Stock Code:4915

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

# PRIMAX ELECTRONICS LTD.
# AND ITS SUBSIDIARIES

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**September 30, 2017 and 2016**
**(With Independent Auditors' Review Report Thereon)**

Address: No. 669, Ruey Kuang Road, Neihu, Taipei
Telephone: (02)2798-9008

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

# Table of contents

## Independent Auditors' Review Report

To the Board of Directors PRIMAX ELECTRONICS LTD.:

We have reviewed the accompanying consolidated balance sheets of PRIMAX ELECTRONICS LTD. and its subsidiaries (the " Group" ) as of September 30, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months and for the nine months ended September 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews. We have not reviewed the financial statements of Tymphany Worldwide Enterprises Ltd. with total assets of NT$8,690,495 thousand and NT$4,353,056 thousand, constituting 24.0% and 10.6% of the related consolidated total assets, as of September 30, 2017 and 2016, respectively. Its operating revenue amounted to NT$3,953,066 thousand and NT$2,156,067 thousand, constituting 26.4% and 11.7%, of the consolidated operating revenue for the three months ended September 30, 2017 and 2016, respectively. Also, Its operating revenue amounted to NT$10,143,155 thousand and NT$5,654,910 thousand, constituting 24.3% and 12.1% of the consolidated operating revenue for the nine months ended September 30, 2017 and 2016, respectively. Those financial statements were reviewed by other auditors, whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

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

Also included in the accompanying consolidated interim financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. These consolidated subsidiaries had the total assets of NT$3,456,935 thousand and NT$5,170,051 thousand, constituting 9.5% and 12.5% of the Group's consolidated total assets as of September 30, 2017 and 2016, respectively; the total liabilities of NT$2,686,610 thousand and NT$4,058,872 thousand, constituting 11.4% and 14.5% of the Group's consolidated total liabilities as of September 30, 2017 and 2016, respectively; as well as the comprehensive income of NT$7,301 thousand and NT$30,515 thousand, constituting 1.0% and 5.9% of the Group's consolidated comprehensive income for the three months ended September 30, 2017 and 2016, respectively. Also, the comprehensive income amounted to a loss of NT$43,416 thousand and a gain of NT$90,775 thousand, constituting 2.9% and 7.9% of the Group's consolidated comprehensive income for the nine months ended September 30, 2017 and 2016, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
November 14, 2017

**Notes to Readers**

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

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

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

**Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2017 and 2016**

## PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

## Consolidated Balance Sheets

## September 30, 2017, December 31, and September 30, 2016

## (Expressed in Thousands of New Taiwan Dollars)

| | | September 30, 2017 | | December 31, 2016 | | September 30, 2016 | |
|---|---|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 5,859,859 | 16 | 6,359,916 | 17 | 6,700,586 | 16 |
| 1110 | Current financial assets at fair value through profit or loss (note 6(b)) | 96,150 | - | 141,317 | - | 69,673 | - |
| 1170 | Notes and accounts receivable, net (note 6(d)) | 12,205,238 | 34 | 13,603,873 | 37 | 14,592,671 | 36 |
| 1180 | Accounts receivable from related parties, net (notes 6(d) and 7(b)) | 91,978 | - | 102,841 | - | 68,825 | - |
| 1200 | Other receivables, net (note 6(d)) | 763,609 | 2 | 495,392 | 2 | 108,783 | - |
| 1310 | Inventories (note 6(e)) | 7,086,835 | 20 | 6,670,547 | 18 | 6,449,479 | 16 |
| 1460 | Non-current assets classified as held for sale, net (note 6(f)) | - | - | - | - | 3,660,447 | 9 |
| 1470 | Other current assets | 824,749 | 2 | 425,668 | 1 | 442,772 | 1 |
| | | 26,928,418 | 74 | 27,799,554 | 75 | 32,093,236 | 78 |
| | **Non-current assets:** | | | | | | |
| 1523 | Available-for-sale financial assets－non-current (note 6(c)) | 950,288 | 3 | 887,801 | 2 | 730,803 | 2 |
| 1600 | Property, plant and equipment (note 6(i)) | 4,535,046 | 12 | 4,717,422 | 13 | 4,760,409 | 11 |
| 1760 | Investment property (note 6(j)) | 35,330 | - | 35,677 | - | 35,792 | - |
| 1780 | Intangible assets (note 6(k)) | 2,762,819 | 8 | 2,673,670 | 7 | 2,703,302 | 7 |
| 1840 | Deferred tax assets | 566,752 | 2 | 570,205 | 2 | 469,404 | 1 |
| 1985 | Long-term prepaid rents | 224,876 | 1 | 264,014 | 1 | 276,668 | 1 |
| 1990 | Other non-current assets (note 8) | 202,142 | - | 173,706 | - | 171,310 | - |
| | | 9,277,253 | 26 | 9,322,495 | 25 | 9,147,688 | 22 |
| | **Total assets** | $ 36,205,671 | 100 | 37,122,049 | 100 | 41,240,924 | 100 |

| | | September 30, 2017 | | December 31, 2016 | | September 30, 2016 | |
|---|---|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | | | |
| 2100 | Short-term borrowings (note 6(l)) | $ 1,983,274 | 5 | - | - | 2,892,208 | 7 |
| 2170 | Notes and accounts payable | 14,385,648 | 40 | 16,892,918 | 46 | 16,157,807 | 39 |
| 2120 | Current financial liabilities at fair value through profit or loss (note 6(b)) | 72,503 | - | 150,430 | - | 60,578 | - |
| 2200 | Other payables | 3,869,175 | 11 | 3,878,606 | 10 | 3,162,843 | 8 |
| 2201 | Salary payable (note 6(r)) | 924,886 | 3 | 1,146,183 | 3 | 998,131 | 2 |
| 2300 | Other current liabilities | 496,952 | 1 | 350,860 | 1 | 292,856 | 1 |
| 2320 | Long-term borrowings, current portion (note 6(m)) | 135,555 | - | 382,222 | 1 | 715,555 | 2 |
| 2260 | Liabilities related to non-current assets classified as held for sale (note 6(f)) | - | - | - | - | 1,710,872 | 4 |
| | | 21,867,993 | 60 | 22,801,219 | 61 | 25,990,850 | 63 |
| | **Non-Current liabilities:** | | | | | | |
| 2540 | Long-term borrowings (note 6(m)) | 83,333 | - | 218,889 | 1 | 218,889 | - |
| 2630 | Long-term deferred revenue (note 6(i)) | 1,094,299 | 3 | 1,408,138 | 4 | 1,464,370 | 4 |
| 2600 | Other non-current liabilities | 453,748 | 2 | 449,345 | 1 | 381,348 | 1 |
| | | 1,631,380 | 5 | 2,076,372 | 6 | 2,064,607 | 5 |
| | **Total liabilities** | 23,499,373 | 65 | 24,877,591 | 67 | 28,055,457 | 68 |
| | **Equity attributable to owners of parent:** | | | | | | |
| 3110 | Ordinary shares (note 6(q)) | 4,452,473 | 12 | 4,421,343 | 12 | 4,417,478 | 11 |
| 3140 | Capital collected in advance | 10,918 | - | 3,024 | - | 9,740 | - |
| 3200 | Capital surplus (note 6(q)) | 915,425 | 2 | 791,466 | 2 | 784,936 | 2 |
| 3310 | Legal reserve (note 6(q)) | 982,041 | 3 | 788,634 | 2 | 788,634 | 2 |
| 3320 | Special reserve (note 6(q)) | 97,300 | - | 97,300 | - | 97,300 | - |
| 3350 | Unappropriated retained earnings (note 6(q)) | 4,973,312 | 14 | 4,779,419 | 13 | 4,256,076 | 10 |
| 3400 | Other equity interest | (54,388) | - | 118,538 | - | 264,778 | 1 |
| 36XX | **Non-controlling interests** (note 6(h)) | 1,329,217 | 4 | 1,244,734 | 4 | 2,566,525 | 6 |
| | **Total equity** | 12,706,298 | 35 | 12,244,458 | 33 | 13,185,467 | 32 |
| | **Total liabilities and equity** | $ 36,205,671 | 100 | 37,122,049 | 100 | 41,240,924 | 100 |

See accompanying notes to consolidated Interim Financial Statements.

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

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

## PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the three months and for the nine months ended September 30, 2017 and 2016

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

| | | For the three months ended September 30 | | | | For the nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | | 2016 | | 2017 | | 2016 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | **Operating revenue (notes 6(t) and 7(b))** | $ 14,997,014 | 100 | 18,488,446 | 100 | 41,713,386 | 100 | 46,794,027 | 100 |
| 5000 | **Operating costs (notes 6(e), (i), (o), (r), (u), and 12(a))** | 13,016,223 | 87 | 16,294,983 | 88 | 36,334,229 | 87 | 41,631,843 | 89 |
| | **Gross profit** | 1,980,791 | 13 | 2,193,463 | 12 | 5,379,157 | 13 | 5,162,184 | 11 |
| | **Operating expenses (notes 6(g), (o), (r), (u) and 12(a)):** | | | | | | | | |
| 6100 | Selling expenses | 383,913 | 3 | 417,538 | 3 | 1,016,733 | 3 | 1,111,663 | 2 |
| 6200 | Administrative expenses | 368,171 | 2 | 347,496 | 2 | 977,926 | 2 | 821,924 | 2 |
| 6300 | Research and development expenses | 629,518 | 4 | 586,091 | 3 | 1,659,743 | 4 | 1,565,682 | 3 |
| | **Total operating expenses** | 1,381,602 | 9 | 1,351,125 | 8 | 3,654,402 | 9 | 3,499,269 | 7 |
| | **Net operating income** | 599,189 | 4 | 842,338 | 4 | 1,724,755 | 4 | 1,662,915 | 4 |
| | **Non-operating income and expenses:** | | | | | | | | |
| 7010 | Other income (note 6(v)) | 44,866 | - | 51,286 | - | 126,706 | - | 125,192 | - |
| 7020 | Other gains and losses (notes 6(c) and (w)) | 255,982 | 2 | (62,785) | - | 335,670 | 1 | 288,412 | - |
| 7050 | Finance costs | (9,042) | - | (34,300) | - | (26,157) | - | (85,090) | - |
| | **Total non-operating income and expenses** | 291,806 | 2 | (45,799) | - | 436,219 | 1 | 328,514 | - |
| | **Profit from continuing operations before tax** | 890,995 | 6 | 796,539 | 4 | 2,160,974 | 5 | 1,991,429 | 4 |
| 7950 | **Less: income tax expense (note 6(p))** | 248,622 | 2 | 213,692 | 1 | 569,691 | 1 | 581,770 | 1 |
| | **Profit from continuing operations** | 642,373 | 4 | 582,847 | 3 | 1,591,283 | 4 | 1,409,659 | 3 |
| 8100 | **Profit from discontinued operations, net of tax (note 12(b))** | - | - | 50,411 | - | - | - | 146,284 | - |
| | **Profit** | 642,373 | 4 | 633,258 | 3 | 1,591,283 | 4 | 1,555,943 | 3 |
| 8300 | **Other comprehensive income:** | | | | | | | | |
| 8360 | **Items that may be reclassified subsequently to profit or loss:** | | | | | | | | |
| 8361 | Exchange differences on translation of foreign operation's financial statements | 133,990 | 1 | (298,990) | (1) | (136,027) | - | (642,998) | (1) |
| 8362 | Unrealized gains on available-for-sale financial assets (note 6(c)) | (43,052) | - | 184,984 | 1 | 49,015 | - | 229,209 | - |
| 8399 | Income tax expense related to items that may be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | 90,938 | 1 | (114,006) | - | (87,012) | - | (413,789) | (1) |
| 8300 | **Other comprehensive income after tax** | 90,938 | 1 | (114,006) | - | (87,012) | - | (413,789) | (1) |
| | **Comprehensive income** | **$ 733,311** | **5** | **519,252** | **3** | **1,504,271** | **4** | **1,142,154** | **2** |
| | **Profit attributable to:** | | | | | | | | |
| 8610 | Owners of parent | $ 618,975 | 4 | 561,764 | 3 | 1,499,186 | 4 | 1,409,387 | 3 |
| 8620 | Non-controlling interests | 23,398 | - | 71,494 | - | 92,097 | - | 146,556 | - |
| | | **$ 642,373** | **4** | **633,258** | **3** | **1,591,283** | **4** | **1,555,943** | **3** |
| | **Comprehensive income attributable to:** | | | | | | | | |
| 8710 | Owners of parent | $ 701,415 | 5 | 491,024 | 3 | 1,420,631 | 4 | 1,062,631 | 2 |
| 8720 | Non-controlling interests | 31,896 | - | 28,228 | - | 83,640 | - | 79,523 | - |
| | **Earnings per share (note 6(s))** | **$ 733,311** | **5** | **519,252** | **3** | **1,504,271** | **4** | **1,142,154** | **2** |
| 9710 | **Basic earnings per share (NT dollars)** | | | | | | | | |
| | Profit from continuing operations | $ | 1.40 | | 1.28 | | 3.40 | | 3.15 |
| | Profit from discontinued operations | | - | | - | | - | | 0.06 |
| | **Profit per share** | **$** | **1.40** | | **1.28** | | **3.40** | | **3.21** |
| 9810 | **Diluted earnings per share (NT dollars)** | | | | | | | | |
| | Profit from continuing operations | $ | 1.39 | | 1.27 | | 3.37 | | 3.12 |
| | Profit from discontinued operations | | - | | - | | - | | 0.06 |
| | **Profit per share** | **$** | **1.39** | | **1.27** | | **3.37** | | **3.18** |

See accompanying notes to consolidated Interim Financial Statements.

