ1	188,196	231,462	231,896
PCH2	PKS1	94,098	99,198	99,384
Global TEK	GT	-	30,000	30,000
Global TEK	GLOBAL TEK CO (WUXI), LTD	-	-	49,692
GT	Global TEK	-	50,000	50,000
GT	GLOBAL TEK CO (WUXI), LTD	47,049	49,599	49,692
		\$ <u>693,816</u>	<u>844,486</u>	<u>564,331</u>

(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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Guarantee letters	\$ <u>99,527</u>	<u>39,912</u>	<u>24,935</u>

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

- (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>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
Sales of accounts receivable	\$ <u>2,748,258</u>	<u>2,874,690</u>	<u>2,878,720</u>
Long-term borrowings	\$ <u>2,160,000</u>	<u>2,598,906</u>	<u>5,498,836</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>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
Property, plant and equipment	\$ <u>47,902</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>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
Patent license agreements	\$ <u>-</u>	<u>69,670</u>	<u>99,384</u>

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

**(11) Subsequent Events:**

The Board resolved to dispose 11,020 thousands of its 16,530 thousands shares in Global TEK, at NT\$50 per share, on June 21 and September 21, 2016. The related transaction has been settled on October 3, 2016. The Company recognized a gain on disposal of \$245,762 thousands, including the gain from revaluing the rest of its shares at fair value amounting to \$82,471 thousands due to its loss of control over Global TEK.

(Continued)

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(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 September 30, 2016			For the three months ended September 30, 2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	1,070,495	767,526	1,838,021	1,121,000	661,447	1,782,447
Labor and health insurance	26,009	25,263	51,272	30,636	24,706	55,342
Pension	69,790	24,829	94,619	80,501	24,945	105,446
Others	12,751	39,939	52,690	18,689	39,543	58,232
Depreciation	319,817	26,463	346,280	273,131	31,210	304,341
Amortization	5,163	39,774	44,937	3,447	67,944	71,391

By function By item	For the nine months ended September 30, 2016			For the nine months ended September 30, 2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	2,838,473	1,846,733	4,685,206	3,019,415	1,707,948	4,727,363
Labor and health insurance	79,678	81,096	160,774	80,751	80,409	161,160
Pension	204,299	74,514	278,813	200,001	71,310	271,311
Others	38,486	109,771	148,257	61,353	110,529	171,882
Depreciation	955,234	85,062	1,040,296	751,908	93,244	845,152
Amortization	15,161	119,970	135,131	9,818	146,971	156,789

**(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 September 30, 2015, the comparative periods in the consolidated statements of comprehensive income are restated. Income from continuing and discontinued operations are disclosed respectively.

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**PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Details of discontinued operations were as follow:

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Operating revenue	\$ 613,236	562,204	1,878,077	1,475,753
Operating cost	(455,683)	(423,353)	(1,413,933)	(1,172,290)
Gross profit	157,553	138,851	464,144	303,463
Operating expenses	(98,788)	(93,544)	(270,040)	(243,552)
Net operating income	58,765	45,307	194,104	59,911
Non-operating income (expenses)	9,200	10,527	8,878	(9,064)
Income before income taxes	67,965	55,834	202,982	50,847
Income tax expense	(17,554)	(6,613)	(56,698)	(17,736)
Net income from discontinued operations	\$ <u>50,411</u>	<u>49,221</u>	<u>146,284</u>	<u>33,111</u>
Net income attributable to:				
Stockholders of parent	\$ -	14,766	28,762	9,933
Non-controlling interests	50,411	34,455	117,522	23,178
	\$ <u>50,411</u>	<u>49,221</u>	<u>146,284</u>	<u>33,111</u>
Cash flows from discontinued operations:				
Cash flows from operating activities	\$ 55,683	41,979	266,018	70,284
Cash flows from investing activities	(38,866)	(65,043)	(157,523)	(173,562)
Cash flows from financing activities	128,964	31,516	102,080	(186,460)
Effect of foreign currency exchange translation	(29,105)	(7,288)	(49,606)	12,960
Net increase (decrease) in cash and cash in equivalents	\$ <u>116,676</u>	<u>1,164</u>	<u>160,969</u>	<u>(276,778)</u>

**(13) Segment Information**

For the nine months ended September 30, 2016 and 2015, the Group's segment information has no significant change. Please refer to note 13 of the consolidated financial statements for the year ended December 31, 2015 for further information.

	For the three months ended September 30, 2016		
	Computer Peripherals	Non-computer Peripherals	Total
External revenue	\$ 6,586,438	12,515,244	19,101,682
Intra-group revenue	-	-	-
Elimination from discontinued operations	-	(613,236)	(613,236)
Total revenue	\$ <u>6,586,438</u>	<u>11,902,008</u>	<u>18,488,446</u>
Profit from segments reported	\$ 394,401	470,103	864,504
Elimination from discontinued operation	-	(67,965)	(67,965)
Total profit	\$ <u>394,401</u>	<u>402,138</u>	<u>796,539</u>

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## PRIMAX ELECTRONICS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

For the three months ended September 30, 2015  
(restated)

	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
External revenue	\$ 7,605,687	10,177,144	17,782,831
Intra-group revenue	-	-	-
Elimination from discontinued operation	-	(562,204)	(562,204)
Total revenue	\$ <u>7,605,687</u>	<u>9,614,940</u>	<u>17,220,627</u>
Profit from segments reported	\$ 408,255	352,981	761,236
Elimination from discontinued operation	-	(55,834)	(55,834)
Total profit	\$ <u>408,255</u>	<u>297,147</u>	<u>705,402</u>

## For the nine months ended September 30, 2016

	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
External revenue	\$ 19,628,038	29,044,066	48,672,104
Intra-group revenue	-	-	-
Elimination from discontinued operation	-	(1,878,077)	(1,878,077)
Total revenue	\$ <u>19,628,038</u>	<u>27,165,989</u>	<u>46,794,027</u>
Profit from segments reported	\$ 1,173,653	1,020,758	2,194,411
Elimination from discontinued operation	-	(202,982)	(202,982)
Total profit	\$ <u>1,173,653</u>	<u>817,776</u>	<u>1,991,429</u>

For the nine months ended September 30, 2015  
(restated)

	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
External revenue	\$ 21,095,329	24,184,993	45,280,322
Intra-group revenue	-	-	-
Elimination from discontinued operation	-	(1,475,753)	(1,475,753)
Total revenue	\$ <u>21,095,329</u>	<u>22,709,240</u>	<u>43,804,569</u>
Profit from segments reported	\$ 1,158,495	579,086	1,737,581
Elimination from discontinued operation	-	(50,847)	(50,847)
Total profit	\$ <u>1,158,495</u>	<u>528,239</u>	<u>1,686,734</u>