Stock Code:4915

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

PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Review Report
for the Nine Months Ended
September 30, 2018 and 2017

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

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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安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

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 September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2018 and 2017, as well as the changes in equity and cash flows for the nine months ended September 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$6,938,080 thousand and NT$3,456,935 thousand, constituting 16.3% and 9.5% of the consolidated total assets; and the total liabilities amounting to NT$4,742,113 thousand and NT$2,686,610 thousand, constituting 16.8% and 11.4% of the consolidated total liabilities as of September 30, 2018 and 2017, respectively; as well as the total comprehensive income (loss) amounting to NT$(206,224) thousand, NT$7,301 thousand, NT$(188,623) thousand and NT$(43,416) thousand, constituting 70.9%, 1.0%, 18.7% and 2.9% of the consolidated comprehensive income (loss) for the three and nine months ended September 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 September 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three and nine months ended September 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 Tymphany Worldwide Enterprises Ltd., a subsidiary of the PRIMAX ELECTRONICS LTD. and its subsidiaries. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Tymphany Worldwide Enterprises Ltd., is based solely on the review report of another auditor. The financial statements of Tymphany Worldwide Enterprises Ltd. reflect the total assets amounting to NT$13,956,596 thousand and NT$8,690,495 thousand, constituting 32.7% and 24.0% of the related consolidated total assets as of September 30, 2018 and 2017, respectively; as well as the operating revenue amounting to NT$8,593,738 thousand, NT$3,953,066 thousand, NT$17,727,983 thousand and NT$10,143,155 thousand, constituting 43.8%, 26.4%, 38.3% and 24.3% of the related consolidated operating revenue for the three and nine months ended September 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)
November 13, 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.

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Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2018 and 2017

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2018, December 31 and September 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	September 30, 2018 Amount	%	December 31, 2017 Amount	%	September 30, 2017 Amount	%
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 3,880,850	9	7,821,011	21	5,859,859	16
1110	Current financial assets at fair value through profit or loss (note 6(b))	98,435	-	141,151	-	96,150	-
1170	Notes and accounts receivable, net (notes 6(e) and (u))	17,859,273	42	13,014,207	35	12,205,238	34
1180	Accounts receivable from related parties, net (notes 6(e), (u) and 7)	422,292	1	105,911	-	91,978	-
1200	Other receivables, net (note 7)	902,397	2	737,687	2	763,609	2
1310	Inventories (note 6(f))	7,837,955	18	6,791,093	18	7,086,835	20
1470	Other current assets (note 8)	639,177	2	530,360	1	824,749	2
		31,640,379	74	29,141,420	77	26,928,418	74
	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	950,288	3
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	302,883	1	-	-	-	-
1600	Property, plant and equipment (notes 6(j) and 8)	4,967,966	12	4,437,684	12	4,535,046	12
1760	Investment property, net (note 6(k))	34,867	-	35,214	-	35,330	-
1780	Intangible assets (note 6(l))	4,483,398	11	2,730,188	7	2,762,819	8
1840	Deferred tax assets	563,516	1	548,995	1	566,752	2
1985	Long-term prepaid rents	228,666	-	217,520	1	224,876	1
1990	Other non-current assets (note 8)	395,875	1	261,125	1	202,142	-
		10,977,171	26	8,633,723	23	9,277,253	26
	Total assets	$ 42,617,550	100	37,775,143	100	36,205,671	100

	Liabilities and Equity	September 30, 2018 Amount	%	December 31, 2017 Amount	%	September 30, 2017 Amount	%
	Current liabilities:						
2100	Short-term borrowings (notes 6(m) and 8)	$ 2,366,260	6	995,638	3	1,983,274	5
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	162,890	-	103,107	-	72,503	-
2170	Notes and accounts payable	18,505,065	44	16,350,178	43	14,385,648	40
2180	Accounts payable to related parties (note 7)	90,076	-	-	-	-	-
2200	Other payables (notes 6(h) and 7)	2,886,825	7	3,991,128	11	3,869,175	11
2201	Salaries payable (note 6(s))	1,010,789	2	1,105,153	3	924,886	3
2300	Other current liabilities	383,171	1	433,894	1	496,952	1
2320	Long-term borrowings, current portion (notes 6(n) and 8)	66,956	-	135,555	-	135,555	-
2365	Current refund liabilities	1,008,668	2	-	-	-	-
		26,480,700	62	23,114,653	61	21,867,993	60
	Non-Current liabilities:						
2540	Long-term borrowings (notes 6(n) and 8)	234,032	-	83,333	-	83,333	-
2630	Long-term deferred revenue (note 6(j))	731,454	2	1,039,581	3	1,094,299	3
2600	Other non-current liabilities (note 6(g))	817,170	2	555,774	2	453,748	2
		1,782,656	4	1,678,688	5	1,631,380	5
	Total liabilities	28,263,356	66	24,793,341	66	23,499,373	65
	Equity attributable to owners of parent:						
3110	Ordinary shares (note 6(r))	4,477,153	10	4,456,883	12	4,452,473	12
3140	Capital collected in advance	-	-	3,085	-	10,918	-
3200	Capital surplus (note 6(r))	1,375,701	3	1,232,490	3	915,425	2
3310	Legal reserve	1,187,783	3	982,041	3	982,041	3
3320	Special reserve	299,065	1	97,300	-	97,300	-
3350	Unappropriated retained earnings (note 6(r))	4,569,087	11	5,008,344	13	4,973,312	14
3400	Other equity interest	(847,149)	(2)	(394,871)	(1)	(54,388)	-
36XX	**Non-controlling interests (note 6(i))**	3,292,554	8	1,596,530	4	1,329,217	4
	Total equity	14,354,194	34	12,981,802	34	12,706,298	35
	Total liabilities and equity	$ 42,617,550	100	37,775,143	100	36,205,671	100