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

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

## PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the nine months ended September 30, 2017 and 2016

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | | | Retained earnings | | | Other equity interest | | | | | |
| | Ordinary shares | capital collected in advance | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of operation's financial statements | Unrealized gains (losses) on available-for-sale financial assets | Unearned employee compensation | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **Balance at January 1, 2016** | $ 4,411,877 | 15,174 | 777,368 | 611,322 | 97,300 | 3,951,934 | 351,045 | 294,760 | (80,399) | 10,430,381 | 2,486,204 | 12,916,585 |
| Profit | - | - | - | - | - | 1,409,387 | - | - | - | 1,409,387 | 146,556 | 1,555,943 |
| Other comprehensive income | - | - | - | - | - | - | (575,965) | 229,209 | - | (346,756) | (67,033) | (413,789) |
| Comprehensive income | - | - | - | - | - | 1,409,387 | (575,965) | 229,209 | - | 1,062,631 | 79,523 | 1,142,154 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | 177,312 | - | (177,312) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (927,933) | - | - | - | (927,933) | - | (927,933) |
| Amortization expense of restricted employee stock | - | - | - | - | - | - | - | - | 35,929 | 35,929 | - | 35,929 |
| Retirement of restricted stock | (3,850) | - | (6,349) | - | - | - | - | - | 10,199 | - | - | - |
| Compensation cost of share-based payment | - | - | 1,861 | - | - | - | - | - | - | 1,861 | 798 | 2,659 |
| Exercise of employee stock options | - | 16,073 | - | - | - | - | - | - | - | 16,073 | - | 16,073 |
| Issuance of ordinary shares for employee stock option | 9,451 | (21,507) | 12,056 | - | - | - | - | - | - | - | - | - |
| **Balance at September 30, 2016** | **$ 4,417,478** | **9,740** | **784,936** | **788,634** | **97,300** | **4,256,076** | **(224,920)** | **523,969** | **(34,271)** | **10,618,942** | **2,566,525** | **13,185,467** |
| **Balance at January 1,2017** | $ 4,421,343 | 3,024 | 791,466 | 788,634 | 97,300 | 4,779,419 | (259,911) | 405,466 | (27,017) | 10,999,724 | 1,244,734 | 12,244,458 |
| Profit | - | - | - | - | - | 1,499,186 | - | - | - | 1,499,186 | 92,097 | 1,591,283 |
| Other comprehensive income | - | - | - | - | - | - | (127,570) | 49,015 | - | (78,555) | (8,457) | (87,012) |
| Comprehensive income | - | - | - | - | - | 1,499,186 | (127,570) | 49,015 | - | 1,420,631 | 83,640 | 1,504,271 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | 193,407 | - | (193,407) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (1,111,886) | - | - | - | (1,111,886) | - | (1,111,886) |
| Amortization expense of restricted employee stock | - | - | - | - | - | - | - | - | 53,837 | 53,837 | - | 53,837 |
| Compensation cost of share-based payment | - | - | 1,967 | - | - | - | - | - | - | 1,967 | 843 | 2,810 |
| Retirement of restricted stock | (820) | - | (3,002) | - | - | - | - | - | 3,822 | - | - | - |
| Issuance of restricted stock | 30,000 | - | 122,030 | - | - | - | - | - | (152,030) | - | - | - |
| Exercise of employee stock options | - | 12,808 | - | - | - | - | - | - | - | 12,808 | - | 12,808 |
| Issuance of ordinary shares for employee stock option and abandonment | 1,950 | (4,914) | 2,964 | - | - | - | - | - | - | - | - | - |
| **Balance at September 30, 2017** | **$ 4,452,473** | **10,918** | **915,425** | **982,041** | **97,300** | **4,973,312** | **(387,481)** | **454,481** | **(121,388)** | **11,377,081** | **1,329,217** | **12,706,298** |

See accompanying notes to consolidated Interim Financial Statements.

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

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

## PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the nine months ended September 30, 2017 and 2016

## (Expressed in Thousands of New Taiwan Dollars)

| | For the nine months ended September 30, 2017 | 2016 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit from continuing operations before tax** | $ 2,160,974 | 1,991,429 |
| **Profit from discontinued operations before tax** | - | 202,982 |
| **Profit before tax** | 2,160,974 | 2,194,411 |
| **Adjustments:** | | |
| **Adjustments to reconcile profit (loss):** | | |
| Depreciation and amortization | 1,122,174 | 1,231,025 |
| Losses related to inventories | 137,713 | 733,331 |
| Provision (reversal of provision) for bad debt expense and sales returns and discounts | (48,047) | 61,119 |
| Gain on disposal of available-for-sale financial assets | - | (140,969) |
| Interest expense | 22,950 | 91,983 |
| Interest income | (96,100) | (103,892) |
| Compensation cost of share-based payments | 56,647 | 38,588 |
| Other | 18,694 | 5,016 |
| **Total adjustments to reconcile profit** | 1,214,031 | 1,916,201 |
| **Changes in operating assets and liabilities:** | | |
| Financial assets at fair value through profit or loss－current | 45,167 | 18,041 |
| Notes and accounts receivable | 1,848,797 | (958,940) |
| Accounts receivable from related parties | 10,863 | (13,830) |
| Other receivable | (285,611) | 258,186 |
| Inventories | (141,759) | (275,156) |
| Other current assets | (330,186) | (176,211) |
| Other operating assets | 5,542 | (109,696) |
| **Changes in operating assets** | 1,152,813 | (1,257,606) |
| Financial liabilities at fair value through profit or loss - current | (77,927) | 473 |
| Notes and accounts payable | (2,820,734) | (2,009,472) |
| Salary payable | (221,297) | (228,976) |
| Other payables | (244,654) | (166,648) |
| Other current liabilities | 73,000 | 27,377 |
| Other operating liabilities | (316,730) | 4,003 |
| **Changes in operating liabilities** | (3,608,342) | (2,373,243) |
| **Total changes in operating assets and liabilities** | (2,455,529) | (3,630,849) |
| **Total adjustments** | (1,241,498) | (1,714,648) |
| Cash inflow generated from operations | 919,476 | 479,763 |
| Interest received | 96,100 | 103,892 |
| Interest paid | (22,899) | (91,933) |
| Income taxes paid | (468,656) | (839,064) |
| **Net cash flows from (used in) operating activities** | 524,021 | (347,342) |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of subsidiary (minus cash aquired) | (605,949) | - |
| Acquisition of available-for-sale financial assets | (21,045) | - |
| Proceeds from disposal of available-for-sale financial assets | - | 220,270 |
| Cash from non-current assets held for sale | - | (439,531) |
| Acquisition of property, plant and equipment | (846,748) | (683,149) |
| Proceeds from disposal of property, plant and equipment | 16,969 | 48,707 |
| Dividends received | 23,325 | 14,692 |
| Acquisition of unamortized expense | (53,554) | (37,451) |
| Other investing activities | (799) | 27,968 |
| **Net cash flows used in investing activities** | (1,487,801) | (848,494) |
| **Cash flows from (used in) financing activities:** | | |
| Increase in short-term borrowings | 1,983,274 | 1,909,114 |
| Decrease in long-term borrowings | (382,223) | (417,568) |
| Increase (decrease) in guarantee deposits received | 7,243 | (5,668) |
| Decrease in other payables to related parties | - | (63,994) |
| Cash dividends | (1,111,886) | (927,933) |
| Exercise of employee share options | 12,808 | 16,073 |
| **Net cash flows from financing activities** | 509,216 | 510,024 |
| **Effect of exchange rate changes on cash and cash equivalents** | (45,493) | (236,982) |
| **Net decrease in cash and cash equivalents** | (500,057) | (922,794) |
| **Cash and cash equivalents at beginning of period** | 6,359,916 | 7,623,380 |
| **Cash and cash equivalents at end of period** | $ **5,859,859** | **6,700,586** |

See accompanying notes to consolidated Interim Financial Statements.

**Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2017 and 2016**

# PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Interim Financial Statements

## September 30, 2017 and 2016

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

### (1) Company history

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

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

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

The consolidated interim financial statements of the Company as at and for the years ended September 30, 2017, comprised the Company and subsidiaries (together referred to as "the Group"). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, and audio systems. Please refer to note 14 for further information.

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

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

The consolidated interim financial statements were authorized for issuance by the board of directors on November 14, 2017.

### (3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

(Continued)

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

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" | January 1, 2016 |
| Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" | January 1, 2016 |
| IFRS 14 "Regulatory Deferral Accounts" | January 1, 2016 |
| Amendment to IAS 1 "Presentation of Financial Statements-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 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets" | January 1, 2014 |
| Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting" | January 1, 2014 |
| Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle | July 1, 2014 |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 |
| IFRIC 21 "Levies" | January 1, 2014 |

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

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendment to IFRS 2 "Classification and Measurement of Share based Payment Transactions" | January 1, 2018 |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018 |
| IFRS 9 "Financial Instruments" | January 1, 2018 |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative" | January 1, 2017 |

(Continued)

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

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses” | January 1, 2017 |
| Amendments to IAS 40 “Transfers of Investment Property” | January 1, 2018 |
| Annual Improvements to IFRS Standards 2014–2016 Cycle: | |
| Amendments to IFRS 12 | January 1, 2017 |
| Amendments to IFRS 1 and Amendments to IAS 28 | January 1, 2018 |
| IFRIC 22 “Foreign Currency Transactions and Advance Consideration” | January 1, 2018 |

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group’ s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at September 30, 2017 and hedging relationships designated under during the interim financial statements of 2017 under IAS 39.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI ) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

At September 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of $950,288 that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group’s profits.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

(Continued)

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

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

(Continued)

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

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group has performed an initial assessment, indicating the timing of the related risks and rewards transferred is similar to the timing of control transferred. Therefore, the Group believes that there would not be any material impact on its consolidated financial statements.

2) Transition

The Group plans to adopt IFRS 15 in its consolidated financial statements using the cumulative effect approach. As a result, there is no need to reproduce the comparative information in previous periods. The cumulative effect of the first application of the principle will adjust the retained earnings of January 1, 2018. The Group plans to use the practical expedients for completed contracts. This means that when a contract is deemed as a completed contracts at the date of adoption (January 1, 2018), it will not be restated.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| 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 16 "Leases" | January 1, 2019 |
| IFRS 17 "Insurance Contracts" | January 1, 2021 |
| IFRIC 23 "Uncertainty over Income Tax Treatments" | January 1, 2019 |
| Amendments to IFRS 9 "Prepayment Features with Negative Compensation" | January 1, 2019 |
| Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" | January 1, 2019 |

Those which may be relevant to the Group are set out below:

| Issuance / Release Dates | Standards or Interpretations | Content of amendment |
|---|---|---|
| January 13, 2016 | IFRS 16 "Leases" | The new standard of accounting for lease is amended as follows:<br>• 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.<br>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17. |

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

**(4) Summary of significant accounting policies:**

(a) Statement of compliance

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

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

(b) Basis of consolidation

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

(Continued)

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

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

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

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

| Name of investor | Name of subsidiary | Principal activities | Percentage of shareholding September 30, 2017 | December 31, 2016 | September 30, 2016 | Description |
|---|---|---|---|---|---|---|
| The Company | Primax Industries (Cayman Holding) Ltd. (Primax Cayman) | Holding company | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Primax Technology (Cayman Holding) Ltd. (Primax Tech.) | Holding company | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Destiny Technology Holding Co., Ltd. (Destiny BVI.) | Holding company | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Primax Destiny Co., Ltd. (Destiny Japan) | Market development and customer service | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Diamond (Cayman) Holdings Ltd. (Diamond) | Holding company | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Gratus Technology Corp. (Gratus Tech.) | Market development and customer service | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Global TEK Fabrication Co., Ltd. (Global TEK) | Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts and aerospace components | - % | - % | 30.00 % | (note 1) |
| Primax Cayman | Primax Industries (Hong Kong) Ltd. (Primax HK) | Holding company and customer service | 100.00 % | 100.00 % | 100.00 % | |
| Diamond | Tymphany Worldwide Enterprises Ltd. (TWEL) | Holding company | 70.00 % | 70.00 % | 70.00 % | |
| Global TEK | Global TEK Co., Ltd. (GT) | Manufacture of sophisticated machinery components and automotive parts | - % | - % | 100.00 % | (note 1) |
| Global TEK | Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S) | Holding company | - % | - % | 100.00 % | (note 1) |
| Primax HK and Primax Tech. | Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2) | Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders | 100.00 % | 100.00 % | 100.00 % | |
| Primax HK | Primax Electronics (KS) Corp., Ltd. (PKS1) | Manufacture of computer, peripherals and keyboards | 100.00 % | 100.00 % | 100.00 % | |

