

(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 Six Months Ended
June 30, 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 June 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three and six months ended June 30, 2018 and 2017, as well as the changes in equity and cash flows for the six months ended June 30, 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 the total assets amounting to NT\$6,566,638 thousand and NT\$3,238,979 thousand, constituting 18.0% and 9.8% of the consolidated total assets; and the total liabilities amounting to NT\$4,178,313 thousand and NT\$2,541,923 thousand, constituting 18.4% and 12.0% of the consolidated total liabilities as of June 30, 2018 and 2017, respectively; as well as the total comprehensive income (loss) amounting to NT\$1,485 thousand, NT\$38,094 thousand, NT\$17,601 thousand and NT\$(50,717) thousand, constituting 0.6%, 5.0%, 2.5% and 6.6% of the consolidated comprehensive income (loss) for the three and six months ended June 30, 2018 and 2017, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries 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 June 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three and six months ended June 30, 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 Tymphony 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 Tymphony Worldwide Enterprises Ltd., is based solely on the review report of another auditor. The financial statements of Tymphony Worldwide Enterprises Ltd. reflect the total assets amounting to NT\$8,380,369 thousand and NT\$5,472,464 thousand, constituting 23.0% and 16.5% of the related consolidated total assets as of June 30, 2018 and 2017, respectively; as well as the operating revenue amounting to NT\$5,338,019 thousand, NT\$3,375,116 thousand, NT\$9,134,245 thousand and NT\$6,190,089 thousand, constituting 36.1%, 24.4%, 34.2% and 23.2% of the related consolidated operating revenue for the three and six months ended June 30, 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)
August 10, 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 June 30, 2018 and 2017

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2018, December 31 and June 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2018		December 31, 2017		June 30, 2017	
		Amount	%	Amount	%	Amount	%
Assets							
Current assets:							
1100	Cash and cash equivalents (note 6(a))	\$ 3,537,075	10	7,821,011	21	5,659,292	17
1110	Current financial assets at fair value through profit or loss (note 6(b))	338,818	1	141,151	-	74,554	-
1170	Notes and accounts receivable, net (notes 6(e) and (u))	12,939,497	36	13,014,207	35	11,345,339	34
1180	Accounts receivable from related parties, net (notes 6(e), (u) and 7)	396,777	1	105,911	-	73,953	-
1200	Other receivables, net (notes 6(e) and 7)	867,623	2	737,687	2	308,282	1
1310	Inventories (note 6(f))	6,826,545	19	6,791,093	18	6,009,168	18
1470	Other current assets (note 8)	540,604	1	530,360	1	486,813	2
		<u>25,446,939</u>	<u>70</u>	<u>29,141,420</u>	<u>77</u>	<u>23,957,401</u>	<u>72</u>
Non-current assets:							
1550	Investments accounted for using equity method (note 6(g))	-	-	-	-	-	-
1523	Non-current available-for-sale financial assets (note 6(d))	-	-	402,997	1	1,000,913	3
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	330,397	1	-	-	-	-
1600	Property, plant and equipment (notes 6(i) and 8)	4,945,346	14	4,437,684	12	4,443,605	13
1760	Investment property, net (note 6(k))	34,983	-	35,214	-	35,445	-
1780	Intangible assets (note 6(l))	4,543,792	12	2,730,188	7	2,752,476	8
1840	Deferred tax assets	598,738	1	548,995	1	563,356	2
1985	Long-term prepaid rents	245,060	1	217,520	1	228,589	1
1990	Other non-current assets (note 8)	286,967	1	261,125	1	177,014	1
		<u>10,985,283</u>	<u>30</u>	<u>8,633,723</u>	<u>23</u>	<u>9,201,398</u>	<u>28</u>
		<u>\$ 36,432,222</u>	<u>100</u>	<u>\$ 37,775,143</u>	<u>100</u>	<u>\$ 33,158,799</u>	<u>100</u>
Total assets							
Liabilities and Equity							
Current liabilities:							
	Short-term borrowings (notes 6(m) and 8)	\$ 688,953	2	995,638	3	547,848	2
	Notes and accounts payable	13,575,790	37	16,350,178	43	12,637,118	38
	Accounts payable to related parties (note 7)	135,633	-	-	-	-	-
	Current financial liabilities at fair value through profit or loss (note 6(b))	357,448	1	103,107	-	64,555	-
	Other payables (notes 6(h) and 7)	3,948,761	11	3,991,128	11	4,817,918	15
	Salaries payable (note 6(s))	652,349	2	1,105,153	3	713,971	2
	Other current liabilities	403,676	1	433,894	1	389,797	1
	Long-term borrowings, current portion (notes 6(n) and 8)	66,150	-	135,555	-	215,556	1
	Current refund liabilities	888,949	3	-	-	-	-
		<u>20,717,709</u>	<u>57</u>	<u>23,114,653</u>	<u>61</u>	<u>19,386,763</u>	<u>59</u>
Non-Current liabilities:							
	Long-term borrowings (notes 6(n) and 8)	264,814	1	83,333	-	111,111	-
	Long-term deferred revenue (note 6(j))	818,649	2	1,039,581	3	1,240,030	4
	Other non-current liabilities (note 6(g))	864,558	2	555,774	2	481,936	1
		<u>1,948,021</u>	<u>5</u>	<u>1,678,688</u>	<u>5</u>	<u>1,833,077</u>	<u>5</u>
		<u>22,665,730</u>	<u>62</u>	<u>24,793,341</u>	<u>66</u>	<u>21,219,840</u>	<u>64</u>
Total liabilities							
Equity attributable to owners of parent:							
	Ordinary shares (note 6(r))	4,468,153	12	4,456,883	12	4,447,793	13
	Capital collected in advance	-	-	3,085	-	-	-
	Capital surplus (note 6(r))	1,298,890	4	1,232,490	3	880,091	3
	Legal reserve	1,187,783	3	982,041	3	982,041	3
	Special reserve	299,065	1	97,300	-	97,300	-
	Unappropriated retained earnings (note 6(r))	3,904,539	11	5,008,344	13	4,354,337	13
	Other equity interest	(441,234)	(1)	(394,871)	(1)	(119,642)	-
	Non-controlling interests (note 6(i))	3,049,296	8	1,596,530	4	1,297,039	4
		<u>13,766,492</u>	<u>38</u>	<u>12,981,802</u>	<u>34</u>	<u>11,938,959</u>	<u>36</u>
		<u>\$ 36,432,222</u>	<u>100</u>	<u>\$ 37,775,143</u>	<u>100</u>	<u>\$ 33,158,799</u>	<u>100</u>
Total liabilities and equity							

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 six months ended June 30, 2018 and 2017

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

		For the three months ended June 30				For the six months ended June 30			
		2018		2017		2018		2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(u), 6 (v) and 7)	\$ 14,797,684	100	13,835,188	100	26,681,432	100	26,716,372	100
5000	Operating costs (notes 6(f), (p), (s), (w), 7 and 12)	13,081,288	88	12,052,117	87	23,504,605	88	23,318,006	87
	Gross profit	1,716,396	12	1,783,071	13	3,176,827	12	3,398,366	13
	Operating expenses (notes 6(p), (s), (w) and 12):								
6100	Selling expenses	354,935	2	328,587	3	638,079	3	632,820	3
6200	Administrative expenses	364,748	3	303,441	2	746,598	3	609,755	2
6300	Research and development expenses	599,672	4	559,086	4	1,150,690	4	1,030,225	4
6450	Expected credit loss for bad debt expense (note 6(e))	715	-	-	-	727	-	-	-
	Total operating expenses	1,320,070	9	1,191,114	9	2,536,094	10	2,272,800	9
	Net operating income	396,326	3	591,957	4	640,733	2	1,125,566	4
	Non-operating income and expenses:								
7010	Other income (note 6(x))	28,689	-	31,115	-	64,826	-	81,840	-
7020	Other gains and losses (notes 6 (g) and (y))	46,878	-	62,781	-	224,468	1	79,688	-
7060	Share of loss of associates accounted for using equity method (note 6(g))	(19,114)	-	-	-	(16,753)	-	-	-
7050	Finance costs	(9,796)	-	(5,881)	-	(17,427)	-	(17,115)	-
	Total non-operating income and expenses	46,657	-	88,015	-	255,114	1	144,413	-
	Profit before tax	442,983	3	679,972	4	895,847	3	1,269,979	4
7950	Less: income tax expense (note 6(q))	92,172	1	183,334	1	199,106	-	321,069	1
	Profit	350,811	2	496,638	3	696,741	3	948,910	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	(65,749)	-	-	-	(80,064)	-	-	-
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	(65,749)	-	-	-	(80,064)	-	-	-
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	(27,372)	-	176,047	1	100,597	-	(270,017)	-
8362	Unrealized gains on available-for-sale financial assets	-	-	90,443	1	-	-	92,067	-
8399	Income tax 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	(27,372)	-	266,490	2	100,597	-	(177,950)	-
8300	Other comprehensive income (loss) after tax	(93,121)	-	266,490	2	20,533	-	(177,950)	-
	Comprehensive income	\$ 257,690	2	763,128	5	717,274	3	770,960	3
	Profit attributable to:								
8610	Owners of parent	\$ 338,704	2	461,775	3	691,197	3	880,211	3
8620	Non-controlling interests (note 6(i))	12,107	-	34,863	-	5,544	-	68,699	-
		\$ 350,811	2	496,638	3	696,741	3	948,910	3
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 246,487	2	717,108	5	705,983	3	719,216	3
8720	Non-controlling interests (note 6(i))	11,203	-	46,020	-	11,291	-	51,744	-
		\$ 257,690	2	763,128	5	717,274	3	770,960	3
	Earnings per share (note 6(t))								
9710	Basic earnings per share (NT dollars)	\$ 0.76		1.05		1.56		2.00	
9810	Diluted earnings per share (NT dollars)	\$ 0.76		1.04		1.55		1.98	

