Stock Code:4915

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

PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Review Report
for the Three Months Ended
March 31, 2018 and 2017

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

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Independent Auditors' Review Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Introduction

We have reviewed the accompanying consolidated balance sheets of the PRIMAX ELECTRONICS LTD. and its subsidiaries as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT$4,752,505 thousand and NT$1,558,936 thousand, constituting 15.5% and 5.2% of consolidated total assets as of March 31, 2018 and 2017, respectively. Total liabilities amounting to NT$2,644,484 thousand and NT$1,852,664 thousand, constituting 15.3% and 10.4% of consolidated total liabilities as of March 31, 2018 and 2017, respectively, and total comprehensive income (loss) amounting to income NT$16,116 thousand and loss NT$88,811 thousand, constituting 3.5% and 1,134.0% of consolidated comprehensive income (loss) for the three months ended March 31, 2018 and 2017, respectively.

Furthermore, as stated in Note 6(g), the investments accounted for using equity method of the PRIMAX ELECTRONICS LTD. and its subsidiaries in its investee companies of NT$1,430,935 thousand as of March 31, 2018, and its related share of profit of associates accounted for using equity method of gain NT$2,361 thousand for the three months ended March 31, 2018, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the PRIMAX ELECTRONICS LTD. and its subsidiaries as of March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of Tymphany Worldwide Enterprises Ltd., a subsidiary of the PRIMAX ELECTRONICS LTD. and its subsidiaries. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Tymphany Worldwide Enterprises Ltd., is based solely on the review report of another auditor. The financial statements of Tymphany Worldwide Enterprises Ltd. reflect total assets amounting to NT$6,697,259 thousand and NT$4,975,022 thousand, constituting 21.8% and 16.5% of the related consolidated total assets, as of March 31, 2018 and 2017, respectively, and with operating revenue amounting to NT$3,796,226 thousand and NT$2,829,895 thousand, constituting 31.9% and 22.0% of the related consolidated operating revenue for the three months ended March 31, 2018 and 2017, respectively.

The engagement partners on the reviews resulting in this independent auditors’ review report are MEI-PIN WU and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)
May 11, 2018

Notes to Readers

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

The independent auditors’ review 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 independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

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

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2018 and 2017

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2018, December 31 and March 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2018		December 31, 2017		March 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 4,523,636	15	7,821,011	21	4,883,779	16
1110	Current financial assets at fair value through profit or loss (note 6(b))	151,443	1	141,151	-	118,443	-
1170	Notes and accounts receivable, net (note 6(e))	8,949,526	29	13,014,207	35	10,121,289	34
1180	Accounts receivable from related parties, net (notes 6(e) and 7)	99,125	-	105,911	-	69,223	-
1200	Other receivables, net	612,625	2	737,687	2	260,988	1
1310	Inventories (note 6(f))	6,013,255	20	6,791,093	18	5,397,286	18
1470	Other current assets	420,468	1	530,360	1	325,440	1
		20,770,078	68	29,141,420	77	21,176,448	70
	Non-current assets:						
1550	Investments accounted for using equity method (note 6(g))	1,430,935	4	-	-	-	-
1523	Non-current available-for-sale financial assets (note 6(d))	-	-	402,997	1	910,470	3
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	388,682	1	-	-	-	-
1600	Property, plant and equipment (note 6(j))	4,400,026	14	4,437,684	12	4,369,909	14
1760	Investment property, net (note 6(k))	35,098	-	35,214	-	35,561	-
1780	Intangible assets (note 6(l))	2,702,707	9	2,730,188	7	2,644,006	9
1840	Deferred tax assets	566,273	2	548,995	1	558,185	2
1985	Long-term prepaid rents	212,971	1	217,520	1	237,920	1
1990	Other non-current assets (note 8)	214,628	1	261,125	1	178,176	1
		9,951,320	32	8,633,723	23	8,934,227	30
	Total assets	$ 30,721,398	100	37,775,143	100	30,110,675	100

		March 31, 2018		December 31, 2017		March 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term borrowings (note 6(m))	$ 764,953	3	995,638	3	-	-
2170	Notes and accounts payable	10,831,878	35	16,350,178	43	11,267,072	37
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	95,711	-	103,107	-	98,297	-
2200	Other payables	2,092,312	7	3,991,128	11	3,575,500	12
2201	Salaries payable (note 6(s))	487,871	2	1,105,153	3	468,624	2
2300	Other current liabilities	359,865	1	433,894	1	336,829	1
2320	Long-term borrowings, current portion (note 6(n))	55,556	-	135,555	-	215,556	1
2365	Current refund liabilities	1,003,972	3	-	-	-	-
		15,692,118	51	23,114,653	61	15,961,878	53
	Non-Current liabilities:						
2540	Long-term borrowings (note 6(n))	55,556	-	83,333	-	111,111	-
2630	Long-term deferred revenue (note 6(j))	902,385	3	1,039,581	3	1,301,288	4
2600	Other non-current liabilities	600,651	2	555,774	2	469,099	2
		1,558,592	5	1,678,688	5	1,881,498	6
	Total liabilities	17,250,710	56	24,793,341	66	17,843,376	59
	Equity attributable to owners of parent:						
3110	Ordinary shares (note 6(r))	4,469,163	15	4,456,883	12	4,447,543	15
3140	Capital collected in advance	-	-	3,085	-	630	-
3200	Capital surplus (note 6(r))	1,304,192	4	1,232,490	3	882,416	3
3310	Legal reserve	982,041	3	982,041	3	788,634	3
3320	Special reserve	97,300	-	97,300	-	97,300	-
3350	Unappropriated retained earnings (note 6(r))	5,403,410	18	5,008,344	13	5,197,855	17
3400	Other equity interest	(382,716)	(1)	(394,871)	(1)	(397,818)	(1)
36XX	**Non-controlling interests** (note 6(i))	1,597,298	5	1,596,530	4	1,250,739	4
	Total equity	13,470,688	44	12,981,802	34	12,267,299	41
	Total liabilities and equity	$ 30,721,398	100	37,775,143	100	30,110,675	100

See accompanying notes to consolidated financial statements.

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2018 and 2017

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

		For the three months ended March 31			
		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(u), 6 (v) and 7)**	$ 11,883,748	100	12,881,184	100
5000	**Operating costs (notes 6(f), (p), (s), (w) and 12)**	10,423,317	88	11,265,889	88
	Gross profit	1,460,431	12	1,615,295	12
	Operating expenses (notes 6(p), (s), (w) and 12):				
6100	Selling expenses	283,144	2	304,233	2
6200	Administrative expenses	381,862	3	306,314	2
6300	Research and development expenses	551,018	5	471,139	4
	Total operating expenses	1,216,024	10	1,081,686	8
	Net operating income	244,407	2	533,609	4
	Non-operating income and expenses:				
7010	Other income (note 6(x))	36,137	-	50,725	-
7020	Other gains and losses (note 6(y))	177,590	2	16,907	-
7060	Share of profit of associates accounted for using equity method (note 6(g))	2,361	-	-	-
7050	Finance costs	(7,631)	-	(11,234)	-
	Total non-operating income and expenses	208,457	2	56,398	-
	Profit before tax	452,864	4	590,007	4
7950	**Less: income tax expense (note 6(q))**	106,934	1	137,735	1
	Profit	345,930	3	452,272	3
8300	**Other comprehensive income (loss):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**:				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(14,315)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(14,315)	-	-	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss:**				
8361	Exchange differences on translation of foreign operation's financial statements	127,969	1	(446,064)	(3)
8362	Unrealized gains on available-for-sale financial assets	-	-	1,624	-
8399	Income tax expense related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	127,969	1	(444,440)	(3)
8300	**Other comprehensive income (loss) after tax**	113,654	1	(444,440)	(3)
	Comprehensive income	**$ 459,584**	**4**	**7,832**	
	Profit attributable to:				
8610	Owners of parent	$ 352,493	3	418,436	3
8620	Non-controlling interests (note 6(i))	(6,563)	-	33,836	-
		$ 345,930	**3**	**452,272**	**3**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 459,496	4	2,108	-
8720	Non-controlling interests (note 6(i))	88	-	5,724	-
		$ 459,584	**4**	**7,832**	**-**
	Earnings per share (note 6(t))				
9710	**Basic earnings per share (NT dollars)**	**$ 0.80**		**0.95**	
9810	**Diluted earnings per share (NT dollars)**	**$ 0.79**		**0.94**	