(Continued)

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

| Name of investor | Name of subsidiary | Principal activities | Percentage of shareholding September 30, 2017 | December 31, 2016 | September 30, 2016 | Description |
|---|---|---|---|---|---|---|
| Primax HK | Primax Electronics (Chongqing) Corp., Ltd. (PCQ1) | Manufacture of computer peripherals and keyboards | 100.00 % | 100.00 % | 100.00 % | |
| Primax Tech. | Polaris Electronics Inc. (Polaris) | Sale of multi-function printers and computer peripheral devices | 100.00 % | 100.00 % | 100.00 % | |
| Destiny BVI. | Destiny Electronic Corp. (Destiny Beijing) | Research and development of computer peripheral devices and software | 100.00 % | 100.00 % | 100.00 % | |
| TWEL | Tymphany HK Ltd. (TYM HK) | Sale of audio accessories, amplifiers and their components | - % | 100.00 % | 100.00 % | (note 4) |
| TWEL | 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 % | - % | - % | (note 5) |
| TWEL | TYP Enterprises, Inc. (TYP) | Market development and customer service of amplifiers and their components | - % | 100.00 % | 100.00 % | (note 7) |
| Premium Hui Zhou | Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK) | Research and development, design, and sale of audio accessories, amplifiers and their components and holdings | 100.00 % | - % | - % | (note 2) |
| Premium Hui Zhou | Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan) | Manufacture, research and development, design and sale of audio accessories, amplifiers and their components | 100.00 % | - % | - % | (note 6) |
| TYM Acoustic HK | TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK) | Research and development, design of audio accessories, amplifiers and their components | 100.00 % | - % | - % | (note 2) |
| TYM Acoustic HK | Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe) | Manufacture, install and repair of audio accessories and their components | 100.00 % | - % | - % | (note 3) |
| TYM Acoustic HK | TYP | Market development and customer service of amplifiers and their components | 100.00 % | - % | - % | (note 7) |
| TYM Acoustic HK | TYM HK | Sale of audio accessories, amplifiers and therir components | 100.00 % | - % | - % | (note 4) |
| TYM HK | TYMPHANY LOGISTICS, INC (TYML) | Sale of audio accessories, amplifiers and therir components | 100.00 % | 100.00 % | 100.00 % | |

(Continued)

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

| Name of investor | Name of subsidiary | Principal activities | Percentage of shareholding | | | Description |
|---|---|---|---|---|---|---|
| | | | September 30, 2017 | December 31, 2016 | September 30, 2016 | |
| Tymphany Dongguan | Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC) | Research and development, design , and sale of audio accessories, amplifiers and their components | 100.00 % | 100.00 % | - % | TYDC was incorporated in October 2016 |
| TYM HK | Premium Hui Zhou | Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components | - % | 100.00 % | 100.00 % | (note 5) |
| TYM HK | Tymphany Dongguan | Manufacture, research and development, design and sale of audio accessories, amplifiers and their components | - % | 100.00 % | 100.00 % | (note 6) |
| GT | GP Tech, Inc. (GP) | Sale of automotive parts, industrial automation parts, communication parts and aerospace components | - % | - % | 100.00 % | (note 1) |
| GTF-S | Global TEK Fabrication Co., Ltd. (HK) (GTF-HK) | Holding company | - % | - % | 100.00 % | (note 1) |
| GTF-S | Global TEK Co., Ltd. (Samoa) (GTS) | Holding company | - % | - % | 100.00 % | (note 1) |
| GTF-HK | WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK) | Manufacture of sophisticated machinery components | - % | - % | 100.00 % | (note 1) |
| GTS | GLOBAL TEK (XI' AN) CO., LTD. (GLOBAL TEK XI' AN) | Manufacture of industrial automation parts, communication parts and aerospace components | - % | - % | 100.00 % | (note 1) |
| GTS and WUXI GLOBAL TEK | GLOBAL TEK CO. (WUXI) LTD. (GLOBAL TEK WUXI) | Manufacture of sophisticated machinery components and automotive parts | - % | - % | 100.00 % | (note 1) |

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

Note 2: The Company was incorporated in January 2017.

Note 3: TYM Acoustic HK acquired all shares of Bang & Olufsen s.r.o. (renamed as Tymphany Acoustic Technology Europe, s.r.o. after merger) by cash on June 1, 2017.

Note 4: TYM HK was orginally a 100% owned subsidiary of TWEL; however, after the restructuring of the Group in the third quarter of 2017, TYM HK became a 100% owned subsidiary of TYM Acoustic HK.

Note 5: Premium Hui Zhou was orginally a 100% owned subsidiary of TYM HK; however, after the restructuring of the Group in the third quarter of 2017, Premium Hui Zhou became a 100% owned subsidiary of TWEL.

(Continued)

Note 6: Tymphany Dongguan was orginally a 100% owned subsidiary of TYM HK; however, after the restructuring of the Group in the third quarter of 2017, Tymphany Dongguan became a 100% owned subsidiary of Premium Hui Zhou.

Note 7: TYP was orginally a 100% owned subsidiary of TWEL; however, after the restructuring of the Group in the third quarter of 2017, TYP became a 100% owned subsidiary of TYM Acoustic HK.

(c) Business combination

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect the new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

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

(i) 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.

(ii) 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.

(e) Income taxes

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

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

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

(f) Employee benefits

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

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

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

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

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

**(6) Explanation of significant accounts:**

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

(a) Cash and cash equivalents

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Cash on hand | $ 3,509 | 2,946 | 3,169 |
| Checking accounts and demand deposits | 2,471,092 | 1,761,981 | 2,076,992 |
| Time deposits | 3,385,258 | 4,594,989 | 4,620,425 |
| | **$ 5,859,859** | **6,359,916** | **6,700,586** |

Please refer to note 6(x) for the currency risk and the interest rate risk of the Group's cash and cash equivalents.

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

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

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| **Financial assets at fair value through profit or loss – current:** | | | |
| **Derivative financial assets:** | | | |
| Forward exchange contracts | $ 86,970 | 141,317 | 57,895 |
| Foreign exchange swap contracts | 9,180 | - | 11,778 |
| | **$ 96,150** | **141,317** | **69,673** |
| **Financial liabilities at fair value through profit or loss – current:** | | | |
| **Derivative financial liabilities:** | | | |
| Forward exchange contracts | $ (51,896) | (72,909) | (57,720) |
| Foreign exchange swap contracts | (20,607) | (77,521) | (2,858) |
| | **$ (72,503)** | **(150,430)** | **(60,578)** |

(Continued)

(ii) The Group held the following derivative financial instruments not designated as hedging instruments presented as held-for-trading financial assets as of September 30, 2017, and December 31 and September 30, 2016:

**September 30, 2017**

| Derivative financial instruments | Nominal amount | | Maturity date | Predetermined rate |
|---|---|---|---|---|
| Forward exchange contracts －buy USD / sell TWD | USD | 239,900 thousand | October 2, 2017~ January 16, 2018 | 29.670~30.149 |
| Forward exchange contracts －buy TWD / sell USD | USD | 331,900 thousand | October 2, 2017~ February 9, 2018 | 29.8945~30.468 |
| Foreign exchange swap contracts －swap in USD / swap out TWD | USD | 173,500 thousand | October 3, 2017~ February 9, 2018 | 30.052~30.436 |
| Foreign exchange swap contracts －swap in TWD / swap out USD | USD | 72,500 thousand | December 5, 2017~ January 16, 2018 | 29.821~30.0155 |

**December 31, 2016**

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

**September 30, 2016**

| Derivative financial instruments | Nominal amount | | Maturity date | Predetermined rate |
|---|---|---|---|---|
| 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 |
| Foreign exchange swap contracts － swap in TWD / swap out USD | USD | 109,000 thousand | November 4, 2016 December 28, 2016 | 31.192~31.654 |

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

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

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

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

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Stocks listed in domestic markets | $ 548,486 | 586,404 | 705,299 |
| Stocks unlisted in domestic markets | 379,301 | 287,517 | 12,017 |
| Stocks unlisted in foreign markets | 22,501 | 13,880 | 13,487 |
| | **$ 950,288** | **887,801** | **730,803** |

(i) 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.

(ii) WK Technology Fund IV Ltd. refunded the amount of $2,816 to the Group due to the capital reduction in July 2017.

(iii) WK Global Investment III Ltd. refunded the amounts of $4,757 and $2,254 to the Group due to the capital reduction in July 2017 and April 2016, respectively.

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Unrealized gains (losses) | **$ (43,052)** | **184,984** | **49,015** | **229,209** |

(v) 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)

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Notes receivable | $ 344,680 | 3,761 | 8,977 |
| Accounts receivable | 12,004,938 | 13,798,350 | 14,703,279 |
| Accounts receivable – related parties | 91,978 | 102,841 | 68,825 |
| Other receivables | 763,609 | 495,392 | 108,783 |
| Less: allowance for doubtful accounts | (104,083) | (99,936) | (69,243) |
| allowance for sales returns and discounts | (40,297) | (98,302) | (50,342) |
| Total | **$ 13,060,825** | **14,202,106** | **14,770,279** |

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

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

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

(iii) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. As of September 30, 2017, and December 31 and September 30, 2016, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

| September 30, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Buyer | Amount sold | Credit facilities | Cash received in advance | Interest rate | Guarantee (promissory note) | Amount derecognized | Amount not received |
| | NT$ | US$ (expressed in thousand) | NT$ | | expressed in thousands | NT$ | NT$ |
| Mega International Commercial Bank | $ - | 15,000 | - | - | US$ 3,750 | - | - |
| HSBC Bank | - | 45,000 | - | - | US$ 58,000 | - | - |
| Bank of Taiwan | - | 29,250 | - | - | NT$ 210,000 | - | - |
| En Tie Bank | 218,114 | 7,000 | - | - | - | - | 218,114 |
| | $ 218,114 | 96,250 | - | | | - | 218,114 |

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

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

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

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

(e) Inventories

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Raw materials | $ 2,186,403 | 1,618,227 | 1,551,115 |
| Semi-finished goods and work in process | 1,733,634 | 1,485,837 | 1,368,635 |
| Finished goods and merchandise | 3,166,798 | 3,566,483 | 3,529,729 |
| | **$ 7,086,835** | **6,670,547** | **6,449,479** |

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

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

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Gains (losses) on inventory valuation | $ 12,416 | (143,496) | (6,663) | (602,711) |
| Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity | (6,800) | (33,994) | (51,200) | (115,070) |
| Loss on disposal of inventories | - | - | (86,967) | (19,737) |
| Gain on physical inventories | 1,448 | 2,351 | 7,117 | 4,187 |
| | **$ 7,064** | **(175,139)** | **(137,713)** | **(733,331)** |

(f) Non-current assets held for sale

The Group resolved to dispose parts of the shares of Global TEK in the directors' meeting held on June 21, 2016, and started the selling progress. It is estimated to be sold on October 3, 2016, therefore, Global TEK and its subsidiaries were recognized as non-current assets held for sale. Details of assets and liabilities held for sale as of September 30, 2016 were as follows:

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

| | | September 30, 2016 |
|---|---|---|
| **Current assets:** | | |
| 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 | | 108,397 |
| | | 1,802,268 |
| **Non-current assets:** | | |
| Property, plant and equipment | $ | 1,209,963 |
| Intangible assets | | 515,368 |
| Deferred tax assets | | 34,145 |
| Other non-current assets | | 72,263 |
| | | 26,440 |
| **Reclassified as assets held for sale** | **$** | **1,858,179** |
| | **$** | **3,660,447** |

| | | September 30, 2016 |
|---|---|---|
| **Current liabilities:** | | |
| 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 | | 74,810 |
| | | 1,322,259 |
| **Non-current liabilities:** | | |
| Long-term borrowings | | 250,665 |
| Deferred tax liabilities | | 131,545 |
| Other non-current liabilities | | 6,403 |
| | | 388,613 |
| **Reclassified as liabilities held for sale** | **$** | **1,710,872** |

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

(Continued)

(g) Acquisition of subsidiaries

Based on the resolution approved during the board of directors' meeting of TWEL, one of the main subsidiaries of the Company, held on March 13, 2017, acquired all shares of Bang & Olufsen s.r.o. (renamed as TYM Acoustic Europe after merger) amounting to EUR18,000 through TYM Acoustic HK. Through this transaction, the Company will establish the market for its audio products in Europe, strengthen the cooperation with its clients and expand its technique, manufacturing process and global market. The purchase agreement was settled on June 1, 2017.