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent										
					Other equity interest					
Share capital		Retained earnings			Unrealized gains (losses)		Unrealized gains (losses)			
Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on assets measured translation of operation's financial statements	at fair value through other comprehensive income	Unrealized gains on available-for-sale financial assets	Unearned employee compensation	Total equity
\$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	-	405,466	(27,017)	12,244,458
-	-	-	-	-	880,211	-	-	-	-	948,910
-	-	-	-	-	-	(253,062)	-	92,067	-	(177,950)
-	-	-	-	-	880,211	(253,062)	-	92,067	-	770,960
Appropriation and distribution of retained earnings:										
-	-	-	193,407	-	(193,407)	-	-	-	-	-
-	-	-	-	-	(1,111,886)	-	-	-	-	(1,111,886)
-	-	-	-	-	-	-	-	-	31,664	31,664
-	-	(3,361)	-	-	-	-	-	-	3,361	-
-	-	1,312	-	-	-	-	-	-	(112,210)	1,873
24,500	-	87,710	-	-	-	-	-	-	-	-
-	1,890	-	-	-	-	-	-	-	-	1,890
1,950	(4,914)	2,964	-	-	-	-	-	-	-	-
\$ 4,447,793	-	880,091	982,041	97,300	4,354,337	(512,973)	-	497,533	(104,202)	11,938,959
\$ 4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	-	73,489	(95,806)	12,981,802
-	-	-	-	-	42,573	-	30,916	(73,489)	-	-
\$ 4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	-	(95,806)	12,981,802
-	-	-	-	-	691,197	-	-	-	-	696,741
-	-	-	-	-	-	94,850	(80,064)	-	-	20,533
-	-	-	-	-	691,197	94,850	(80,064)	-	-	717,274
Appropriation and distribution of retained earnings:										
-	-	-	205,742	-	(205,742)	-	-	-	-	-
-	-	-	-	201,765	(201,765)	-	-	-	-	-
-	-	-	-	-	(1,430,068)	-	-	-	-	(1,430,068)
-	-	-	-	-	-	-	-	-	53,304	53,304
(1,010)	-	(11,480)	-	-	-	-	-	-	12,490	-
-	-	2,705	-	-	-	-	-	-	-	-
11,000	-	73,370	-	-	-	-	-	-	-	-
1,280	(3,085)	1,805	-	-	-	-	-	-	(84,370)	4,070
-	-	-	-	-	-	-	-	-	-	-
\$ 4,468,153	-	1,298,890	1,187,783	299,065	3,904,539	(277,704)	(49,148)	-	-	13,766,492

See accompanying notes to consolidated financial statements.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 895,847	1,269,979
Adjustments:		
Adjustments to reconcile profit (loss):		
Expected credit loss for bad debt expense / Provision (reversal of provision) for bad debt expense and sales returns and discounts	727	(83,282)
Depreciation and amortization	781,161	741,470
Interest expense	15,552	16,689
Interest income	(61,863)	(76,944)
Compensation cost of share-based payment	57,374	33,537
Losses related to inventories	76,499	144,777
Share of loss of associates accounted for using equity method	16,753	-
Loss on disposal of property, plant and equipment	5,372	1,757
Total adjustments to reconcile profit	891,575	778,004
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(197,667)	66,763
Notes and accounts receivable	540,342	2,743,931
Accounts receivable from related parties	(42,368)	28,888
Other receivables	(93,983)	192,714
Inventories	265,390	928,844
Other current assets	130,825	(12,605)
Other operating assets	(148)	8,979
Changes in operating assets	602,391	3,957,514
Financial liabilities at fair value through profit or loss	254,341	(85,875)
Notes and accounts payable	(2,927,050)	(4,569,264)
Salaries payable	(475,757)	(432,212)
Accounts payable to related parties	(26,134)	-
Other payables	(535,240)	(295,380)
Other current liabilities	(32,447)	(34,155)
Refund liabilities	(221,722)	-
Other operating liabilities	(221,337)	(378)
Changes in operating liabilities	(4,185,346)	(5,417,264)
Total changes in operating assets and liabilities	(3,582,955)	(1,459,750)
Total adjustments	(2,691,380)	(681,746)
Cash inflow (outflow) generated from operations	(1,795,533)	588,233
Interest received	61,863	76,944
Interest paid	(15,517)	(16,655)
Income taxes paid	(239,873)	(233,618)
Net cash flows from (used in) operating activities	(1,989,060)	414,904
Cash flows from (used in) investing activities:		
Capital increase of financial assets at fair value through other comprehensive income	(8,880)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,416	-
Acquisition of subsidiaries (minus cash acquired)	-	(605,949)
Acquisition of available-for-sale financial assets	-	(21,045)
Acquisition of investments accounted for using equity method	(1,356,995)	-
Increase in restricted deposits	(71,579)	-
Acquisition of property, plant and equipment	(730,165)	(670,210)
Proceeds from disposal of property, plant and equipment	1,857	12,378
Decrease (increase) in refundable deposits	34,426	(5,290)
Acquisition of unamortized expense	(27,716)	(25,198)
Aggregation from business combination without consideration transferred	375,269	-
Other investing activities	-	(34)
Net cash flows used in investing activities	(1,782,367)	(1,315,348)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(504,295)	547,848
Decrease in long-term borrowings	(108,508)	(274,444)
Increase in guarantee deposits received	57,820	32,935
Exercise of employee share options	-	1,890
Net cash flows from (used in) financing activities	(554,983)	308,229
Effect of exchange rate changes on cash and cash equivalents	42,474	(108,409)
Net decrease in cash and cash equivalents	(4,283,936)	(700,624)
Cash and cash equivalents at beginning of period	7,821,011	6,359,916
Cash and cash equivalents at end of period	\$ 3,537,075	5,659,292

See accompanying notes to consolidated financial statements.

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

As of June 30, 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

June 30, 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 six months ended June 30, 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 related parts, automobile and electronic control modules, sensors, as well as other electronic components. 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 August 10, 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:

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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:

Impacted line items on the consolidated balance sheet	June 30, 2018			January 1, 2018		
	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	\$ (61,820)	61,820	-	(52,676)	52,676	-
Impact on assets		\$ 61,820			52,676	
Other payables	\$ (827,129)	827,129	-	(1,057,995)	1,057,995	-
Refund liabilities	-	(888,949)	(888,949)	-	(1,110,671)	(1,110,671)
Impact on liabilities		\$ (61,820)			(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 IAS 1 "Presentation of Financial Statements" which requires its impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, 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:

(Continued)

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

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(d).

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(d).

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.

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.)

	IAS39		IFRS9	
	Measurement categories	Carrying amount	Measurement categories	Carrying amount
Financial assets				
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			2018.1.1	2018.1.1	2018.1.1
	IAS 39 Carrying amount	Reclassifications	Remeasurements	IFRS 9 Carrying amount	Adjustments of retained earnings	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	<u>\$ 402,997</u>	<u>-</u>	<u>-</u>	<u>402,997</u>	<u>42,573</u>	<u>(42,573)</u>

There is no material impact on the Group's basic or diluted earnings per share for the three and six months ended June 30, 2018 and 2017.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	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

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 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify its leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on its financial statements in the period of initial application will depend on future economic conditions, including the Group's discounting rate, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouses, dormitories, and factory facilities. No significant impact is expected of the Group's finance leases.

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

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

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

As of the date, the following IFRSs have been issued by the IASB, but have yet to be 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 17 "Insurance Contracts"	January 1, 2021

The above impact of IFRS issued by IASB but have yet to be endorsed by the FSC are not relevant to the Group.

(Continued)

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 a complete set of the 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:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
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 9)
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 9)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 9)
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 9)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	- %	- %	(note 1) (note 9)
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			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
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 9)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 9)
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 9)
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	(note 9)
TWEL	Tymphony 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	Tymphony 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 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
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 %	100.00 %	
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 %	100.00 %	(note 9)
TYM Acoustic HK	TYP	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	- %	(note 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 Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	- %	(note 6)
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 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding				Description
			June 30, 2018	December 31, 2017	June 30, 2017		
Primax AE	ALT International Co., LTD (Cayman) (AIC)	Holding company	37.00 %	- %	- %		(note 8) (note 9)
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	100.00 %	- %	- %		(note 8) (note 9)
AIC	Advanced Micro Electronics Co., LTD. (AME)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	100.00 %	- %	- %		(note 8) (note 9)
AIC	Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	99.50 %	- %	- %		(note 8) (note 9)
AIC	Advanced Leading Technology Co. (ALT)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	100.00 %	- %	- %		(note 8) (note 9)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	100.00 %	- %	- %		(note 8) (note 9)

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 December 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: The Company acquired 37% shares of AIC (originally named as Belfast Limited) by participating in its capital increase by cash, and purchasing its outstanding shares, as well as indirectly acquiring all shares of its subsidiaries in January 2018. The Company has control over AIC due to having more than 50% of its board of directors' voting rights based on the resolution of its shareholders meeting held on June 2018. The Company included AIC Group in its consolidated financial statements beginning June 2018. Prior to gaining control over AIC, investment in AIC were accounted by using the equity method.