See accompanying notes to consolidated financial statements.

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2018 and 2017

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

		For the three months ended September 30				For the nine months end September 30			
		2018		2017		2018		2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue (notes 6(u), 6 (v) and 7)**	$ 19,607,824	100	14,997,014	100	46,289,256	100	41,713,386	100
5000	**Operating costs (notes 6(f), (p), (s), (w), 7 and 12)**	17,265,861	88	13,016,223	87	40,770,466	88	36,334,229	87
	Gross profit	2,341,963	12	1,980,791	13	5,518,790	12	5,379,157	13
	Operating expenses (notes 6(p), (s), (w) and 12):								
6100	Selling expenses	389,232	2	383,913	3	1,027,311	2	1,016,733	3
6200	Administrative expenses	488,483	2	368,171	2	1,235,081	3	977,926	2
6300	Research and development expenses	723,945	4	629,518	4	1,874,635	4	1,659,743	4
6450	Expected credit loss for bad debt expense (note 6(e))	8,790	-	-	-	9,517	-	-	-
	Total operating expenses	1,610,450	8	1,381,602	9	4,146,544	9	3,654,402	9
	Net operating income	731,513	4	599,189	4	1,372,246	3	1,724,755	4
	Non-operating income and expenses:								
7010	Other income (note 6(x))	46,010	-	44,866	-	110,836	-	126,706	-
7020	Other gains and losses (notes 6 (g) and (y))	75,703	1	255,982	2	300,171	1	335,670	1
7060	Share of loss of associates accounted for using equity method (note 6(g))	-	-	-	-	(16,753)	-	-	-
7050	Finance costs	(14,981)	-	(9,042)	-	(32,408)	-	(26,157)	-
	Total non-operating income and expenses	106,732	1	291,806	2	361,846	1	436,219	1
	Profit before tax	838,245	5	890,995	6	1,734,092	4	2,160,974	5
7950	**Less: income tax expense (note 6(q))**	119,962	1	248,622	2	319,068	1	569,691	1
	Profit	718,283	4	642,373	4	1,415,024	3	1,591,283	4
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	(26,822)	-	-	-	(106,886)	-	-	-
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	(26,822)	-	-	-	(106,886)	-	-	-
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	(400,405)	(2)	133,990	1	(299,808)	(1)	(136,027)	-
8362	Unrealized gains on available-for-sale financial assets	-	-	(43,052)	-	-	-	49,015	-
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	(400,405)	(2)	90,938	1	(299,808)	(1)	(87,012)	-
8300	**Other comprehensive income (loss) after tax**	(427,227)	(2)	90,938	1	(406,694)	(1)	(87,012)	-
	Comprehensive income	$ **291,056**	**2**	**733,311**	**5**	**1,008,330**	**2**	**1,504,271**	**4**
	Profit attributable to:								
8610	Owners of parent	$ 664,548	4	618,975	4	1,355,745	3	1,499,186	4
8620	Non-controlling interests (note 6(i))	53,735	-	23,398	-	59,279	-	92,097	-
		$ **718,283**	**4**	**642,373**	**4**	**1,415,024**	**3**	**1,591,283**	**4**
	Comprehensive income attributable to:								
8710	Owners of parent	$ 267,441	2	701,415	5	973,424	2	1,420,631	4
8720	Non-controlling interests (note 6(i))	23,615	-	31,896	-	34,906	-	83,640	-
		$ 291,056	2	733,311	5	**1,008,330**	**2**	**1,504,271**	**4**
	Earnings per share (note 6(t))								
9710	**Basic earnings per share (NT dollars)**	$	**1.50**		**1.40**		**3.06**		**3.40**
9810	**Diluted earnings per share (NT dollars)**	$	**1.49**		**1.39**		**3.04**		**3.37**