(i) Consideration transferred

According to the share purchase agreement, the consideration transferred was EUR18,000. As of September 30, 2017, TYM Acoustic HK deposited EUR1,500 in Escrow Account based on the share purchase agreement.

The seller raised an objection against the net assets of TYM Acoustic Europe on July 31, 2017. Both the seller and the Group resolved that TYM Acoustic Europe should pay an additional amount of $40,689 (EUR1,139) to the seller on September 5, 2017.

(ii) Obtaining control

The Company indirectly holds 70% of TYM Acoustic Europe's shares through TWEL. The Company has included TYM Acoustic Europe in its consolidated financial statements since the settlement date.

(iii) According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date. Therefore, the Company evaluated the fair value and useful lives of intangible assets at the time of acquisition. As of the reporting date, the share purchase agreement was in accordance with the preliminary purchase price allocation, which is subject to change in the future. The Company engaged experts to evaluate its identifiable net assets, and the preliminary information was as follows:

| Items | Amount |
|---|---|
| Consideration transferred | $ 653,796 |
| Less: fair value of identifiable net assets | 475,000 |
| Goodwill | **$ 178,796** |

(iv) The cost of acquisition

The consulting fees and on-site examination expenses of $19,004 due to the acquisition transaction were recognized as administrative expenses in the statement of comprehensive income.

(v) Simulated operating results

Operating results of Bang & Olufsen s.r.o. were merged into the Company's consolidated comprehensive income statement since the acquisition date, which had contributed to the operating revenue and the income before tax of $742,364 and $15,765, respectively. If the acquisition had occurred on January 1, 2017, the simulated operating revenue and income before tax would have been $42,733,235 and $2,164,738, respectively.

(h) Material non-controlling interests of subsidiaries

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

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

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

(i) TWEL and its subsidiaries:

| | **September 30, 2017** | **December 31, 2016** | **September 30, 2016** |
|---|---|---|---|
| Current assets | $ 8,497,585 | 4,510,885 | 3,928,615 |
| Non-current assets | 3,599,438 | 3,377,729 | 3,122,470 |
| Current liabilities | (7,492,410) | (3,496,113) | (2,843,118) |
| Non-current liabilities | (173,889) | (243,387) | (221,183) |
| Net assets | **$ 4,430,724** | **4,149,114** | **3,986,784** |
| Non-controlling interests | **$ 1,329,217** | **1,244,734** | **1,196,035** |

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenue | $ 4,720,508 | 2,163,868 | 10,999,674 | 5,680,021 |
| Profit | $ 77,991 | 70,276 | 306,989 | 96,779 |
| Other comprehensive income | 28,332 | (40,482) | (28,190) | (82,626) |
| Comprehensive income | $ 106,323 | 29,794 | 278,799 | 14,153 |
| Profit attributable to non-controlling interests | $ 23,398 | 21,083 | 92,097 | 29,034 |
| Comprehensive income attributable to non-controlling interests | $ 31,896 | 8,938 | 83,640 | 4,246 |

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Cash flows from operating activities | $ 140,632 | 105,853 | 916,063 | (592,821) |
| Cash flows from investing activities | (163,892) | (125,396) | (1,126,620) | (200,042) |
| Cash flows from financing activities | 1,342,460 | (361) | 1,886,538 | (669) |
| Effect of foreign currency exchange translation | 17,621 | (29,633) | (21,496) | (60,408) |
| Net increase (decrease) in cash and cash equivalents | $ 1,336,821 | (49,537) | 1,654,485 | (853,940) |
| Dividends paid to non-controlling interests | $ - | - | - | - |

(ii) Global TEK and its subsidiaries

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Current assets | $ - | - | 1,802,268 |
| Non-current assets | - | - | 1,858,179 |
| Current liabilities | - | - | (1,322,259) |
| Non-current liabilities | - | - | (388,613) |
| Net assets | $ - | - | 1,949,575 |
| Non-controlling interests | $ - | - | 1,370,490 |

(Continued)

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenue | $ - | 613,236 | - | 1,878,077 |
| Net income | $ - | 50,411 | - | 146,284 |
| Other comprehensive income | - | (31,121) | - | (47,012) |
| Comprehensive income | $ - | 19,290 | - | 99,272 |
| Net income attributable to non-controlling interests | $ - | 50,411 | - | 117,522 |
| Comprehensive income attributable to non-controlling interests | $ - | 19,290 | - | 75,277 |

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Cash flows from operating activities | $ - | 55,683 | - | 266,018 |
| Cash flows from investing activities | - | (38,866) | - | (157,523) |
| Cash flows from financing activities | - | 128,964 | - | 102,080 |
| Effect of foreign currency exchange translation | - | (29,105) | - | (49,606) |
| Net increase in cash and cash equivalents | $ - | 116,676 | - | 160,969 |
| Dividends paid to non-controlling interests | $ - | - | - | - |

(i) 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, 2017 and 2016, were as follows:

| | Land | Buildings, leasehold improvement, and additional equipment | Machinery and equipment | Office and other equipment | Construction in progress and testing equipment | Government grants | Total |
|---|---|---|---|---|---|---|---|
| **Cost or deemed cost:** | | | | | | | |
| Balance on January 1, 2017 | $ 134,701 | 3,802,758 | 5,672,304 | 510,457 | 347,678 | (16,286) | 10,451,612 |
| Additions | - | 51,125 | 369,605 | 43,384 | 461,894 | - | 926,008 |
| Disposals | - | (66,526) | (176,347) | (16,382) | - | 13,701 | (245,554) |
| Acquisition from business combination | - | 25,997 | - | 12,883 | 59 | - | 38,939 |
| Reclassifications | - | 84,972 | 293,354 | 15,758 | (451,949) | - | (57,865) |
| Effect of movements in exchange rates | - | (62,667) | (97,431) | (8,215) | (5,717) | 302 | (173,728) |
| Balance on September 30, 2017 | $ 134,701 | 3,835,659 | 6,061,485 | 557,885 | 351,965 | (2,283) | 10,939,412 |

(Continued)

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

| | Land | Buildings, leasehold improvement, and additional equipment | Machinery and equipment | Office and other equipment | Construction in progress and testing equipment | Government grants | Total |
|---|---|---|---|---|---|---|---|
| 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) |
| Acquisition from business combination | 111,822 | 325,418 | 455,865 | (15,126) | (736,898) | (4,813) | 136,268 |
| Reclassifications | (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 | **$ 134,699** | **3,721,194** | **5,642,018** | **464,964** | **330,442** | **(16,440)** | **10,276,877** |
| **Depreciation and impairments loss:** | | | | | | | |
| Balance on January 1, 2017 | $ - | 1,731,111 | 3,632,382 | 383,934 | - | (13,237) | 5,734,190 |
| Depreciation | - | 169,439 | 769,886 | 39,743 | - | (2,926) | 976,142 |
| Disposals | - | (60,273) | (147,418) | (15,901) | - | 13,701 | (209,891) |
| Reclassifications | - | (1,972) | (2,409) | (61) | - | - | (4,442) |
| Effect of movements in exchange rates | - | (28,128) | (56,559) | (7,125) | - | 179 | (91,633) |
| Balance on September 30, 2017 | **$ -** | **1,810,177** | **4,195,882** | **400,590** | **-** | **(2,283)** | **6,404,366** |
| 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 | - | (115,154) | (313,558) | (103,094) | - | - | (531,806) |
| Effect of movements in exchange rates | - | 52,850 | (32,772) | (12,105) | - | - | 7,973 |
| | - | (129,822) | (309,555) | (34,554) | - | 862 | (473,069) |
| Balance on September 30, 2016 | **$ -** | **1,659,763** | **3,534,824** | **333,479** | **-** | **(11,598)** | **5,516,468** |
| **Carrying amounts:** | | | | | | | |
| Balance on January 1, 2017 | **$ 134,701** | **2,071,647** | **2,039,922** | **126,523** | **347,678** | **(3,049)** | **4,717,422** |
| Balance on September 30, 2017 | **$ 134,701** | **2,025,482** | **1,865,603** | **157,295** | **351,965** | **-** | **4,535,046** |
| Balance on January 1, 2016 | **$ 284,973** | **2,408,188** | **2,859,932** | **230,840** | **503,242** | **(3,152)** | **6,284,023** |
| Balance on September 30, 2016 | **$ 134,699** | **2,061,431** | **2,107,194** | **131,485** | **330,442** | **(4,842)** | **4,760,409** |

(i) The unamortized deferred revenue of equipment subsidy amounted to $1,000,413, $1,310,945 and $1,365,744 as of September 30, 2017, and December 31 and September 30, 2016, respectively.

(ii) The Group did not provide any of the aforementioned property, plant and equipment as collateral.

(Continued)

(j) Investment property

| | Land | Buildings and other equipment | Total |
|---|---|---|---|
| **Carrying amounts:** | | | |
| Balance at January 1, 2017 | $ 16,249 | 19,428 | 35,677 |
| Balance at September 30, 2017 | $ 16,249 | 19,081 | 35,330 |
| Balance at January 1, 2016 | $ 128,071 | 130,638 | 258,709 |
| Balance at September 30, 2016 | $ 16,249 | 19,543 | 35,792 |

(i) The Group reclassified $220,053 as property, plant and equipment from investment property due to the change of the use of such property in the first quarter of 2016.

(ii) Except for the above paragraph, there was no significant additions, disposals, or recognition and reversal of impairment losses of the investment property for the nine months ended September 30, 2017 and 2016. Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2016 for further information.

(iii) The fair value of the investment property has no significant change from note 6(j) of the consolidated financial statements for the year ended December 31, 2016.

(iv) The Group did not provide any of the aforementioned investment property as collateral.

(k) Intangible assets

The carrying amounts of the intangible assets of the Group as of September 30, 2017 and 2016, were as follows:

| | Goodwill | Customer Relationships | Technology | Trademarks, Patents and Copyrights | Total |
|---|---|---|---|---|---|
| **Carrying amounts:** | | | | | |
| Balance at January 1, 2017 | $ 1,850,383 | 504,899 | 294,524 | 23,864 | 2,673,670 |
| Balance at September 30, 2017 | $ 2,028,474 | 450,989 | 263,077 | 20,279 | 2,762,819 |
| Balance at January 1, 2016 | $ 2,191,382 | 676,241 | 423,954 | 30,614 | 3,322,191 |
| Balance at September 30, 2016 | $ 1,850,383 | 522,869 | 305,007 | 25,043 | 2,703,302 |

(i) For the intangible assets identified from the acquisition of TYM Acoustic Europe on June 1, 2017, please refer to note 6(g).

(ii) Intangible assets were transferred out due to the resolution to dispose parts of shares of Global TEK approved by the board of directors' meeting held on June 21, 2016. Please refer to note 6(f) for further detail.

(iii) Except for above paragraph, there was no significant change on intangible assets for the nine months ended September 30, 2017 and 2016. Please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2016.

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

(l) Short-term borrowings

The details were as follows:

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Short-term borrowings | $ 1,983,274 | - | 2,892,208 |
| Unused credit lines | $ 14,826,975 | 13,301,651 | 6,800,992 |
| Annual interest rates | 1.05%~4.96% | 0.93%~1.27% | 0.93%~1.27% |

(m) Long-term borrowings

| | September 30, 2017 | | | |
|---|---|---|---|---|
| | Currency | Annual interest rate | Maturity year | Amount |
| Unsecured bank loans | TWD | 1.19%~1.48% | 2018~2020 | $ 218,888 |
| Less: current portion | | | | (135,555) |
| Total | | | | $ 83,333 |
| Unused credit lines | | | | $ - |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Currency | Annual interest rate | Maturity year | Amount |
| Unsecured bank loans | TWD | 0.95~1.56% | 2017~2020 | $ 601,111 |
| Less: current portion | | | | (382,222) |
| Total | | | | $ 218,889 |
| Unused credit lines | | | | $ - |

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

(Continued)

(i) Pursuant to the loan agreements with The Export-Import Bank of the ROC and CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. As of September 30, 2017, the Company had not violated the financial covenants. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) shareholders' equity of not less than $4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.