See accompanying notes to consolidated financial statements.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
							Other equity interest						
	Share capital			Retained earnings									
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of operation's financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	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, 2017	$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	-	405,466	(27,017)	10,999,724	1,244,734	12,244,458
Profit	-	-	-	-	-	418,436	-	-	-	-	418,436	33,836	452,272
Other comprehensive income	-	-	-	-	-	-	(417,952)	-	1,624	-	(416,328)	(28,112)	(444,440)
Comprehensive income	-	-	-	-	-	418,436	(417,952)	-	1,624	-	2,108	5,724	7,832
Compensation cost of share-based payment	-	-	656	-	-	-	-	-	-	-	656	281	937
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	12,182	12,182	-	12,182
Issuance of restricted stock	24,500	-	87,710	-	-	-	-	-	-	(112,210)	-	-	-
Exercise of employee stock options	-	1,890	-	-	-	-	-	-	-	-	1,890	-	1,890
Issuance of ordinary shares for employee stock option	1,700	(4,284)	2,584	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2017	**$ 4,447,543**	**630**	**882,416**	**788,634**	**97,300**	**5,197,855**	**(677,863)**	**-**	**407,090**	**(127,045)**	**11,016,560**	**1,250,739**	**12,267,299**
Balance at January 1,2018	$ 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
Effects of retrospective application	-	-	-	-	-	42,573	-	30,916	(73,489)	-	-	-	-
Balance at January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	-	(95,806)	11,385,272	1,596,530	12,981,802
Profit	-	-	-	-	-	352,493	-	-	-	-	352,493	(6,563)	345,930
Other comprehensive income	-	-	-	-	-	-	121,318	(14,315)	-	-	107,003	6,651	113,654
Comprehensive income	-	-	-	-	-	352,493	121,318	(14,315)	-	-	459,496	88	459,584
Retirement of restricted stock	-	-	(4,820)	-	-	-	-	-	-	4,820	-	-	-
Compensation cost of share-based payment	-	-	1,347	-	-	-	-	-	-	-	1,347	680	2,027
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	27,275	27,275	-	27,275
Issuance of restricted stock	11,000	-	73,370	-	-	-	-	-	-	(84,370)	-	-	-
Issuance of ordinary shares for employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2018	**$ 4,469,163**	**-**	**1,304,192**	**982,041**	**97,300**	**5,403,410**	**(251,236)**	**16,601**	**-**	**(148,081)**	**11,873,390**	**1,597,298**	**13,470,688**

See accompanying notes to consolidated financial statements.

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2018	**2017**
Cash flows from (used in) operating activities:		
Profit before tax	$ 452,864	590,007
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	390,115	370,529
Bad debt expense and sales returns and discounts	-	(52,919)
Expected credit loss for bad debt expense	12	-
Interest expense	6,650	10,808
Interest income	(35,384)	(48,459)
Compensation cost of share-based payment	29,302	13,119
Losses related to inventories	37,388	101,685
Share of profit of associates accounted for using equity method	(2,361)	-
Loss on disposal of property, plant and equipment	4,084	1,315
Total adjustments to reconcile profit (loss)	429,806	396,078
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(10,292)	22,874
Notes and accounts receivable	4,117,345	3,535,503
Accounts receivable from related parties	6,786	33,618
Other receivable	125,062	234,423
Inventories	740,024	1,171,576
Other current assets	111,249	114,799
Other operating assets	(39)	13,261
Changes in operating assets	5,090,135	5,126,054
Financial liabilities at fair value through profit or loss	(7,396)	(52,133)
Notes and accounts payable	(5,518,300)	(5,625,846)
Salaries payable	(617,282)	(677,559)
Other payable	(716,674)	(440,617)
Other current liabilities	(74,029)	(14,031)
Refund liabilities	(106,699)	-
Other operating liabilities	(137,108)	(3,062)
Changes in operating liabilities	(7,177,488)	(6,813,248)
Total changes in operating assets and liabilities	(2,087,353)	(1,687,194)
Total adjustments	(1,657,547)	(1,291,116)
Cash outflow generated from operations	(1,204,683)	(701,109)
Interest received	35,384	48,459
Interest paid	(6,632)	(10,791)
Income taxes paid	(164,159)	(35,654)
Net cash used in operating activities	(1,340,090)	(699,095)
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	-	(21,045)
Acquisition of investments accounted for using equity method	(1,428,574)	-
Acquisition of property, plant and equipment	(329,393)	(300,349)
Proceeds from disposal of property, plant and equipment	1,811	338
Acquisition of unamortized expense	(17,587)	(17,476)
Other investing activities	40,358	1,566
Net cash flows used in investing activities	(1,733,385)	(336,966)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(230,685)	-
Repayments of long-term borrowings	(107,776)	(274,444)
Increase in guarantee deposits received	47,399	22,799
Exercise of employee share options	-	1,890
Net cash used in financing activities	(291,062)	(249,755)
Effect of exchange rate changes on cash and cash equivalents	67,162	(190,321)
Net decrease in cash and cash equivalents	(3,297,375)	(1,476,137)
Cash and cash equivalents at beginning of period	7,821,011	6,359,916
Cash and cash equivalents at end of period	**$ 4,523,636**	**4,883,779**

See accompanying notes to consolidated financial statements.

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

As of March 31, 2018 and 2017 Reviewed only, not audited in accordance with the generally accepted auditing standards

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

(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 three months ended March 31, 2018, 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 May 11, 2018.

(3) New standards and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. 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". The related new standards, interpretations and amendments are as follows:

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

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
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 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework by five steps for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was 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.

(Continued)

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

2) Rending of services

The Group provides services, such as model research, development, and design, to customers. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue was recognized using the stage-of-completion method. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group' s consolidated financial statements:

	March 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Accounts receivable	$ (26,733)	26,733	-	(52,676)	52,676	-
Impact on assets		**$ 26,733**			**52,676**	
Other payables	$ (977,239)	977,239	-	(1,057,995)	1,057,995	-
Refund liabilities	-	(1,003,972)	(1,003,972)	-	(1,110,671)	(1,110,671)
Impact on liabilities		**$ (26,733)**			**(52,676)**	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 " Financial Instruments" replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(c).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

·Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

·The following assessments have been made on the basis of the facts and circumstances that existed 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.

·If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the measurement categories and the carrying amount of the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (The measurement categories and the carrying amount of financial liabilities do not change.)

(Continued)

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

	IAS39		IFRS9	
Financial assets	**Measurement categories**	**Carrying amount**	**Measurement categories**	**Carrying amount**
Cash and cash equivalents	Loans and receivables	7,821,011	Amortized cost	7,821,011
Derivative instruments	Held-for-trading	141,151	Mandatorily at FVTPL	141,151
Investment in equity instruments	Available-for-sale (note 1)	402,997	FVOCI	402,997
Receivables, net	Loans and receivables (note 2)	13,857,805	Amortized cost	13,857,805
Other financial assets (Guarantee deposits paid)	Loans and receivables	90,805	Amortized cost	90,805

Note1: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$402,997 thousand in those assets recognized, and a decrease of \$42,573 thousand in the other equity interests, as well as the increase of \$42,573 thousand in retained earnings were recognized on January 1, 2018.