Note 9: The Company is a non-significant subsidiary, and its financial statements have not been reviewed.

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

(c) Business combination

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

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition date fair value is remeasured, and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

The consideration resulting from a contingent consideration shall be recognized at the acquisition-date fair value. If certain changes in the fair value of contingent consideration were due to measurement period adjustments after the acquisition date, the acquirer shall retrospectively adjust the acquisition costs and relatively adjust the goodwill. Measurement period adjustments are the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Measurement period shall not exceed one year from the acquisition date. For the changes in the fair value of contingent consideration that are not measurement period adjustments, the accounting treatments shall depend on the classification of contingent consideration. Other contingent considerations within the scope of IAS 39 shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss in accordance with IAS 39. Otherwise, they shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss.

(d) 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.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 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) Assessment 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.

(Continued)

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

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
- 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.

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

(Continued)

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

(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.

(e) 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) Rendering 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.

(Continued)

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

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.

(f) 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.

(g) 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.

(h) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments, to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

(Continued)

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

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of its associates.

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued, is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if its associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

(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

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	\$ 3,546	3,279	3,349
Demand accounts and checking deposits	2,405,926	6,022,395	3,797,115
Time deposits	1,127,603	1,795,337	1,608,828
Repurchase agreement collateralized by bonds	-	-	250,000
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 3,537,075</u>	<u>7,821,011</u>	<u>5,659,292</u>

(Continued)

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:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 338,818		
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts		125,940	64,573
Foreign exchange swap contracts		15,211	9,981
	<u>\$ 338,818</u>	<u>141,151</u>	<u>74,554</u>
	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Financial liabilities held-for-trading:			
Derivative instrument not used for hedging			
Forward exchange contracts	\$ (142,499)	(69,167)	(57,652)
Foreign exchange swap contracts	(214,949)	(33,940)	(6,903)
	<u>\$ (357,448)</u>	<u>(103,107)</u>	<u>(64,555)</u>

- (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 June 30, 2018 and held-for-trading financial instruments as of December 31 and June 30, 2017:

June 30, 2018			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 245,000	July 2, 2018~ November 21, 2018	28.709~29.632
Forward exchange contracts — buy CNY/ sell USD	USD 128,500	July 3, 2018~ October 19, 2018	6.293~6.516
Foreign exchange swap contracts — swap in TWD / swap out USD	USD 161,000	July 2, 2018~ October 23, 2018	28.768~29.283

(Continued)

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

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
June 30, 2017			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 218,800	July 10, 2017~ September 22, 2017	29.865~30.377
Forward exchange contracts — buy TWD / sell USD	USD 274,800	July 10, 2017~ December 28, 2017	29.904~30.468
Foreign exchange swap contracts — swap in USD / swap out TWD	USD 70,000	October 3, 2017~ December 28, 2017	30.062~30.436
Forward exchange contracts — swap in TWD / swap out USD	USD 14,000	August 25, 2017~ September 1, 2017	29.973~29.999

(c) Financial assets at FVOCI

	June 30, 2018
Equity investments at FVOCI	
Stocks listed in domestic markets—Global TEK	\$ 295,887
Stocks unlisted in domestic markets—WK Technology Fund IV Ltd.	2,004
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 850 thousand)	25,925
Stocks unlisted in foreign markets—WK Global Investment III Ltd. (USD 145 thousand)	4,430
Total	\$ 330,397

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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 June 30, 2017.

No strategic investments were disposed in the six months ended June 30, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

- (ii) WK Technology Fund IV Ltd. refunded the amount of \$691 to the Group due to its capital reduction in June 2018.
- (iii) The Group acquired the shares from Grove Ventures, L.P amounting to \$8,880 due to capital increase of Grove Ventures, L.P in May 2018.
- (iv) WK Global Investment III Ltd. refunded the amount of \$1,416 to the Group due to its capital reduction in June 2018.
- (v) The Group did not provide any of the aforementioned financial assets as collateral.
- (d) Available-for-sale financial assets

	December 31, 2017	June 30, 2017
Stocks listed in domestic markets	\$ -	591,404
Stocks unlisted in domestic markets	380,835	382,117
Stocks unlisted in foreign markets	22,162	27,392
	<u>\$ 402,997</u>	<u>1,000,913</u>

- (i) These investments were classified as financial assets at FVOCI as of June 30, 2018. Please refer to note 6(c).
- (ii) The Group did not provide any of the aforementioned financial assets as collateral.
- (e) Notes and accounts receivable (including related parties)

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	\$ 289,721	175,324	-
Accounts receivable	12,788,050	13,019,199	11,454,723
Accounts receivable – related parties	396,777	105,911	73,953
Less: allowance for doubtful accounts	(138,274)	(127,640)	(90,521)
allowance for sales returns and discounts	-	(52,676)	(18,863)
Total	<u>\$ 13,336,274</u>	<u>13,120,118</u>	<u>11,419,292</u>

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

- (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 June 30, 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 June 30, 2018 was as follows:

	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 12,382,785	0%	-
Past due 0 to 30 days	721,552	0%~3%	16,171
Past due 31 to 60 days	42,583	0%~5%	1,050
Past due 61 to 90 days	63,440	0%~10%	447
Past due 91 to 180 days	50,661	0%~25%	12,852
Past due 181 to 360 days	13,850	0%~80%	3,358
More than 361 days past due	199,677	0%~100%	104,396
	<u>\$ 13,474,548</u>		<u>138,274</u>

- (iii) As of December 31 and June 30, 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	June 30, 2017
Past due 0 to 30 days	\$ 827,739	501,673
Past due 31 to 90 days	62,006	104,319
Past due 91 to 180 days	9,641	501
Past due 181 to 360 days	2,218	133,928
More than 361 days past due	91,632	-
	<u>\$ 993,236</u>	<u>740,421</u>

(Continued)

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

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

		For the six months ended June, 2017	
	For the six months ended June, 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)	727	-	(3,843)
Acquisition from business combination	7,588	-	-
Effect of exchange rate changes	2,319	-	(5,572)
Balance on June 30, 2018 and 2017	<u>\$ 138,274</u>	<u>-</u>	<u>90,521</u>

- (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 June 30, 2018, December 31 and June 30, 2017, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

June 30, 2018							
Buyer	Amount sold NTS	Credit facilities US\$ (expressed in thousand)	Cash received in advance NTS	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NTS	Amount not received NTS
Mega International Commercial Bank	\$ -	15,000	-	-	US\$ 3,750	-	-
HSBC Bank	-	45,000	-	-	US\$ 13,500	-	-
Bank of Taiwan	-	29,250	-	-	NTS 210,000	-	-
EnTie Bank	244,022	9,000	-	-	-	-	244,022
	<u>\$ 244,022</u>	<u>98,250</u>	<u>-</u>			<u>-</u>	<u>244,022</u>

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

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

June 30, 2017							
Buyer	Amount sold NTS	Credit facilities US\$ (expressed in thousand)	Cash received in advance NTS	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NTS	Amount not received NTS
Mega International Commercial Bank	\$ -	15,000	-	-	US\$ 3,750	-	-
HSBC Bank	-	64,400	-	-	US\$ 58,000	-	-
	<u>\$ -</u>	<u>79,400</u>	<u>-</u>			<u>-</u>	<u>-</u>

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

(f) Inventories

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	\$ 2,226,519	1,797,211	1,938,216
Semi-finished goods and work in process	1,464,484	1,351,885	1,396,465
Finished goods and merchandise	<u>3,135,542</u>	<u>3,641,997</u>	<u>2,674,487</u>
	<u>\$ 6,826,545</u>	<u>6,791,093</u>	<u>6,009,168</u>

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 June 30		For the six months ended June 30	
	2018	2017	2018	2017
Gains and (losses) on inventory valuation	\$ (31,721)	28,987	(54,004)	(19,079)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(7,589)	(8,494)	(24,250)	(44,400)
Losses on disposal of inventories	(2,162)	(67,422)	(2,162)	(86,967)
Gains on physical inventories	<u>2,361</u>	<u>3,837</u>	<u>3,917</u>	<u>5,669</u>
	<u>\$ (39,111)</u>	<u>(43,092)</u>	<u>(76,499)</u>	<u>(144,777)</u>

(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:

	June 30, 2018	December 31, 2017	June 30, 2017
Carrying amount of individually insignificant associates' equity	\$ (239)	-	-
Credit balance of long-term investment reclassified as other non-current liabilities	<u>239</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Attributable to the Group:				
Loss	\$ (19,114)	-	(16,753)	-
Other comprehensive income	-	-	-	-
Comprehensive income	<u>\$ (19,114)</u>	<u>-</u>	<u>(16,753)</u>	<u>-</u>

The Group acquired 37% shares of Belfast Limited (renamed as AIC after the merger), 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 capital increase of Belfast Limited by cash, and purchasing its outstanding shares, and obtain significant influence over Belfast Limited in June 2018. The Group has control over the operating and financial policies of AIC due to having more than 50% of its board of directors' voting rights based on the resolution of its shareholders meeting held in June 2018. The Company included AIC Group in its consolidated financial statements beginning June 2018; please refer to note 6(h). The Group discontinued the use of equity method from the date when its investment ceases to be an associate; therefore, recognized the remeasurement of the disposal gain amounting to \$4,950 under other gains and losses. The Gain on disposal includes all the amounts previously recognized in other comprehensive income in relation to that investment.

