Stock Code:4915

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

PRIMAX ELECTRONICS LTD.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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Representation Letter

The entities that are required to be included in the combined financial statements of PRIMAX ELECTRONICS LTD. as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PRIMAX ELECTRONICS LTD. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: PRIMAX ELECTRONICS LTD.
Chairman: LIANG LI SHENG
Date: March 13, 2018

Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2017 and 2016, the assets of these subsidiaries constitute 30% and 14%, respectively, of the consolidated total assets. For the years ended December 31, 2017 and 2016, the operating revenue of these subsidiaries constitute 34% and 14%, respectively, of the consolidated operating revenue.

PRIMAX ELECTRONICS LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion with other matter paragraph.

Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

   Please refer to Note 4(h) "Inventories", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(e) "Inventories" of the consolidated financial statements.

   Description of key audit matter:

   Inventories of the Group are measured at the lower of cost and net realizable value. Due to the fast high-tech revolution, as well as the advancement of production technologies that may lead dramatic change in customers' demand, the net realizable value of inventories requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, evaluation of inventories is one of the key audit matters for our audit.

   How the matter was addressed in our audit:

   Our principal audit procedures included: understanding the policies of evaluating the inventories of the Group; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyze the changes of the aging of inventories; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

   In addition, the consolidated financial statements of certain subsidiaries were audited by other auditors, therefore, we issued audit instructions to their auditors as guidelines to communicate the above key audit matters with them and obtained the feedbacks required in the audit instructions.

2. Impairment assessment of intangible assets

   Please refer to Note 4(n) "Impairment－non-financial assets", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(k) "Intangible assets" of the consolidated financial statements.

   Description of key audit matter:

   In 2014, PRIMAX ELECTRONICS LTD. acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd., and recognized its goodwill, technologies and customer relationships as intangible assets. Due to the rapid industrial transformation, the assessment of impairment contains estimation uncertainty. Therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the assessment of impairment of intangible assets included: evaluating the identification of cash generating units and any indication of impairment relating to intangible assets made by the management; acquiring intangible evaluation reports from external expert engaged by the Group; appointing our internal expert to review the evaluation reports and assessing the reasonability of measurements, parameters, and assumptions; evaluating the operation outcomes and comparing them to the past forecasts; making sensitivity analysis for evaluation of impairment losses and evaluating the completeness of disclosure in the consolidated financial reports.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are MEI-PIN WU and YUNG-HUA HUANG .

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2018

Notes to Readers

The accompanying consolidated 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 7,821,011	21	6,359,916	17
1110	Current financial assets at fair value through profit or loss (note 6(b))	141,151	-	141,317	-
1170	Notes and accounts receivable, net (note 6(d))	13,014,207	35	13,603,873	37
1180	Accounts receivable from related parties, net (notes 6(d) and 7)	105,911	-	102,841	-
1200	Other receivables, net (note 6(d))	737,687	2	495,392	2
1310	Inventories (note 6(e))	6,791,093	18	6,670,547	18
1470	Other current assets	530,360	1	425,668	1
		29,141,420	77	27,799,554	75
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (notes 6(c) and (g))	402,997	1	887,801	2
1600	Property, plant and equipment (note 6(i))	4,437,684	12	4,717,422	13
1760	Investment property (note 6(j))	35,214	-	35,677	-
1780	Intangible assets (note 6(k))	2,730,188	7	2,673,670	7
1840	Deferred tax assets (note 6(p))	548,995	1	570,205	2
1985	Long-term prepaid rents	217,520	1	264,014	1
1990	Other non-current assets (note 8)	261,125	1	173,706	-
		8,633,723	23	9,322,495	25
	Total assets	$ 37,775,143	100	37,122,049	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(l))	$ 995,638	3	-	-
2170	Notes and accounts payable	16,350,178	43	16,892,918	46
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	103,107	-	150,430	-
2200	Other payables	3,991,128	11	3,878,606	10
2201	Salary payable (note 6(r))	1,105,153	3	1,146,183	3
2300	Other current liabilities	433,894	1	350,860	1
2320	Long-term borrowings, current portion (note 6(m))	135,555	-	382,222	1
		23,114,653	61	22,801,219	61
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(m))	83,333	-	218,889	1
2630	Long-term deferred revenue (note 6(i))	1,039,581	3	1,408,138	4
2600	Other non-current liabilities (notes 6(o) and (p))	555,774	2	449,345	1
		1,678,688	5	2,076,372	6
	Total liabilities	24,793,341	66	24,877,591	67
	Equity attributable to owners of parent:				
3110	Ordinary shares (note 6(q))	4,456,883	12	4,421,343	12
3140	Capital collected in advance (note 6(q))	3,085	-	3,024	-
3200	Capital surplus (notes 6(q) and (r))	1,232,490	3	791,466	2
3310	Legal reserve (note 6(q))	982,041	3	788,634	2
3320	Special reserve (note 6(q))	97,300	-	97,300	-
3350	Unappropriated retained earnings (note 6(q))	5,008,344	13	4,779,419	13
3400	Other equity interest	(394,871)	(1)	118,538	-
36XX	**Non-controlling interests** (note 6(h))	1,596,530	4	1,244,734	4
	Total equity	12,981,802	34	12,244,458	33
	Total liabilities and equity	$ 37,775,143	100	37,122,049	100

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (notes 6(t) and 7)**	$ 60,741,692	100	64,329,462	100
5000	**Operating costs (notes 6(e), (o), (r), (u) and 12(a))**	53,261,685	88	57,062,275	89
	Gross profit	7,480,007	12	7,267,187	11
	Operating expenses (notes 6(f), (o), (r), (u) and 12(a)):				
6100	Selling expenses	1,460,339	2	1,555,372	2
6200	Administrative expenses	1,454,789	2	1,134,095	2
6300	Research and development expenses	2,364,974	4	2,204,249	3
	Total operating expenses	5,280,102	8	4,893,716	7
	Net operating income	2,199,905	4	2,373,471	4
	Non-operating income and expenses:				
7010	Other income (note 6(v))	143,367	-	149,924	-
7020	Other gains and losses (notes 6(c), (g) and (w) and 7)	541,030	1	331,952	-
7050	Finance costs	(36,722)	-	(90,895)	-
	Total non-operating income and expenses	647,675	1	390,981	-
	Profit from continuing operations before tax	2,847,580	5	2,764,452	4
7950	**Less: income tax expense (note 6(p))**	678,599	1	777,686	1
	Profit from continuing operations	2,168,981	4	1,986,766	3
8100	**Profit from discontinued operations, net of tax (note 12(b))**	-	-	61,896	-
	Profit	2,168,981	4	2,048,662	3
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Actuarial gains (losses) on defined benefit plans (note 6(o))	(5,909)	-	(1,340)	-
8349	Income tax expense related to items that may not be reclassified to profit or loss	-	-	-	-
		(5,909)	-	(1,340)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operation's financial statements	(108,024)	-	(656,445)	(1)
8362	Unrealized gains on available-for-sale financial assets (notes 6(c) and (x))	(331,977)	(1)	110,706	-
8399	Income tax expense related to items that may be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that may be reclassified to profit or loss	(440,001)	(1)	(545,739)	(1)
8300	**Other comprehensive income after tax**	(445,910)	(1)	(547,079)	(1)
	Comprehensive income	**$ 1,723,071**	**3**	**1,501,583**	**2**
	Profit attributable to:				
8610	Owners of parent	$ 2,057,415	4	1,934,070	3
8620	Non-controlling interests (note 6(h))	111,566	-	114,592	-
		$ 2,168,981	**4**	**2,048,662**	**3**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,606,886	3	1,432,480	2
8720	Non-controlling interests (note 6(h))	116,185	-	69,103	-
		$ 1,723,071	**3**	**1,501,583**	**2**
	Earnings per share (note 6(s))				
9710	**Basic earnings per share (NT dollars)**				
	Profit from continuing operations	$	4.67		4.36
	Profit from discontinued operations		-		0.04
	Profit per share	**$**	**4.67**		**4.40**
9810	**Diluted earnings per share (NT dollars)**				
	Profit from continuing operations	$	4.63		4.32
	Profit from discontinued operations		-		0.04
	Profit per share	**$**	**4.63**		**4.36**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital			Retained earnings			Total other equity interest					
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign 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	-	-	-	-	-	1,934,070	-	-	-	1,934,070	114,592	2,048,662
Other comprehensive income	-	-	-	-	-	(1,340)	(610,956)	110,706	-	(501,590)	(45,489)	(547,079)
Comprehensive income	-	-	-	-	-	1,932,730	(610,956)	110,706	-	1,432,480	69,103	1,501,583
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	177,312	-	(177,312)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(927,933)	-	-	-	(927,933)	-	(927,933)
Retirement of restricted employee stock	(3,850)	-	(6,350)	-	-	-	-	-	10,200	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	43,182	43,182	-	43,182
Compensation cost of share-based payment	-	-	2,517	-	-	-	-	-	-	2,517	1,079	3,596
Exercise of employee stock option	-	19,097	-	-	-	-	-	-	-	19,097	-	19,097
Issuance of ordinary shares for employee stock options and abandonment	13,316	(31,247)	17,931	-	-	-	-	-	-	-	-	-
Derecognize non-controlling interests due to dispose subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,311,652)	(1,311,652)
Balance at December 31, 2016	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	-	-	-	-	-	2,057,415	-	-	-	2,057,415	111,566	2,168,981
Other comprehensive income	-	-	-	-	-	(5,909)	(112,643)	(331,977)	-	(450,529)	4,619	(445,910)
Comprehensive income	-	-	-	-	-	2,051,506	(112,643)	(331,977)	-	1,606,886	116,185	1,723,071
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,111,886)	-	-	-	(1,111,886)	-	(1,111,886)
Changes in shares of investment accounted for using equity method	-	-	299,514	-	-	(517,288)	-	-	-	(217,774)	-	(217,774)
Issuance of restricted employee stock	30,000	-	122,030	-	-	-	-	-	(152,030)	-	-	-
Retirement of restricted employee stock	(940)	-	(2,881)	-	-	-	-	-	3,821	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	79,420	79,420	-	79,420
Compensation cost of share-based payment	-	-	11,072	-	-	-	-	-	-	11,072	2,604	13,676
Exercise of employee stock option	-	15,892	-	-	-	-	-	-	-	15,892	-	15,892
Issuance of ordinary shares for employee stock options and abandonment	6,480	(15,831)	11,289	-	-	-	-	-	-	1,938	-	1,938
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	233,007	233,007
Balance at December 31, 2017	**$ 4,456,883**	**3,085**	**1,232,490**	**982,041**	**97,300**	**5,008,344**	**(372,554)**	**73,489**	**(95,806)**	**11,385,272**	**1,596,530**	**12,981,802**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) operating activities:			
Profit from continuing operations before tax	$	2,847,580	2,764,452
Profit from discontinued operations before tax		-	105,225
Profit before tax		2,847,580	2,869,677
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation and amortization		1,513,201	1,650,235
Losses related to inventories		67,188	947,465
Provision (reversal of provision) for bad debt expense and sales returns and discounts		(10,392)	137,481
Gain from disposal of subsidiaries		-	(248,006)
Gain from disposal of available-for-sale financial assets		(330,887)	(140,969)
Impairment losses on property, plant and equipment		-	86,850
Interest expense		32,707	98,693
Interest income		(110,012)	(126,400)
Compensation cost of share-based payment		93,096	46,778
Loss from disposal of property, plant and equipment		77,548	14,814
Total adjustments to reconcile profit (loss)		1,332,449	2,466,941
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss－current		166	(53,611)
Notes and accounts receivable		1,002,173	(1,165)
Accounts receivable from related parties		(3,070)	(47,846)
Other receivable－current and non-current		(259,689)	(132,548)
Inventories		224,508	(691,918)
Other current assets		60	(185,378)
Deferred tax assets		-	(223,244)
Other operating assets		1,131	(6,288)
Changes in operating assets		965,279	(1,341,998)
Notes and accounts payable		(856,204)	(1,271,222)
Salary payable		(39,092)	(80,924)
Other payables		220,175	224,411
Other current liabilities		9,942	104,737
Other operating liabilities		(412,083)	115,582
Changes in operating liabilities		(1,077,262)	(907,416)
Total changes in operating assets and liabilities		(111,983)	(2,249,414)
Total adjustments		1,220,466	217,527
Cash inflow generated from operations		4,068,046	3,087,204
Interest received		110,012	126,400
Interest paid		(32,639)	(98,448)
Income taxes paid		(733,254)	(846,899)
Net cash flows from operating activities		3,412,165	2,268,257
Cash flows from (used in) investing activities:			
Net cash flow from acquisition of subsidiaries (minus cash acquired)		(646,638)	-
Proceeds from disposal of subsidiaries (minus subsidiaries' cash)		-	108,980
Changes in non-controlling interests		25,366	-
Acquisition of property, plant and equipment		(1,226,326)	(1,107,108)
Proceeds from disposal of property, plant and equipment		24,358	72,617
Acquisition of unamortized expense		(89,783)	(50,813)
Acquisition of available-for-sale financial assets		(21,045)	-
Proceeds from disposal of available-for-sale financial assets		497,186	220,270
Dividends received		23,325	14,692
Other investing activities		(38,837)	24,063
Net cash flows used in investing activities		(1,452,394)	(717,299)
Cash flows from (used in) financing activities:			
Increase (decrease) in short-term borrowings		995,638	(974,439)
Decrease in long-term borrowings		(382,223)	(759,456)
Increase in guarantee deposits		30,930	27,566
Cash dividends		(1,111,886)	(927,933)
Exercise of employee share options		15,892	19,097
Net cash flows used in financing activities		(451,649)	(2,615,165)
Effect of exchange rate changes on cash and cash equivalents		(47,027)	(199,257)
Net increase (decrease) in cash and cash equivalents		1,461,095	(1,263,464)
Cash and cash equivalents at beginning of year		6,359,916	7,623,380
Cash and cash equivalents at end of year	$	**7,821,011**	**6,359,916**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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