Note2: Notes receivables, accounts receivables, lease receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018:

	2017.12.31 IAS 39 Carrying amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying amount	2018.1.1 Adjustments of retained earnings	2018.1.1 Adjustments of other equity interest
FVOCI						
Beginning balance of available-for-sale (including measured at cost) (IAS 39)	$ 402,997	(402,997)	-		-	-
Available-for-sale reclassified to FVOCI	-	402,997	-		42,573	(42,573)
Total	**$ 402,997**	**-**	**-**	**402,997**	**42,573**	**(42,573)**

There is no material impact on the Group's basic or diluted earnings per share for the three months ended March 31, 2018 and 2017.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(b) 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 SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2017.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

			Percentage of shareholding			
Name of investor	**Name of subsidiary**	**Principal activities**	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**	**Description**
The Company	Primax Industries (Cayman) Holding Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Technology (Cayman) Holding Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	100.00 %	(note 10)
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 10)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 10)
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 10)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	- %	- %	(note 1) (note 10)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	100.00 %	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	70.00 %	(note 2)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding March 31, 2018	December 31, 2017	March 31, 2017	Description
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 10)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 10)
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 %	100.00 %	(note 10)
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	(note 10)
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 %	66.44 %	- %	(note 4)
TWEL	TYP Enterprise, 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 %	100.00 %	- %	(note 6)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding March 31, 2018	Percentage of shareholding December 31, 2017	Percentage of shareholding March 31, 2017	Description
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 %	100.00 %	- %	(note 7)
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	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 %	100.00 %	- %	(note 8) (note 10)
TYM Acoustic HK	TYP	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	- %	(notes 5)
TYM Acoustic HK	TYM HK	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	- %	(note 3)
TYM Acoustic HK	Tymphany Acoustic Technoloigy Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	- %	(note 9)
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM HK	Premium Hui Zhou	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 %	100.00 %	

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

Note 1: The Company was incorporated in January 2018.
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 Hui Zhou 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 100% owned subsidiary of TYM Acoustic HK.
Note 4: Premium Hui Zhou was originally a 100% owned subsidiary of TYM HK; however, after the restructuring of the Group in the third quarter of 2017, Premium Hui Zhou became 100% owned subsidiary of TWEL. TWEL owned Premium Hui Zhou decrease to 66.44% due to the shares exchange and exercise of employee stock option 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 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 100% owned subsidiary of Premium Hui Zhou.
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.
Note 10: The Company is a non-significant subsidiary, and its financial statements have not been reviewed.

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, FVOCI and FVTPL.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any accumulated gain or loss on derecognition is recognized in profit or loss.

2) FVOCI

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI, and accumulated in equity–unrealized gains (losses) from FVOCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized 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.

3) FVTPL

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Assemessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

·contingent events that would change the amount or timing of cash flows;

·terms that may adjust the contractual coupon rate, including variable rate features;

·prepayment and extension features; and

(Continued)

·terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets, etc.).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

·Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 61 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 361 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 361 days past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of ECL (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof 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 the line item of non-operating income and expenses of other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(d) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

(i) Sale of goods

The Group manufactures computer peripherals and non-computer peripherals and sales them to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liabilities is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 90 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Rending of services

The Group provides services, such as model research, development, and design to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

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

(e) Income taxes

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

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

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

(f) Employee benefits

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2017.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2017. Please refer to Note 6 of the 2017 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Cash on hand	$ 3,424	3,279	3,109
Demand accounts and checking deposits	3,260,142	6,022,395	1,991,924
Time deposits	1,260,070	1,795,337	2,888,746
Cash and cash equivalents in the consolidated statements of cash flows	**$ 4,523,636**	**7,821,011**	**4,883,779**

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

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

(i) Details of financial instruments were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Forward exchange contracts	$ 62,346		
Foreign exchange swap contracts	86,955		
Non-derivative financial assets			
Mutual funds	2,142		
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts		125,940	86,437
Foreign exchange swap contracts		15,211	32,006
	$ 151,443	**141,151**	**118,443**

	March 31, 2018	December 31, 2017	March 31, 2017
Financial liabilities held-for-trading:			
Derivative instrument not used for hedging			
Forward exchange contracts	$ (91,915)	(69,167)	(65,027)
Foreign exchange swap contracts	(3,796)	(33,940)	(33,270)
	$ (95,711)	**(103,107)**	**(98,297)**

(ii) The Group held the following derivative instruments as held-for trading financial assets, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss as of March 31, 2018 and held-for-trading financial instruments as of December 31 and March 31, 2017:

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March 31, 2018

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts —buy USD / sell TWD	USD 530,000	April 2, 2018~ August 7, 2018	28.755~29.689
Forward exchange contracts —buy TWD / sell USD	USD 109,000	April 2, 2018~ May 30, 2018	29.046~29.337
Forward exchange contracts —buy CNY/ sell USD	USD 99,300	April 9, 2018~ July 19, 2018	6.2821~6.6085
Foreign exchange swap contracts —swap in TWD / swap out USD	USD 339,000	April 16 2018~ July 11, 2018	28.896~29.708

December 31, 2017

Derivative financial instruments	Nominal amount (in thousands)	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

March 31, 2017

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

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(c) Financial assets at FVOCI

	March 31, 2018
Equity investments at FVOCI	
Stocks listed in domestic markets–Global TEK	$ 360,905
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	2,004
Stocks unlisted in domestic markets–Green Rich Technology Co., Ltd.	2,000
Stocks unlisted in domestic markets–Changing Information Technology Inc.	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49
Equities unlisted in foreign markets–Grove Ventures L.P. (USD 550 thousand)	16,016
Stocks unlisted in foreign markets–WK Global Investment III Ltd. (USD 193 thousand)	5,606
Total	**$ 388,682**

(i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale. These investments were classified as available-for-sale financial assets as of December 31 and March 31, 2017.

No strategic investments were disposed in the three months ended March 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

(d) Available-for-sale financial assets

	December 31, 2017	March 31, 2017
Stocks listed in domestic markets	$ -	496,404
Stocks unlisted in domestic markets	380,835	382,517
Stocks unlisted in foreign markets	22,162	31,549
	$ 402,997	**910,470**

(i) These investments were classified as financial assets at FVOCI as of March 31, 2018. Please refer to note 6(c).

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

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

(e) Notes and accounts receivable (including related parties)

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable	$ 232,125	175,324	114,869
Accounts receivable	8,841,932	13,019,199	10,145,830
Accounts receivable – related parties	99,125	105,911	69,223
Less: allowance for doubtful accounts	(124,531)	(127,640)	(89,204)
allowance for sales returns and discounts	-	(52,676)	(50,206)
Total	$ 9,048,651	13,120,118	10,190,512

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

(ii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables, on March 31, 2018. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis as of March 31, 2018 was as follows:

	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	$ 8,474,025	0%	-
Past due 0 to 30 days	329,782	3%	9,745
Past due 31 to 60 days	47,111	1%	479
Past due 61 to 90 days	81,572	9%	7,430
Past due 91 to 180 days	61,701	15%	9,210
Past due 181 to 360 days	1,411	1%	17
More than 361 days past due	177,580	55%	97,650
	$ 9,173,182		124,531

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

(iii) As of December 31 and March 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017	March 31, 2017
Past due 0 to 30 days	$ 827,739	702,674
Past due 31 to 90 days	62,006	14,771
Past due 91 to 180 days	9,641	196,806
Past due 181 to 360 days	2,218	989
More than 361 days past due	91,632	-
	$ 993,236	**915,240**