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 Changes in Equity

For the nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Share capital			Retained earnings			Other equity interest						
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of operation's financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	-	405,466	(27,017)	10,999,724	1,244,734	12,244,458
Profit	-	-	-	-	-	1,499,186	-	-	-	-	1,499,186	92,097	1,591,283
Other comprehensive income	-	-	-	-	-	-	(127,570)	-	49,015	-	(78,555)	(8,457)	(87,012)
Comprehensive income	-	-	-	-	-	1,499,186	(127,570)	-	49,015	-	1,420,631	83,640	1,504,271
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,111,886)	-	-	-	-	(1,111,886)	-	(1,111,886)
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	53,837	53,837	-	53,837
Retirement of restricted stock	(820)	-	(3,002)	-	-	-	-	-	-	3,822	-	-	-
Compensation cost of share-based payment	-	-	1,967	-	-	-	-	-	-	-	1,967	843	2,810
Issuance of restricted stock	30,000	-	122,030	-	-	-	-	-	-	(152,030)	-	-	-
Exercise of employee stock options	-	12,808	-	-	-	-	-	-	-	-	12,808	-	12,808
Issuance of ordinary shares for employee stock option and abandonment	1,950	(4,914)	2,964	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2017	$ 4,452,473	10,918	915,425	982,041	97,300	4,973,312	(387,481)	-	454,481	(121,388)	11,377,081	1,329,217	12,706,298
Balance at January 1,2018	$ 4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	-	73,489	(95,806)	11,385,272	1,596,530	12,981,802
Effects of retrospective application	-	-	-	-	-	42,573	-	30,916	(73,489)	-	-	-	-
Balance at January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	-	(95,806)	11,385,272	1,596,530	12,981,802
Profit	-	-	-	-	-	1,355,745	-	-	-	-	1,355,745	59,279	1,415,024
Other comprehensive income	-	-	-	-	-	-	(275,435)	(106,886)	-	-	(382,321)	(24,373)	(406,694)
Comprehensive income	-	-	-	-	-	1,355,745	(275,435)	(106,886)	-	-	973,424	34,906	1,008,330
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	-	-	(1,430,068)	-	(1,430,068)
Changes in associates accounted for using the equity method	-	-	59,018	-	-	-	-	-	-	-	59,018	221,008	280,026
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	73,994	73,994	-	73,994
Retirement of restricted stock	(1,010)	-	(24,147)	-	-	-	-	-	-	25,157	-	-	-
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	-	(126,535)	-	-	-
Issuance of ordinary shares for employees stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	-	-	-
Acquired non-controlling interest from business combination	-	-	-	-	-	-	-	-	-	-	-	1,440,110	1,440,110
Balance at September 30, 2018	$ 4,477,153	-	1,375,701	1,187,783	299,065	4,569,087	(647,989)	(75,970)	-	(123,190)	11,061,640	3,292,554	14,354,194

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,734,092	2,160,974
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	9,517	(48,047)
Depreciation and amortization	1,189,632	1,122,174
Interest expense	27,062	22,950
Interest income	(92,971)	(96,100)
Compensation cost of share-based payment	80,174	56,647
Losses related to inventories	131,223	137,713
Share of loss of associates accounted for using equity method	16,753	-
Loss on disposal of property, plant and equipment	7,283	-
Other	-	18,694
Total adjustments to reconcile profit	1,368,673	1,214,031
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	42,716	45,167
Notes and accounts receivable	(4,388,224)	1,848,797
Accounts receivable from related parties	(67,883)	10,863
Other receivables	(142,194)	(285,611)
Inventories	(800,744)	(141,759)
Other current assets	54,599	(330,186)
Other operating assets	3,822	5,542
Changes in operating assets	(5,297,908)	1,152,813
Financial liabilities at fair value through profit or loss	59,783	(77,927)
Notes and accounts payable	2,002,225	(2,820,734)
Salaries payable	(117,317)	(221,297)
Accounts payable to related parties	(71,691)	-
Other payables	(14,193)	(244,654)
Other current liabilities	(52,952)	73,000
Refund liabilities	(102,003)	-
Other operating liabilities	(308,562)	(316,730)
Changes in operating liabilities	1,395,290	(3,608,342)
Total changes in operating assets and liabilities	(3,902,618)	(2,455,529)
Total adjustments	(2,533,945)	(1,241,498)
Cash inflow (outflow) generated from operations	(799,853)	919,476
Interest received	92,971	96,100
Interest paid	(27,009)	(22,899)
Income taxes paid	(450,599)	(468,656)
Net cash flows from (used in) operating activities	(1,184,490)	524,021
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	2,107	-
Proceeds from capital reduction of available-for-sale financial assets	-	7,573
Increase in refundable deposits	(80,970)	(8,338)
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	(1,275,299)	(846,748)
Proceeds from disposal of property, plant and equipment	2,264	16,969
Dividends received	13,437	23,325
Change in non-controlling interest	273,846	-
Acquisition of unamortized expense	(37,027)	(53,554)
Aggregation from business combination without consideration transferred	375,269	-
Other investing activities	-	(34)
Net cash flows used in investing activities	(2,163,827)	(1,487,801)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,173,012	1,983,274
Decrease in long-term borrowings	(138,484)	(382,223)
Increase in guarantee deposits received	19,752	7,243
Cash dividends	(1,430,068)	(1,111,886)
Exercise of employee share options	-	12,808
Net cash flows from (used in) financing activities	(375,788)	509,216
Effect of exchange rate changes on cash and cash equivalents	(216,056)	(45,493)
Net decrease in cash and cash equivalents	(3,940,161)	(500,057)
Cash and cash equivalents at beginning of period	7,821,011	6,359,916
Cash and cash equivalents at end of period	$ 3,880,850	5,859,859

See accompanying notes to consolidated financial statements.