(1) Company history

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

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

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

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

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

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

The consolidated financial statements were authorized for issuance by the board of directors on March 13, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, ROC. ("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:

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

(Continued)

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 assessed that the initial application of the above IFRSs would not have any material impact on the consolidated 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. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

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
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 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.

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. 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.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of 402,997 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of 38,042 thousand in the other equity interest, as well as an increase of 38,042 thousand in retained earnings.

(Continued)

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

2) Impairment－Financial assets and contract 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.

The Group estimated the application of IFRS 9's impairment requirements would not result in significant impact.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's 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 will 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 other equity interest as at January 1, 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".

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 us 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.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

(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 IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	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: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its 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.

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“ the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (“the IFRSs endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Derivative financial instruments at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) Liabilities for cash-settled share-based payment are measured at fair value; and

4) The defined benefit liabilities are recognized as plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

When the Group loses control of a subsidiary, it shall derecognize assets (including goodwill), liabilities and non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost; and shall remeasure the investment retained in the former subsidiary at its fair value at the date when control is lost. The gain or loss arising from derecognition is the difference between: (1) the total amounts of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost; and (2) the total amounts of the assets (including goodwill), liabilities and non-controlling interests of the subsidiary at their carrying amounts at the date when control is lost. The Group shall account for all amounts previously recognized in other comprehensive income, in relation to that subsidiary, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2017	Percentage of shareholding December 31, 2016	Description
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	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	- %	- %	(note 1)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2017	Percentage of shareholding December 31, 2016	Description
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	70.00 %	(note 2)
Global TEK	Global TEK Co., Ltd. (GT)	Manufacture of sophisticated machinery components and automotive parts	- %	- %	(note 1)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	- %	- %	(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 %	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	
TWEL	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	- %	100.00 %	(note 3)
TWEL	Premium Loudspeakers (Hui Zhou) Co., Ltd. (Premium Hui Zhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	66.44 %	- %	(note 4)
TWEL	TYP Enterrpise, Inc. (TYP)	Market development and customer service of amplifiers and their components	- %	100.00 %	(note 5)
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 6)
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 7)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2017	Percentage of shareholding December 31, 2016	Description
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	- %	(note 6)
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 8)
TYM Acoustic HK	TYP	Market development and customer service of amplifiers and their components	100.00 %	- %	(notes 5)
TYM Acoustic HK	TYM HK	Sale of audio accessories, amplifiers and their components	100.00 %	- %	(note 3)
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	- %	(note 9)
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM HK	Premium Huizhou	Manufacture, research and development, design and sale of audio accessories, amplifiers and their components	- %	100.00 %	(note 4)
TYM HK	Tymphany Dongguan	Manufacture, research and development, design and sale of audio accessories, amplifiers and their components	- %	100.00 %	(note 7)
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 %	
GT	GP Tech, Inc. (GP)	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	- %	- %	(note 1)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	- %	- %	(note 1)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	- %	- %	(note 1)
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	- %	- %	(note 1)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2017	Percentage of shareholding December 31, 2016	Description
GTS	GLOBAL TEK (XI' AN) CO., LTD. (GLOBAL TEK XI' AN)	Manufacture of industrial automation parts, communication parts and aerospace components	- %	- %	(note 1)
GTS and WUXI GLOBAL TEK	GLOBAL TEK CO. (WUXI), LTD. (GLOBAL TEK WUXI)	Manufacture of sophisticated machinery components and automotive parts	- %	- %	(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: TWEL was incorporated in October 2013, acquiring all shares of TYM HK by issuing new ordinary shares. The Company acquired 70% of the shares of TWEL by cash through its subsidiary Diamond on January 10, 2014. Therefore, the Company indirectly acquired all shares of subsidiaries through TWEL, and included them in the consolidated financial statements from the same date. Also, the Group acquired 5.5% of the shares of TWEL by cash, and 24.5% of the shares of TWEL by exchanging the shares of Premium Huizhou on October 31, 2017.

Note 3: TYM HK was originally 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 4: Premium Huizhou was originally a 100% owned subsidiary of TYM HK; however, after the restructuring of the Group in the third quarter of 2017, Premium Huizhou became 100% owned subsidiary of TWEL. TWEL decreased the ownership of Premium Huizhou to 66.44% due to the shares swap, and the issuance of employee stock ownership plans in the fourth quarter of 2017.

Note 5: TYP was originally 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.

Note 6: The Company was incorporated in January 2017.

Note 7: Tymphany Dongguan was originally 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 Huizhou.

Note 8: 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 9: The Company was incorporated in December 2017.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss except for the differences relating to available-for-sale equity investment which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(Continued)

Time deposits with maturities within three months or less which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise notes and accounts receivable and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Impairment losses and recoveries of accounts receivable are recognized in operating expense; impairment losses and recoveries of other financial assets are recognized in other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise notes and accounts payable, salary payable, other payables, and loans and borrowings are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposure. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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(i) Discontinued operations

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

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in non-operating income and expenses and it is included in other gains and losses.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized as other gains and losses under non-operating income and expense.

(ii) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied investment use.

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(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure which can be reliably measured will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings, leasehold improvement, and additional equipment: 1 ~ 51 years

2) Machinery and equipment: 1 ~10 years

3) Office and other equipment: 1 ~5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(l) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(m) Intangible assets

(i) Goodwill

1) Recognition

Goodwill arising from a business combination is recognized as intangible assets.

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).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1)	Customer relationships	10 years
2)	Technology	10 years
3)	Trademarks	10 years
4)	Patents	2.5~10 years
5)	Copyrights	15 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(n) Impairment of non-financial assets

Non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, or its value in use. If the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit shall be reduced to its recoverable amount; and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Notwithstanding whether indicators exist, recoverability of goodwill is tested at least annually.

For the purpose of impairment testing, goodwill acquired in a business combination shall be allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the carrying amount of each of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized, and is allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when the goods is received at the customer's warehouse.

(ii) Services

The Group provides services, such as model research, development, and design, to customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction, agreed by both sides, at the reporting date.

(p) Deferred grant revenue

Deferred grant revenue with additional conditions shall be recognized if the Group fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Group's expenses that have been incurred or to supply immediate financial support to the Group and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. The fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

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Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and recognized in retained earnings in a subsequent period.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on profit or taxable gains (losses) at the time of the transaction.

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(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carryforward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) 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.

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PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or other basis endorsed by the FSC.