(iv) The movement in the allowance for notes and accounts receivable was as follows:

		For the three months ended March, 2017	
	For the three months ended March, 2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 127,640	-	99,936
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	127,640		
Impairment losses recognized (reversed)	12	-	(4,823)
Effect of exchange rate changes	(3,121)	-	(5,909)
Balance on March 31, 2018 and 2017	**$ 124,531**	**-**	**89,204**

(v) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. As of March 31, 2018, December 31 and March 31, 2017, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

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

March 31, 2018

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	129,419	9,000	-	-	-	-	129,419
	$ 129,419	98,250	-			-	129,419

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

March 31, 2017

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

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

(f) Inventories

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials	$ 1,858,368	1,797,211	1,266,667
Semi-finished goods and work in process	1,287,881	1,351,885	1,291,194
Finished goods and merchandise	2,867,006	3,641,997	2,839,425
	$ 6,013,255	6,791,093	5,397,286

(Continued)

The Group did not provide any of the aforementioned inventories as collateral. The Group recognized the following items as cost of goods sold:

	For the three months ended March 31	
	2018	**2017**
Losses on inventory valuation	$ (22,283)	(48,066)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(16,661)	(35,906)
Losse on disposal of inventories	-	(19,545)
Gains on physical inventories	1,556	1,832
	$ (37,388)	**(101,685)**

(g) Investments accounted for using equity method

The Group's investments accounted for using the equity method are individually insignificant. The related information included in the consolidated financial statements was as follows:

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Carrying amount of individually insignificant associates' equity	**$ 1,430,935**	**-**	**-**

	For the three months ended March 31	
	2018	**2017**
Attributable to the Group:		
Profit	$ 2,361	-
Other comprehensive income	-	-
Comprehensive income	**$ 2,361**	**-**

In order to expand the business scale and strengthen the Company's competitiveness in the market, the Group acquire 37% shares of Belfast Limited, a company that engages in the manufacturing of electric power steering system and adaptive front lighting system, with amount of USD$48,100 by participating in its capital increase by cash, and purchasing its outstanding shares, and obtain significant influence over Belfast Limited in January 2018.

Investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

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

(h) Acquisition of subsidiaries

Based on the resolution approved during the board of directors' meeting of TWEL, one of the main subsidiaries of the Company, held on March 13, 2017, acquired all shares of Bang & Olufsen s.r.o.(renamed as TYM Acoustic Europe after merger) amounting to EUR$18,000 through TYM Acoustic HK. Through this transaction, the Company will establish the market for its audio products in Europe, strengthen the cooperation with its clients and expand its technique, manufacturing process and global market. The purchase agreement was settled on June 1, 2017.

(i) Consideration transferred

According to the share purchase agreement, the consideration transferred was EUR$18,000. As of December 31, 2017, TYM Acoustic HK deposited EUR$1,500 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 (EUR$1,139) 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 Company had engaged experts to evaluate the fair value of identifiable net assets, and based on the analysis results, the fair value of consideration transferred, assets acquired, and liabilities assumed at the date of acquisition were as follows:

Items	Amount
Consideration transferred	
Cash	$ 653,796
Fair value of identifiable assets acquired and liabilities assumed	
Cash acquired	7,158
Accounts receivable	402,115
Other receivables	5,592
Inventories	411,816
Other current assets	8,813
Property, plant and equipment	33,358
Other non-current assets	935
Accounts payable	(313,464)
Other payables	(14,238)
Other current liabilities	(73,092)
Identifiable net assets	468,993
Goodwill	**$ 184,803**

(Continued)

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

(i) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests March 31, 2018	December 31, 2017	March 31, 2017
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	33.56 %	33.56 %	30 %

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.

TWEL and its subsidiaries:

	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	$ 6,618,907	10,455,985	4,364,113
Non-current assets	3,442,791	3,479,864	3,299,077
Current liabilities	(5,172,271)	(9,105,990)	(3,268,643)
Non-current liabilities	(129,897)	(72,344)	(225,418)
Net assets	**$ 4,759,530**	**4,757,515**	**4,169,129**
Non-controlling interests	**$ 1,597,298**	**1,596,530**	**1,250,739**

	For the three months ended March 31 2018	2017
Operating revenue	**$ 3,804,004**	**2,877,049**
Profit	$ (19,557)	112,785
Other comprehensive income	19,818	(93,708)
Comprehensive income	**$ 261**	**19,077**
Profit attributable to non-controlling interests	**$ (6,563)**	**33,836**
Comprehensive income attributable to non-controlling interests	**$ 88**	**5,724**

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

	For the three months ended March 31	
	2018	2017
Cash flows from operating activities	$ (298,551)	400,325
Cash flows from investing activities	(43,868)	(63,294)
Cash flows from financing activities	(241,039)	(691)
Effect of exchange rate changes	34,229	(65,493)
Net increase (decrease) in cash and cash equivalents	**$ (549,229)**	**270,847**
Dividends paid to non-controlling interests	**$ -**	**-**

(j) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the three months ended March 31, 2018 and 2017, 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, 2018	$ 134,701	3,809,364	6,024,654	597,200	413,789	(2,284)	10,977,424
Additions	-	37,221	36,420	12,027	156,943	-	242,611
Disposals	-	(33,799)	(42,839)	(6,550)	-	-	(83,188)
Reclassifications	-	15,294	39,419	14,858	(75,208)	-	(5,637)
Effect of exchange rate changes	-	48,313	83,400	7,407	6,080	(32)	145,168
Balance on March 31, 2018	**$ 134,701**	**3,876,393**	**6,141,054**	**624,942**	**501,604**	**(2,316)**	**11,276,378**
Balance on January 1, 2017	$ 134,701	3,802,758	5,672,304	510,457	347,678	(16,286)	10,451,612
Additions	-	22,149	140,500	9,252	57,028	-	228,929
Disposals	-	(1,771)	(61,396)	(3,695)	-	-	(66,862)
Disposal of subsidiaries	-	39,601	99,245	2,179	(156,014)	-	(14,989)
Effect of exchange rate changes	-	(194,144)	(318,819)	(27,474)	(16,801)	897	(556,341)
Balance on March 31, 2017	**$ 134,701**	**3,668,593**	**5,531,834**	**490,719**	**231,891**	**(15,389)**	**10,042,349**
Depreciation and impairments loss:							
Balance on January 1, 2018	$ -	1,830,962	4,311,178	399,884	-	(2,284)	6,539,740
Depreciation	-	54,446	262,019	16,700	-	-	333,165
Disposals	-	(33,799)	(37,053)	(6,441)	-	-	(77,293)
Reclassifications	-	49	(12,923)	3,511	-	-	(9,363)
Effect of exchange rate changes	-	23,327	61,709	5,099	-	(32)	90,103
Balance on March 31, 2018	**$ -**	**1,874,985**	**4,584,930**	**418,753**	**-**	**(2,316)**	**6,876,352**
Balance on January 1, 2017	$ -	1,731,111	3,632,382	383,934	-	(13,237)	5,734,190
Depreciation	-	55,820	254,841	13,329	-	(1,226)	322,764
Disposals	-	(1,771)	(59,660)	(3,778)	-	-	(65,209)
Reclassifications	-	-	(152)	(58)	-	-	(210)
Effect of exchange rate changes	-	(88,670)	(209,984)	(21,206)	-	765	(319,095)
Balance on March 31, 2017	**$ -**	**1,696,490**	**3,617,427**	**372,221**	**-**	**(13,698)**	**5,672,440**

(Continued)

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

		Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
Carrying amounts:								
Balance on January 1, 2018	$	134,701	1,978,402	1,713,476	197,316	413,789	-	4,437,684
Balance on March 31, 2018	$	134,701	2,001,408	1,556,124	206,189	501,604	-	4,400,026
Balance on January 1, 2017	$	134,701	2,071,647	2,039,922	126,523	347,678	(3,049)	4,717,422
Balance on March 31, 2017	$	134,701	1,972,103	1,914,407	118,498	231,891	(1,691)	4,369,909

(i) The unamortized deferred revenue of equipment subsidy amounted to $808,207, $946,180 and $1,209,931 as of March 31, 2018, December 31, 2017 and March 31, 2017 respectively.