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

September 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 nine months ended September 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 November 13, 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:

	September 30, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Accounts receivable	$ (52,471)	52,471	-	(52,676)	52,676	-
Impact on assets		**$ 52,471**			**52,676**	
Other payables	$ (956,197)	956,197	-	(1,057,995)	1,057,995	-
Refund liabilities	-	(1,008,668)	(1,008,668)	-	(1,110,671)	(1,110,671)
Impact on liabilities		**$ (52,471)**			**(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.

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

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

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(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.

(Continued)

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

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

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

	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.

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

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

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

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

(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.

(Continued)

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

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.

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.

The lessee applies the election consistently to all of its leases.

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.

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

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

As of the date, the following IFRSs 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 3 "Definition of a Business"	January 1, 2020
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 not yet endorsed by the FSC are not relevant to the Group.

(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:

			Percentage of shareholding			
Name of investor	**Name of subsidiary**	**Principal activities**	**September 30, 2018**	**December 31, 2017**	**September 30, 2017**	**Description**
The Company	Primax Industries (Cayman) Holding Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Technology (Cayman) Holding Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	100.00 %	(note 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)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding September 30, 2018	December 31, 2017	September 30, 2017	Description
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)
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	Premium Loudspeakers (Hui Zhou) Co., Ltd. (Premium Hui Zhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	71.43 %	66.44 %	100.00 %	(note 3) (note 4)
Premium Hui Zhou	Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	Research and development, design, and sale of audio accessories, amplifiers and their components and holdings	100.00 %	100.00 %	100.00 %	

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding September 30, 2018	December 31, 2017	September 30, 2017	Description
Premium Hui Zhou	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	Manufacture, research and development, design and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	(note 8)
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 Enterprise, inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
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 5)
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
Primax AE	ALT International Co., LTD (Cayman) (AIC)	Holding company	37.00 %	- %	- %	(note 6) (note 9)
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	100.00 %	- %	- %	(note 6) (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 6) (note 9)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding September 30, 2018	December 31, 2017	September 30, 2017	Description
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 6) (note 9)
AIC and ALT (Shanghai)	Advanced Leading Technology Co. (ALT)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	100.00 %	- %	- %	(note 6) (note 7) (note 9)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	100.00 %	- %	- %	(note 6) (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: 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's ownership of Premium Hui Zhou decreased to 66.44% due to the shares exchange and exercise of employee stock option in the fourth quarter of 2017.

Note 4: TWEL's ownership of Premium Hui Zhou increased to 71.43% since the Company participated in capital increase of Premium Hui amounting to USD45,000 through its subsidiary Diamond and sub-subsidiary company TWEL in July 2018.

Note 5: The Company was incorporated in December 2017.

Note 6: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 January 2018. Prior to gaining control over AIC, the shares of profit or loss were accounted by using the equity method.

Note 7: AIC's and ALT (Shanghai)'s ownership of ALT increased and decreased to 70.55% and 29.45%, respectively, due to ALT (Shanghai) participating capital increase of ALT amounted to CNY8,000 in July; AIC's and ALT (Shanghai)'s ownership of ALT increased and decreased to 76.47% and 23.53%, respectively, due to AIC participating capital increase of ALT amounted to USD1,000 in August 2018.

Note 8: 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 9: The Company is a non-significant subsidiary, and its financial statements have not been reviewed.

(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 the regulation of 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, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

1) Financial assets measured at amortized cost

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

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

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

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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.

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.

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.

(Continued)

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

·significant financial difficulty of the borrower or issuer;

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

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

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

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

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

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

6) Derecognition of financial assets

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

(ii) Derivative financial instruments

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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) Rending of services

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

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

(iii) Financing components

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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.

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. 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

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	$ 3,736	3,279	3,509
Demand accounts and checking deposits	2,358,515	6,022,395	2,471,092
Time deposits	1,518,599	1,795,337	3,385,258
Cash and cash equivalents in the consolidated statements of cash flows	$ 3,880,850	7,821,011	5,859,859

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:

		September 30, 2018	December 31, 2017	September 30, 2017
Mandatorily measured at FVTPL:				
Derivative instruments not used for hedging				
Forward exchange contracts	$	98,435		
Financial assets held-for-trading:				
Derivative instruments not used for hedging				
Forward exchange contracts			125,940	86,970
Foreign exchange swap contracts			15,211	9,180
	$	**98,435**	**141,151**	**96,150**

		September 30, 2018	December 31, 2017	September 30, 2017
Financial liabilities held-for-trading:				
Derivative instrument not used for hedging				
Forward exchange contracts	$	(87,437)	(69,167)	(51,896)
Foreign exchange swap contracts		(75,453)	(33,940)	(20,607)
	$	**(162,890)**	**(103,107)**	**(72,503)**