(u) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee remuneration, and restricted stock.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs 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 management continues to monitor the accounting assumptions, estimates and judgments. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(b) Assessment of impairment of intangible assets (including goodwill)

The assessment of impairment of intangible assets required the Group to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Group has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(y) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2017	December 31, 2016
Cash on hand	$	3,279	2,946
Checking accounts and demand deposits		6,022,395	1,761,981
Time deposits		1,795,337	4,594,989
	$	**7,821,011**	**6,359,916**

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Please refer to note 6(y) 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) Details of financial instruments were as follows:

		December 31, 2017	December 31, 2016
Financial assets at fair value through profit or loss – current:			
Derivative financial assets:			
Forward exchange contracts	$	125,940	141,317
Foreign exchange swap contracts		15,211	-
	$	**141,151**	**141,317**
Financial liabilities at fair value through profit or loss – current:			
Derivative financial liabilities:			
Forward exchange contracts	$	(69,167)	(72,909)
Foreign exchange swap contracts		(33,940)	(77,521)
	$	**(103,107)**	**(150,430)**

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

December 31, 2017

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts —buy USD / sell TWD	USD 299,000	January 4, 2018~ June 26, 2018	29.437~30.021
Forward exchange contracts —buy TWD / sell USD	USD 276,500	January 4, 2018~ March 26, 2018	29.792~30.328
Forward exchange contracts —buy USD / sell CNY	USD 75,000	January 19, 2018~ April 19, 2018	6.6085~6.6677
Forward exchange contracts —buy CNY/ sell USD	USD 66,000	January 19, 2018~ April 19, 2018	6.5475~6.6875
Foreign exchange swap contracts —swap in USD/ swap out TWD	USD 103,500	January 12, 2018~ February 9, 2018	30.052~30.232
Foreign exchange swap contracts —swap in TWD / swap out USD	USD 116,000	January 5, 2018~ June 26, 2018	29.583~30.0155

(Continued)

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December 31, 2016			
Derivative financial instruments	**Nominal amount**	**Maturity date**	**Predetermined rate**
Forward exchange contracts －buy USD / sell TWD	USD 252,000	January 5, 2017~ March 27, 2017	31.157~32.015
Forward exchange contracts －buy TWD / sell USD	USD 189,500	January 5, 2017~ March 27, 2017	31.765~32.290
Foreign exchange swap contracts －swap in TWD / swap out USD	USD 81,000	January 5, 2017~ January 19, 2017	31.245~31.920

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

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

	December 31, 2017	December 31, 2016
Stocks listed in domestic markets	$ -	586,404
Stocks unlisted in domestic markets	380,835	287,517
Stocks unlisted in foreign markets	22,162	13,880
	$ 402,997	887,801

(i) WK Technology Fund IV Ltd. refunded $1,280 and $2,816 to the Group due to capital reduction in April 2016 and July 2017, respectively.

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

(iii) The Group held 30% share of Global TEK's shares and sold 20% shares of them at $50 per share on October 3, 2016. The Group reclassified the remaining amounted to $275,500 to available-for-sale financial assets－ non-current. Please refer to note 6(g) for further information about disposal of Global TEK's shares.

(iv) In the second quarter of 2016, the Group sold 841 thousand shares of Nien Made Enterprise Co., Ltd. for $220,270. The gain from disposal of which was recognized as other gains and losses, amounted to $140,969, deducting the cost of $79,301. Also, in the fourth quarter of 2017, the Group sold 1,764 thousand shares of Nien Made Enterprise Co., Ltd. for $497,186. The gain from disposal of which was recognized as other gains and losses, amounted to $330,887, deducting the cost of $166,299.

(v) The Group invested $21,045 in the unlisted company－Grove Ventures, L.P, and classified as available-for-sale financial assets in March 2017.

(vi) The unrealized gains (losses) were $(1,090) and $110,706 for the years ended December 31, 2017 and 2016, respectively, and were recognized as unrealized gains on available-for-sale financial assets. The Group reclassified the realized gains of Nien Made Enterprise amounted to $330,887 in 2017 as gains from disposal.

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(vii) 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)

	December 31, 2017	December 31, 2016
Notes receivable	$ 175,324	3,761
Accounts receivable	13,019,199	13,798,350
Accounts receivable – related parties	105,911	102,841
Other receivables	737,687	495,392
Less: allowance for doubtful accounts	(127,640)	(99,936)
allowance for sales returns and discounts	(52,676)	(98,302)
Total	$ 13,857,805	14,202,106

(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(y) for the movements in the allowance for doubtful accounts and the credit risk and currency risk for the years ended December 31, 2017 and 2016.

(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 December 31, 2017 and 2016, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

December 31, 2017							
Buyer	Amount sold NT$	Credit facilities US$ (expressed in thousand)	Cash received in advance NT$	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NT$	Amount not received NT$
Mega International Commercial Bank	$ -	15,000	-	-	US$ 3,750	-	-
HSBC Bank	-	45,000	-	-	US$ 13,500	-	-
Bank of Taiwan	-	29,250	-	-	NT$ 210,000	-	-
EnTie Bank	81,751	7,000	-	-	-	-	81,751
	$ 81,751	96,250	-			-	81,751

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December 31, 2016							
Buyer	Amount sold NT$	Credit facilities US$ (expressed in thousand)	Cash received in advance NT$	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NT$	Amount not received NT$
Mega International Commercial Bank	$ 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

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

(e) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$ 1,797,211	1,618,227
Semi-finished goods and work in process	1,351,885	1,485,837
Finished goods and merchandise	3,641,997	3,566,483
	$ 6,791,093	6,670,547

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

For the years ended December 31, 2017 and 2016, the Group recognized the following items as cost of goods sold:

	2017	2016
Gains and (losses) on inventory valuation	$ 72,997	(792,757)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(66,035)	(135,888)
Losses on disposal of inventories	(90,243)	(19,737)
Gains on physical inventories, net	16,093	7,126
	$ (67,188)	(941,256)

(f) Business combination

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.

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(i) Consideration transferred

According to the share purchase agreement, the consideration transferred was EUR18,000. As of December 31, 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 66.44% 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 $1,398,688 and $33,264, respectively. If the acquisition had occurred on January 1, 2017, the simulated operating revenue and income before tax would have been $61,690,924 and $2,833,659, respectively.

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(g) Loss of control of subsidiaries

The Group held 30% shares of Global TEK's shares and sold 20% of them at $50 per share on October 3, 2016. The total proceeds were received. The Group recorded the total gain of $248,004 under other gains or losses, including the amount of $83,219 from the remaining shares measured at fair value due to losing its control over Global TEK. The Group reclassified the carrying amounts of the remaining shares to available-for-sale financial asset－non-current.

The carrying amount of assets and liabilities of Global TEK and its subsidiaries on September 30, 2016 were as follow:

Cash and cash equivalents	$	450,518
Current financial assets at fair value through profit or loss		1,011
Notes and accounts receivable, net		684,433
Other receivables		84,738
Inventories		424,515
Other current assets		91,601
Property, plant and equipment		1,141,947
Intangible assets		509,072
Deferred tax assets－non-current		43,453
Long-term prepaid rents		97,068
Other non-current assets		13,474
Short-term borrowings		(693,050)
Notes and accounts payable		(559,790)
Other payables		(256,220)
Other current liabilities		(32,997)
Deferred tax liabilities－non-current		(119,909)
Other non-current liabilities		(6,075)
Book value of net assets	**$**	**1,873,789**

(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**	**December 31, 2017**	**December 31, 2016**
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	33.56 %	30 %
Global TEK and its subsidiaries	Taiwan and China/Taiwan	- %	- %

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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The following information on 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:

	December 31, 2017	December 31, 2016
Current assets	$ 10,455,985	4,510,885
Non-current assets	3,479,864	3,377,729
Current liabilities	(9,105,990)	(3,496,113)
Non-current liabilities	(72,344)	(243,387)
Net assets	**$ 4,757,515**	**4,149,114**
Non-controlling interests	**$ 1,596,530**	**1,244,734**

	2017	2016
Operating revenue	**$ 20,473,852**	**8,902,027**
Profit	$ 389,297	237,550
Other comprehensive income	122	(62,004)
Comprehensive income	**$ 389,419**	**175,546**
Profit attributable to non-controlling interests	**$ 111,566**	**71,265**
Comprehensive income attributable to non-controlling interests	**$ 116,185**	**52,664**

	2017	2016
Cash flows from operating activities	$ 2,164,634	(572,724)
Cash flows from investing activities	(1,224,052)	(221,015)
Cash flows from financing activities	1,106,085	(607)
Effect of foreign currency exchange translation	(3,807)	(22,145)
Net increase (decrease) in cash and cash equivalents	**$ 2,042,860**	**(816,491)**
Dividends paid to non-controlling interests	**$ -**	**-**

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(ii) Global TEK and its subsidiaries

	January to , December 2017	January to September, 2016
Operating revenue	**$ -**	**1,929,626**
Profit	$ -	61,896
Other comprehensive income	-	(38,410)
Comprehensive income	**$ -**	**23,486**
Profit attributable to non-controlling interests	**$ -**	**43,327**
Comprehensive income attributable to non-controlling interests	**$ -**	**16,439**

	January to December, 2017	January to September, 2016
Cash flows from operating activities	$ -	321,226
Cash flows from investing activities	-	(161,102)
Cash flows from financing activities	-	38,022
Effect of foreign currency exchange translation	-	(26,190)
Net increase in cash and cash equivalents	**$ -**	**171,956**
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 years ended December 31, 2017 and 2016, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
Cost or deemed cost:							
Balance on January 1, 2017	$ 134,701	3,802,758	5,672,304	510,457	347,678	(16,286)	10,451,612
Additions	-	58,945	473,923	93,159	625,190	-	1,251,217
Disposals	-	(116,139)	(375,911)	(34,088)	-	13,701	(512,437)
Acquisition from business combination	-	25,997	-	12,883	59	-	38,939
Reclassifications	-	98,776	349,984	22,678	(554,871)	-	(83,433)
Effect of movements in exchange rates	-	(60,973)	(95,646)	(7,889)	(4,267)	301	(168,474)
Balance on December 31, 2017	**$ 134,701**	**3,809,364**	**6,024,654**	**597,200**	**413,789**	**(2,284)**	**10,977,424**

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	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	-	49,514	396,263	41,155	988,516	-	1,475,448
Disposals	-	(94,696)	(696,426)	(83,133)	(63)	-	(874,318)
Reclassifications	111,822	381,033	425,506	(12,851)	(977,213)	(4,813)	(76,516)
Disposal of subsidiaries	(262,094)	(340,019)	(461,910)	(58,963)	(133,277)	-	(1,256,263)
Effect of movements in exchange rates	-	(338,639)	(569,536)	(55,962)	(33,527)	1,258	(996,406)
Balance on December 31, 2016	**$ 134,701**	**3,802,758**	**5,672,304**	**510,457**	**347,678**	**(16,286)**	**10,451,612**
Depreciation and impairments loss:							
Balance on January 1, 2017	$ -	1,731,111	3,632,382	383,934	-	(13,237)	5,734,190
Depreciation	-	224,238	1,037,844	54,426	-	(2,926)	1,313,582
Disposals	-	(93,204)	(299,809)	(31,219)	-	13,701	(410,531)
Reclassifications	-	(3,797)	(5,477)	(118)	-	-	(9,392)
Effect of movements in exchange rates	-	(27,386)	(53,762)	(7,139)	-	178	(88,109)
Balance on December 31, 2017	**$ -**	**1,830,962**	**4,311,178**	**399,884**	**-**	**(2,284)**	**6,539,740**
Balance on January 1, 2016	$ -	1,737,377	3,718,475	449,371	-	(9,579)	5,895,644
Depreciation	-	245,594	1,126,355	79,501	-	(4,622)	1,446,828
Impairment loss	-	-	74,584	384	11,882	-	86,850
Disposals	-	(90,910)	(619,931)	(76,609)	-	-	(787,450)
Reclassifications	-	35,827	(249,717)	(29,572)	-	-	(243,462)
Disposal of subsidiaries	-	(47,041)	(58,972)	3,579	(11,882)	-	(114,316)
Effect of movements in exchange rates	-	(149,736)	(358,412)	(42,720)	-	964	(549,904)
Balance on December 31, 2016	**$ -**	**1,731,111**	**3,632,382**	**383,934**	**-**	**(13,237)**	**5,734,190**
Carrying amounts:							
Balance on December 31, 2017	**$ 134,701**	**1,978,402**	**1,713,476**	**197,316**	**413,789**	**-**	**4,437,684**
Balance on December 31, 2016	**$ 134,701**	**2,071,647**	**2,039,922**	**126,523**	**347,678**	**(3,049)**	**4,717,422**
Balance on January 1, 2016	**$ 284,973**	**2,408,188**	**2,859,932**	**230,840**	**503,242**	**(3,152)**	**6,284,023**

(i) The unamortized deferred revenue of equipment subsidy amounted to $946,180 and $1,310,945 for the years ended December 31, 2017 and 2016, respectively.