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

(n) Operating lease

(i) Lessee

Non-cancellable operating lease rentals are payable as follows:

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Less than one year | $ 276,502 | 234,469 | 230,713 |
| Between one and five years | 460,996 | 327,873 | 339,387 |
| More than five years | 481,560 | 12,989 | 6,818 |
| | **$ 1,219,058** | **575,331** | **576,918** |

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

(o) Employee benefits from continuing operations

(i) Defined benefit plans

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

(ii) Defined contribution plans

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

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Defined benefit plans | $ 501 | 618 | 1,503 | 1,856 |
| Defined contribution plans | 86,621 | 94,001 | 250,287 | 276,957 |
| Total | $ 87,122 | 94,619 | 251,790 | 278,813 |

(p) Income taxes from continuing operations

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

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Income tax expense | $ 248,622 | 213,692 | 569,691 | 581,770 |

(iii) There were no income tax recognized in equity or other comprehensive income.

(iv) Except for 2014, the Company's income tax returns have been examined by the tax authority through the years to 2015.

(v) Information related to the unappropriated earnings and tax deduction ratio is summarized below:

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Unappropriated earnings of 1998 and after | $ 4,973,312 | 4,779,419 | 4,256,076 |
| Balance of imputation credit account | $ 507,780 | 508,028 | 392,819 |

| | 2016 (actual) | 2015 (actual) |
|---|---|---|
| Creditable ratio for earnings distribution to ROC residents | 14.50 % | 13.69 % |

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

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 2017 and 2016. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2016.

(Continued)

(i) Ordinary shares

As of September 30, 2017 and December 31 and September 30, 2016, the nominal ordinary shares amounted to $5,500,000. Par value of each share is $10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 445,247, 442,134 and 441,748 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

| | Ordinary shares (in thousands of shares) For the nine months ended September 30 | |
|---|---|---|
| | **2017** | **2016** |
| Balance on January 1 | 442,134 | 441,188 |
| Exercise of employee stock options | 195 | 945 |
| Issuance of restricted stock | 3,000 | - |
| Retirement of restricted stock | (82) | (385) |
| Balance on September 30 | **445,247** | **441,748** |

(ii) Capital surplus

The balances of capital surplus were as follows:

| | **September 30, 2017** | **December 31, 2016** | **September 30, 2016** |
|---|---|---|---|
| Additional paid-in capital | $ 535,731 | 508,583 | 496,415 |
| Employee stock options | 229,605 | 229,175 | 231,741 |
| Restricted employee stock options | 150,089 | 53,708 | 56,780 |
| | **$ 915,425** | **791,466** | **784,936** |

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 " First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by $97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $97,300 on September 30, 2017.

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

3) Earnings distribution

On May 25, 2017 and on June 20, 2016, the shareholders' meeting resolved to distribute the 2016 and 2015 earnings, respectively. The distributions were NT$2.5 and 2.1 (dollars) per share, which amounted to $1,111,886 and $927,933, respectively.

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

(r) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the nine months ended September 30, 2017 and 2016. Please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2016 for further information.

After the shareholders' meeting on June 20, 2016, the Company decided to issue 3,000 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,450 thousand and 550 thousand shares on January 23 and August 10, 2017, respectively.

(i) Employee stock options and share-based payment

1) As of September 30, 2017, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

| | | **Plan 3 (note)** | |
|---|---|---|---|
| | **Plan 2 (note)** | **Issued in November 2011** | **Issued in October 2012** |
| Modification and grant date | December 30, 2008/ November 12, 2009 | November 24, 2011 | October 22, 2012 |
| Exercise price | 11.42 | 16.20 | 24.10 |
| Granted units (thousand) | 7,224 | 1,500 | 3,500 |
| Service period (from the grant date of the original stock options) | 6~8 years (January 2, 2008~November11, 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) | 3 ~ 5 years | 2 ~ 3 years | 2 ~ 3 years |

Note: Stock options under Plan 1 had expired on November 11, 2014.
Stock options under Plan 2 included those granted by Primax Holdings in January and May 2008, and those granted by the Company in November 2009.
Stock options under Plan 3 included those granted by the Company in November 2011 and October 2012.

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

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

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

| | For the nine months ended September 30 | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Weighted-average exercise price | Stock options (in thousands) | Weighted-average exercise price | Stock options (in thousands) |
| Outstanding at January 1 | 22.16 | 957 | 24.66 | 1,728 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 24.10 | (15) | - | - |
| Exercised during the year | 24.26 | (528) | 25.70 | (626) |
| Expired during the year | - | - | - | - |
| Outstanding at September 30 | 17.64 | **414** | 22.56 | **1,102** |
| Exercisable at September 30 | 17.64 | **414** | 22.56 | **1,102** |

As of September 30, 2017 and December 31 and September 30, 2016, the information on the employee stock option plans outstanding was as follows:

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Employee stock option plan 2 | 211 | 211 | 211 |
| Employee stock option plan 3 -Issued in November 2011 | - | - | - |
| Employee stock option plan 3 -Issued in October 2012 | 203 | 746 | 891 |
| Outstanding at end of year | **414** | **957** | **1,102** |

2) As of September 30, 2017, the outstanding employee stock options of TWEL for equity-settled share-based payment were as follows:

| | November 2014 | July 2015 |
|---|---|---|
| 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.

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

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

| | For the nine months ended September 30 | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Weighted-average exercise price | Stock options (in thousands) | Weighted-average exercise price | Stock options (in thousands) |
| Outstanding at January 1 | 18.27 | 3,308 | 18.20 | 3,450 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | 16.50 | (142) |
| Outstanding at September 30 | 18.27 | 3,308 | 18.27 | 3,308 |
| Exercisable at September 30 | - | - | - | - |

(ii) Restricted stock

1) As of September 30, 2017, the outstanding restricted stock of the Company was as follows:

| | Plan 1 (note 1) | | | | Plan 2 (note 1) | | Plan 3 (note 1) | |
|---|---|---|---|---|---|---|---|---|
| Grant date | October 1, 2013 | November 20, 2013 | February 10, 2014 | July 17, 2014 | February 24, 2015 | August 18, 2015 | February 13, 2017 | September 7, 2017 |
| Fair value on grant date (per share) | 22.80 | 25.15 | 27.30 | 52.00 | 43.70 | 38.40 | 45.80 | 72.40 |
| Exercise price | Free grants | Free grants | Free grants | Free grants | Free grants | Free grants | Free grants | Free grants |
| Granted units (thousand shares) | 1,450 | 186 | 135 | 220 | 1,225 | 1,775 | 2,450 | 550 |
| Vesting period | 1~3 years (notes 2 and 3) | 1~2 years (notes 3 and 4) | 1~2 years (notes 3 and 4) | 1~2 years (note 3) | 1~3years (notes 2 and 3) | 1~3 years (note 2) | 1~3 years (note 2) | 1~3 years (note 2) |

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

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

Plan 3 – After the shareholders' meeting on June 20, 2016, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,450 thousand shares and 550 thousand shares on January 23 and August 10, 2017, respectively.

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:

| | For the nine months ended September 30 | |
|---|---|---|
| (Thousand shares) | **2017** | **2016** |
| Outstanding at January 1 | 1,771 | 3,270 |
| Granted during the year | 3,000 | - |
| Forfeited during the year | - | - |
| Vesting during the year | (743) | (974) |
| Expired during the year | (94) | (285) |
| Outstanding at September 30 | **3,934** | **2,011** |

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

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Expenses attributable to employee stock options | $ 937 | 932 | 2,810 | 2,659 |
| Restricted stock | 22,173 | 8,736 | 53,837 | 35,929 |
| Total | $ **23,110** | **9,668** | **56,647** | **38,588** |

| | **September 30, 2017** | **December 31, 2016** | **September 30, 2016** |
|---|---|---|---|
| Salary payable: | | | |
| Current | $ **1,938** | **1,938** | **1,938** |

(s) Earnings per share

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

(i) Basic earnings per share

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Profit attributable to owners of parent | | | | |
| Continuing operations | $ 618,975 | 561,764 | 1,499,186 | 1,380,625 |
| Discontinued operations | - | - | - | 28,762 |
| Total | $ **618,975** | **561,764** | **1,499,186** | **1,409,387** |
| Weighted-average number of ordinary shares (thousand shares) | **440,998** | **439,380** | **440,776** | **438,857** |
| Basic earnings per share (NT dollars) | | | | |
| Continuing operations | $ 1.40 | 1.28 | 3.40 | 3.15 |
| Discontinued operations | - | - | - | 0.06 |
| Total | $ **1.40** | **1.28** | **3.40** | **3.21** |

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

(ii) Diluted earnings per share

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Profit attributable to owners of parent | | | | |
| Continuing operations | $ 618,975 | 561,764 | 1,499,186 | 1,380,625 |
| Discontinued operations | - | - | - | 28,762 |
| Total | $ **618,975** | **561,764** | **1,499,186** | **1,409,387** |
| Weighted-average number of ordinary shares (diluted) (thousand shares) | **443,836** | **442,685** | **444,243** | **442,884** |
| Diluted earnings per share | | | | |
| Continuing operations | $ 1.39 | 1.27 | 3.37 | 3.12 |
| Discontinued operations | - | - | - | 0.06 |
| Total | $ **1.39** | **1.27** | **3.37** | **3.18** |

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Weighted-average number of ordinary shares at September 30 (basic) | 440,998 | 439,380 | 440,776 | 438,857 |
| Effect of employee stock options | 599 | 698 | 571 | 759 |
| Effect of employee stock bonuses | 295 | 1,444 | 1,086 | 2,105 |
| Effect of restricted stock | 1,944 | 1,163 | 1,810 | 1,163 |
| Weighted-average number of ordinary shares at September 30 (diluted) | **443,836** | **442,685** | **444,243** | **442,884** |

(t) Operating revenue

The operating revenue was as follows:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Goods sold | $ 14,669,004 | 18,220,719 | 40,746,181 | 45,673,753 |
| Services rendered | 328,010 | 267,727 | 967,205 | 1,120,274 |
| Continuing operations | 14,997,014 | 18,488,446 | 41,713,386 | 46,794,027 |
| Discontinued operations | - | 613,236 | - | 1,878,077 |
| Total | $ **14,997,014** | **19,101,682** | **41,713,386** | **48,672,104** |

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

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

(u) Employee and directors' and supervisors' remuneration

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

Details of remuneration to employees and directors were as follows:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Employee remuneration | $ 21,892 | 24,970 | 55,444 | 66,365 |
| Directors' remuneration | 10,946 | 9,988 | 27,725 | 26,546 |
| | **$ 32,838** | **34,958** | **83,169** | **92,911** |

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

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2016 and 2015 were as follows:

| | 2016 | | |
|---|---|---|---|
| | **Actual earnings Distributed** | **Accrued in the financial statement** | **Difference** |
| Employee remuneration | | | |
| Stock | $ - | - | - |
| Cash | 74,000 | 74,000 | - |
| Directors' remuneration | 36,800 | 36,803 | 3 |

| | 2015 | | |
|---|---|---|---|
| | **Actual earnings Distributed** | **Accrued in the financial statement** | **Difference** |
| Employee remuneration | | | |
| Stock | $ - | - | - |
| Cash | 78,500 | 78,269 | (231) |
| Directors' remuneration | 32,000 | 31,907 | (93) |

(Continued)

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

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

(v) Other income

The other income from continuing operations was as follows:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Interest revenue of cash in banks | $ 19,156 | 33,775 | 96,100 | 103,396 |
| Rent revenue | 2,057 | 1,969 | 6,126 | 3,229 |
| Cash dividend revenue | 23,325 | 14,692 | 23,325 | 14,692 |
| Other | 328 | 850 | 1,155 | 3,875 |
| | **$ 44,866** | **51,286** | **126,706** | **125,192** |

(w) Other gains and losses

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Gains on disposal of held-for-trading financial assets | $ 13,472 | - | 27,599 | - |
| Gains on disposal of available-for-sale financial assets | - | - | - | 140,969 |
| Net losses on disposal of property, plant and equipment | (16,937) | (4,439) | (18,694) | (5,016) |
| Net gains(losses) on financial assets/liabilities measured at fair value through profit or loss | 13,630 | (14,062) | 23,627 | 9,097 |
| Foreign currency exchange gains(loss), net | 14,984 | (1,043) | 11,751 | 153,076 |
| Other | 230,833 | (43,241) | 291,387 | (9,714) |
| | **$ 255,982** | **(62,785)** | **335,670** | **288,412** |

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

Reclassification adjustments of components of other comprehensive income were as follow:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Available-for-sale financial assets (net of tax) | | | | |
| Net change in fair value | $ (43,052) | 184,984 | 49,015 | 370,178 |
| Net change in fair value reclassified to profit or loss | - | - | - | (140,969) |
| Net change in fair value recognized in other comprehensive income | **$ (43,052)** | **184,984** | **49,015** | **229,209** |

(x) Financial instruments

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

(i) Credit risk

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

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Past due 0-30 days | $ 471,730 | 763,565 | 561,821 |
| Past due 31-90 days | 159,741 | 213,509 | 47,009 |
| Past due 91-180 days | 67,553 | 17,593 | 10,559 |
| Past due 181-360 days | 110,694 | 13,247 | 16,142 |
| Past due over a year | - | - | - |
| | **$ 809,718** | **1,007,914** | **635,531** |

The Group assesses the uncollectible amount of notes, accounts, and other receivables (including related parties) based on the aging analysis, the collection history, the customers' current financial status and the insurance 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, and relevant receivables are able to be collected through insurance.