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

September 30, 2018

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts —buy USD / sell TWD	USD 172,000	October 11, 2018~ March 28, 2019	28.709~30.328
Forward exchange contracts —buy CNY/ sell USD	USD 161,000	October 9, 2018~ January 29, 2019	6.4220~6.9217
Foreign exchange swap contracts —swap in TWD / swap out USD	USD 45,000	October 11, 2018~ October 23, 2018	28.768~29.944

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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

September 30, 2017

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts —buy USD / sell TWD	USD 239,900	October 2, 2017~ January 16, 2018	29.670~31.149
Forward exchange contracts —buy TWD / sell USD	USD 331,900	October 2, 2017~ February 9, 2018	29.8945~30.468
Foreign exchange swap contracts —swap in USD / swap out TWD	USD 173,500	October 3, 2017~ February 9, 2018	30.052~30.436
Forward exchange contracts —swap in TWD / swap out USD	USD 72,500	December 5, 2017~ January 16, 2018	29.821~30.0155

(c) Financial assets at FVOCI

	September 30, 2018
Equity investments at FVOCI	
Stocks listed in domestic markets–Global TEK	$ 270,541
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	1,313
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)	24,441
Stocks unlisted in foreign markets–WK Global Investment III Ltd. (USD 145 thousand)	4,437
Total	$ 302,883

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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 September 30, 2017.

No strategic investments were disposed in the nine months ended September 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 its capital increase 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	September 30, 2017
Stocks listed in domestic markets	$ -	548,486
Stocks unlisted in domestic markets	380,835	379,301
Stocks unlisted in foreign markets	22,162	22,501
	$ 402,997	950,288

(i) These investments were classified as financial assets at FVOCI as of September 30, 2018. Please refer to note 6(c).

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

(iii) WK Global Investment III Ltd. refunded the amount of $4,757 to the Group due to the Capital reduction in July 2017.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(e) Notes and accounts receivable (including related parties)

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable	$ 274,786	175,324	344,680
Accounts receivable	17,728,431	13,019,199	12,004,938
Accounts receivable – related parties	422,292	105,911	91,978
Less: allowance for doubtful accounts	(143,944)	(127,640)	(104,083)
allowance for sales returns and discounts	-	(52,676)	(40,297)
Total	$ 18,281,565	13,120,118	12,297,216

(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 September 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 September 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	$ 16,601,458	0%	-
Past due 0 to 30 days	1,419,141	0%~3%	28,335
Past due 31 to 60 days	131,380	0%~5%	2,147
Past due 61 to 90 days	99,772	0%~10%	2,903
Past due 91 to 180 days	42,013	0%~25%	8,678
Past due 181 to 360 days	44,359	0%~80%	27,336
More than 361 days past due	87,386	0%~100%	74,545
	$ 18,425,509		143,944

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(iii) As of December 31 and September 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	September 30, 2017
Past due 0 to 30 days	$ 827,739	471,730
Past due 31 to 90 days	62,006	159,741
Past due 91 to 180 days	9,641	67,553
Past due 181 to 360 days	2,218	110,694
More than 361 days past due	91,632	-
	$ 993,236	809,718

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

		For the nine months ended September 30, 2017	
	For the nine months ended September 30, 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)	9,517	-	9,958
Acquisition from business combination	7,588	-	-
Amounts written off	(3,000)	-	-
Effect of exchange rate changes	2,199	-	(5,811)
Balance on September 30, 2018 and 2017	$ 143,944	-	104,083

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

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	September 30, 2018						
Buyer	Amount sold	Credit facilities	Cash received in advance	Interest rate	Guarantee (promissory note)	Amount derecognized	Amount not received
	NT$	US$ (expressed in thousand)	NT$		expressed in thousands	NT$	NT$
Mega International Commercial Bank	$ -	15,000	-	-	US$ 3,750	-	-
HSBC Bank	-	45,000	-	-	US$ 13,500	-	-
EnTie Bank	213,608	9,000	-	-	-	-	213,608
	$ 213,608	69,000	-			-	213,608

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

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

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

(f) Inventories

	September 30, 2018	December 31, 2017	September 30, 2017
Raw materials	$ 2,731,619	1,797,211	2,186,403
Semi-finished goods and work in process	2,007,874	1,351,885	1,733,634
Finished goods and merchandise	3,098,462	3,641,997	3,166,798
	$ 7,837,955	6,791,093	7,086,835

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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 September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Gains and (losses) on inventory valuation	$ (51,198)	12,416	(105,202)	(6,663)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(2,713)	(6,800)	(26,963)	(51,200)
Losses on disposal of inventories	(6,465)	-	(8,627)	(86,967)
Gains on physical inventories	5,652	1,448	9,569	7,117
	$ (54,724)	7,064	(131,223)	(137,713)

(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:

	September 30, 2018	December 31, 2017	September 30, 2017
Carrying amount of individually insignificant associates' equity	$ (231)	-	-
Credit balance of long-term investment reclassified as other non-current liabilities	231	-	-
Total	$ -	-	-

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Attributable to the Group:				
Loss	$ -	-	(16,753)	-
Other comprehensive income	-	-	-	-
Comprehensive income	$ -	-	(16,753)	-

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.