The Group's investments accounting for using equity method were the 35% shares of Yu-Ke Technology (Shanghai) Co., Ltd. (Yu-Ke Technology), resulting from its business combination with AIC and its subsidiaries on June 30, 2018. Yu-Ke Technology had ceased its business operation, and is expected to be liquidated in the future.

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.

(h) Acquisition of subsidiaries

(i) TYM Acoustic Europe

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.

1) Consideration transferred

According to the share purchase agreement, the consideration transferred was EUR\$18,000. As of June 30, 2018, TYM Acoustic HK deposited EUR\$1,500 in Escrow Account based on the share purchase agreement.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

2) 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.

- 3) 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	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	<u>468,993</u>
Goodwill	<u>\$ 184,803</u>

(ii) AIC Group

In order to expand the business scale and strengthen the Group's competitiveness in the market, the Group acquire 37% shares of Belfast Limited (renamed as AIC after merger), a company that engages in the manufacturing of electric power steering system and adaptive front lighting system, by participating in capital increase of Belfast Limited by cash, and purchasing its outstanding shares in January 2018.

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Obtaining control

The Company has control over the relevant activities and compensation of AIC due to having more than 50% of its board of directors' voting rights based on the resolution of its shareholders meeting held in June 2018. The Company included AIC Group in its consolidated financial statements beginning June 2018 in accordance with IFRS 10 endorsed by the FSC. There were no considerations transferred during this transaction.

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

Items	Amount
Fair value of shares in company	\$ 1,345,192
Contingent consideration	71,579
Fair value of non-controlling interest	<u>1,439,292</u>
Fair value of acquisition of subsidiaries	2,856,063
Less: fair value of identifiable net assets of acquisition of subsidiaries	<u>2,284,596</u>
Goodwill	<u>\$ 571,467</u>

Based on the agreement, the contingent consideration amounting to USD\$1,944 was deposited as guarantee of receivables. The guarantee which is classified as other payables will be paid when the amounts of receivables are collected.

3) Simulated operating results

Operating results of AIC and its subsidiaries were merged into the Company's consolidated statements of comprehensive income since the date the Company obtained control, which had contributed to the operating revenue and the net loss of \$75,412 and \$20,891, respectively. If the acquisition had occurred on January 1, 2018, the Group's simulated operating revenue and net income would have been \$27,149,142 and \$648,269, respectively.

(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		
		June 30, 2018	December 31, 2017	June 30, 2017
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	33.56 %	33.56 %	30 %
AIC and its subsidiaries	China/Cayman Is.	63 %	- %	- %

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

(i) TWEL and its subsidiaries:

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 7,724,381	10,455,985	5,555,382
Non-current assets	3,578,108	3,479,864	3,501,583
Current liabilities	(6,362,803)	(9,105,990)	(4,508,319)
Non-current liabilities	(121,640)	(72,344)	(225,183)
Net assets	<u>\$ 4,818,046</u>	<u>4,757,515</u>	<u>4,323,463</u>
Non-controlling interests	<u>\$ 1,616,936</u>	<u>1,596,530</u>	<u>1,297,039</u>

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Operating revenue	<u>\$ 5,365,399</u>	<u>3,402,117</u>	<u>9,169,403</u>	<u>6,279,166</u>
Profit	\$ 75,138	116,213	55,581	228,998
Other comprehensive income (loss)	(18,662)	37,186	1,156	(56,522)
Comprehensive income	<u>\$ 56,476</u>	<u>153,399</u>	<u>56,737</u>	<u>172,476</u>
Profit attributable to non-controlling interests	<u>\$ 25,216</u>	<u>34,863</u>	<u>18,653</u>	<u>68,699</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 18,953</u>	<u>46,020</u>	<u>19,041</u>	<u>51,744</u>

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		For the six months ended June 30	
		2018	2017
	Cash flows from operating activities	\$ (751,090)	775,431
	Cash flows from investing activities	(335,384)	(962,728)
	Cash flows from financing activities	(474,841)	544,078
	Effect of exchange rate changes	<u>11,025</u>	<u>(39,117)</u>
	Net increase (decrease) in cash and cash equivalents	<u>\$ (1,550,290)</u>	<u>317,664</u>
	Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>
(ii)	AIC and its subsidiaries' collective financial information		
		June 30, 2018	
	Current assets	\$ 1,409,102	
	Non-current assets	2,394,827	
	Current liabilities	(484,022)	
	Non-current liabilities	<u>(475,717)</u>	
	Net assets	<u>\$ 2,844,190</u>	
	Non-controlling interests	<u>\$ 1,432,360</u>	
		For the month of June 2018	
	Operating revenue	\$ <u>75,412</u>	
	Loss	\$ (20,891)	
	Other comprehensive income	8,204	
	Comprehensive loss	<u>\$ (12,687)</u>	
	Loss attributable to non-controlling interests	<u>\$ (13,109)</u>	
	Comprehensive loss attributable to non-controlling interests	<u>\$ (7,750)</u>	
		For the month of June 2018	
	Cash flows from operating activities	\$ (21,831)	
	Cash flows from investing activities	(36,158)	
	Cash flows from financing activities	(43,341)	
	Effect of exchange rate changes	<u>6,679</u>	
	Net decrease in cash and cash equivalents	<u>\$ (94,651)</u>	
	Dividends paid to non-controlling interests	<u>\$ -</u>	

(Continued)

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

(j) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the six months ended June 30, 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	-	44,508	141,670	43,418	508,722	-	738,318
Disposals	-	(34,186)	(116,837)	(9,166)	-	-	(160,189)
Acquisition from business combination	95,100	233,784	53,478	23,149	42,690	-	448,201
Reclassifications	-	40,263	265,246	64,003	(350,454)	-	19,058
Effect of changes in exchange rate	-	30,110	50,169	2,417	1,814	(21)	84,489
Balance on June 30, 2018	<u>\$ 229,801</u>	<u>4,123,843</u>	<u>6,418,380</u>	<u>721,021</u>	<u>616,561</u>	<u>(2,305)</u>	<u>12,107,301</u>
Balance on January 1, 2017	\$ 134,701	3,802,758	5,672,304	510,457	347,678	(16,286)	10,451,612
Additions	-	38,210	214,527	24,153	246,329	-	523,219
Disposals	-	(41,783)	(127,254)	(7,335)	-	-	(176,372)
Acquisition from business combination	-	25,997	-	12,883	59	-	38,939
Reclassifications	-	72,295	213,185	4,361	(317,482)	-	(27,641)
Effect of changes in exchange rate	-	(119,505)	(194,823)	(16,437)	(11,058)	561	(341,262)
Balance on June 30, 2017	<u>\$ 134,701</u>	<u>3,777,972</u>	<u>5,777,939</u>	<u>528,082</u>	<u>265,526</u>	<u>(15,725)</u>	<u>10,468,495</u>
Depreciation and impairments loss:							
Balance on January 1, 2018	\$ -	1,830,962	4,311,178	399,884	-	(2,284)	6,539,740
Depreciation	-	111,699	518,148	35,428	-	-	665,275
Disposals	-	(34,025)	(109,942)	(8,993)	-	-	(152,960)
Reclassifications	-	2,653	8,658	46,154	-	-	57,465
Effect of changes in exchange rate	-	14,595	36,553	1,308	-	(21)	52,435
Balance on June 30, 2018	<u>\$ -</u>	<u>1,925,884</u>	<u>4,764,595</u>	<u>473,781</u>	<u>-</u>	<u>(2,305)</u>	<u>7,161,955</u>
Balance on January 1, 2017	\$ -	1,731,111	3,632,382	383,934	-	(13,237)	5,734,190
Depreciation	-	113,272	508,068	26,629	-	(2,238)	645,731
Disposals	-	(41,611)	(113,301)	(7,325)	-	-	(162,237)
Reclassifications	-	-	(931)	(60)	-	-	(991)
Effect of changes in exchange rate	-	(54,565)	(124,588)	(13,091)	-	441	(191,803)
Balance on June 30, 2017	<u>\$ -</u>	<u>1,748,207</u>	<u>3,901,630</u>	<u>390,087</u>	<u>-</u>	<u>(15,034)</u>	<u>6,024,890</u>
Carrying amounts:							
Balance on January 1, 2018	\$ 134,701	1,978,402	1,713,476	197,316	413,789	-	4,437,684
Balance on June 30, 2018	<u>\$ 229,801</u>	<u>2,197,959</u>	<u>1,653,785</u>	<u>247,240</u>	<u>616,561</u>	<u>-</u>	<u>4,945,346</u>
Balance on January 1, 2017	\$ 134,701	2,071,647	2,039,922	126,523	347,678	(3,049)	4,717,422
Balance on June 30, 2017	<u>\$ 134,701</u>	<u>2,029,765</u>	<u>1,876,309</u>	<u>137,995</u>	<u>265,526</u>	<u>(691)</u>	<u>4,443,605</u>