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

(k) Investment property

		Land	Buildings and other equipment	Total
Carrying amounts:				
Balance on January 1, 2018	$	16,249	18,965	35,214
Balance on March 31, 2018	$	16,249	18,849	35,098
Balance on January 1, 2017	$	16,249	19,428	35,677
Balance on March 31, 2017	$	16,249	19,312	35,561

(i) The were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2018 and 2017. Please refer to Note 6(j) of the consolidated financial statements for the year ended December 31, 2017 for other further information.

(ii) The fair value of the investment property was not significantly different from those disclosed in the Note 6(j) of the consolidated financial statements for the year ended December 31, 2017.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(l) Intangible assets

The carrying amounts of the intangible assets of the Group for the three months ended March 31, 2018 and 2017, were as follows:

	Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Carrying amounts:					
Balance on January 1, 2018	$ 2,025,495	433,019	252,594	19,080	2,730,188
Balance on March 31, 2018	$ 2,027,665	415,049	242,112	17,881	2,702,707
Balance on January 1, 2017	$ 1,850,383	504,899	294,524	23,864	2,673,670
Balance on March 31, 2017	$ 1,850,383	486,929	284,042	22,652	2,644,006

(i) There were no significant additions, disposal, or recognition and the reversal of impairment losses of intangible assets for the three months ended March 31, 2018 and 2017. Please refer to Note 6(k) of the consolidated financial statements for the year ended December 31, 2017 for other further information.

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

(m) Short-term borrowings

The details were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank loans	$ 764,953	995,638	-
Unused credit lines	$ 18,189,297	17,453,299	14,790,839
Annual interest rates	1.20%~2.93%	0.97%~4.96%	1.09%~1.43%

(n) Long-term borrowings

	March 31, 2018			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%~1.48%	2020	$ 111,112
Less: current portion				(55,556)
				$ 55,556
Unused credit lines				$ -

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

	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)
				$ 83,333
Unused credit lines				$ -

	March 31, 2017			
	Currency	**Annual interest rate**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	1.19~1.48%	2018~2020	$ 326,667
Less: current portion				(215,556)
				$ 111,111
Unused credit lines				$ -

(i) Pursuant to the loan agreements with CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. 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.

The Company has already paid the bank loans back to CTBC Bank in January 2018.

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

(o) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Less than one year	$ 268,897	299,316	219,463
Between one and five years	465,371	489,361	317,263
More than five years	457,431	461,370	212,913
	$ 1,191,699	1,250,047	749,639

The Group leases a number of offices and warehouses and pieces of equipment under operating leases. The lease terms are between 1 and 18 years.

(Continued)

(ii) Lessor

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

	March 31, 2018	December 31, 2017	March 31, 2017
Less than one year	$ 1,297	1,484	707
Between one and five years	275	-	-
	$ 1,572	**1,484**	**707**

(p) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2017 and 2016.

(ii) Defined contribution plans

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

(iii) The Group recognized its pension costs and recorded them as operating costs and operating expenses.

	For the three months ended March 31	
	2018	2017
Defined benefit plans	$ 428	501
Defined contribution plans	87,185	83,706
Total	**$ 87,613**	**84,207**

(q) Income taxes

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

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. The Company reflects the change in the tax rate by an adjustment of deferred income tax benefit $19,199 to the estimated annual effective income tax rate.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ii) The details of the Group's income tax expenses were as follows:

	For the three months ended March 31	
	2018	**2017**
Income tax expense	$ **106,934**	**137,735**

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

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

(r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2018 and 2017. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2017.

(i) Ordinary shares

As of March 31, 2018, December 31 and March 31, 2017, the nominal ordinary shares amounted to $5,500,000. Par value of each share is $10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 446,916, 445,688 and 444,754 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	Ordinary shares (in thousands of shares)	
	For the three months ended March 31	
	2018	**2017**
Balance on January 1	445,688	442,134
Exercise of employee stock options	128	170
Issuance of restricted stock	1,100	2,450
Balance on March 31	**446,916**	**444,754**

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Additional paid-in capital	$ 584,584	545,657	522,237
Employee stock options	234,002	233,624	228,500
Restricted employee stock options	182,606	150,209	131,679
Long-term investment	303,000	303,000	-
	$ 1,304,192	1,232,490	882,416

(iii) Retained earnings

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

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

On March 13, 2018, the board of directors' meeting resolved to appropriate the 2017 earnings. On May 25, 2017, the shareholders' meeting resolved to distribute the 2016 earnings. The distributions were NT$3.2 and 2.5 (dollars) per share, which amounted to $1,430,068 and $1,111,886, respectively.

(s) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2018 and 2017. Please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2017 for further information.

After the shareholders' meeting on May 25, 2017, the Company decided to issue 2,000 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares on January 31, 2018.

As of March 31, 2018, the arrangements of the Group for share-based payment were as follows:

(i) Employee stock options and share-based payment

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

	For the three months ended March 31			
	2018		2017	
	Weighted-average exercise price	Stock options (in thousands)	Weighted-average exercise price	Stock options (in thousands)
Outstanding on January 1	-	-	22.16	957
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	25.20	(75)
Expired during the year	-	-	-	-
Outstanding on March 31	-	-	21.90	882
Exercisable on March 31	-	-	21.90	882

2) As of March 31, 2018 and December 31 and March 31 2017, the information on the employee stock option plans outstanding was as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
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	-	-	671
Outstanding at end of year	-	-	882

3) The related information on compensatory employee stock option plans of the Group was as follows:

	For the three months ended March 31			
	2018		2017	
	Weighted-average exercise price	Stock options (in thousands)	Weighted-average exercise price	Stock options (in thousands)
Outstanding on January 1	-	-	18.27	3,308
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding on March 31	-	-	18.27	3,308
Exercisable on March 31	-	-	-	-

(Continued)

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

(ii) Restricted stock

1) As of March 31, 2018, the outstanding restricted stock of the Company was as follows:

	Plan 1 (note 1)				Plan 2 (note 1)		Plan 3 (note 1)		Plan 4 (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	February 8, 2018
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80	75.40	76.70
Exercise price	Free grants	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	1,100
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)	1~3 years (note 2)

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

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

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.

Plan 4 – After the shareholders' meeting on May 25, 2017, 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 1,100 thousand shares on January 31, 2018.

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.

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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.