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

The movements in the allowance for the nine months ended September 30, 2017 and 2016 were as follows:

| | Individually assessed impairment | Collectively assessed impairment | Total |
|---|---|---|---|
| Balance on January 1, 2017 | $ - | 99,936 | 99,936 |
| Impairment loss recognized | - | 9,958 | 9,958 |
| Amounts written off | - | - | - |
| Exchange differences on translation of foreign currency | - | (5,811) | (5,811) |
| Balance on September 30, 2017 | **$ -** | **104,083** | **104,083** |

| | Individually assessed impairment | Collectively assessed impairment | Total |
|---|---|---|---|
| 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 | **$ -** | **69,243** | **69,243** |

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

| | Carrying amount | Contractual cash flows | Within 6 months | 6~12 months | 1~2 years | 2~5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| **September 30, 2017** | | | | | | | |
| Non-derivative financial liabilities: | | | | | | | |
| Short-term borrowings | $ 1,983,274 | 1,989,419 | 1,989,419 | - | - | - | - |
| Notes and accounts payable | 14,385,648 | 14,385,648 | 14,385,648 | - | - | - | - |
| Other payables | 2,545,438 | 2,545,438 | 2,545,438 | - | - | - | - |
| Long-term borrowings | 218,888 | 222,145 | 109,024 | 28,528 | 56,677 | 27,916 | - |
| Guarantee deposits | 150,480 | 150,480 | - | - | - | - | 150,480 |
| Derivative financial liabilities: | 72,503 | - | - | - | - | - | - |
| Outflow | - | 8,977,861 | 8,977,861 | - | - | - | - |
| Inflow | - | (8,891,322) | (8,891,322) | - | - | - | - |
| | **$ 19,356,231** | **19,379,669** | **19,116,068** | **28,528** | **56,677** | **27,916** | **150,480** |

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

| | Carrying amount | Contractual cash flows | Within 6 months | 6~12 months | 1~2 years | 2~5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| **December 31, 2016** | | | | | | | |
| Non-derivative financial liabilities: | | | | | | | |
| Notes and accounts payable | $ 16,892,918 | 16,892,918 | 16,892,918 | - | - | - | - |
| Other payables | 2,713,494 | 2,713,494 | 2,713,494 | - | - | - | - |
| Long-term borrowings | 601,111 | 609,653 | 277,546 | 110,096 | 137,431 | 84,580 | - |
| Guarantee deposits | 143,237 | 143,237 | - | - | - | - | 143,237 |
| Derivative financial liabilities: | 150,430 | - | - | - | - | - | - |
| Outflow | - | 2,766,941 | 2,766,941 | - | - | - | - |
| Inflow | - | (2,615,359) | (2,615,359) | - | - | - | - |
| | $ 20,501,190 | 20,510,884 | 20,035,540 | 110,096 | 137,431 | 84,580 | 143,237 |
| **September 30, 2016** | | | | | | | |
| 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) | - | - | - | - |
| | $ 22,119,074 | 22,134,134 | 21,688,487 | 110,084 | 137,729 | 84,861 | 112,973 |

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

| | September 30, 2017 | | | December 31, 2016 | | | September 30, 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| **Financial assets** | | | | | | | | | |
| **Monetary items** | | | | | | | | | |
| USD:CNY | $ 363,139 | 6.6369 | 11,004,921 | 385,629 | 6.937 | 12,447,718 | 346,113 | 6.6778 | 10,856,180 |
| USD:HKD | 126,237 | 7.8118 | 3,825,612 | 101,376 | 7.755 | 3,272,316 | 70,180 | 7.7561 | 2,201,259 |
| USD:TWD | 327,378 | 30.3050 | 9,921,190 | 428,216 | 32.279 | 13,822,384 | 382,290 | 31.366 | 11,990,895 |
| **Financial liabilities** | | | | | | | | | |
| **Monetary items** | | | | | | | | | |
| USD:CNY | 355,327 | 6.6369 | 10,768,191 | 366,735 | 6.937 | 11,837,839 | 372,337 | 6.6778 | 11,678,725 |
| USD:HKD | 133,123 | 7.8118 | 4,034,307 | 94,552 | 7.755 | 3,052,044 | 78,235 | 7.7561 | 2,453,910 |
| USD:TWD | 302,875 | 30.3050 | 9,178,627 | 377,974 | 32.279 | 12,200,623 | 339,487 | 31.366 | 10,648,360 |

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, 2017 and 2016, would have increased or decreased the net profit before tax by $38,530 and $13,367, 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, 2017 and 2016, the foreign exchange gains (losses), including both realized and unrealized, amounted to $14,984 and $(1,043), respectively. For the nine months ended September 30, 2017 and 2016, the foreign exchange gains (losses), including both realized and unrealized, amounted to $11,751 and $153,076, respectively.

2) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by $2,219 and $1,488 for the nine months ended September 30, 2017 and 2016, respectively, mainly as a result of bank savings and borrowings with variable interest rates.

3) Other price risk:

For the nine months ended September 30, 2017 and 2016, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income before tax as illustrated below:

| | For the nine months ended September 30 | |
|---|---|---|
| | **2017** | **2016** |
| **Prices of securities at the reporting date** | **Other comprehensive income before tax** | **Other comprehensive income before tax** |
| Increasing 10% | $ 54,849 | 70,530 |
| Decreasing 10% | $ (54,849) | (70,530) |

(Continued)

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

(iv) Fair value

1) Kinds of financial instruments and fair value

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

| | September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss – current** | **$ 96,150** | - | - | 96,150 | 96,150 |
| **Available-for-sale financial assets – non-current** | **$ 950,288** | 548,486 | - | 401,802 | 950,288 |
| **Loans and receivables** | | | | | |
| Cash and cash equivalents | $ 5,859,859 | | | | |
| Notes and accounts receivable (including related parties) | 12,297,216 | | | | |
| Other receivables | 763,609 | | | | |
| Refundable deposits | 52,767 | | | | |
| Total | **$ 18,973,451** | | | | |
| **Financial liabilities at fair value through profit or loss – current** | **$ 72,503** | - | - | 72,503 | 72,503 |
| **Financial liabilities carried at amortized cost** | | | | | |
| Borrowings | $ 2,202,162 | | | | |
| Notes and accounts payable | 14,385,648 | | | | |
| Other payables | 2,545,438 | | | | |
| Guarantee deposits | 150,480 | | | | |
| Total | **$ 19,283,728** | | | | |

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss – current** | **$ 141,317** | - | - | 141,317 | 141,317 |
| **Available-for-sale financial assets – non-current** | **$ 887,801** | 586,404 | - | 301,397 | 887,801 |

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

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Loans and receivables** | | | | | |
| Cash and cash equivalents | $ 6,359,916 | | | | |
| Notes and accounts receivable (including related parties) | 13,706,714 | | | | |
| Other receivables | 495,392 | | | | |
| Refundable deposits | 44,429 | | | | |
| Total | **$ 20,606,451** | | | | |
| **Financial liabilities at fair value through profit or loss – current** | **$ 150,430** | - | - | 150,430 | 150,430 |
| **Financial liabilities carried at amortized cost:** | | | | | |
| Borrowings | $ 601,111 | | | | |
| Notes and accounts payable | 16,892,918 | | | | |
| Other payables | 2,713,494 | | | | |
| Guarantee deposits | 143,237 | | | | |
| Total | **$ 20,350,760** | | | | |

| | September 30, 2016 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amounts | 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 | 1,961,064 | | | | |
| Guarantee deposits | 112,972 | | | | |
| Total | **$ 23,056,626** | | | | |

(Continued)

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

2) Valuation techniques for financial instruments measured at fair value

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

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

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

a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.

b) Available-for-sale financial assets – non-current are investments in domestic or foreign non-listed stock. If the price of capital increase by cash is reliable, the fair value will be estimated on the issuance price of ordinary shares, while others will be based on market approach of comparable business. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

3) The is no transferring of fair value hierarchy for the nine months ended September 30, 2017 and 2016 .

4) Changes in Level 3

| | For the nine months ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Fair value through profit or loss | Available for sale | Total | Fair value through profit or loss | Available for sale | Total |
| **Balance on January 1** | $ (9,113) | 301,397 | 292,284 | 27,643 | 32,830 | 60,473 |
| Recognized in profit or loss | 23,647 | - | 23,647 | 9,095 | - | 9,095 |
| Recognized in other comprehensive income | - | 86,933 | 86,933 | - | (3,792) | (3,792) |
| Acquisition / disposal | 9,113 | 13,472 | 22,585 | (27,643) | (3,534) | (31,177) |
| **Balance on September 30** | **$ 23,647** | **401,802** | **425,449** | **9,095** | **25,504** | **34,599** |

(Continued)

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

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

| Item | Valuation technique | Significant unobservable inputs | Inter-relationships between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Available-for-sale financial assets – equity securities listed on emerging stock market | Guideline Public Company method | Lack-of-Marketability Discount (90% on September 30, 2017) | 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.

6) 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:

| | | | Other comprehensive income | |
|---|---|---|---|---|
| September 30, 2017 | Input | Variation | Advantageous change | Disadvantageous change |
| Available-for-sale financial assets – equity securities listed on emerging stock market | Discount of lock Marketability | ±10% | $ 41,167 | 41,167 |

(Continued)

(y) Financial risk management

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

(z) Capital management

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

**(7) Related-party transactions:**

(a) Names and relationship of the related parties

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

| **Name** | **Relationship** |
|---|---|
| Specialty Technologies, LLC (Specialty) | Real related party |
| Key management personnel | Key management personnel of the Group |

(b) Other related-party transactions

(i) Sales

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

| | **Sales** | | | | **Notes and accounts receivable** | | |
|---|---|---|---|---|---|---|---|
| | **For the three months ended September 30** | | **For the nine months ended September 30** | | **September 30,** | **December 31,** | **September 30,** |
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2016** |
| Other related parties | $ **69,008** | **54,464** | **185,546** | **142,549** | **91,978** | **102,841** | **68,825** |

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

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

(c) Key management personnel transactions

Key management personnel compensation from continuing operations:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Short-term employee benefits | $ 37,652 | 49,481 | 122,300 | 133,734 |
| Post-employment benefits | - | 262 | - | 834 |
| Termination benefits | - | - | - | - |
| Other long-term benefits | - | - | - | - |
| Share-based payments | 10,482 | 4,011 | 32,551 | 13,098 |
| | **$ 48,134** | **53,754** | **154,851** | **147,666** |

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

**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

| Pledged assets | Pledged to secure | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|---|
| Other non-current assets – restricted assets | Guarantee letters issued by bank | **$ 1,142** | **1,163** | **1,174** |

**(9) Significant commitments and contingencies:**

(a) The Group's unused letters of credit for guarantee of purchasing materials and borrowings were as follows:

| September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|
| **$ 303,050** | **-** | **-** |

(b) For the detail of the Group's guarantees, please refer to note 13.

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

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Guarantee letters | **$ 189,959** | **198,121** | **99,527** |

(d) 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:

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Sales of accounts receivable | $ 2,081,334 | 2,805,777 | 2,748,258 |
| Long-term borrowings | $ 880,000 | 2,160,000 | 2,160,000 |

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

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Property, plant and equipment | $ 80,010 | 42,286 | 47,902 |

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

**(10) Losses due to major disasters:None**

**(11) Subsequent events:**

In order to expand the business scale and strengthen the Group's competitiveness in the market, the board of directors' meeting resolved to acquire 37% shares of Belfast Limited, a company that engages in the manufacturing of electric power steering system and adaptive front lighting system, with an approximate amount of USD 48,100 on November, 10, 2017 by participating in its capital increase by cash and purchasing its outstanding shares.