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

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(j) Investment property

		Land	Buildings and other equipment	Total
Cost or deemed cost:				
Balance on January 1, 2017	$	50,190	31,735	81,925
Additions		-	-	-
Balance on December 31, 2017	$	**50,190**	**31,735**	**81,925**
Balance on January 1, 2016	$	162,012	172,167	334,179
Additions		-	-	-
Reclassifications		(111,822)	(140,432)	(252,254)
Balance on December 31, 2016	$	**50,190**	**31,735**	**81,925**
Depreciation and impairment losses:				
Balance on January 1, 2017	$	33,941	12,307	46,248
Depreciation		-	463	463
Balance on December 31, 2017	$	**33,941**	**12,770**	**46,711**
Balance on January 1, 2016	$	33,941	41,529	75,470
Depreciation		-	3,560	3,560
Reclassifications		-	(32,782)	(32,782)
Balance on December 31, 2016	$	**33,941**	**12,307**	**46,248**
Carrying amounts:				
Balance on December 31, 2017	$	**16,249**	**18,965**	**35,214**
Balance on December 31, 2016	$	**16,249**	**19,428**	**35,677**
Balance on January 1, 2016	$	**128,071**	**130,638**	**258,709**
Fair value:				
Balance on December 31, 2017			$	**81,930**
Balance on December 31, 2016			$	**84,490**
Balance on January 1, 2016			$	**592,092**

(i) The fair value of investment property is based on the quotation from third parties, which is categorized within Level 3.

(ii) The Group reclassified $219,472 as property, plant and equipment from investment property due to the change of the use of such property in 2016.

(iii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information.

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

(k) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2017 and 2016, were as follows:

		Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Cost or deemed cost:						
Balance on January 1, 2017	$	1,850,383	718,800	419,300	122,044	3,110,527
Acquisition		-	-	-	34	34
Acquisition from business combination		178,796	-	-	-	178,796
Effect of movements in exchange rates		(3,684)	-	-	(92)	(3,776)
Balance on December 31, 2017	$	**2,025,495**	**718,800**	**419,300**	**121,986**	**3,285,581**
Balance on January 1, 2016	$	2,191,382	827,800	519,300	122,128	3,660,610
Acquisition		-	-	-	9	9
Disposal of subsidiaries		(340,999)	(109,000)	(100,000)	-	(549,999)
Effect of movements in exchange rates		-	-	-	(93)	(93)
Balance on December 31, 2016	$	**1,850,383**	**718,800**	**419,300**	**122,044**	**3,110,527**
Amortization and impairment loss:						
Balance on January 1, 2017	$	-	213,901	124,776	98,180	436,857
Amortization		-	71,880	41,930	4,766	118,576
Effect of movements in exchange rates		-	-	-	(40)	(40)
Balance on December 31, 2017	$	**-**	**285,781**	**166,706**	**102,906**	**555,393**
Balance on January 1, 2016	$	-	151,559	95,346	91,514	338,419
Amortization		-	80,055	52,644	6,708	139,407
Disposal of subsidiary		-	(17,713)	(23,214)	-	(40,927)
Effect of movements in exchange rates		-	-	-	(42)	(42)
Balance on December 31, 2016	$	**-**	**213,901**	**124,776**	**98,180**	**436,857**
Carrying amounts:						
Balance on December 31, 2017	$	**2,025,495**	**433,019**	**252,594**	**19,080**	**2,730,188**
Balance on December 31, 2016	$	**1,850,383**	**504,899**	**294,524**	**23,864**	**2,673,670**
Balance on January 1, 2016	$	**2,191,382**	**676,241**	**423,954**	**30,614**	**3,322,191**

(Continued)

(i) Intangible assets were transferred out due to the resolution to dispose parts of shares of Global TEK which were approved during the board of directors' meeting in 2016. Please refer to note 6(g) for further detail.

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

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

(l) Short-term borrowings

The details were as follows:

	December 31, 2017	December 31, 2016
Unsecured bank loans	$ 995,638	-
Unused credit lines	$ 17,453,299	13,301,651
Annual interest rates	0.97%~4.96%	0.93%~1.27%

(m) Long-term borrowings

	December 31, 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				$ -

(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 December 31, 2017, the Company had not violated the financial covenants. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) stockholders' equity of not less than $4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.

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(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:

	December 31, 2017	December 31, 2016
Less than one year	$ 299,316	234,469
Between one and five years	489,361	327,873
More than five years	461,370	12,989
	$ 1,250,047	**575,331**

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

(ii) Lessor

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

	December 31, 2017	December 31, 2016
Less than one year	**$ 1,484**	**1,060**

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 156,494	160,593
Fair value of plan assets	88,082	96,865
Deficit in the plan	68,412	63,728
Asset ceiling	-	-
Net defined benefit liability	**$ 68,412**	**63,728**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

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1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $88,082 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Defined benefit obligation on January 1	$	160,593	180,297
Disposal of subsidiary		-	(3,105)
Discontinued operations		-	(16,279)
Benefits paid		(12,898)	(4,995)
Current service costs and interest cost		2,707	3,417
Remeasurement of net defined liabilities		6,092	1,258
Defined benefit obligation on December 31	**$**	**156,494**	**160,593**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Fair value of plan assets on January 1	$	96,865	113,587
Disposal of subsidiary		-	(15,904)
Remeasurement of net defined liabilities		183	(271)
Contributions paid		3,231	3,506
Interest income		701	942
Benefits paid		(12,898)	(4,995)
Fair value of plan assets on December 31	**$**	**88,082**	**96,865**

(Continued)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Current service costs	$ 1,153	1,401
Net interest of net liabilities for defined benefit	853	1,074
Expenses	**$ 2,006**	**2,475**

5) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income.

The Company's remeasurements of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Balance on January 1	$ 4,421	3,081
Recognized during the period	5,909	1,340
Balance on December 31	**$ 10,330**	**4,421**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2017	December 31, 2016
Discount rate	1.250 %	1.375%
Future salary increase rate	3.250 %	3.250%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was $3,192. The weighted-average duration of the defined benefit plans is 11 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2017			
Discount rate	$	(3,420)	3,533
Future salary increase rate	$	3,374	(3,283)
December 31, 2016			
Discount rate	$	(3,586)	3,708
Future salary increase rate	$	3,545	(3,447)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plans

The continuing operations allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounting to $337,071 and $370,871 for the years ended December 31, 2017 and 2016, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

(p) Income taxes from continuing operations

(i) The components of income tax expenses for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Current tax expense	$	591,664	970,336
Deferred tax expense (benefit)		86,935	(192,650)
Income tax expense	**$**	**678,599**	**777,686**

(Continued)

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(ii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Income tax calculated based on domestic tax rate of individual entity of the Group	$ 901,871	606,212
Overseas investment gains recognized under the equity method	(168,149)	(47,655)
Non-taxable income	(232,750)	(96,547)
Prior year's income tax adjustment	24,801	3,501
10% surtax on unappropriated earnings	62,744	65,978
Investment tax credits accrued	(74,012)	(41,196)
Other	164,094	287,393
Income tax expense	**$ 678,599**	**777,686**

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2017	December 31, 2016
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 573,124**	**422,133**

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2017	December 31, 2016
Deductible temporary differences	**$ 73,400**	**109,500**

The deductible temporary differences and losses cannot be realized, or there may not be sufficient taxable profit to utilize after the Group's evaluation. Therefore, they were not recognized as deferred tax assets.

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016, were as follows:

	Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Amortization of appraised value adjustment of intangible assets	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2017	$ 136,577	-	73,631	17,538	227,746
Recognized in profit or loss	51,480	24,493	(10,483)	235	65,725
Balance on December 31, 2017	**$ 188,057**	**24,493**	**63,148**	**17,773**	**293,471**
Balance on January 1, 2016	155,486	-	152,009	9,566	317,061
Disposal of subsidiary	(43,432)	-	(63,309)	(13,168)	(119,909)
Recognized in profit or loss	24,523	-	(15,069)	21,140	30,594
Balance on December 31, 2016	**$ 136,577**	**-**	**73,631**	**17,538**	**227,746**

	Bad debt in excess of tax limit	Loss carryforward	Unfunded pension fund contribution	Unrealized sales returns and allowances	Loss on inventory valuation	Deferred granted revenue	Unrealized exchange losses	Others	Total
Deferred tax assets:									
Balance on January 1, 2017	$ 31,636	-	14,298	57,615	179,573	220,770	49	66,264	570,205
Recognized in profit or loss	15,695	12,755	(208)	42,483	(59,140)	(47,475)	(49)	14,729	(21,210)
Balance on December 31, 2017	**$ 47,331**	**12,755**	**14,090**	**100,098**	**120,433**	**173,295**	**-**	**80,993**	**548,995**
Balance on January 1, 2016	$ 33,566	22,328	14,473	44,241	9,446	189,223	19,653	57,484	390,414
Disposal of subsidiary	-	(8,300)	-	-	(3,852)	-	(2,314)	(28,987)	(43,453)
Recognized in profit or loss	(1,930)	(14,028)	(175)	13,374	173,979	31,547	(17,290)	37,767	223,244
Balance on December 31, 2016	**$ 31,636**	**-**	**14,298**	**57,615**	**179,573**	**220,770**	**49**	**66,264**	**570,205**

(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:

	December 31, 2017	**December 31, 2016**
Unappropriated earnings in 1998 and after	**(Note)**	**$ 4,779,419**
Balance of imputation credit account	**(Note)**	**$ 508,028**
	2017	**2016 (actual)**
Creditable ratio for earnings distribution to ROC residents stockholders	**(Note)**	**14.50 %**

(Continued)

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

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(q) Capital and other equity

As of December 31, 2017 and 2016, the nominal ordinary shares both amounted to $5,500,000. Par value of each share is $10 (dollars), which means in total there were 550,000 thousand authorized ordinary shares, of which 445,688 thousand and 442,134 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2017 and 2016, were as follows:

	Ordinary shares	
(in thousands of shares)	**2017**	**2016**
Balance on January 1	442,134	441,188
Exercise of employee stock options	648	1,331
Issuance of restricted stock	3,000	-
Retirement of restricted stock	(94)	(385)
Balance on December 31	**445,688**	**442,134**

(i) Ordinary shares

1) The Company issued 648 thousand and 1,331 thousand new shares of ordinary shares for the exercise of employee stock options in 2017 and 2016, respectively. The related registration procedures were also completed.