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

	For the three months ended March 31	
(Thousand shares)	**2018**	**2017**
Outstanding on January 1	3,934	1,771
Granted during the year	1,100	2,450
Forfeited during the year	-	-
Vesting during the year	(1,027)	(289)
Expired during the year	(101)	-
Outstanding on March 31	**3,906**	**3,932**

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

	For the three months ended March 31	
	2018	**2017**
Expenses attributable to employee stock options	$ 2,027	937
Restricted stock	27,275	12,182
Total	**$ 29,302**	**13,119**
Salaries payable:		
Current	**$ -**	**1,938**

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(t) Earnings per share

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

(i) Basic earnings per share

	For the three months ended March 31	
	2018	**2017**
Profit attributable to owners of parent	$ **352,493**	**418,436**
Weighted-average number of ordinary shares (thousand shares)	**442,384**	**440,499**
Basic earnings per share (NT dollars)	$ **0.80**	**0.95**

(ii) Diluted earnings per share

	For the three months ended March 31	
	2018	**2017**
Profit attributable to owners of parent	$ **352,493**	**418,436**
Weighted-average number of ordinary shares (diluted) (thousand shares)	**445,183**	**444,049**
Diluted earnings per share (NT dollars)	$ **0.79**	**0.94**

	For the three months ended March 31	
	2018	**2017**
Weighted-average number of ordinary shares on March 31 (basic)	442,384	440,499
Exercise of employee stock options	59	508
Estimated effect of employee stock bonuses	867	1,869
Effect of restricted stock	1,873	1,173
Weighted-average number of ordinary shares on March 31 (diluted)	**445,183**	**444,049**

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(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2018		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	$ 4,788,796	6,606,630	11,395,426
Service rendered	68,068	420,254	488,322
	$ 4,856,864	7,026,884	11,883,748

	For the three months ended March 31, 2018
Mainland China	$ 6,405,643
Americas	1,944,305
Other	3,533,800
	$ 11,883,748

For details on revenue for the three months ended March 31, 2017, please refer to note 6(v).

(ii) Contract balances

	March 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 9,173,182	13,300,434
Less: allowance for impairment	(124,531)	(127,640)
	$ 9,048,651	13,172,794

For details on accounts receivable and allowance for impairment, please refer to note 6(e).

(v) Operating revenue

The details of operating revenue for the three months ended March 31, 2017, was as follows:

	For the three months ended March 31, 2017
Goods sold	$ 12,589,535
Services rendered	291,649
Total	$ 12,881,184

(Continued)

(w) 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 three months ended March 31, 2018 and 2017, were as follows:

	For the three months ended March 31	
	2018	**2017**
Employee remuneration	$ 12,555	17,215
Directors' remuneration	6,411	8,611
	$ 18,966	**25,826**

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.

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2017 and 2016 were as follows:

	2017		
	Actual earnings distributed	**Accrued in the financial statement**	**Difference**
Employee remuneration–Stock	$ -	-	-
Employee remuneration–Cash	68,260	68,182	(78)
Director's remuneration	34,000	34,094	94

	2016		
	Actual earnings distributed	**Accrued in the financial statement**	**Difference**
Employee remuneration–Stock	$ -	-	-
Employee remuneration–Cash	74,000	74,000	-
Director's remuneration	36,800	36,803	3

The differences were accounted for as changes in accounting estimates and recognized as profit or loss in the year 2018 and 2017. Information about the remuneration to employee and directors approved in the board of directors' meetings can be accessed in the Market Observation Post System website.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(x) Other income

The details of other income was as follows:

	For the three months ended March 31 2018	2017
Interest revenue of cash in banks	$ 35,384	48,459
Rent revenue	414	1,750
Other	339	516
	$ **36,137**	**50,725**

(y) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31 2018	2017
Net gains on financial assets/liabilities measured at FVTPL	$ 64,288	25,036
Foreign currency exchange gains (losses), net	34,096	(25,800)
Net losses on disposal of property, plant and equipment	(4,084)	(1,315)
Other	83,290	18,986
	$ **177,590**	**16,907**

(z) Financial instruments

(i) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
March 31, 2018							
Non-derivative financial liabilities:							
Short-term borrowings	$ 764,953	765,388	765,388	-	-	-	-
Notes and accounts payable	10,831,878	10,831,878	10,831,878	-	-	-	-
Other payables	1,121,121	1,121,121	1,121,121	-	-	-	-
Refund liabilities	977,239	977,239	977,239	-	-	-	-
Long-term borrowings	111,112	112,784	28,477	28,289	56,018	-	-
Guarantee deposits	221,566	221,566	-	-	-	-	221,566
Derivative financial liabilities:	95,711	-	-	-	-	-	-
Outflow	-	2,042,816	2,042,816	-	-	-	-
Inflow	-	(1,941,466)	(1,941,466)	-	-	-	-
	$ **14,123,580**	**14,131,326**	**13,825,453**	**28,289**	**56,018**	**-**	**221,566**

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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	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
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
March 31, 2017							
Non-derivative financial liabilities:							
Notes and accounts payable	$ 11,267,072	11,267,072	11,267,072	-	-	-	-
Other payables	2,341,027	2,341,027	2,341,027	-	-	-	-
Long-term borrowings	326,667	332,371	110,089	109,024	57,051	56,207	-
Guarantee deposits	166,036	166,036	-	-	-	-	166,036
Derivative financial liabilities:	98,297	-	-	-	-	-	-
Outflow	-	2,545,108	2,545,108	-	-	-	-
Inflow	-	(2,444,943)	(2,444,943)	-	-	-	-
	$ 14,199,099	14,206,671	13,818,353	109,024	57,051	56,207	166,036

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2018			December 31, 2017			March 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD:CNY	$ 392,740	6.288	11,436,579	529,047	6.534	15,790,922	285,900	6.899	8,673,062
USD:HKD	145,842	7.848	4,246,931	262,270	7.817	7,828,236	94,684	7.772	2,872,334
USD:TWD	234,544	29.120	6,829,928	361,298	29.848	10,784,026	314,644	30.336	9,545,040
USD:EUR	31,698	0.8130	923,046	20,037	0.838	598,060	-	-	-
Financial liabilities									
Monetary items									
USD:CNY	279,196	6.288	8,130,193	412,867	6.534	12,323,269	280,351	6.899	8,504,728
USD:HKD	152,369	7.848	4,436,991	259,738	7.817	7,752,673	80,803	7.772	2,451,240
USD:TWD	281,588	29.120	8,199,855	345,140	29.848	10,301,737	266,401	30.336	8,081,541
USD:EUR	7,035	0.813	204,859	7,203	0.838	214,983	-	-	-

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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. A weakening (strengthening) of 5% of the TWD, CNY, HKD and EUR against the USD as of March 31, 2018 and 2017, would have increased or decreased the profit before tax by $123,227 and $102,646 for the three months ended March 31, 2018 and 2017, 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 the three months ended March 31, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain $34,096 and loss $25,800, respectively.

(iii) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets 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 profit before tax would have increased or decreased by $2,278 and $2,846 for the three months ended March 31, 2018 and 2017, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

(iv) Other price risk:

The changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income before tax as illustrated below:

	For the three months ended March 31	
	2018	**2017**
Price of securities at the reporting date	**Other comprehensive income before tax**	**Other comprehensive income before tax**
Increasing 10%	$ 36,091	49,640
Decreasing 10%	$ (36,091)	(49,640)

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(v) 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 :

	March 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	$ 151,443	-	-	151,443	151,443
Financial assets at FVOCI– non-current	$ 388,682	360,905	-	27,777	388,682
Financial assets measured at amortized cost:					
Cash and cash equivalents	$ 4,523,636				
Notes and accounts receivable (including related parties)	9,048,651				
Other receivables	612,625				
Refundable deposits	50,447				
Total	$ 14,775,484				
Financial liabilities at FVTPL– current	$ 95,711	-	-	95,711	95,711
Financial liabilities measured at amortized cost					
Borrowings	$ 876,065				
Notes and accounts payable	10,831,878				
Other payables	2,092,312				
Salaries payable	487,871				
Refund liabilities	977,239				
Guarantee deposits	221,566				
Total	$ 15,582,642				

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	December 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL–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 FVTPL – current	$ 103,107	-	-	103,107	103,107
Financial liabilities measured at amortized cost					
Borrowings	$ 1,214,526				
Notes and accounts payable	16,350,178				
Other payables	3,991,128				
Salaries payable	1,105,153				
Guarantee deposits	174,167				
Total	$ 22,835,152				