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As of September 30, 2018, 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. 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 September 30, 2018, TYM Acoustic HK deposited EUR$1,500 in Escrow Account based on the share purchase agreement.

The seller raised an objection against the net assets of TYM Acoustic Europe on July 31, 2017. Both the seller and the Group resolved that TYM Acoustic Europe should pay an additional amount of $40,689 (EUR$1,139) to the seller on September 5, 2017.

2) Obtaining control

The Company indirectly holds 71.43% 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:

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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		468,993
Goodwill	$	**184,803**

(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.

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 January 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:

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

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 comprehensive income statement since the date the Company obtained control, which had contributed to the operating revenue and the net loss of $279,402 and $90,035, respectively. If the acquisition had occurred on January 1, 2018, the simulated operating revenue and net income would have been $46,756,966 and $1,366,552, respectively.

(i) Material non-controlling interests of subsidiaries

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

		Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
Name of subsidiaries	**Main operation place Business/Registered Country**	**September 30, 2018**	**December 31, 2017**	**September 30, 2017**
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	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.

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

(i) TWEL and its subsidiaries:

	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	$ 13,358,820	10,455,985	8,497,585
Non-current assets	3,570,406	3,479,864	3,599,438
Current liabilities	(10,101,517)	(9,105,990)	(7,492,410)
Non-current liabilities	(84,013)	(72,344)	(173,889)
Net assets	$ 6,743,696	4,757,515	4,430,724
Non-controlling interests	$ 1,926,532	1,596,530	1,329,217

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Operating revenue	$ 8,630,023	4,720,508	17,799,426	10,999,674
Profit	$ 285,529	77,991	341,110	306,989
Other comprehensive income (loss)	(71,737)	28,332	(70,581)	(28,190)
Comprehensive income	$ 213,792	106,323	270,529	278,799
Profit attributable to non-controlling interests	$ 110,505	23,398	129,158	92,097
Comprehensive income attributable to non-controlling interests	$ 89,953	31,896	108,994	83,640

	For the nine months ended September 30	
	2018	2017
Cash flows from operating activities	$ (1,284,742)	916,063
Cash flows from investing activities	(474,366)	(1,126,620)
Cash flows from financing activities	1,047,119	1,886,538
Effect of exchange rate changes	(82,156)	(21,496)
Net increase (decrease) in cash and cash equivalents	$ (794,145)	1,654,485
Dividends paid to non-controlling interests	$ -	-

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

(ii) AIC and its subsidiaries' collective financial information

		September 30, 2018
Current assets	$	1,342,140
Non-current assets		2,296,725
Current liabilities		(537,087)
Non-current liabilities		(455,669)
Net assets	$	2,646,109
Non-controlling interests	$	1,366,022

		For the three months ended September 30, 2018	For the four months ended September 30 2018
Operating revenue	$	203,990	279,402
Loss	$	(89,870)	(110,761)
Other comprehensive income		(15,332)	(7,128)
Comprehensive loss	$	(105,202)	(117,889)
Loss attributable to non-controlling interests	$	(56,770)	(69,879)
Comprehensive loss attributable to non-controlling interests	$	(66,338)	(74,088)

		For the four months ended September 30, 2018
Cash flows from operating activities	$	4,191
Cash flows from investing activities		(98,105)
Cash flows from financing activities		(39,989)
Effect of exchange rate changes		(2,688)
Net decrease in cash and cash equivalents	$	(136,591)
Dividends paid to non-controlling interests	$	-

(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 nine months ended September 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	-	51,261	315,771	67,203	833,750	-	1,267,985
Disposals	-	(36,157)	(143,874)	(14,975)	-	-	(195,006)
Acquisition from business combination	95,100	233,784	53,478	23,149	42,690	-	448,201
Reclassifications	-	277,493	442,334	55,784	(800,623)	-	(25,012)
Effect of changes in exchange rate	-	(107,642)	(204,113)	(5,839)	(13,024)	63	(330,555)
Balance on September 30, 2018	$ 229,801	4,228,103	6,488,250	722,522	476,582	(2,221)	12,143,037
Balance on January 1, 2017	$ 134,701	3,802,758	5,672,304	510,457	347,678	(16,286)	10,451,612
Additions	-	51,125	369,605	43,384	461,894	-	926,008
Disposals	-	(66,526)	(176,347)	(16,382)	-	13,701	(245,554)
Acquisition from business combination	-	25,997	-	12,883	59	-	38,939
Reclassifications	-	84,972	293,354	15,758	(451,949)	-	(57,865)
Effect of changes in exchange rate	-	(62,667)	(97,431)	(8,215)	(5,717)	302	(173,728)
Balance on September 30, 2017	$ 134,701	3,835,659	6,061,485	557,885	351,965	(2,283)	10,939,412
Depreciation and impairments loss:							
Balance on January 1, 2018	$ -	1,830,962	4,311,178	399,884	-	(2,284)	6,539,740
Depreciation	-	170,834	760,190	53,516	-	-	984,540
Disposals	-	(35,934)	(134,761)	(14,764)	-	-	(185,459)
Reclassifications	-	3,406	(1,675)	42,569	-	-	44,300
Effect of changes in exchange rate	-	(51,175)	(147,652)	(9,286)	-	63	(208,050)
Balance on September 30, 2018	$ -	1,918,093	4,787,280	471,919	-	(2,221)	7,175,071
Balance on January 1, 2017	$ -	1,731,111	3,632,382	383,934	-	(13,237)	5,734,190
Depreciation	-	169,439	769,886	39,743	-	(2,926)	976,142
Disposals	-	(60,273)	(147,418)	(15,901)	-	13,701	(209,891)
Reclassifications	-	(1,972)	(2,409)	(61)	-	-	(4,442)
Effect of changes in exchange rate	-	(28,128)	(56,559)	(7,125)	-	179	(91,633)
Balance on September 30, 2017	$ -	1,810,177	4,195,882	400,590	-	(2,283)	6,404,366
Carrying amounts:							
Balance on January 1, 2018	$ 134,701	1,978,402	1,713,476	197,316	413,789	-	4,437,684
Balance on September 30, 2018	$ 229,801	2,310,010	1,700,970	250,603	476,582	-	4,967,966
Balance on January 1, 2017	$ 134,701	2,071,647	2,039,922	126,523	347,678	(3,049)	4,717,422
Balance on September 30, 2017	$ 134,701	2,025,482	1,865,603	157,295	351,965	-	4,535,046