**(12) Other:**

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

| By function | For the three months ended September 30, 2017 | | | For the three months ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| By item | Operating cost | Operating expenses | Total | Operating cost | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 865,210 | 723,000 | 1,588,210 | 1,070,495 | 767,526 | 1,838,021 |
| Labor and health insurance | 29,628 | 33,061 | 62,689 | 26,009 | 25,263 | 51,272 |
| Pension | 57,843 | 29,279 | 87,122 | 69,790 | 24,829 | 94,619 |
| Others | 17,873 | 49,747 | 67,620 | 12,751 | 39,939 | 52,690 |
| Depreciation | 300,096 | 30,315 | 330,411 | 319,817 | 26,463 | 346,280 |
| Amortization | 4,350 | 45,828 | 50,178 | 5,163 | 39,774 | 44,937 |

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

| By function / By item | For the nine months ended September 30, 2017 | | | For the nine months ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Operating cost | Operating expenses | Total | Operating cost | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 2,327,089 | 1,929,129 | 4,256,218 | 2,838,473 | 1,846,733 | 4,685,206 |
| Labor and health insurance | 77,762 | 96,981 | 174,743 | 79,678 | 81,096 | 160,774 |
| Pension | 167,565 | 84,225 | 251,790 | 204,299 | 74,514 | 278,813 |
| Others | 45,629 | 119,708 | 165,337 | 38,486 | 109,771 | 148,257 |
| Depreciation | 894,125 | 82,017 | 976,142 | 955,234 | 85,062 | 1,040,296 |
| Amortization | 13,124 | 132,561 | 145,685 | 15,161 | 119,970 | 135,131 |

(b) Discontinued operations

The Group resolved to dispose parts of the shares of Global TEK in the directors' meeting held on June 21, 2016. Profit and loss, and cash flows from discontinued operations are summarized as follows:

| | For the three months ended September 30, 2016 | For the nine months ended September 30, 2016 |
|---|---|---|
| Operating revenue | $ 613,236 | 1,878,077 |
| Operating cost | (455,683) | (1,413,933) |
| Gross profit | 157,553 | 464,144 |
| Operating expenses | (98,788) | (270,040) |
| Net operating income | 58,765 | 194,104 |
| Non-operating income (expenses) | 9,200 | 8,878 |
| Income before income taxes | 67,965 | 202,982 |
| Income tax expense | (17,554) | (56,698) |
| Net income from discontinued operations | **$ 50,411** | **146,284** |
| Net income attributable to: | | |
| Stockholders of parent | - | 28,762 |
| Non-controlling interests | 50,411 | 117,522 |
| | **$ 50,411** | **146,284** |
| Cash flows from discontinued operations: | | |
| Cash flows from operating activities | 55,683 | 266,018 |
| Cash flows from investing activities | (38,866) | (157,523) |
| Cash flows from financing activities | 128,964 | 102,080 |
| Effect of foreign currency exchange translation | (29,105) | (49,606) |
| Net increase in cash and cash in equivalents | **$ 116,676** | **160,969** |

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

## (13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the Regulations for the Group for the nine months ended September 30, 2017:

(i) Lending to other parties:

| No. | Name of lender | Name of borrower | Account name | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral Item | Collateral Value | Individual funding loan limits | Maximum limit of fund financing |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | PKS1 | The Company | Other accounts receivable | 781,263 | 430,435 | 430,435 | - | Necessary to loan to other parties | - | Operating capital | - | | - | 854,250 | 854,250 |
| 2 | Tymphany Dongguan | TYDC | Other accounts receivable | 38,341 | - | - | 2% | 〃 | - | 〃 | - | | - | 329,050 | 329,050 |
| 3 | TYM HK | TYM Acoustic HK | Other accounts receivable | 863,693 | 863,693 | 863,693 | 2% | 〃 | - | Investing capital | - | | - | 855,860 | 855,860 |

Note 1: After approval by the Board of directors, PKS1, Tymphany Dongguan and TYM HK can lend the individual and total amount shall not exceed its net worth in the latest financial statements to parent company and subsidiaries whose voting shares are 100% owned, directly or indirectly.
Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statements.

(ii) Guarantees and endorsements for other parties:

| No. | Name of guarantor | Counter-party of guarantee and endorsement: Name | Counter-party of guarantee and endorsement: Relationship with the Company | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | The Company | PCH2 | The subsidiary of Primax HK and Primax Tech. | 3,413,124 | 338,930 | 318,203 | - | - | 2.80 % | 9,101,665 | Y | - | Y |
| 1 | PCH2 | PCQ1 | The same parent company | 1,486,245 | 193,674 | 133,342 | 16,931 | - | 2.69 % | 3,963,321 | - | - | Y |
| 〃 | 〃 | PKS1 | 〃 | 1,486,245 | 167,398 | 166,678 | 56,528 | - | 3.36 % | 3,963,321 | - | - | Y |

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.
Note 2: The amount of the guarantee to a company shall not exceed 30% of the PCH2's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the PCH2's net worth in the latest financial statements.
Note 3: The above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated interim financial statements.

(Continued)

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

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

| Company holding securities | Security type and name | Relationship with the company | Account | Ending balance: Shares/Units (thousands) | Ending balance: Carrying value | Ending balance: Percentage of ownership (%) | Ending balance: Fair value | Remark |
|---|---|---|---|---|---|---|---|---|
| The Company | Shares: | | | | | | | |
| | Green Rich Technology Co., Ltd. | - | Available-for-sale financial asset-non-current | 359 | 4,000 | 3.59 | 4,000 | |
| | WK Technology Fund IV LTD. | - | 〃 | 230 | 1,004 | 0.38 | 1,004 | |
| | Changing Information Technology Inc. | - | 〃 | 179 | 2,802 | 1.62 | 2,802 | |
| | Formosoft International Inc. | - | 〃 | 53 | 246 | 0.76 | 246 | |
| | Syntronix Corp. | - | 〃 | 6 | 749 | 0.02 | 749 | |
| | Ricavision International Inc. | - | 〃 | 917 | - | 2.04 | - | |
| | Nien Made Enterprise Co., Ltd. | - | 〃 | 1,764 | 548,486 | 0.60 | 548,486 | |
| | Global TEK | - | 〃 | 5,510 | 370,500 | 9.18 | 370,500 | |
| | Grove Ventures, L.P. | - | 〃 | - | 16,668 | 3.92 | 16,668 | |
| | | | | | 944,455 | | | |
| Primax Tech. | Shares: | | | | | | | |
| | Echo. Bahn. | - | Available-for-sale financial asset-non-current | 400 | - | 11.90 | - | |
| | WK Global Investment III Ltd. | - | 〃 | 473 | 5,833 | 1.32 | 5,833 | |
| | | | | | 5,833 | | | |

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

| Company holding securities | Security type and name | Account | counter-party | Relationship | Beginning: Shares (in thousands) | Beginning: Amount | Purchases: Shares (in thousands) | Purchases: Amount | Sales: Shares (in thousands) | Sales: Price | Sales: Cost | Sales: Gain (loss) on disposal | Ending: Shares (in thousands) | Ending: Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TYM Acoustic HK | Shares: TYM Acoustic Europe | Investment accounted for using equity method | Initial offerings | the Group | - | - | - | 653,796 | - | - | - | - | - | 668,792 (note 2) |
| TYM HK | Premium Hui Zhou | 〃 | TWEL | 〃 | - | 410,738 | - | - | - | 569,138 | 643,733 | - (note 1) | - | - |
| TWEL | Premium Hui Zhou | 〃 | TYM HK | 〃 | - | - | - | 569,138 | - | - | - | - | - | 1,087,101 |
| TWEL | TYM HK | 〃 | TYM Acoustic HK | 〃 | - | 1,540,112 | - | - | - | 714,258 | 837,712 | - (note 1) | - | - |
| TYM Acoustic HK | TYM HK | 〃 | TWEL | 〃 | - | - | - | 714,258 | - | - | - | - | - | 871,051 (note 2) |
| PCH2 | Financial instruments of floating income and capital | Held-for-trading financial assets | Initial offerings | None | - | - | - | 1,450,402 | - | 1,455,108 | 1,450,402 | 4,706 (note 3) | - | - |
| 〃 | Money market fund of RMB | 〃 | 〃 | 〃 | - | - | - | 7,443,564 | - | 7,460,481 | 7,442,495 | 16,917 (note 3) | - | - |
| PCQ1 | 〃 | 〃 | 〃 | 〃 | - | - | - | 2,720,047 | - | 2,737,815 | 2,730,040 | 17,768 (note 3) | - | - |
| PKS1 | 〃 | 〃 | 〃 | 〃 | - | - | - | 295,854 | - | 302,319 | 301,415 | 6,465 (note 3) | - | - |

(Continued)

**PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Interim Financial Statements**

Note 1: The amount is the capital surplus derived from the difference between the selling price and the cost during the restructuring in the third quarter of 2017, in which there were no related gains (losses) of disposal. Also, this investment has been eliminated during the preparation of the consolidated interim financial statements.

Note 2: The difference between the ending balance and the purchasing price is the investment income (losses) accounted by using equity method, difference between purchasing price and net worth, as well as the capital increase and the adjustment of exchange differences on translation. Also, this investment has been eliminated during the preparation of the consolidated interim financial statements.

Note 3: Gains of disposal include valuation and exchange differences on translation.

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

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

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

| | | | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company name | Related party | Nature of relationship | Item | Amount | Percentage of the purchases/ (sales) | Payment terms | Unit price | Payment terms | Ending balance | Percentage of notes/accounts receivable (payable) | Remark |
| The Company | Primax Cayman | Subsidiary | Purchase | 109,271 | - % | 60 days | Price agreed by both side | The same as general purchasing | (40,688) | (1)% | |
| 〃 | PCH2 | The subsidiary of Primax HK | Purchase | 19,875,097 | 81 % | 〃 | 〃 | 〃 | (5,728,867) | (78)% | |
| 〃 | PKS1 | The subsidiary of Primax HK | Purchase | 774,888 | 3 % | 〃 | 〃 | 〃 | (341,623) | (5)% | |
| 〃 | PCQ1 | The subsidiary of Primax HK | Purchase | 3,886,687 | 16 % | 〃 | 〃 | 〃 | (1,023,354) | (14)% | |
| 〃 | Polaris | The subsidiary of Primax Tech | (Sale) | (2,268,759) | (8)% | 90 days | 〃 | The same as general selling | 85,735 | 1% | |
| 〃 | TYM HK | The subsidiary of TYM Acoustic HK | (Sale) | (197,630) | (1)% | 60 days | 〃 | 〃 | 74,323 | 1% | |
| Primax Cayman | The Company | Parent | (Sale) | (109,271) | (100)% | 〃 | 〃 | 〃 | 40,688 | 100% | |
| 〃 | PCH2 | The subsidiary of Primax HK | Purchase | 109,271 | 100 % | 60 days | 〃 | The same as general purchasing | (20,953) | (100)% | |
| PCH2 | The Company | The parent of Primax Cayman | (Sale) | (19,875,097) | (82)% | 〃 | 〃 | The same as general selling | 5,728,867 | 75% | |
| 〃 | Primax Cayman | The parent of Primax HK | (Sale) | (109,271) | - % | 〃 | 〃 | 〃 | 20,953 | -% | |
| PKS1 | The Company | The parent of Primax Cayman | (Sale) | (774,888) | (100)% | 〃 | 〃 | 〃 | 341,623 (note 1) | 100% | |
| PCQ1 | The Company | The parent of Primax Cayman | (Sale) | (3,886,687) | (91)% | 〃 | 〃 | 〃 | 1,023,354 | 87% | |
| Polaris | The Company | The parent of Primax Tech | Purchase | 2,268,759 | 100 % | 90 days | 〃 | The same as general pruchasing | (85,735) | (100)% | |
| Premium Hui Zhou | TYM HK | The subsidiary of TYM Acoustic HK | (Sale) | (2,971,839) | (93)% | 60 days | 〃 | The same as general selling | 915,119 | 95% | |
| Tymphany Dongguan | TYM HK | The subsidiary of TYM Acoustic HK | (Sale) | (4,889,416) | (95)% | 〃 | 〃 | 〃 | 1,748,718 | 94% | |
| TYDC | TYM HK | The subsidiary of TYM Acoustic HK | (Sale) | (781,630) | (100)% | 〃 | 〃 | 〃 | 250,295 | 100% | |
| TYM Acoustic HK | TYM Acoustic Europe | Subsidiary | Purchase | 722,883 | 100 % | 90 days | 〃 | The same as general pruchasing | (327,806) | (100)% | |
| TYM Acoustic Europe | TYM Acoustic HK | Parent | (Sale) | (722,883) | (95)% | 〃 | 〃 | The same as general selling | 327,806 | 93% | |

(Continued)

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

| Company name | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Item | Amount | Percentage of the purchases/ (sales) | Payment terms | Unit price | Payment terms | Ending balance | Percentage of notes/accounts receivable (payable) | |
| TYM HK | The Company | The parent of Diamond | Purchase | 197,630 | 2 % | 60 days | Price agreed by both side | The same as general pruchasing | (74,323) | (2)% | |
| 〃 | Premium Hui Zhou | The parent of TYM Acoustic HK | Purchase | 2,971,839 | 31 % | 〃 | 〃 | 〃 | (915,119) | (28)% | |
| 〃 | Tymphany Dongguan | The subsidiary of Premium Hui Zhou | Purchase | 4,889,416 | 51 % | 〃 | 〃 | 〃 | (1,748,718) | (54)% | |
| 〃 | TYDC | The subsidiary of Tymphany Dongguan | Purchase | 781,630 | 8 % | 〃 | 〃 | 〃 | (250,295) | (8)% | |

Note 1: Accounts receivables over payment terms has been classified as other payables-non-current.
Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statements.