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (i) The unamortized deferred revenue of equipment subsidy amounted to \$725,411, 946,180, \$1,147,177 as of June 30, 2018, December 31 and June 30, 2017 respectively.
- (ii) The Group identified its property, plant and equipment from the acquisition of AIC and its subsidiaries in June 2018.
- (iii) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.
- (k) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2018	\$ <u>16,249</u>	<u>18,965</u>	<u>35,214</u>
Balance on June 30, 2018	\$ <u>16,249</u>	<u>18,734</u>	<u>34,983</u>
Balance on January 1, 2017	\$ <u>16,249</u>	<u>19,428</u>	<u>35,677</u>
Balance on June 30, 2017	\$ <u>16,249</u>	<u>19,196</u>	<u>35,445</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the six months ended June 30, 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.
- (l) Intangible assets

The carrying amounts of the intangible assets of the Group for the six months ended June 30, 2018 and 2017, were as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2018	\$ 2,025,495	718,800	419,300	121,986	3,285,581
Acquisition	-	-	-	-	-
Acquisition from business combination	577,474	607,388	681,731	-	1,866,593
Effect of changes in exchange rate	<u>4,580</u>	<u>-</u>	<u>3,723</u>	<u>23</u>	<u>8,326</u>
Balance on June 30, 2018	\$ <u>2,607,549</u>	<u>1,326,188</u>	<u>1,104,754</u>	<u>122,009</u>	<u>5,160,500</u>

(Continued)

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

	Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Balance on January 1, 2017	\$ 1,850,383	718,800	419,300	122,044	3,110,527
Acquisition	-	-	-	34	34
Acquisition from business combination	138,107	-	-	-	138,107
Effect of changes in exchange rate	-	-	-	(86)	(86)
Balance on June 30, 2017	<u>\$ 1,988,490</u>	<u>718,800</u>	<u>419,300</u>	<u>121,992</u>	<u>3,248,582</u>
Amortization and impairment loss:					
Balance on January 1, 2018	\$ -	285,781	166,706	102,906	555,393
Amortization	-	35,940	22,778	2,383	61,101
Effect of changes in exchange rate	-	-	202	12	214
Balance on June 30, 2018	<u>\$ -</u>	<u>321,721</u>	<u>189,686</u>	<u>105,301</u>	<u>616,708</u>
Balance on January 1, 2017	\$ -	213,901	124,776	98,180	436,857
Amortization	-	35,940	20,965	2,383	59,288
Effect of changes in exchange rate	-	-	-	(39)	(39)
Balance on June 30, 2017	<u>\$ -</u>	<u>249,841</u>	<u>145,741</u>	<u>100,524</u>	<u>496,106</u>
Carrying amounts:					
Balance on January 1, 2018	<u>\$ 2,025,495</u>	<u>433,019</u>	<u>252,594</u>	<u>19,080</u>	<u>2,730,188</u>
Balance on June 30, 2018	<u>\$ 2,607,549</u>	<u>1,004,467</u>	<u>915,068</u>	<u>16,708</u>	<u>4,543,792</u>
Balance on January 1, 2017	<u>\$ 1,850,383</u>	<u>504,899</u>	<u>294,524</u>	<u>23,864</u>	<u>2,673,670</u>
Balance on June 30, 2017	<u>\$ 1,988,490</u>	<u>468,959</u>	<u>273,559</u>	<u>21,468</u>	<u>2,752,476</u>

(i) For the intangible assets identified from the acquisition of AIC and its subsidiaries, and TYM Acoustic Europe, in June 2018 and 2017, respectively, please refer to note 6(h).

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

(m) Short-term borrowings

The details were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank loans	\$ 613,953	995,638	547,848
Secured bank loans	75,000	-	-
Short-term borrowings	<u>\$ 688,953</u>	<u>995,638</u>	<u>547,848</u>
Unused credit lines	<u>\$ 18,855,213</u>	<u>17,453,299</u>	<u>14,315,809</u>
Annual interest rates	<u>0.98%~3.29%</u>	<u>0.97%~4.96%</u>	<u>1.09%~1.93%</u>

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

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

(n) Long-term borrowings

June 30, 2018				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%~1.48%	2020	\$ 111,112
Secured bank loans	TWD	1.67%~2.12%	2022~2035	219,852
Less: current portion				(66,150)
				<u>\$ 264,814</u>
Unused credit lines				<u>\$ -</u>
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)
				<u>\$ 83,333</u>
Unused credit lines				<u>\$ -</u>
June 30, 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)
				<u>\$ 111,111</u>
Unused credit lines				<u>\$ -</u>

- (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.
- (iii) Please refer to note 8 for further information on assets provided as collateral.

(Continued)

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

(o) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Less than one year	\$ 263,901	299,316	256,140
Between one and five years	483,065	489,361	451,784
More than five years	432,846	461,370	467,602
	<u>\$ 1,179,812</u>	<u>1,250,047</u>	<u>1,175,526</u>

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.

(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:

	June 30, 2018	December 31, 2017	June 30, 2017
Less than one year	\$ 848	1,484	353
Between one and five years	205	-	-
	<u>\$ 1,053</u>	<u>1,484</u>	<u>353</u>

(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.

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

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Defined benefit plans	\$ 428	501	856	1,002
Defined contribution plans	91,035	79,960	178,220	163,666
Total	<u>\$ 91,463</u>	<u>80,461</u>	<u>179,076</u>	<u>164,668</u>

(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.

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Income tax expense	\$ <u>92,172</u>	<u>183,334</u>	<u>199,106</u>	<u>321,069</u>

- (iii) There were no income tax recognized in equity or other comprehensive income.
- (iv) The Company's income tax returns have been examined by the tax authority through the years to 2016.

(r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 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 June 30, 2018, December 31 and June 30, 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 446,815, 445,688 and 444,779 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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

Reconciliation of shares outstanding was as follows:

	Ordinary shares (in thousands of shares)	
	For the six months ended June 30	
	2018	2017
Balance on January 1	445,688	442,134
Exercise of employee stock options	128	195
Issuance of restricted stock	1,100	2,450
Retirement of restricted stock	(101)	-
Balance on June 30	<u>446,815</u>	<u>444,779</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Additional paid-in capital	\$ 584,584	545,657	522,947
Employee stock options	235,360	233,624	228,826
Restricted employee stock options	175,946	150,209	128,318
Long-term investment	303,000	303,000	-
	<u>\$ 1,298,890</u>	<u>1,232,490</u>	<u>880,091</u>

(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 earning left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals according to the resolution adopted at the 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 May 30, 2018 and May 25, 2017, the shareholders' meeting resolved to distribute the Company's 2017 and 2016 earnings at a price of NT \$3.2 and 2.5 (dollars) per share amounting to \$1,430,068 and \$1,111,886, respectively.

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

(s) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the six months ended June 30, 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 June 30, 2018, the arrangements of the Group for share-based payment were as follows:

(i) Employee stock options and share-based payment

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

	For the six months ended June 30			
	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	-	-	24.10	(15)
Exercised during the year	-	-	25.20	(75)
Expired during the year	-	-	-	-
Outstanding on June 30	-	-	21.01	867
Exercisable on June 30	-	-	21.01	867

2) As of June 30, 2018 and December 31 and June 30 2017, the information on the employee stock option plans outstanding was as follows:

	June 30, 2018	December 31, 2017	June 30, 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	-	-	656
Outstanding at end of year	-	-	867

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

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

	For the six months ended June 30			
	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 June 30	-	-	18.27	3,308
Exercisable on June 30	-	-	-	-

(ii) Restricted stock

- 1) As of June 30, 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)
	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
Grant date									
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)	1~3 years (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.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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:

(Thousand shares)	For the six months ended June 30	
	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	(201)	(82)
Outstanding on June 30	<u>3,806</u>	<u>3,850</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(iii) Expenses and liabilities attributable to share-based payment were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Expenses attributable to employee stock options	\$ 2,043	936	4,070	1,873
Restricted stock	26,029	19,482	53,304	31,664
Total	<u>\$ 28,072</u>	<u>20,418</u>	<u>57,374</u>	<u>33,537</u>

	June 30, 2018	December 31, 2017	June 30, 2017
Salaries payable:			
Current	\$ <u>-</u>	<u>-</u>	<u>1,938</u>

(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 June 30		For the six months ended June 30	
	2018	2017	2018	2017
Profit attributable to owners of parent	\$ <u>338,704</u>	<u>461,775</u>	<u>691,197</u>	<u>880,211</u>
Weighted-average number of ordinary shares (thousand shares)	<u>442,909</u>	<u>440,830</u>	<u>442,647</u>	<u>440,665</u>
Basic earnings per share (NT dollars)	<u>\$ 0.76</u>	<u>1.05</u>	<u>1.56</u>	<u>2.00</u>