(Continued)

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

(i) The unamortized deferred revenue of equipment subsidy amounted to $642,114, $946,180, $1,000,413 as of September 30, 2018, December 31 and September 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

	Land	Buildings and other equipment	Total
Carrying amounts:			
Balance on January 1, 2018	$ 16,249	18,965	35,214
Balance on September 30, 2018	$ 16,249	18,618	34,867
Balance on January 1, 2017	$ 16,249	19,428	35,677
Balance on September 30, 2017	$ 16,249	19,081	35,330

(i) The were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the nine months ended September 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 nine months ended September 30, 2018 and 2017, were as follows:

	Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
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	5,605	-	4,668	-	10,273
Balance on September 30, 2018	$ 2,608,574	1,326,188	1,105,699	121,986	5,162,447

(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	178,796	-	-	-	178,796
Effect of changes in exchange rate	(705)	-	-	(78)	(783)
Balance on September 30, 2017	$ 2,028,474	718,800	419,300	122,000	3,288,574
Amortization and impairment loss:					
Balance on January 1, 2018	$ -	285,781	166,706	102,906	555,393
Amortization	-	69,095	50,645	3,574	123,314
Effect of changes in exchange rate	-	-	344	(2)	342
Balance on September 30, 2018	$ -	354,876	217,695	106,478	679,049
Balance on January 1, 2017	$ -	213,901	124,776	98,180	436,857
Amortization	-	53,910	31,447	3,574	88,931
Effect of changes in exchange rate	-	-	-	(33)	(33)
Balance on September 30, 2017	$ -	267,811	156,223	101,721	525,755
Carrying amounts:					
Balance on January 1, 2018	$ 2,025,495	433,019	252,594	19,080	2,730,188
Balance on September 30, 2018	$ 2,608,574	971,312	888,004	15,508	4,483,398
Balance on January 1, 2017	$ 1,850,383	504,899	294,524	23,864	2,673,670
Balance on September 30, 2017	$ 2,028,474	450,989	263,077	20,279	2,762,819

(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.

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

(m) Short-term borrowings

The details were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank loans	$ 2,265,709	995,638	1,983,274
Secured bank loans	100,551	-	-
Short-term borrowings	$ 2,366,260	995,638	1,983,274
Unused credit lines	$ 17,942,101	17,453,299	14,826,975
Annual interest rates	0.85%~3.85%	0.97%~4.96%	1.05%~4.96%

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

(n) Long-term borrowings

September 30, 2018	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%~1.48%	2020	$ 83,333
Secured bank loans	TWD	1.67%~2.12%	2022~2035	217,655
Less: current portion				(66,956)
				$ 234,032
Unused credit lines				$ -

December 31, 2017	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.19%~1.48%	2018~2020	$ 218,888
Less: current portion				(135,555)
				$ 83,333
Unused credit lines				$ -

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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.

(o) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Less than one year	$ 330,884	299,316	276,502
Between one and five years	854,051	489,361	460,996
More than five years	444,223	461,370	481,560
	$ 1,629,158	1,250,047	1,219,058

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:

	September 30, 2018	December 31, 2017	September 30, 2017
Less than one year	$ 1,800	1,484	1,419
Between one and five years	137	-	-
	$ 1,937	1,484	1,419

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

(p) Employee benefits

(i) Defined benefit plans

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

(ii) Defined contribution plans

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Defined benefit plans	$ 428	501	1,284	1,503
Defined contribution plans	94,029	86,621	272,249	250,287
Total	$ **94,457**	**87,122**	**273,533**	**251,790**

(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 September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Income tax expense	$ **119,962**	**248,622**	**319,068**	**569,691**

(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.