2) Employee stock options exercised without registration procedures were recorded as capital collected in advance. The exercise price and units as of December 31, 2017 and 2016, were as follows:

	December 31, 2017	
	Exercised shares (in thousands)	**Exercise price**
Exercise price per share: $24.10	**128**	$ **3,085**

	December 31, 2016	
	Exercised shares (in thousands)	**Exercise price**
Exercise price per share: $25.20	**120**	$ **3,024**

(Continued)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(ii) Capital surplus

The balances of capital surplus as of December 31, 2017 and 2016, were as follows:

		December 31, 2017	December 31, 2016
Additional paid-in capital	$	545,657	508,583
Employee stock options		233,624	229,175
Restricted employee stock options		150,209	53,708
Long-term investment		303,000	-
	$	**1,232,490**	**791,466**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

(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 according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for resolution.

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

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 stockholders' 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 December 31, 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 stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

On May 25, 2017, and June 20, 2016, the stockholders' meeting resolved the distribution of earnings for 2016 and 2015, respectively. The distribution was NT$2.5 and 2.1 (dollars) per share, which amounted to $1,111,886 and $927,933, respectively.

(r) Share-based payment

(i) Employee stock options and share-based payment

1) On December 28, 2007, the Company merged with Primax and assumed the outstanding employee stock options of Primax. Based on the swap ratio approved by Primax Holdings' board of directors, Primax Holdings issued 1,795,879 units of employee stock options in exchange for all of the employee stock options issued by Primax. According to the option plan, each unit could be converted into 1 common share of Primax Holdings. The primary terms and conditions of the employee stock options were as follows:

a) Exercise period:

From the grant dates in May 2005, June and December 2006, and February and March 2007, the options are exercisable at the following rates two years after the grant date. The term of the employee stock options is 5 years. The employee stock options and any right thereof shall not be transferred, pledged, donated, or disposed of in any way, with the exception of inherited options.

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Period following the grant of options	Exercisable percentage (cumulative)
2 years	50 %
3 years	100 %

b) Procedure for fulfilling obligation: Primax Holdings fulfills its obligation by issuing new ordinary shares.

2) Based on the resolution approved in the board of directors' meeting of Primax Holdings held on December 31, 2007, Primax Holdings declared an incentive plan to grant the right to some employees of the Company to participate in the subscription of the non-voting ordinary shares of Primax Holdings. The transaction is a kind of equity-settled share-based payment agreement, and the equity instruments under this agreement were vested at the date of grant. Primax Holdings recognized the compensation cost by using the fair value method. The difference in value between the net value per share of Primax Holdings determined at the grant date and the exercise price per share was recognized as cost of long-term investment in the Company by Primax Holdings in 2007, and was recognized as compensation cost and capital surplus by the Company. Based on the resolution approved in the board of directors' meeting of Primax Holdings held in April 2008, Primax Holdings amended the share-based payment agreement mentioned above, and consequently, the non-voting ordinary shares were replaced by options to purchase them. The amendment had no impact on the accompanying consolidated financial statements.

3) In addition, Primax Holdings declared an incentive plan to grant stock options to employees of the Company in January, May and November 2008 to participate in the subscription of the non-voting ordinary shares of Primax Holdings. Some of the options are vested at the grant date; the others are vested from two years to five years after the grant date. Primax Holdings recognized the compensation cost by using the fair value method as cost of long-term investment in the Company, and the Company correspondingly recognized it as compensation cost and capital surplus.

4) Based on the resolution approved in the board of directors' meetings of Primax Holdings and the Company held in December 2008, the Company issued employee stock options in exchange for part of the unvested or unexercised employee stock options issued by Primax Holdings. Specifically, 2.94 units of employee stock options were issued by the Company in exchange for 1 unit of the employee stock options issued by Primax Holdings. Each unit of the Company's options could be converted into 1 common share of the Company. The exercise price of Primax Holdings' options is USD0.2 per unit; the exercise price of the Company' s options is NT$11.42 (dollars) per unit after the modification. Meanwhile, the Company granted a certain amount of retention bonus to employees at the modification date, and the Company shall pay the retention bonus when the Company' s stock options are exercised. The other terms and conditions of the employee stock options are not changed. According to the modification, the Company decreased the capital surplus by $118,089, and recognized a corresponding increase in retention bonus payable (recorded as accrued expense and other liabilities) on December 30, 2008. The incremental fair value of $55,308 resulting from the modification will be recognized as compensation cost over the remainder of the vesting period.

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5) In accordance with the revised employee stock option plan mentioned above, the Company issued 9,545,248 units of employee stock options in November 2009. Each unit could be converted into 1 ordinary share of the Company.

6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 ordinary shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to $11,072 and $2,517 in 2017 and 2016, respectively.

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

			Plan 3 (note)	
	Plan 1 (note)	Plan 2 (note)	Issued in November 2011	Issued in October 2012
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	11.42	11.42	16.20	24.10
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~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)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

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

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

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

The information on the outstanding employee stock options of Primax Holdings using the Black-Scholes option pricing model to measure the fair value at the grant date was as follows:

Period of stock options	Plan 1	Plan 2
Exercise price of Primax Holdings's stock options (USD)	0.20	0.20
Expected time until expiration (years)	2.37~5	6~8

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Period of stock options	Plan 1	Plan 2
Stock price per share of Primax Holding (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665%	2.509%~2.538%

The Company applied the Black-Scholes option pricing model to measure the fair value of employee stock options granted in November 2009, 2011 and 2012. The information on share-based payment was as follows:

			Plan 3	
Period of stock options	Plan 1	Plan 2	Issued in November 2011	Issued in October 2012
Exercise price of stock options (NT dollars)	11.42	11.42	18.2	28.25
Expected time until expiration (years)	5	8	5	5
Stock price per share (NT dollars)	16.50	16.50	26.02	28.25
Expected volatility of stock price	45.18%	45.18%	29.12%	32.38%~34.61%
Expected cash dividend rate	-	-	6%	3.77%
Risk-free interest rate	2.26%	2.26%	1.81%	1.425%

8) The incremental fair value resulting from the modification described in section (4) above amounted to $55,308 (including the accrued retention bonus of $261,721). The measurement basis of share-based payment as of December 30, 2008 (the modification date) was as follows:

	Plan 1		Plan 2	
	Before the modification	After the modification	Before the modification	After the modification
	Primax Holdings	the Company	Primax Holdings	the Company
Granted units of options	7,365	21,654	2,331	6,853

The information on the stock options using the Black-Scholes option pricing model to measure the incremental fair value at the modification date was as follows:

	Plan 1		Plan 2	
	Before the modification	After the modification	Before the modification	After the modification
Exercise price	USD0.20	NT$11.42 (dollars)	USD0.20	NT$11.42 (dollars)
Expected time until expiration (years)	0.39~3.89	0.39~3.89	3.51~5.85	3.51~5.85
Stock price per share	USD1.12	NT$11.42 (dollars)	USD1.12	NT$11.42 (dollars)
Expected volatility of stock price	33.56%~45.36%	33.56%~45.36%	39.30%~45.36%	39.30%~45.36%
Expected dividend rate	-	-	-	-
Risk-free interest rate	1.005%~1.5%	1.005%~1.5%	1.5%~1.95%	1.5%~1.95%

(Continued)

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

	2017		2016	
	Weighted-average exercise price	**Stock options (in thousands)**	**Weighted-average exercise price**	**Stock options (in thousands)**
Outstanding on January 1	22.16	957	24.66	1,728
Granted during the year	-	-	-	-
Forfeited during the year	15.21	(301)	25.20	(25)
Exercised during the year	24.23	(656)	25.62	(746)
Expired during the year	-	-	-	-
Outstanding on December 31	-	-	22.16	957
Exercisable on December 31	-	-	22.16	957

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

	December 31, 2017	December 31, 2016
Employee stock option plan 1	-	-
Employee stock option plan 2	-	211
Employee stock option plan 3 -Issued in November 2011	-	-
Employee stock option plan 3 -Issued in October 2012	-	746
Outstanding at end of year	-	957
Weighted-average expected time remaining until expiration (years)	-	0.82

10) As at 31 December 2017, the Group had 2 share-based payment arrangements as follows:

	Employee stock options		Employee stocks ownership plans
	November 2014	**July 2015**	**September 2017**
Grant date	November 18, 2014	July 1, 2015	September 30, 2017
Exercise price	$15.74	$18.82	CNY$1.3406
Granted units (thousand)	700	2,750	35,937
Service period	5 years	5 years	15 years
Vesting period	3 ~4 years	3 ~5 years	12 months after Premium Hui Zhou listed

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The Group measured the fair value of the 2 aforementioned share-based payment arrangements. The measurement inputs were as follows:

	Employee stock options		Employee stocks ownership plans
	December 2014	**July 2015**	**September 2017**
Exercise price	$15.74	$18.82	CNY$1.3406
Expected time until expiration (years)	4~4.5	4~5	15
Stock price per share	$14.81	$18.23	CNY$2.0121
Expected volatility of stock price	29.49%~30.14%	30.06%~30.45%	-
Expected dividend rate	-	-	-
Risk-free interest rate	1.09%~1.17%	0.96%~1.08%	-

The related information on the stock appreciation rights plan of the Group was as follows:

	2017		2016	
	Weighted-average exercise price	**Stock options (in thousands)**	**Weighted-average exercise price**	**Stock options (in thousands)**
Outstanding on January 1	18.27	3,308	18.20	3,450
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	18.27	(3,308)	16.50	(142)
Outstanding on December 31	-	**-**	18.27	**3,308**
Exercisable on December 31	-	**-**	-	**-**

(ii) Restricted stock

1) As of December 31, 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 (note 2 and 3)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)

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

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

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 restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

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

(Thousand shares)	2017	2016
Outstanding on January 1	1,771	3,270
Granted during the year	3,000	-
Forfeited during the year	-	-
Vesting during the year	(743)	(1,214)
Expired during the year	(94)	(285)
Outstanding on December 31	**3,934**	**1,771**

(iii) Expenses and liabilities attributable to share-based payment of the continuing operations for 2017 and 2016 were as follows:

	2017	2016
Expenses attributable to employee stock options	$ 13,676	3,596
Restricted stock	79,420	43,182
Total	**$ 93,096**	**46,778**
Salary payable:		
Current	**$ -**	**1,938**