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Profit attributable to owners of parent	\$ <u>338,704</u>	<u>461,775</u>	<u>691,197</u>	<u>880,211</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>\$ 445,156</u>	<u>443,485</u>	<u>445,440</u>	<u>443,976</u>
Diluted earnings per share (NT dollars)	<u>\$ 0.76</u>	<u>1.04</u>	<u>1.55</u>	<u>1.98</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Weighted-average number of ordinary shares on June 30 (basic)	442,909	440,830	442,647	440,665
Effect of employee stock options	-	552	27	544
Estimated effect of employee stock bonuses	178	262	714	1,045
Effect of restricted stock	<u>2,069</u>	<u>1,841</u>	<u>2,052</u>	<u>1,722</u>
Weighted-average number of ordinary shares on June 30 (diluted)	<u><u>445,156</u></u>	<u><u>443,485</u></u>	<u><u>445,440</u></u>	<u><u>443,976</u></u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30, 2018		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 5,202,879	9,130,473	14,333,352
Service rendered	<u>46,977</u>	<u>417,355</u>	<u>464,332</u>
	<u><u>\$ 5,249,856</u></u>	<u><u>9,547,828</u></u>	<u><u>14,797,684</u></u>

	For the six months ended June 30, 2018		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 9,991,675	15,737,103	25,728,778
Service rendered	<u>115,045</u>	<u>837,609</u>	<u>952,654</u>
	<u><u>\$ 10,106,720</u></u>	<u><u>16,574,712</u></u>	<u><u>26,681,432</u></u>

	For the three months ended June 30, 2018	For the six months ended June 30, 2018
Mainland China	\$ 7,695,730	14,101,373
America	2,650,539	4,594,844
Other	<u>4,451,415</u>	<u>7,985,215</u>
	<u><u>\$ 14,797,684</u></u>	<u><u>26,681,432</u></u>

For details on revenue for the three and six months ended June 30, 2017, please refer to note 6(v).

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ii) Contract balances

	<u>June 30, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 13,474,548	13,300,434
Less: allowance for impairment	<u>(138,274)</u>	<u>(127,640)</u>
	<u><u>\$ 13,336,274</u></u>	<u><u>13,172,794</u></u>

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 and six months ended June 30, 2017, was as follows:

	<u>For the three months ended June 30, 2017</u>	<u>For the six months ended June 30, 2017</u>
Goods sold	\$ 13,487,642	26,077,177
Services rendered	<u>347,546</u>	<u>639,195</u>
Total	<u><u>\$ 13,835,188</u></u>	<u><u>26,716,372</u></u>

(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 and six months ended June 30, 2018 and 2017, were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Employee remuneration	\$ 10,988	16,337	23,543	33,552
Directors' remuneration	<u>5,494</u>	<u>8,168</u>	<u>11,905</u>	<u>16,779</u>
	<u><u>\$ 16,482</u></u>	<u><u>24,505</u></u>	<u><u>35,448</u></u>	<u><u>50,331</u></u>

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 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.

(x) Other income

The details of other income was as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Interest revenue of cash in banks	\$ 26,479	28,485	61,863	76,944
Rent revenue	1,753	2,319	2,167	4,069
Other	457	311	796	827
	<u>\$ 28,689</u>	<u>31,115</u>	<u>64,826</u>	<u>81,840</u>

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

(y) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Net gains (losses) on financial assets/liabilities measured at FVTPL	\$ (64,032)	(912)	256	24,124
Foreign currency exchange gains (losses), net	93,037	22,567	127,133	(3,233)
Net losses on disposal of property, plant and equipment	(1,288)	(442)	(5,372)	(1,757)
Other	19,161	41,568	102,451	60,554
	<u>\$ 46,878</u>	<u>62,781</u>	<u>224,468</u>	<u>79,688</u>

(z) Financial instruments

Except for the following paragraph, there were no significant changes in the fair value of the Group's financial instruments and the degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2017 for further information.

(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
June 30, 2018							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 688,953	690,526	690,526	-	-	-	-
Notes and accounts payable	13,575,790	13,575,790	13,575,790	-	-	-	-
Accounts payable to related parties	135,633	135,633	135,633	-	-	-	-
Other payables	3,016,612	3,016,612	3,016,612	-	-	-	-
Refund liabilities	827,129	827,129	827,129	-	-	-	-
Long-term borrowings	330,964	360,611	34,921	36,029	71,895	71,916	145,850
Guarantee deposits	231,987	231,987	-	-	-	-	231,987
Derivative financial liabilities:	357,448	-	-	-	-	-	-
Outflow	-	8,829,750	8,829,750	-	-	-	-
Inflow	-	(8,460,240)	(8,460,240)	-	-	-	-
	<u>\$ 19,164,516</u>	<u>19,207,798</u>	<u>18,650,121</u>	<u>36,029</u>	<u>71,895</u>	<u>71,916</u>	<u>377,837</u>

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

	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)	-	-	-	-
	<u>\$ 20,700,305</u>	<u>20,699,607</u>	<u>20,412,409</u>	<u>28,532</u>	<u>56,677</u>	<u>27,822</u>	<u>174,167</u>
June 30, 2017							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 547,848	547,848	547,848	-	-	-	-
Notes and accounts payable	12,637,118	12,637,118	12,637,118	-	-	-	-
Other payables	2,471,936	2,471,936	2,471,936	-	-	-	-
Long-term borrowings	326,667	331,894	110,102	108,721	57,051	56,020	-
Guarantee deposits	176,172	176,172	-	-	-	-	176,172
Derivative financial liabilities:	64,555	-	-	-	-	-	-
Outflow	-	2,631,095	2,631,095	-	-	-	-
Inflow	-	(2,565,486)	(2,565,486)	-	-	-	-
	<u>\$ 16,224,296</u>	<u>16,230,577</u>	<u>15,832,613</u>	<u>108,721</u>	<u>57,051</u>	<u>56,020</u>	<u>176,172</u>

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:

	June 30, 2018			December 31, 2017			June 30, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD:CNY	\$ 415,983	6.617	12,687,483	529,047	6.534	15,790,922	307,915	6.7744	9,371,713
USD:HKD	143,816	7.848	4,386,401	262,270	7.817	7,828,236	101,736	7.8055	3,096,434
USD:TWD	312,854	30.500	9,542,043	361,298	29.848	10,784,026	319,673	30.4360	9,729,567
USD:EUR	16,466	0.865	502,199	20,037	0.838	598,060	-	-	-

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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	June 30, 2018			December 31, 2017			June 30, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities									
<u>Monetary items</u>									
USD:CNY	277,723	6.617	8,470,561	412,867	6.534	12,323,269	304,219	6.7744	9,259,195
USD:HKD	142,723	7.848	4,353,037	259,738	7.817	7,752,673	102,822	7.8055	3,129,493
USD:TWD	317,397	30.500	9,680,623	345,140	29.848	10,301,737	302,461	30.4360	9,205,703
USD:EUR	8,847	0.865	269,847	7,203	0.838	214,983	-	-	-

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY, HKD and EUR against the USD as of June 30, 2018 and 2017, would have increased or decreased the profit before tax by \$217,203 and \$30,166 for the six months ended June 30, 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 and six months ended June 30, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain \$93,037, gain \$22,567, gain \$127,133 and loss \$3,233, 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 \$3,264 and \$5,977 for the six months ended June 30, 2018 and 2017, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

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(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 six months ended June 30	
	2018	2017
Price of securities at the reporting date	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	\$ 29,589	59,140
Decreasing 10%	\$ (29,589)	(59,140)

(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:

	Carrying amounts	June 30, 2018			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>338,818</u>	-	-	338,818	338,818
Financial assets at FVOCI– non-current	\$ <u>330,397</u>	295,887	-	34,510	330,397
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 3,537,075				
Notes and accounts receivable (including related parties)	13,336,274				
Other receivables	867,623				
Refundable deposits	<u>56,767</u>				
Total	\$ <u>17,797,739</u>				
Financial liabilities at FVTPL– current	\$ <u>357,448</u>	-	-	357,448	357,448

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June 30, 2018					
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	\$ 1,019,917				
Notes and accounts payable	13,575,790				
Accounts payable to related parties	135,633				
Other payables	3,948,761				
Salaries payable	652,349				
Refund liabilities	827,129				
Guarantee deposits	231,987				
Total	<u>\$ 20,391,566</u>				
December 31, 2017					
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL—current	<u>\$ 141,151</u>	-	-	141,151	141,151
Available-for-sale financial assets— non-current	<u>\$ 402,997</u>	-	-	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	<u>\$ 21,769,621</u>				
Financial liabilities at FVTPL – current	<u>\$ 103,107</u>	-	-	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	<u>\$ 22,835,152</u>				

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		June 30, 2017			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>74,554</u>	-	-	74,554	74,554
Available-for-sale financial assets – non-current	\$ <u>1,000,913</u>	591,404	-	409,509	1,000,913
Loans and receivables:					
Cash and cash equivalents	\$ 5,659,292				
Notes and accounts receivable (including related parties)	11,419,292				
Other receivables	308,282				
Refundable deposits	<u>49,719</u>				
Total	\$ <u>17,436,585</u>				
Financial liabilities at FVTPL – current	\$ <u>64,555</u>	-	-	64,555	64,555
Financial liabilities measured at amortized cost					
Borrowings	\$ 874,515				
Notes and accounts payable	12,637,118				
Other payables	2,471,936				
Guarantee deposits	<u>176,172</u>				
Total	\$ <u>16,159,741</u>				

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.

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- 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.