	March 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	$ 118,443	-	-	118,443	118,443
Available-for-sale financial assets – non-current	$ 910,470	496,404	-	414,066	910,470
Loans and receivables:					
Cash and cash equivalents	$ 4,883,779				
Notes and accounts receivable (including related parties)	10,190,512				
Other receivables	260,988				
Refundable deposits	42,829				
Total	$ 15,378,108				
Financial liabilities at FVTPL – current	$ 98,297	-	-	98,297	98,297

(Continued)

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	March 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	$ 326,667				
Notes and accounts payable	11,267,072				
Other payables	3,578,300				
Salaries payable	468,624				
Guarantee deposits	166,036				
Total	**$ 15,806,699**				

2) Fair value valuation techniques for financial instruments measured at fair value

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

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

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

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

b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The fair value is based on the market approach of comparable business. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

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3) Transfers between Level 1 and Level 3

The Group holds an investment in equity shares of Global TEK, which is classified as FVOCI (available-for-sale financial assets), with a fair value of $360,905, $374,680 and $370,500 on March 31, 2018, December 31 and March 31, 2017, respectively. The fair value of the investment was previously categorized as Level 3 on March 31, 2017. This was because the shares were not based on quoted market price and the fair value was based on the significant unobservable inputs. In February, 2018, Global TEK listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy on March 31, 2018.

4) Reconciliation of Level 3 fair values

	For the three months ended March 31, 2018			For the three months ended March 31,2017		
	FVTPL	FVOCI (available-for-sale financial assets)	Total	FVTPL	Available for sale	Total
Balance on January 1	$ 38,044	402,997	441,041	(9,113)	301,397	292,284
Recognized in profit or loss	64,288	-	64,288	20,146	-	20,146
Recognized in other comprehensive income	-	(14,315)	(14,315)	-	91,624	91,624
Acquisition /disposal	(46,600)	-	(46,600)	9,113	21,045	30,158
Transfer out of Level 3	-	(360,905)	(360,905)	-	-	-
Balance on March 31	**$ 55,732**	**27,777**	**83,509**	**20,146**	**414,066**	**434,212**

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

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

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial assets at FVOCI (Available-for-sale financial assets) – equity investment without an active market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL	(note 2)	(note 2)	(note 2)

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note 1: The fair value is based on the market value, and it has considered the recent financing activities, comparable business, market and other economic conditions etc., to determine the assumptions. Also, the significant unobservable inputs are marketability discount, but any changes of marketability discount would not result in significant potential financial impact, therefore there is no need to show the quantified information on it.

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.

(aa) Financial risk management

The Group's objectives and policies on financial risk management are consistent with note 6(z) of the consolidated financial statements for the year ended December 31, 2017.

(ab) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2017. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2017. Please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2017 for further details.

(7) Related-party transactions:

(a) Names and relationship of the related parties

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

Name	**Relationship**
Specialty Technologies, LLC (Specialty)	Substantive related party

(b) Significant transactions with related parties

(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**		
	For the three months ended March 31				
	2018	**2017**	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**
Other related parties	$ 78,445	53,211	99,125	105,911	69,223

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

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(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31 2018	For the three months ended March 31 2017
Short-term employee benefits	$ 49,367	49,061
Post-employment benefits	2,887	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	13,859	11,034
	$ 66,113	**60,095**

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	March 31, 2018	December 31, 2017	March 31, 2017
Other non-current assets – restricted assets	Guarantee letters issued by bank	**$ 1,158**	**1,142**	**1,099**

(9) Significant commitments and contingencies:

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

March 31, 2018	December 31, 2017	March 31, 2017
$ 291,200	**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 and Power Supply Bureau as guarantee deposits and power supply guarantee, respectively.

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee letters	**$ 249,645**	**173,837**	**182,267**

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

	March 31, 2018	December 31, 2017	March 31, 2017
Sales of accounts receivable	$ 712,320	724,878	2,683,368
Long-term borrowings	$ 400,000	880,000	880,000

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

	March 31, 2018	December 31, 2017	March 31, 2017
Property, plant and equipment	$ 98,591	41,209	33,164

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

A summary of employee benefit, depreciation, and amortization expenses by function, is as follows:

By function / By item	For the three months ended March 31, 2018			For the three months ended March 31, 2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	768,781	645,378	1,414,159	680,444	557,786	1,238,230
Labor and health insurance	29,764	40,009	69,773	23,888	35,033	58,921
Pension	55,514	32,099	87,613	55,926	28,281	84,207
Others	26,142	44,262	70,404	14,411	35,811	50,222
Depreciation	297,665	35,500	333,165	296,711	26,053	322,764
Amortization	4,704	52,130	56,834	4,499	43,150	47,649

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(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the Regulations for the Group for the three months ended March 31, 2018:

(i) Lending 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		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKSI	The Company	Other receivable	Y	423,944	413,604	413,604	-	Necessary to loan to other parties	-	Operating capital	-		-	850,877	850,877
2	TYM HK	TYM Acoustic HK	Other receivables	〃	761,124	569,092	569,092	2%	〃	-	Investment capital	-		-	565,919	565,919

Note 1: After approval by the Board of directors, PKS1 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		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,562,017	313,404	305,760	-	-	2.58 %	9,498,712	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,549,719	131,331	128,128	17,172	-	2.48 %	4,132,585	-	-	Y
〃	〃	PKS1	〃	1,549,719	164,164	160,160	133,326	-	3.10 %	4,132,585	-	-	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.

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(iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures):

Company holding securities	Security type and name	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Shares:							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	2,000	3.59	2,000	
	WK Technology Fund IV LTD.	-	〃	230	2,004	0.38	2,004	
	Changing Information Technology Inc.	-	〃	179	2,102	1.62	2,102	
	Formosoft International Inc.	-	〃	53	-	0.76	-	
	Syntronix Corp.	-	〃	6	49	0.02	49	
	Ricavision International Inc.	-	〃	917	-	2.04	-	
	Global TEK	-	〃	5,510	360,905	9.18	360,905	
	Grove Ventures L.P.	-	〃	-	16,016	3.92	16,016	
					383,076			
Primax Tech.	Shares:							
	Echo. Bahn.		Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	〃	473	5,606	1.32	5,606	
					5,606			

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

Name of company	Security type and name	Account	Counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
	Shares:													
The Company	Primax AE	Investment accounted for using equity method	Initial Offerings	Subsidiary	-	-	48,200	1,431,540	-	-	-	-	48,200	1,433,759 (note 1)
Primax AE	Belfast	〃	Initial Offerings	None	-	-	30,279	1,428,574	-	-	-	-	30,279	1,430,935 (note 1)
PCH2	Money market fund of RMB	Financial assets at FVTPL	〃	〃	-	-	-	1,190,621	-	1,201,630	1,196,565	11,009 (note 2)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	572,145	-	574,369	572,931	2,224 (note 2)	-	-
Premium Hui Zhou	Money market fund of RMB	〃	〃	〃	-	-	-	435,567	-	438,299	438,299	4,874 (note 2)	-	2,142

Note 1: The difference between the ending balance and the purchasing price is the investment income (losses) accounted by using equity method.
Note 2: Gains of disposal include valuation and exchange differences on translation.