(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2017 and 2016, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	2017	2016
Profit attributable to owners of parent		
Continuing operations	$ 2,057,415	1,915,501
Discontinued operations	-	18,569
Total	**$ 2,057,415**	**1,934,070**
Weighted-average number of ordinary shares (thousand shares)	**440,907**	**439,169**
Basic earnings per share (NT dollars)		
Continuing operations	$ 4.67	4.36
Discontinued operations	-	0.04
Total	**$ 4.67**	**4.40**

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Weighted-average number of ordinary shares (thousand shares)

	2017	2016
Ordinary shares on January 1	440,363	437,818
Exercise of employee stock options	152	760
Vesting of restricted stock	392	591
Ordinary shares on December 31	**440,907**	**439,169**

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2017 and 2016, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

		2017	2016
Profit attributable to owners of parent			
Continuing operations	$	2,057,415	1,915,501
Discontinued operations		-	18,569
Total	**$**	**2,057,415**	**1,934,070**
Weighted-average number of ordinary shares (diluted) (thousand shares)		**444,846**	**443,212**
Diluted earnings per share			
Continuing operations	$	4.63	4.32
Discontinued operations		-	0.04
Total	**$**	**4.63**	**4.36**

	2017	2016
Weighted-average number of ordinary shares on December 31 (basic)	440,907	439,169
Effect of employee stock options	529	745
Estimated effect of employee stock bonuses	1,117	2,174
Effect of restricted stock	2,293	1,124
Weighted-average number of ordinary shares on December 31 (diluted)	**444,846**	**443,212**

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(t) Operating revenue

The details of operating revenue for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Goods sold	$	59,409,145	62,973,145
Services rendered		1,332,547	1,356,317
Continuing operations		60,741,692	64,329,462
Discontinued operations		-	1,926,626
Total	**$**	**60,741,692**	**66,256,088**

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

(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 for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Employee remuneration	$	68,182	74,000
Directors' remuneration		34,094	36,803
	$	**102,276**	**110,803**

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 estimate and recognized as profit or loss in the distribution year.

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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)

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 for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Interest revenue of cash in banks	$ 110,012	124,882
Rent revenue	8,423	5,028
Dividend income	23,325	14,692
Other	1,607	5,322
	$ 143,367	**149,924**

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(w) Other gains and losses

The other gains and losses from continuing operations for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Net gains (losses) on financial assets/liabilities measured at fair value through profit or loss	$	76,196	(9,111)
Foreign currency exchange gains (losses), net		(20,520)	242,423
Impairment losses on property plant and equipment		-	(22,677)
Net losses on disposal of property, plant and equipment		(77,548)	(19,100)
Net gains on disposal and liquidation of available-for-sale financial assets		330,887	140,969
Gains on disposal of subsidiaries		-	248,006
Compensation loss		-	(200,263)
Other		232,015	(48,295)
	$	**541,030**	**331,952**

(x) Reclassification adjustments of components of other comprehensive income

The reclassification adjustment for other comprehensive income for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Unrealized gains and losses of available-for-sale financial assets, net of tax:			
Net change in fair value	$	(1,090)	251,675
Net change in fair value reclassified to profit or loss		(330,887)	(140,969)
Net change in fair value recognized in other comprehensive income	$	**(331,977)**	**110,706**

(y) Financial instruments

(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:

		December 31, 2017	December 31, 2016
Past due 0-30 days	$	827,739	763,565
Past due 31-90 days		62,006	213,509
Past due 91-180 days		9,641	17,593
Past due 181-360 days		2,218	13,247
Past due over a year		91,632	-
	$	**993,236**	**1,007,914**

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

The movements in the allowance for the years ended December 31, 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 (reversal amount)	66,591	(31,357)	35,234
Amounts written off	-	-	-
Exchange differences on translation of foreign currency	-	(7,530)	(7,530)
Balance on December 31, 2017	**$ 66,591**	**61,049**	**127,640**

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	$ -	29,247	29,247
Impairment loss recognized	-	74,106	74,106
Amounts written off	-	-	-
Exchange differences on translation of foreign currency	-	(605)	(605)
Disposal of subsidiaries	-	(2,812)	(2,812)
Balance on December 31, 2016	**$ -**	**99,936**	**99,936**

(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
December 31, 2017							
Non-derivative financial liabilities:							
Short-term borrowings	$ 995,638	997,078	997,078	-	-	-	-
Notes and accounts payable	16,350,178	16,350,178	16,350,178	-	-	-	-
Other payables	2,858,327	2,858,327	2,858,327	-	-	-	-
Long-term borrowings	218,888	221,752	108,721	28,532	56,677	27,822	-
Guarantee deposits	174,167	174,167	-	-	-	-	174,167

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	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
Derivative financial liabilities:	103,107	-	-	-	-	-	-
Outflow	-	3,187,373	3,187,373	-	-	-	-
Inflow	-	(3,089,268)	(3,089,268)	-	-	-	-
	$ 20,700,305	20,699,607	20,412,409	28,532	56,677	27,822	174,167
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

The Group does not expect that the cash flows included in the maturity analysis could 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:

	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rat	TWD
Financial assets						
Monetary items						
USD:CNY	$ 529,047	6.534	15,790,922	385,629	6.937	12,447,718
USD:HKD	262,270	7.817	7,828,236	101,376	7.755	3,272,316
USD:TWD	361,298	29.848	10,784,026	428,216	32.279	13,822,384
USD:EUR	20,037	0.8375	598,060	-	-	-
Financial liabilities						
Monetary items						
USD:CNY	412,867	6.5342	12,323,269	366,735	6.937	11,837,839
USD:HKD	259,738	7.8170	7,752,673	94,552	7.755	3,052,044
USD:TWD	345,140	29.848	10,301,737	377,974	32.279	12,200,623
USD:EUR	7,203	0.8375	214,983	-	-	-

2) Sensitivity analysis

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, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

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A weakening (strengthening) of 5% of the TWD, CNY, HKD, and EUR against the USD as of December 31, 2017 and 2016, would have increased or decreased the net profit before tax by $220,429 and $122,595, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2017 and 2016, foreign exchange gain (loss) (including realized and unrealized portions) amounted to loss $20,520 and gain $242,423, respectively.

(iv) Interest rate analysis

Please refer to note 6(z) for the interest rate exposure of 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 and liabilities with variable interest rates, the analysis is based on the assumption that the amounts of liabilities 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%, and assumed all other variables remain constant the net profit before tax would have increased or decreased by $16,508 and $14,390 for the years ended December 31, 2017 and 2016, respectively. This is mainly due to bank savings and borrowings with variable interest rates.

(v) Other price risk:

If the market price of the equity securities had changed on the reporting date, the influence on other comprehensive income are as follows (The analysis is performed on the same basis for both periods, and assumes all other variable remain constant):

	2017	2016
Price of securities at the reporting date	**Other comprehensive income after tax**	**Other comprehensive income after tax**
10% rise	$ -	58,640
10% fall	$ -	(58,640)

(vi) 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 :

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	December 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	**$ 141,151**	**-**	**-**	**141,151**	**141,151**
Available-for-sale financial assets – non-current	**$ 402,997**	**-**	**-**	**402,997**	**402,997**
Loans and receivables					
Cash and cash equivalents	$ 7,821,011				
Notes and accounts receivable (including related parties)	13,120,118				
Other receivables	737,687				
Refundable deposits	90,805				
Total	**$ 21,769,621**				
Financial liabilities at fair value through profit or loss – current	**$ 103,107**	**-**	**-**	**103,107**	**103,107**
Financial liabilities carried at amortized cost					
Borrowings	$ 1,214,526				
Notes and accounts payable	16,350,178				
Other payables	3,991,128				
Salary payable	1,105,153				
Guarantee deposits	174,167				
Total	**$ 22,835,152**				

	December 31, 2016				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	**$ 141,317**	**-**	**-**	**141,317**	**141,317**
Available-for-sale financial assets – non-current	**$ 887,801**	**586,404**	**-**	**301,397**	**887,801**
Loans and receivables					
Cash and cash equivalents	$ 6,359,916				
Notes and accounts receivable (including related parties)	13,706,714				
Other receivables	495,392				
Refundable deposits	44,429				
Total	**$ 20,606,451**				
Financial liabilities at fair value through profit or loss – current	**$ 150,430**	**-**	**-**	**150,430**	**150,430**

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	December 31, 2016				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities carried at amortized cost					
Borrowings	$ 601,111				
Notes and accounts payable	16,892,918				
Other payables	3,878,606				
Salary payable	1,146,183				
Guarantee deposits	143,237				
Total	$ 22,662,055				

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 cannot 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 liquidity. When prices listed in the emerging market are available, the fair value is estimated on the basis of unadjusted prior trade prices.

3) There is no transferring of fair value hierarchy for 2017 and 2016.

4) Reconciliation of Level 3 fair values

		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	38,044	-	38,044	(9,113)	-	(9,113)
Recognized in other comprehensive income	-	88,128	88,128	-	(3,399)	(3,399)
Acquisition / disposal	9,113	13,472	22,585	(27,643)	271,966	244,323
Balance on December 31	**$ 38,044**	**402,997**	**441,041**	**(9,113)**	**301,397**	**292,284**

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
Available-for-sale financial assets – equity securities not listed on emerging stock market	Guideline Public Company method	Lack-of-Marketability Discount (10% on December 31, 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 instruments 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	
	Input	**Variation**	**Advantageous changes**	**Disadvantageous changes**
December 31, 2017				
Available-for- sale financial assets-equity securities listed on emerging stock market	Discount of lack Marketability	±10%	**$ 37,468**	**(37,468)**

(z) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’ s cash and cash equivalents; notes, accounts, and other receivables; and derivative instruments.

1) Cash and cash equivalents

The Group had deposited $7,282,716 (including restricted deposits) in the HSBC Bank and 15 other financial institutions, and $5,994,946 (including restricted deposits) in Postal Savings Bank of China and 8 other financial institutions, representing 19% and 16% of total assets, as of December 31, 2017 and 2016, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Notes and accounts receivable

There was no sales to individual customers constituting over 10% of total revenue for the year ended December 31, 2017. Sales to individual customers constituting over 10% of total revenue for the year ended December 31, 2016, totaled 15%. As of December 31, 2016, 7% of the ending balance of notes and accounts receivable were accounted for by those customers. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Group did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’ s approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused bank facilities of $17,453,299 and $13,301,651 as of December 31, 2017 and 2016, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, USD, HKD, and CNY. These transactions are denominated in USD.

The Group uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Group makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

2) Interest rate risk

The Group's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Group believes that cash flow risk arising from interest rate fluctuation is insignificant.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in listed equity securities. Those equity securities are strategic investments and is not held for trading. All of the equity securities have been disposed in 2017.