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 \$295,887, \$374,680 and \$370,500 on June 30, 2018, December 31 and June 30, 2017, respectively. The fair value of the investment was previously categorized as Level 3 on June 30, 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 for the six months ended June 30, 2018.

4) Reconciliation of Level 3 fair values

	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	FVTPL	FVOCI (available-for-sale financial assets)	Total	FVTPL	Available for sale financial assets	Total
Balance on January 1	\$ 38,044	402,997	441,041	(9,113)	301,397	292,284
Recognized in profit or loss	256	-	256	9,999	-	9,999
Recognized in other comprehensive income	-	(15,046)	(15,046)	-	87,067	87,067
Acquisition /disposal	(56,930)	7,464	(49,466)	9,113	21,045	30,158
Transfer out of Level 3	-	(360,905)	(360,905)	-	-	-
Balance on June 30	\$ (18,630)	34,510	15,880	9,999	409,509	419,508

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.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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The quantitative information about significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
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)

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.

<u>Name</u>	<u>Relationship</u>
Specialty Technologies, LLC (Specialty)	Substantive related party
De Amertek Corporation, Inc. (DAC)	Substantive related party
General Rich International S.A. (GRI)	Substantive related party

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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 June 30		For the six months ended June 30		June 30,	December 31,	June 30,
	2018	2017	2018	2017	2018	2017	2017
Other related parties	\$ 147,127	63,327	225,572	116,538	396,777	105,911	73,953

There were no significant differences in the selling prices between the related parties and other customers. The trading terms offered to other related parties are 90 days and 140 days, and the trading terms to other customers are 45 days to 120 days.

(ii) Purchase

The amounts of purchase by the Group from its related parties and the outstanding balances were as follows:

	Purchase				Notes and accounts payables		
	For the three months ended June 30		For the six months ended June 30		June 30,	December 31,	June 30,
	2018	2017	2018	2017	2018	2017	2017
Other related parties	\$ 18,276	-	18,276	-	135,633	-	-

There were no significant differences in the purchasing price between the related parties and other vendors. The payment terms of other related parties and other vendors were 140 days and 60 days to 120 days, respectively.

(iii) Loans to related parties

The loans to related parties were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
DAC	\$ 30,500	-	-

There were no interest charged by the Group to its related parties.

(iv) Borrowings from related parties

The borrowings from related parties were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Other related parties	\$ 14,740	-	-

There were no interest charged to the Group from its related parties.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(v) Receivables and payables on behalf of related parties

The other payables arising from rent and utilities paid by other related parties on behalf of the Group amounted to \$7,653 on June 30, 2018.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 37,411	35,587	86,778	84,648
Post-employment benefits	316	-	3,203	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	12,211	11,035	26,070	22,069
	<u>\$ 49,938</u>	<u>46,622</u>	<u>116,051</u>	<u>106,717</u>

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	June 30, 2018	December 31, 2017	June 30, 2017
Other current assets – restricted assets	Guarantee letters issued by bank	\$ <u>25,476</u>	<u>-</u>	<u>-</u>
Other non-current assets – restricted assets	Guarantee letters issued by bank	\$ <u>72,731</u>	<u>1,142</u>	<u>1,123</u>
Property, plant and equipment	Loan collateral	\$ <u>269,380</u>	<u>-</u>	<u>-</u>

(9) Significant commitments and contingencies:

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

	June 30, 2018	December 31, 2017	June 30, 2017
	<u>\$ 305,000</u>	<u>298,480</u>	<u>-</u>

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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.

	June 30, 2018	December 31, 2017	June 30, 2017
Guarantee letters	\$ <u>192,363</u>	<u>173,837</u>	<u>186,107</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
Sales of accounts receivable	\$ <u>736,125</u>	<u>724,878</u>	<u>1,879,423</u>
Long-term borrowings	\$ <u>425,995</u>	<u>880,000</u>	<u>880,000</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
Property, plant and equipment	\$ <u>116,591</u>	<u>41,209</u>	<u>78,609</u>

- (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 item	By function			For the three months ended June 30, 2018			For the three months ended June 30, 2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits									
Salaries	872,824	702,423	1,575,247	781,435	648,343	1,429,778			
Labor and health insurance	28,023	41,497	69,520	24,246	28,887	53,133			
Pension	64,248	27,215	91,463	53,796	26,665	80,461			
Others	21,647	41,500	63,147	13,345	34,150	47,495			
Depreciation	296,408	35,702	332,110	297,318	25,649	322,967			
Amortization	4,463	54,358	58,821	4,275	43,583	47,858			

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

By function	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
By item						
Employee benefits						
Salaries	1,641,605	1,347,801	2,989,406	1,461,879	1,206,129	2,668,008
Labor and health insurance	57,787	81,506	139,293	48,134	63,920	112,054
Pension	119,762	59,314	179,076	109,722	54,946	164,668
Others	47,789	85,762	133,551	27,756	69,961	97,717
Depreciation	594,073	71,202	665,275	594,029	51,702	645,731
Amortization	9,167	106,488	115,655	8,774	86,733	95,507

(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 six months ended June 30, 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	PKS1	The Company	Other receivables	Y	423,944	354,991	354,991 (note 3)	-	Necessary to loan to other parties	-	Operating capital	-	-	-	881,086	881,086
2	TYM HK	TYM	Other receivables	"	761,124	562,207	562,207 (note 3)	2%	"	-	Investment capital	-	-	-	631,343	631,343
3	AIC	Acoustic HK	Other receivables	"	137,560	137,560	137,560 (note 3)	-	"	-	Necessary to short-term loan	-	-	-	122,890	245,780
"	"	ALT (Shanghai)	Other receivables	"	339,086	192,467	192,467 (note 3)	-	"	-	"	-	-	-	122,890	245,780
"	"	DAC	Other receivables	"	30,500	30,500	30,500	-	"	-	"	-	-	-	122,890	245,780
4	ALT (Shanghai)	ALTI	Other receivables	"	15,860	15,860	15,860 (note 3)	-	"	-	"	-	-	-	38,838	77,676
5	ALTI	AME	Other receivables	"	15,197	15,197	15,197 (note 3)	-	"	-	"	-	-	-	-	-

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: Due to short-term financing need, AIC, ALT (Shanghai) and ALTI can lend the individual and total amount shall not exceed 20% and 40% of the AIC's, ALT (Shanghai)'s and ALTI's net worth in the latest financial statements, respectively.

Note 3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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.	3,215,159	320,250	320,250	-	-	2.99 %	8,573,757	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,600,675	131,912	-	-	-	- %	4,268,466	-	-	Y
"	"	PKS1	"	1,600,675	164,890	-	-	-	- %	4,268,466	-	-	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.

(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	-	3.59	-	
	WK Technology Fund IV LTD.	-	"	161	2,004	0.38	2,004	
	Changing Information Technology Inc.	-	"	179	2,102	1.62	2,102	
	Formosoft International Inc.	-	"	11	-	0.76	-	
	Syntrox Corp.	-	"	6	49	0.02	49	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Global TEK	-	"	5,510	295,887	8.35	295,887	
	Grove Ventures L.P.	-	"	-	25,925	2.73	25,925	
Primax Tech.					<u>325,967</u>			
	Shares:							
	Echo. Bahn.		Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	425	4,430	1.32	4,430	
					<u>4,430</u>			

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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- (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 (thousands)	Amount	Shares (thousands)	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Shares: Primax AE	Investment accounted for using equity method	Initial Offerings	Subsidiary	-	-	48,200	1,431,540	-	-	-	-	48,200	1,414,793 (note 1)
Primax AE	AIC	"	"	None	-	-	30	1,356,996	-	-	-	-	30	1,340,256 (note 1)
PCH2	Money market fund of RMB	Financial assets at FVTPL	"	"	-	-	-	1,984,938	-	2,004,526	1,995,020	19,588 (note 2)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	1,041,301	-	1,048,760	1,044,589	7,459 (note 2)	-	-
Premium Hui Zhou	Money market fund of RMB	"	"	"	-	-	-	766,284	-	771,043	769,062	4,759 (note 1)	-	-
"	ITYM Acoustic HK	Investment accounted for using equity method	"	Subsidiary	5,000	147,011	180,536	670,457	-	-	-	-	185,536	669,153 (note 1)
Tymphony Dongguan	Money market fund of RMB	Financial assets at FVTPL	"	None	-	-	-	422,508	-	423,095	422,591	587 (note 2)	-	-

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

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
- (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				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PCH2	The subsidiary of Primax HK	Purchase	10,996,750	76 %	60 days	Price agreed by both side	The same as general purchasing	(5,682,550)	(68)%	(note 2)
"	PKS1	"	Purchase	700,196	4 %	"	"	"	(752,359)	(9)%	(note 2)
"	PCQ1	"	Purchase	2,916,233	20 %	"	"	"	(1,950,893)	(23)%	(note 2)
"	Polaris	The subsidiary of Primax Tech	(Sale)	(1,380,758)	(9) %	90 days	"	The same as general selling	80,548	1%	(note 2)
PCH2	The Company	The parent of Primax Cayman	(Sale)	(10,996,750)	(86)%	60 days	"	"	5,682,550	83%	(note 2)
PKS1	The Company	The parent of Primax Cayman	(Sale)	(700,196)	(100)%	"	"	"	752,359 (note 1)	100%	(note 2)
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(2,916,233)	(89)%	"	"	"	1,950,893	95%	(note 2)