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

| Company name | Counter-party | Nature of relationship | Ending balance (note 2) | Turnover | Overdue | | Amounts received in subsequent period (note 1) | Allowance for bad debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| PCH2 | The Company | The parent of Primax Cayman | 5,728,867 | 4.17 | - | - | 2,734,438 | - |
| PKS1 | The Company | The parent of Primax Cayman | 772,058 | 2.75 | 430,435 | Reclassify to Long-term receivables, and enhance the control of receivables | 95,461 | - |
| PCQ1 | The Company | The parent of Primax Cayman | 1,023,354 | 3.52 | - | - | 389,361 | - |
| Premium Hui Zhou | TYM HK | The subsidiary of TYM Acoustic HK | 915,119 | 4.17 | - | - | 229,562 | - |
| Tymphany Dongguan | TYM HK | The subsidiary of TYM Acoustic HK | 1,748,718 | 4.43 | - | - | 739,674 | - |
| TYDC | TYM HK | The subsidiary of TYM Acoustic HK | 250,295 | 8.33 | - | - | - | - |
| TYM Acoustic Europe | TYM Acoustic HK | Parent | 327,806 | 5.88 | - | - | 230,230 | - |

Note 1: The above information ended November 14, 2017.
Note 2: Related transactions have been eliminated during preparing the consolidated interim financial statements.

(ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).

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

(x) Significant transactions and business relationship between the parent company and its subsidiaries:

| No. | Company name | Counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | The Company | PCH2 | The subsidiary of Primax HK | Purchase | 19,875,097 | Price agreed by both side | 47.65% |
| 〃 | 〃 | 〃 | 〃 | Accounts payable | 5,728,867 | 60 days | 15.82% |
| 〃 | 〃 | Primax Cayman | Subsidiary | Purchase | 109,271 | Price agreed by both side | 0.26% |
| 〃 | 〃 | PKS1 | The subsidiary of Primax HK | Purchase | 774,888 | Price agreed by both side | 1.86% |
| 〃 | 〃 | 〃 | 〃 | Accounts payable | 341,623 | 60 days | 0.94% |
| 〃 | 〃 | PCQ1 | 〃 | Purchase | 3,886,687 | Price agreed by both side | 9.32% |
| 〃 | 〃 | 〃 | 〃 | Accounts payable | 1,023,354 | 60 days | 2.83% |
| 〃 | 〃 | Polaris | The subsidiary of Primax Tech | Sale | 2,268,759 | Price agreed by both side | 5.44% |
| 〃 | 〃 | TYM HK | The subsidiary of TYM Acoustic HK | Sale | 197,630 | Price agreed by both side | 0.47% |
| 1 | Primax Cayman | PCH2 | The subsidiary of Primax HK | Purchase | 109,271 | Price agreed by both side | 0.26% |
| 2 | Premium Hui Zhou | TYM HK | The subsidiary of TYM Acoustic HK | Sale | 2,971,839 | Price agreed by both side | 7.12% |
| 〃 | 〃 | 〃 | 〃 | Accounts receivable | 915,119 | 60 days | 2.53% |
| 3 | Tymphany Dongguan | 〃 | 〃 | Sale | 4,889,416 | Price agreed by both side | 11.72% |
| 〃 | 〃 | 〃 | 〃 | Accounts receivable | 1,748,718 | 60 days | 4.83% |
| 4 | TYDC | 〃 | 〃 | Sale | 781,630 | Price agreed by both side | 1.87% |
| 〃 | 〃 | 〃 | 〃 | Accounts receivable | 250,295 | 60 days | 0.69% |
| 5 | TYM Acoustic HK | TYM Acoustic Europe | Subsidiary | Purchase | 722,883 | Price agreed by both side | 1.73% |
| 〃 | 〃 | 〃 | 〃 | Accounts payable | 327,806 | 60 days | 0.91% |

Note 1: Company numbering as follows:
(i) Parent compnay-0.
(ii) Subsidiary starts from 1.
Note 2: Disclosure of the amounts exceeding the lower of NT$100 million.
Note 3: Related transactions have been eliminated during preparing the consolidated interim financial statements.

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

(b) Information on investments:

The following are the information on investees for the nine months ended September 30, 2017 (excluding information on investees in Mainland China):

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount September 30, 2017 | Original investment amount December 31, 2016 | Balance as of September 30, 2017 Shares (thousands) | Balance as of September 30, 2017 Percentage of ownership | Balance as of September 30, 2017 Carrying value | Net income (losses) of investee | Share of profits/losses of investee | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Primax Cayman | Cayman Islands | Holding company | 2,540,588 | 2,540,588 | 8,147,636 | 100.00 | 4,768,896 | 428,727 | 368,011 | |
| 〃 | Primax Tech. | Cayman Islands | Holding company | 897,421 | 897,421 | 285,067 | 100.00 | 2,032,836 | 189,120 | 160,160 | |
| 〃 | Destiny BVI. | Virgin Island | Holding company | 30,939 | 30,939 | 1,050 | 100.00 | 20,593 | (4,959) | (4,959) | |
| 〃 | Destiny Japan | Japan | Market development and customer service | 7,032 | 7,032 | 0.50 | 100.00 | 16,721 | 1,025 | 1,025 | |
| 〃 | Diamond | Cayman Islands | Holding company | 2,517,298 | 2,517,298 | 84,050 | 100.00 | 3,199,594 | 210,101 | 210,101 | |
| 〃 | Gratus Tech. | USA | Market development and customer service | 9,330 | 9,330 | 300 | 100.00 | 9,608 | 338 | 338 | |
| | Total | | | 6,002,608 | 6,002,608 | | | 10,048,248 | 824,352 | 734,676 | |
| Primax Cayman | Primax HK | Hong Kong | Holding company and customer service | 2,375,164 | 2,375,164 | 602,817 | 100.00 | 4,931,083 | 432,307 | 432,307 | |
| Primax Tech. | Polaris | USA | Sale of multi-function printers and computer peripheral devices | 52,680 | 52,680 | 1,600 | 100.00 | 378,237 | 8,023 | 8,023 | |
| Diamond | TWEL | Cayman Islands | Holding company | 2,515,800 | 2,515,800 | 38,501 | 70.00 | 3,101,506 | 388,211 | 214,892 | |
| Premium Hui Zhou | TYM Acoustic HK | Hong Kong | Research and development, design, and sale of audio accessories, ampliers and their components | 19,497 | - | 5,000 | 100.00 | 63,725 | 802 | - | note 2 |
| TYM Acoustic HK | TYM UK | United Kingdom | Research and development design of audio accessories, ampliers and their components | 7,862 | - | 200.00 | 100.00 | 8,479 | 318 | 318 | |
| 〃 | TYM Acoustic Europe | Czech | Manufacture, install and repair of audio accessories and their components | 613,107 | - | 187,800 | 100.00 | 668,792 | 15,460 | 15,460 | |
| 〃 | TYP | USA | Market development and customer service of amplifiers and their components | 15 (note 1) | - | 0.5 | 100.00 | 7,427 | 2,856 | - | note 2 |
| 〃 | TYM HK | Hong Kong | Holding company and sale of audio accessories, amplifiers and their components | 76,280 (note 1) | - | 144,395 | 100.00 | 871,051 | 273,231 | - | note 2 |
| TYM HK | TYML | USA | Sale of multi-function printers and computer peripheral devices | 6,628 | 6,628 | 200 | 100.00 | (2,870) | (2,464) | 7,475 | |

Note 1: The amount is the initial investment costs from the original shareholders prior to the acquisition of the Company through Diamond.
Note 2: The information is represented after the restructuring in the third quarter of 2017.
Note 3: Related transactions have been eliminated during preparing the consolidated interim financial statements.

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

(c) Information on investment in Mainland China:

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

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2017 (note 2) | Investment flows | | Accumulated outflow of investment from Taiwan as of September 30, 2017 (note 2) | Net income (losses) of the investee company | Percentage of ownership | Investment income (losses) | Carrying value | Accumu-lated remittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| PCH2 | Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders | 2,036,203 | Indirect investment through Primax Cayman and Primax Tech. | 1,773,902 | - | - | 1,661,975 | 565,476 | 100% | 565,476 | 4,954,151 | - |
| Destiny Bejing | Research and development of computer peripheral devices and software | 40,336 | Indirect investment through Destiny BVI. | 33,893 | - | - | 31,820 | (4,959) | 100% | (4,959) | 20,589 | - |
| PKS1 | Manufacture of computer, peripherals and keyboards | 891,585 | Indirect investment through Primax Cayman | 710,138 | - | - | 666,710 | (48,158) | 100% | (48,158) | 854,250 | - |
| PCQ1 | Manufacture of computer, peripherals and keyboards | 572,234 | Indirect investment through Primax Cayman | 645,580 | - | - | 606,100 | 109,185 | 100% | 109,185 | 1,008,219 | - |
| Premium Hui Zhou | Research and development, design, and sale of audio accessories, amplifiers and their components | 973,465 | Indirect investment through Diamond | 2,711,436 | - | - | 2,545,620 | 102,384 | 70% | 71,669 | 1,087,101 | - |
| Tymphany Dongguan | 〃 | 151,525 | 〃 | 16,140 | - | - | 15,153 | 140,989 | 70% | 81,245 | 230,335 | - |
| TYDC | 〃 | 91,322 | 〃 | - | - | - | - | 10,621 | 70% | 7,435 | 71,905 | - |

Note 1: The above information on the exchange rate is as follows: HKD:TWD $3.8794; USD:TWD 30.305; RMB:TWD 4.5661.
Note 2: The difference between accumulated out flow of investments and paid-in capital derived was from the currency exchange on translation, capital increase from retained earning and working capital.
Note 3: Related transactions have been eliminated during preparing the consolidated interim financial statements.

(ii) Upper limit on investment in Mainland China:

| Name of Company | Accumulated Investment in Mainland China as of September 30, 2017 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|---|
| The Company | 5,611,484 | 6,378,755 | None (Note) |

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

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated interim financial statements for the nine months ended September 30, 2017, are disclosed in "Information on significant transactions" and "Significant transactions and business relationship between the parent company and its subsidiaries."

**(14) Segment information:**

For the nine months ended September 30, 2017 and 2016, the Group's segment information has no significant change. Please refer to note 14 of the consolidated financial statements for the year ended December 31, 2016 for further information.

| | For the three months ended September 30, 2017 | | |
|---|---|---|---|
| | **Computer Peripherals** | **Non-computer Peripherals** | **Total** |
| Revenue | | | |
| External revenue | $ 5,273,370 | 9,723,644 | 14,997,014 |
| Intra-group revenue | - | - | - |
| Elimination from discontinued operations | - | - | - |
| Total segment revenue | **$ 5,273,370** | **9,723,644** | **14,997,014** |
| Profit from segments reported | $ 368,895 | 522,100 | 890,995 |
| Elimination from discontinued operations | - | - | - |
| Total profit | **$ 368,895** | **522,100** | **890,995** |

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

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

| | For the nine months ended September 30, 2017 | | | |
|---|---|---|---|---|
| | | Computer Peripherals | Non-computer Peripherals | Total |
| Revenue | | | | |
| External revenue | $ | 15,345,807 | 26,367,579 | 41,713,386 |
| Intra-group revenue | | - | - | - |
| Elimination from discontinued operations | | - | - | - |
| Total profit | $ | **15,345,807** | **26,367,579** | **41,713,386** |
| Profit from segments reported | $ | 917,330 | 1,243,644 | 2,160,974 |
| Elimination from discontinued operations | | - | - | - |
| Total profit | $ | **917,330** | **1,243,644** | **2,160,974** |

| | For the nine months ended September 30, 2016 | | | |
|---|---|---|---|---|
| | | Computer Peripherals | Non-computer Peripherals | Total |
| Revenue | | | | |
| External revenue | $ | 19,628,038 | 29,044,066 | 48,672,104 |
| Intra-group revenue | | - | - | - |
| Elimination from discontinued operations | | - | (1,878,077) | (1,878,077) |
| Total segment revenue | $ | **19,628,038** | **27,165,989** | **46,794,027** |
| Profit from segments reported | $ | 1,173,653 | 1,020,758 | 2,194,411 |
| Elimination from discontinued operations | | - | (202,982) | (202,982) |
| Total profit | $ | **1,173,653** | **817,776** | **1,991,429** |