(aa) Capital management

The board' s policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt ratio as of December 31, 2017 and 2016, were 66% and 67%, respectively.

(7) Related-party transactions:

(a) Names and relationship of the related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name	Relationship
Specialty Technologies, LLC (Specialty), United Industrial Development Limited (UIDL), Stuart Croxford (SC), X.T. Liu (XT), Tom Zilvervloot B.V. (TZBV), Huizhou Bochuang Investment Partnership Company (Bochuang)	Substantive related party
HUANG, YA- HSING and his family members	Key management personnel of the subsidiary Global TEK. (The Company disposed parts of shares of Global TEK and lost control of the subsidiary in October 2016)

(b) Other related-party transactions

(i) Sales

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

	Sales		Notes and accounts receivable	
	2017	2016	December 31, 2017	December 31, 2016
Other related parties	$ 273,551	238,563	105,911	102,841

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

(ii) Property transaction－disposal of equity securities

Details of the Company’s disposal of the shares of its subsidiary to its related parties were as follows:

		2017				2016			
Relationship	Account	Trading quantities	Trading targets	Proceeds from disposal	Gains or losses from disposal	Trading quantities	Trading target	Proceeds from disposal (note)	Gains or losses from disposal
HUANG, YA-HSING and his family members	Investment using equity method	-	-	-	-	11,020 (thousand)	Shares	549,347	164,785
TZBV, SC and Bochuang	〃	-	Equity	479,752	- (note 1)	-	-	-	-

Note: Pricing was based on Global TEK’s financial statements audited by other auditors and the opinion for reasonable transaction price issued by Sosian accounting firm.

Note 1: The amount is the capital surplus derived from the difference between the selling price and the cost during the restructuring, in which there were no related gains (losses) of disposal.

The Company had received all the proceeds as of December 31, 2017 and 2016.

(iii) Property transaction－Acquired of equity securities

		2017			2016		
Relationship	**Account**	**Trading quantities**	**Trading target**	**Trading price**	**Trading quantities**	**Trading target**	**Trading price**
UIDL、SC and XT	Investment using equity method	16,500 (thousand)	Shares	723,139	-	-	-

(c) Key management personnel compensation

		2017	2016
Short-term employee benefits	$	155,349	183,825
Post-employment benefits		1,111	1,129
Other long-term benefits		-	-
Termination benefits		-	-
Share-based payments		40,783	17,088
	$	197,243	202,042

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

(8) Pledged assets:

As of December 31, 2017 and 2016, assets pledged as collateral were as follows:

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

(9) Commitments and contingencies:

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

December 31, 2017	December 31, 2016
$ 298,480	-

(b) For the detail of the Group's guarantee, 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.

	December 31, 2017	December 31, 2016
Guarantee letters	$ 173,837	198,121

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

	December 31, 2017	December 31, 2016
Sales of accounts receivable	$ 724,878	2,805,777
Long-term borrowings	$ 880,000	2,160,000

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

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ 41,209	42,286

(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:

(a) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing with 2018. This increase does not affect the amounts of the current or deferred income taxes recognized in 2017. However, it will increase the Company's current or deferred tax charge accordingly in the future. If the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized in 2017, the deferred tax assets and deferred tax liabilities would increase by $55,383 and $36,184, respectively.

(b) In order to expand the business scale and strengthen the Company'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. Until March 13, 2018, this investment has been approved by Investment Commission, Ministry of Economics Affairs, ROC. (MOEA), and its amount USD$48,100 has been exported in January, 2018.

(c) Due to response to the capital expenditure for the property, plant and equipment in the future, and expanding the working capital of Premium HuiZhou, the board of directors' meeting resolved to increase its investment in Premium Huizhou amounting to USD$45,000 on March 13, 2018.

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(12) Other:

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

By function / By item	2017 Operating cost	2017 Operating expenses	2017 Total	2016 Operating cost	2016 Operating expenses	2016 Total
Employee benefits						
Salaries	3,431,156	2,805,559	6,236,715	3,829,623	2,572,977	6,402,600
Labor and health insurance	108,800	133,246	242,046	105,984	107,713	213,697
Pension	224,062	115,015	339,077	272,241	101,105	373,346
Others	78,218	166,846	245,064	46,599	151,697	198,296
Depreciation	1,198,737	114,845	1,313,582	1,264,078	110,004	1,374,082
Amortization	17,730	181,426	199,156	19,708	162,226	181,934

(b) Discontinued operations

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

	For the nine months ended September 30, 2016
Results from operating activities:	
Operating revenue	$ 1,926,626
Operating cost	(1,457,401)
Gross profit	469,225
Operating expenses	(277,699)
Net operating income	191,526
Non-operating income (expenses)	(86,301)
Income before income taxes	105,225
Income tax expense	(43,329)
Net income from discontinued operations	**$ 61,896**
Net income attributable to:	
Stockholders of parent	$ 18,569
Non-controlling interests	43,327
	$ 61,896
Cash flows from discontinued operations:	
Cash flows from operating activities	$ 321,226
Cash flows from investing activities	(161,102)
Cash flows from financing activities	38,022
Effect of foreign currency exchange translation	(26,190)
Net increase in cash and cash in equivalents	**$ 171,956**

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	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	PKSI	The Company	Other receivables	Y	781,263	423,944	423,944	-	Necessary to loan to other parties	-	Operating capital	-		-	867,628	867,628
2	Tymphany Dongguan	TYDC	Other receivables	〃	38,341	-	-	2%	〃	-	〃	-		-	364,980	364,980
3	TYM HK	TYM Acoustic HK	Other receivables	〃	863,693	761,124	722,322	2%	〃	-	Investment capital	-		-	747,124	747,124

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 the preparation of the consolidated 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.	3,415,582	338,930	313,404	-	-	2.75 %	9,108,218	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,501,202	193,674	131,331	16,938	-	2.62 %	4,003,206	-	-	Y
〃	〃	PKS1	〃	1,501,202	167,398	164,164	56,552	-	3.28 %	4,003,206	-	-	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 financial statements.

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Highest balance during the year Shares/Units (thousands)	Percentage of ownership (%)	Note
The Company	Shares:									
	Green Rich Technology Co., Ltd.	-	Available-for-sale financial asset-non-current	359	2,000	3.59	2,000	359	3.59	
	WK Technology Fund IV LTD.	-	〃	230	2,004	0.38	2,004	512	0.38	
	Changing Information Technology Inc.	-	〃	179	2,102	1.62	2,102	179	1.66	
	Formosoft International Inc.	-	〃	53	-	0.76	-	53	0.76	
	Syntronix Corp.	-	〃	6	49	0.02	49	6	0.02	
	Ricavision International Inc.	-	〃	917	-	2.04	-	917	2.04	
	Global TEK	-	〃	5,510	374,680	9.18	374,680	5,510	10.00	
	Grove Ventures L.P.	-	〃	-	16,417	2.73	16,417	-	5.74	
					397,252					
Primax Tech.	Shares:									
	Echo. Bahn.	-	Available-for-sale financial asset-non-current	400	-	11.90	-	400	11.90	
	WK Global Investment III Ltd.	-	〃	473	5,745	1.32	5,745	630	1.32	
					5,745					

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD$300 million or 20% of the Company's paid-in capital:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance Shares (thousands)	Beginning Balance Amount	Purchases Shares (thousands)	Purchases Amount	Sales Shares (thousands)	Sales Price	Sales Cost	Sales Gain (loss) on disposal	Ending Balance Shares (thousands)	Ending Balance Amount
	Shares:													
TYM Acoustic HK	TYM Acoustic Europe	Investment accounted for using equity method	Initial Offerings	None	-	-	187,800	653,796	-	-	-	-	187,800	545,980 (note 2)
TYM HK	Premium Hui Zhou	〃	TWEL	The Group	-	410,738	-	-	-	569,138	643,733	- (note 1)	-	-
TWEL	Premium Hui Zhou	〃	TYM HK	〃	-	-	-	569,138	-	-	-	-	-	1,514,469 (note 2)
TWEL	TYM HK	〃	TYM Acoustic HK	〃	144,395	1,540,112	-	-	144,395	714,258	837,712	- (note 1)	-	-
TYM Acoustic HK	TYM HK	〃	TWEL	〃	-	-	144,395	714,258	-	-	-	-	144,395	747,124 (note 2)
Diamond	TWEL	〃	UIDL, SC and XT	Substantive related parties	38,501	2,904,380	16,500	723,139	-	-	-	-	55,001	3,187,565 (note 3)
TWEL	Premium Hui Zhou	〃	TZBV, SC and Bochuang	〃	-	586,768	-	-	-	479,752	479,752	-	-	1,514,469 (note 3)

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Shares: Nien Made Enterprise Co., Ltd.	Available-for-sale financial assets	Initial Offerings	None	1,763,621	586,404	-	-	1,763,621	497,186	166,299	330,887	-	-
PCH2	Financial instruments of floating income and capital	Held-for-trading financial assets	〃	〃	-	-	-	1,450,402	-	1,455,108	1,450,402	4,706 (note 4)	-	-
〃	Money market fund of RMB	〃	〃	〃	-	-	-	9,146,504	-	9,167,750	9,144,803	21,246 (note 4)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	3,684,887	-	3,705,442	3,694,627	20,555 (note 4)	-	-
PKS1	Money market fund of RMB	〃	〃	〃	-	-	-	550,197	-	558,263	555,556	8,066 (note 4)	-	-

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 financial statement.

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 financial statement.

Note 3: The amount is the capital surplus derived from the differences between the selling price and the cost during acquiring the shares of the subsidiaries and the restructuring in the fourth 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 financial statement.