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Polaris	The Company	The parent of Primax Tech	Purchase	1,380,758	100 %	90 days	Price agreed by both side	The same as general purchasing	(80,548)	(100)%	(note 2)
Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(3,488,748)	(95)%	60 days	"	The same as general selling	2,381,102	96%	(note 2)
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(3,362,328)	(94)%	"	"	"	1,098,333	85%	(note 2)
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(885,124)	(100)%	"	"	"	219,980	100%	(note 2)
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	777,153	96 %	90 days	"	The same as general purchasing	(487,078)	(79)%	(note 2)
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(777,153)	(93)%	"	"	The same as general selling	487,078	96%	(note 2)
TYM HK	Premium Hui Zhou	The parent of TYM Acoustic HK	Purchase	3,448,748	43 %	60 days	"	The same as general purchasing	(2,381,102)	(63)%	(note 2)
"	Tymphony Dongguan	The subsidiary of Premium Hui Zhou	Purchase	3,362,328	42 %	"	"	"	(1,098,333)	(29)%	(note 2)
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	885,124	11 %	"	"	"	(219,980)	(6)%	(note 2)
"	Specialty	Other related party	(Sale)	(206,994)	(2)%	90 days	"	The same as general selling	155,435	4%	(note 2)
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	169,631	73 %	90 days	"	The same as general purchasing	(125,900)	(72)%	(note 2)
"	DAC	Other related party	(Sale)	(137,990)	(56)%	140 days	"	General selling period between 45 days to 120 days	218,361	36%	(note 2)
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(169,631)	(40)%	90 days	"	The same as general selling	125,900	24%	(note 2)
"	ALT	"	(Sale)	(134,465)	(11)%	"	"	"	57,511	11%	(note 2)
ALT	ALT (Shanghai)	The subsidiary of AIC	Purchase	134,465	98 %	"	"	The same as general purchasing	(57,511)	(77)%	(note 2)

Note 1: Accounts receivables over payment terms have been classified as other receivables-non-current.

Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of 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	5,682,550 (note 2)	3.72	-	-	1,495,929	-
PKS1	The Company	The Parent of Primax Cayman	1,107,350 (note 2)	2.39	354,991	Reclassify to Long-term payable, and enhance the control of receivables	120,447	-
PCQ1	The Company	The Parent of Primax Cayman	1,950,893 (note 2)	3.15	-	-	416,961	-
Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	2,381,102 (note 2)	3.27	-	-	412,323	-
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	1,098,333 (note 2)	2.25	-	-	1,053,428	-

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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		
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	219,980 (note 2)	12.43	-	-	79,568	-
FYM Acoustic Europe	TYM Acoustic HK	Parent	487,078 (note 2)	3.36	-	-	207,098	-
TYM HK	Specialty	Other related party	155,435	3.17	-	-	60,748	-
AME	ALT (Shanghai)	The subsidiary of AIC	332,613 (note 2)	0.38	-	-	18,300	-
"	DAC	Other related party	218,361	1.08	-	-	39,900	-
ALT (Shanghai)	AME	The subsidiary of AIC	125,900 (note 2)	3.68	-	-	35,344	-

Note 1: Amounts were collected as of August 10, 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	10,996,750	Price agreed by both side	41.21 %
"	"	"	"	Accounts Payable	5,682,550	60 days	15.60 %
"	"	PKS1	"	Purchase	700,196	Price agreed by both side	2.62 %
"	"	"	"	Accounts Payable	752,359	60 days	2.07 %
"	"	PCQ1	"	Purchase	2,916,233	Price agreed by both side	10.93 %
"	"	"	"	Accounts payable	1,950,893	60 days	5.35 %
"	"	Polaris	The subsidiary of Primax Tech	Sale	1,380,758	Price agreed by both side	5.17 %
1	Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	3,488,748	Price agreed by both side	13.08 %
"	"	"	"	Accounts receivable	2,381,102	60 days	6.54 %
2	Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Sale	3,362,328	Price agreed by both side	12.60 %
"	"	"	"	Accounts receivable	1,098,333	60 days	3.01 %
3	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	885,124	Price agreed by both side	3.32 %
"	"	"	"	Accounts receivable	219,980	60 days	0.60 %

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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
4	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	777,153	Price agreed by both side	2.91 %
"	"	"	"	Accounts payable	487,078	90 days	1.34 %
5	AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	169,631	Price agreed by both side	0.64 %
"	"	"	"	Accounts payable	125,900	90 days	0.35 %
"	"	"	"	Accounts receivable	332,613	90 days	0.91 %
6	ALT (Shanghai)	ALT	The subsidiary of AIC	Sale	134,465	Price agreed by both side	0.50 %

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 six months ended June 30, 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 June 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 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	5,554,091	270,742	367,444	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,172,895	100,637	127,770	
"	Destiny BVL	Virgin Island	Holding company	30,939	30,939	1,050	100.00	15,742	1,031	1,031	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,299	179	179	
"	Diamond	Cayman Islands	Holding company	2,517,298	2,517,298	84,050	100.00	3,150,757	42,320	42,320	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	10,405	529	529	
"	Primax AE	Cayman Islands	Holding company	1,431,540	-	48,200	100.00	1,414,793	(19,592)	(19,592)	
	Total			<u>7,434,148</u>	<u>6,002,608</u>			<u>12,335,982</u>	<u>395,846</u>	<u>519,681</u>	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,669,064	270,751	270,751	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	385,646	3,973	3,973	
Diamond	TWEL	Cayman Islands	Holding company	2,711,450	2,711,450	55,001	100.00	3,252,341	81,922	45,989	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	-	30	37.00	1,340,256	(86,083)	(24,535)	
Premium Hui Zhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	689,954	19,497	185,536	100.00	669,153	(149,934)	(149,934)	

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
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	631,343	(105,706)	(105,706)	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	11,005	2,554	2,554	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	17,061	542	542	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	646,792	(73,450)	(73,450)	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	-	5,000	100.00	52,731	2,058	2,058	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	12,707	5,588	19,019	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	244,000 (note 2)	-	10	100.00	229,115	(14,338)	(14,338)	
"	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	-	15,394	100.00	295,124	(16,908)	(16,908)	
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	100.00	(131)	(50)	(50)	

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.

Note 2: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through AIC.

Note 3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(c) Information on investments in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 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						
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	2,055,601	Indirect investment through Primax Cayman and Primax Tech.	1,636,597	-	-	1,670,488	286,418	100%	286,418	5,335,582	-
Destiny Beijing	Research and development of computer peripheral devices and software	40,720	Indirect investment through Destiny BVI.	31,340	-	-	32,025	1,031	100%	1,031	15,738	-
PKS1	Manufacture of computer, peripherals and keyboards	900,079	Indirect investment through Primax Cayman	656,656	-	-	671,000	6,110	100%	6,110	881,086	-
PCQ1	Manufacture of computer, peripherals and keyboards	577,685	Indirect investment through Primax Cayman	596,960	-	-	610,000	74,359	100%	74,359	1,160,296	-
Premium Hui Zhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,322,975	Indirect investment through Diamond	2,507,232	-	-	2,562,000	109,665	66.44%	72,862	1,590,790	-
Tymphony Dongguan	"	152,500	"	14,924	-	-	15,250	87,185	66.44%	60,884	290,930	-
TYDC	"	92,192	"	-	-	-	-	30,486	66.44%	20,255	85,614	-
ALT (Shanghai)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	459,025	Indirect investment through Primax AE	-	-	-	-	(49,529)	36.82%	(18,234)	108,813	-
ALT	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	91,500	Indirect investment through Primax AE	-	-	-	-	(4,169)	37.00%	(1,542)	32,256	-

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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 June 30, 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						
Yu-Ke Technology	Development, transfer, consultation and rendering of electronic technology services, as well as the sale of instrumentation, mechanical equipment and components	4,610	Indirect investment through Primax AE	-	-	-	-	-	12.89%	-	(239)	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD 3.8864; USD:TWD 30.5000; CNY:TWD 4.6096.

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 June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	5,645,410	7,790,118	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 six months ended June 30, 2018, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions."

(14) Segment information:

For the three and six months ended June 30, 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.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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For the three months ended June 30, 2018			
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 5,249,856	9,547,828	14,797,684
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,249,856</u>	<u>9,547,828</u>	<u>14,797,684</u>
Profit before tax from segments reported	<u>\$ 168,348</u>	<u>274,635</u>	<u>442,983</u>
For the three months ended June 30, 2017			
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 5,314,636	8,520,552	13,835,188
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,314,636</u>	<u>8,520,552</u>	<u>13,835,188</u>
Profit before tax from segments reported	<u>\$ 316,723</u>	<u>363,249</u>	<u>679,972</u>
For the six months ended June 30, 2018			
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 10,106,720	16,574,712	26,681,432
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 10,106,720</u>	<u>16,574,712</u>	<u>26,681,432</u>
Profit before tax from segments reported	<u>\$ 482,263</u>	<u>413,584</u>	<u>895,847</u>
For the six months ended June 30, 2017			
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 10,072,437	16,643,935	26,716,372
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 10,072,437</u>	<u>16,643,935</u>	<u>26,716,372</u>
Profit before tax from segments reported	<u>\$ 548,435</u>	<u>721,544</u>	<u>1,269,979</u>