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details: Purchase/ (Sale)	Transaction details: Amount	Transaction details: Percentage of total purchases (sales)	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
The Company	PCH2	The subsidiary of Primax HK	Purchase	5,176,588	76 %	60 days	Price agreed by both side	The same as general purchasing	(4,569,772)	(71)%	
〃	PKS1	The subsidiary of Primax HK	Purchase	274,458	4 %	〃	〃	〃	(455,414)	(7)%	
〃	PCQ1	The subsidiary of Primax HK	Purchase	1,306,585	20 %	60 days	〃	〃	(1,306,233)	(20)%	
〃	Polaris	The subsidiary of Primax Tech	(Sale)	(671,661)	(9) %	90 days	〃	The same as general selling	51,726	1%	
PCH2	The Company	The parent of Primax Cayman	(Sale)	(5,176,588)	(86) %	60 days	〃	〃	4,569,772	82%	
PKS1	The Company	The parent of Primax Cayman	(Sale)	(274,458)	(100) %	〃	〃	〃	455,414 (note 1)	100%	
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(1,306,585)	(88) %	〃	〃	〃	1,306,233	92%	
Polaris	The Company	The parent of Primax Tech	Purchase	671,661	100 %	90 days	〃	The same as general purchasing	(51,726)	(100)%	
Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,205,435)	(93) %	60 days	〃	The same as general selling	1,631,671	97%	
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,518,662)	(95) %	〃	〃	〃	1,996,589	94%	
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(523,977)	(100) %	〃	〃	〃	302,528	100%	
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	378,740	98 %	90 days	〃	The same as general purchasing	(394,516)	(82)%	
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(378,740)	(92) %	〃	〃	The same as general selling	394,516	94%	
〃	Premium Hui Zhou	The parent of TYM Acoustic HK	Purchase	1,205,435	35 %	〃	〃	The same as general purchasing	(1,631,671)	(40)%	
〃	Tymphany Dongguan	The subsidiary of Premium Hui Zhou	Purchase	1,518,662	45 %	〃	〃	〃	(1,996,589)	(49)%	
〃	TYDC	The subsidiary of Tymphany Dongguan	Purchase	523,977	15 %	〃	〃	〃	(302,528)	(7)%	

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.

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

Name of company	Counter-party	Nature of relationship	Ending balance	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	4,569,772	3.87 %	-	-	1,412,228	-
PKS1	The Company	The Parent of Primax Cayman	869,018	2.50 %	413,604	Reclassify to Long-term payable, and enhance the control of receivables	107,823	-
PCQ1	The Company	The Parent of Primax Cayman	1,306,233	3.42 %	-	-	286,604	-
Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	1,631,671	2.74 %	-	-	882,995	-
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	1,996,589	1.77 %	-	-	1,392,641	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	302,528	11.38 %	-	-	253,241	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	394,516	3.64 %	-	-	211,924	-

Note 1: Amounts were collected as of May 11, 2018.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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

(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	PCH2	The subsidiary of Primax HK	Purchase	5,176,588	Price agreed by both side	43.56 %
〃	〃	〃	〃	Accounts Payable	4,569,772	60 days	14.87 %
〃	〃	PKS1	〃	Purchase	274,458	Price agreed by both side	2.31 %
〃	〃	〃	〃	Accounts Payable	455,414	60 days	1.48 %
〃	〃	PCQ1	〃	Purchase	1,306,585	Price agreed by both side	10.99 %
〃	〃	〃	〃	Accounts payable	1,306,233	60 days	4.25 %
〃	〃	Polaris	The subsidiary of Primax Tech	Sale	671,661	Price agreed by both side	5.65 %
1	Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustick HK	Sale	1,205,435	Price agreed by both side	10.14 %
〃	〃	〃	〃	Accounts receivable	1,631,671	60 days	5.31 %
2	Tymphany Dongguan	〃	〃	Sale	1,518,662	Price agreed by both side	12.78 %
〃	〃	〃	〃	Accounts receivable	1,996,589	60 days	6.50 %

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
3	TYDC	TYM HK	The subsidiary of TYM Acoustick HK	Sale	523,977	Price agreed by both side	4.41 %
〃	〃	〃	〃	Accounts receivable	302,528	60 days	0.98 %
4	TYM Acoustick HK	TYM Acoustick Europe	Subsidiary	Purchase	378,740	Price agreed by both side	3.19 %
〃	〃	〃	〃	Accounts payable	394,516	90 days	1.28 %

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.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,332,688	81,380	121,090	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,078,772	30,078	43,070	
〃	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	12,773	(2,030)	(2,030)	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,052	99	99	
〃	Diamond	Cayman Islands	Holding company	2,517,298	2,517,298	84,050	100.00	3,115,848	(5,315)	(5,315)	
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	9,694	285	285	
〃	Primax AE	Cayman Islands	Holding company	1,431,540	-	48,200	100.00	1,433,759	2,219	2,219	
	Total			7,434,148	6,002,608			12,000,586	106,716	159,418	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,505,093	81,830	81,830	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	366,088	2,061	2,061	
Diamond	TWEL	Cayman Islands	Holding company	2,711,450	2,711,450	55,001	100.00	3,212,068	10,953	(7,013)	
Primax AE	Belfast	Cayman Islands	Holding company	1,428,574	-	30	37.00	1,430,935	6,381	2,361	
Premium Hui Zhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	19,497	19,497	5,000	100.00	2,447	(159,032)	(159,032)	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount March 31, 2018	Original investment amount December 31, 2017	Balance as of March 31, 2018 Shares (thousands)	Balance as of March 31, 2018 Percentage of ownership	Balance as of March 31, 2018 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
TYM Acoustic HK	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	552,504	(157,865)	(154,741)	
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.5	100.00	8,521	524	524	
〃	TYM UK	USA	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	17,323	399	399	
〃	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	527,535	(25,845)	(25,845)	
〃	Tymphany Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	-	5,000	100.00	48,318	-	-	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	166	3,853	3,853	

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

(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, 2018 (note 2)	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of March 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	2,065,144	Indirect investment through Primax Cayman and Primax Tech.	1,636,597	-	-	1,594,874	90,763	100%	90,763	5,165,732	-
Destiny Beijing	Research and development of computer peripheral devices and software	40,909	Indirect investment through Destiny BVI.	31,340	-	-	30,576	(2,030)	100%	(2,030)	12,769	-
PKS1	Manufacture of computer, peripherals and keyboards	904,258	Indirect investment through Primax Cayman	656,656	-	-	640,640	(28,428)	100%	(28,428)	850,877	-

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, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCQ1	Manufacture of computer, peripherals and keyboards	580,367	Indirect investment through Primax Cayman	596,960	-	-	582,400	51,177	100%	51,177	1,142,640	-
Premiurm Hui Zhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,329,117	Indirect investment through Diamond	2,507,232	-	-	2,446,080	7,485	66.44%	4,973	1,533,945	-
Tymphany Dongguan	〃	145,600	〃	14,924	-	-	14,560	87,030	66.44%	57,822	292,143	-
TYDC	〃	92,620	〃	-	-	-	-	25,235	66.44%	16,766	82,505	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD 3.7103; USD:TWD 29.1200; CNY:TWD 4.6310.
Note 2: The difference 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 3: 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 March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	5,389,947	6,127,216	None (Note)

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

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements for the three months ended March 31, 2018, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions."

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(14) Segment information:

For the three months ended March 31, 2018 and 2017, the Group's segment information has no significant change. Please refer to note 14 of the consolidated financial statements for the year ended December 31, 2017 for further information.

	For the three months ended March 31, 2018		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	$ 4,856,864	7,026,884	11,883,748
Intra-group revenue	-	-	-
Total segment revenue	**$ 4,856,864**	**7,026,884**	**11,883,748**
Profit before tax from segments reported	**$ 313,915**	**138,949**	**452,864**

	For the three months ended March 31, 2017		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	$ 4,757,801	8,123,383	12,881,184
Intra-group revenue	-	-	-
Total segment revenue	**$ 4,757,801**	**8,123,383**	**12,881,184**
Profit before tax from segments reported	**$ 231,712**	**358,295**	**590,007**