Note 4: Gains of disposal include valuation and exchange differences on translation.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the Company's paid-in capital: None

(vi) Disposal of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the Company's paid-in capital: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD$100 million or 20% of the Company's paid-in capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Cayman	Subsidiary	Purchase	140,623	- %	60 days	Price agreed by both side	The same as general purchasing	(31,085)	-%	
〃	PCH2	The subsidiary of Primax HK	Purchase	26,362,084	81 %	〃	〃	〃	(6,137,747)	(73)%	
〃	PKS1	The subsidiary of Primax HK	Purchase	1,079,140	3 %	360 days	〃	〃	(421,786)	(5)%	
〃	PCQ1	The subsidiary of Primax HK	Purchase	5,278,105	16 %	60 days	〃	〃	(1,748,395)	(21)%	
〃	Polaris	The subsidiary of Primax Tech	(Sale)	(2,886,921)	(8) %	90 days	〃	The same as general selling	22,202	-%	
〃	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(202,897)	(1) %	60 days	〃	〃	6,979	-%	
Primax Cayman	The Company	Parent	(Sale)	(140,623)	(100) %	〃	〃	〃	31,085	100%	
〃	PCH2	The subsidiary of Primax HK	Purchase	140,623	100 %	〃	〃	The same as general purchasing	(16,045)	(100)%	

PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES
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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
PCH2	The Company	The parent of Primax Cayman	(Sale)	(26,362,084)	(82) %	〃	〃	The same as general selling	6,137,747	82%	
〃	Primax Cayman	The parent of Primax HK	(Sale)	(140,623)	- %	〃	〃	〃	16,045	-%	
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,079,140)	(100) %	360 days	〃	〃	421,786 (note 1)	100%	
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(5,278,105)	(90) %	60 days	〃	〃	1,748,395	90%	
Polaris	The Company	The parent of Primax Tech.	Purchase	2,886,921	100 %	90 days	〃	The same as general purchasing	(22,202)	(100)%	
Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(5,073,442)	(92) %	60 days	〃	The same as general selling	1,888,768	93%	
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(11,102,092)	(97) %	〃	〃	〃	4,873,979	97%	
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,246,821)	(99) %	〃	〃	〃	65,706	80%	
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,281,595	96 %	90 days	〃	The same as general selling	(437,898)	(93)%	
TYM HK	The Company	The parent of Diamond	Purchase	202,897	1 %	60 days	〃	〃	(6,979)	-%	
〃	Premium Hui Zhou	The parent of TYM Acoustic HK	Purchase	5,073,442	27 %	〃	〃	〃	(1,888,768)	(26)%	
〃	Tymphany Dongguan	The subsidiary of Premium Hui Zhou	Purchase	11,102,092	60 %	〃	〃	〃	(4,873,979)	(67)%	
〃	TYDC	The subsidiary of Tymphany Dongguan	Purchase	1,246,821	7 %	〃	〃	〃	(65,706)	(1)%	
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(1,281,595)	(93) %	90 days	〃	The same as general purchasing	437,898	93%	

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

(viii) Receivables from related parties with amounts exceeding the lower of TWD$100 million or 20% of the Company’s paid-in capital:

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
PCH2	The Company	The parent of Primax Cayman	6,137,747	4.02 %	-		5,399,648	-
PKS1	The Company	The parent of Primax Cayman	845,730	2.60 %	423,944	Reclassify to Long-term payable, and enhance the control of receivables	133,362	-
PCQ1	The Company	The parent of Primax Cayman	1,748,395	2.88 %	-		973,149	-
Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	1,888,768	3.53 %	-		649,807	-
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	4,873,979	3.66 %	-		3,699,981	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	437,898	5.85 %	-		316,220	-

Note 1: Amounts were collected as of March 13, 2018.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

				Intercompany transactions, 2017			
No	Name of company	Name of counter-party	Nature of relationship (Note 2)	Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	Primax Cayman	Subsidiary	Purchase	140,623	Price agreed by both side	0.23 %
〃	〃	PCH2	The subsidiary of Primax HK	Purchase	26,362,084	Price agreed by both side	43.40 %
〃	〃	〃	〃	Accounts Payable	6,137,747	60 days	16.25 %
〃	〃	PKS1	〃	Purchase	1,079,140	Price agreed by both side	1.78 %
〃	〃	〃	〃	Accounts Payable	421,786	360 days	1.12 %
〃	〃	PCQ1	〃	Purchase	5,278,105	Price agreed by both side	8.69 %
〃	〃	〃	〃	Accounts Payable	1,748,395	60 days	4.63 %
〃	〃	Polaris	The subsidiary of Primax Tech.	Sale	2,886,921	Price agreed by both side	4.75 %
〃	〃	TYM HK	The subsidiary of TWEL	Sale	202,879	Price agreed by both side	0.33 %
1	Primax Cayman	PCH2	The subsidiary of Primax HK	Purchase	140,623	Price agreed by both side	0.23 %
2	Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	5,073,442	Price agreed by both side	8.35 %
〃	〃	〃	〃	Accounts receivable	1,888,768	60 days	5.00 %
3	Tymphany Dongguan	〃	〃	Sale	11,102,092	Price agreed by both side	18.28 %
〃	〃	〃	〃	Accounts receivable	4,873,979	60 days	12.90 %
4	TYDC	〃	〃	Sale	1,246,821	Price agreed by both side	2.05 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,281,595	Price agreed by both side	2.11 %
〃	〃	〃	〃	Accounts payable	437,898	90 days	1.16 %

Note 1: Disclosure of the amounts exceeding the lower of NT$100 million.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2017 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2017	Original investment amount December 31, 2016	Balance as of December 31, 2017 Shares (thousands)	Balance as of December 31, 2017 Percentage of ownership	Balance as of December 31, 2017 Carrying value	Highest balance during the year Shares (thousands)	Highest balance during the year Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,135,159	8,147,636	100.00	963,666	853,625	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,021,715	285,067	100.00	204,489	154,146	
〃	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	14,551	1,050	100.00	(10,972)	(10,972)	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	16,386	0.5	100.00	1,025	1,025	
〃	Diamond	Cayman Islands	Holding company	2,517,298	2,517,298	84,050	100.00	3,089,647	84,050	100.00	293,587	293,587	
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	9,647	300	100.00	523	523	
	Total			6,002,608	6,002,608			10,287,105			1,452,318	1,291,934	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,346,825	602,817	100.00	967,397	967,397	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	373,193	1,600	100.00	8,712	8,712	
Diamond	TWEL	Cayman Islands	Holding company	2,711,450	2,515,800	55,001	100.00	3,187,565	55,001	100.00	500,879	298,734	(note 3)
Premiurn Hui Zhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components	19,497	-	5,000	100.00	147,011	5,000	100.00	(14,475)	(22,017)	(note 2)
TYM Acoustic HK	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	-	144,395	100.00	747,124	144,395	100.00	376,600	20,869	(note 2)
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	-	0.50	100.00	8,200	0.5	100.00	3,748	892	(note 2)
〃	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	-	400	100.00	16,624	400	100.00	563	563	
〃	TYM Acounstic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	-	187,800	100.00	545,980	187,800	100.00	29,907	29,907	
〃	Tymphany Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	-	-	-	100.00	-	-	100.00	-	-	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	10,057	200	100.00	1,219	3,447	

Note 1: The amount is the initial investment costs from the original stockholders 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: The information is represented after the acquiring 30% of the capital from minority interest in the fourth quarter of 2017
Note 4: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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(c) Information on investments 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 December 31, 2017 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	2,037,050	Indirect investment through Primax Cayman and Primax Tech.	1,773,902	-	-	1,636,597	613,116	100%	100%	613,116	5,004,008	-
Destiny Beijing	Research and development of computer peripheral devices and software	40,353	Indirect investment through Destiny BVI.	33,893	-	-	31,340	(10,972)	100%	100%	(10,972)	14,547	-
PKS1	Manufacture of computer, peripherals and keyboards	891,956	Indirect investment through Primax Cayman	710,138	-	-	656,656	(35,216)	100%	100%	(35,216)	867,628	-
PCQ1	Manufacture of computer, peripherals and keyboards	572,472	Indirect investment through Primax Cayman	645,580	-	-	596,960	176,309	100%	100%	176,309	1,076,168	-
Premium Hui Zhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,311,036	Indirect investment through Diamond	2,711,436	-	-	2,507,232	265,156	66.44%	75.5%	194,561	1,514,469	-
Tymphany Dongguan	〃	149,240	Indirect investment through Diamond	16,140	-	-	14,924	197,738	66.44%	75.5%	129,391	242,493	-
TYDC	〃	91,360	〃	-	-	-	-	5,320	66.44%	75.5%	3,432	64,726	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD 3.8183; USD:TWD 29.8480; CNY:TWD 4.5680.

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

Note 6: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	5,526,547	6,282,248	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 PCH 2, Destiny Beijing, PKS 1, and PCQ 1, which were based on financial statements audited by the Company's auditors, others were based on the audited results of other auditors.

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(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in " Information on significant transactions" and " Business relationships and significant intercompany transactions."

(14) Segment information:

(a) General information

The Group' s reported segments are the divisions for computer peripherals and non-computer peripherals. The division for computer peripherals specializes in the manufacture and sale of computer mice, keyboards, track pads, etc. The division for non-computer peripherals specializes in the manufacture and sale of digital camera modules, mobile phone accessories, multi-function printers, scanners, shredders, amplifiers, speakers, audio systems, automotive parts, industrial automation parts, aerospace components, etc.

The Group's reported segments consist of strategic business units which provide essentially different products and services. These units have to be separately managed as a result of the different technology and marketing strategies. Most of the business units were acquired, and the original management teams are still operating.

(b) Reportable segments' profit or loss, segment assets, segment liabilities, and their measurement and reconciliation

Income tax and extraordinary profits and losses are not allocated to the Group's reportable segments, and the amounts for the reported segments are identical with those in the report used by the chief operating decision maker.

The Group assessed the performance of the segments based on the segments' income before income taxes (excluding extraordinary profit and loss), and the accounting policies of the operating segments are the same as those described in note 4. Sales and transfers between segments are deemed to be transactions with third parties and are measured by using the market price.

For the years ended December 31, 2017 and 2016, the Group's segment financial information was as follows:

		2017		
		Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue				
External revenue	$	20,628,258	40,113,434	60,741,692
Intra-group revenue		-	-	-
Elimination from discontinued operations		-	-	-
Total segment revenue	**$**	**20,628,258**	**40,113,434**	**60,741,692**
Profit from segments reported	$	1,397,982	1,449,598	2,847,580
Elimination from discontinued operations		-	-	-
Total profit	**$**	**1,397,982**	**1,449,598**	**2,847,580**

(Continued)

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	2016		
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 25,730,665	40,525,423	66,256,088
Intra-group revenue	-	-	-
Elimination from discontinued operations	-	(1,926,626)	(1,926,626)
Total segment revenue	**$ 25,730,665**	**38,598,797**	**64,329,462**
Profit from segments reported	$ 1,541,299	1,328,378	2,869,677
Elimination from discontinued operations	-	(105,225)	(105,225)
Total profit	**$ 1,541,299**	**1,223,153**	**2,764,452**

(c) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

Geographic Information	**2017**	**2016**
Revenues from external customers:		
China	$ 32,911,250	35,009,994
Americas	13,508,587	14,221,870
Other	14,321,855	15,097,598
Total	**$ 60,741,692**	**64,329,462**
	December 31, 2017	**December 31, 2016**
Non-current assets:		
China	$ 4,309,012	4,701,807
Taiwan	358,412	371,047
Other	2,904,466	2,722,283
Total	**$ 7,571,890**	**7,795,137**

(d) Major customer information

The information on major customers that accounted for more than 10% of revenue in the consolidated statements of comprehensive income in 2017 and 2016 is as follows:

	2017		2016	
	Net sales	**Percentage of net sales**	**Net sales**	**Percentage of net sales**
Company A	**$ 5,218,313**	**9 %**	**9,524,714**	**15 %**