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

(r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 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 September 30, 2018, December 31 and September 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 447,715, 445,688 and 445,247 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	Ordinary shares (in thousands of shares) For the nine months ended September 30	
	2018	**2017**
Balance on January 1	445,688	442,134
Exercise of employee stock options	128	195
Issuance of restricted stock	2,000	3,000
Retirement of restricted stock	(101)	(82)
Balance on September 30	**447,715**	**445,247**

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Additional paid-in capital	$ 609,303	545,657	535,731
Employee stock options	232,656	233,624	229,605
Restricted employee stock options	171,724	150,209	150,089
Long-term investment	362,018	303,000	-
	$ 1,375,701	**1,232,490**	**915,425**

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

(iii) Retained earnings

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

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

On 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.

(s) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the nine months ended September 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 and 900 thousand shares on January 31 and August 10, 2018, respectively.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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As of September 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 nine months ended September 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	-	-	24.26	(528)
Expired during the year	-	-	-	-
Outstanding on September 30	-	**-**	17.64	**414**
Exercisable on September 30	-	**-**	17.64	**414**

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

	September 30, 2018	December 31, 2017	September 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	-	-	203
Outstanding at end of year	**-**	**-**	**414**

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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3) The related information on compensatory employee stock option plans of the Group was as follows:

	For the nine months ended September 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 September 30	-	-	18.27	3,308
Exercisable on September 30	-	-	-	-

(ii) Restricted stock

1) As of September 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)	
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80	75.40	76.70	46.85
Exercise price	Free grants	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	900
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)	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.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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 and 900 thousand shares on January 31 and August 10, 2018, respectively.

Note 2: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 30% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 30% and 40% shall be vested in year 2 and year 3, respectively, after the grant date.

Note 3: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 50% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 50% shall be vested in year 2 after the grant date.

Note 4: If the employees continue to provide service to the Company and meet the prior year's performance indicator, the restricted stock shall be vested in year 1 after the grant date.

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

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

	For the nine months ended September 30	
(Thousand shares)	**2018**	**2017**
Outstanding on January 1	3,934	1,771
Granted during the year	2,000	3,000
Vesting during the year	(1,725)	(743)
Expired during the year	(399)	(94)
Outstanding on September 30	**3,810**	**3,934**

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 September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Expenses attributable to employee stock options	$ 2,110	937	6,180	2,810
Restricted stock	20,690	22,173	73,994	53,837
Total	$ 22,800	23,110	80,174	56,647

	September 30, 2018	December 31, 2017	September 30, 2017
Salaries payable:			
Current	$ -	-	1,938

(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 September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Profit attributable to owners of parent	$ 664,548	618,975	1,355,745	1,499,186
Weighted-average number of ordinary shares (thousand shares)	443,142	440,998	442,812	440,776
Basic earnings per share (NT dollars)	$ 1.50	1.40	3.06	3.40

(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Profit attributable to owners of parent	$ 664,548	618,975	1,355,745	1,499,186
Weighted-average number of ordinary shares (diluted) (thousand shares)	$ 445,229	443,836	445,571	444,243
Diluted earnings per share (NT dollars)	$ 1.49	1.39	3.04	3.37

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	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Weighted-average number of ordinary shares on September 30 (basic)	443,142	440,998	442,812	440,776
Effect of employee stock options	-	599	17	571
Estimated effect of employee stock bonuses	476	295	1,180	1,086
Effect of restricted stock	1,611	1,944	1,562	1,810
Weighted-average number of ordinary shares on September 30 (diluted)	**445,229**	**443,836**	**445,571**	**444,243**

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2018		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	$ 5,909,746	13,093,111	19,002,857
Service rendered	54,847	550,120	604,967
	$ 5,964,593	**13,643,231**	**19,607,824**

	For the nine months ended September 30, 2018		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	$ 15,901,421	28,830,214	44,731,635
Service rendered	169,892	1,387,729	1,557,621
	$ 16,071,313	**30,217,943**	**46,289,256**

	For the three months ended September 30, 2018	For the nine months ended September 30, 2018
Mainland China	$ 6,382,873	20,484,246
America	6,538,780	11,133,624
Other	6,686,171	14,671,386
	$ 19,607,824	**46,289,256**

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

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(ii) Contract balances

	September 30, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 18,425,509	13,300,434
Less: allowance for impairment	(143,944)	(127,640)
	$ 18,281,565	13,172,794

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

(v) Operating revenue

The details of operating revenue for the three and nine months ended September 30, 2017, was as follows:

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Goods sold	$ 14,669,004	40,746,181
Services rendered	328,010	967,205
Total	$ 14,997,014	41,713,386

(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 nine months ended September 30, 2018 and 2017, were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Employee remuneration	$ 23,263	21,892	46,806	55,444
Directors' remuneration	11,632	10,946	23,537	27,725
	$ 34,895	32,838	70,343	83,169

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

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

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

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

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

(x) Other income

The details of other income was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Interest revenue of cash in banks	$ 31,108	19,156	92,971	96,100
Rent revenue	405	2,057	2,572	6,126
Dividend income	13,437	23,325	13,437	23,325
Other	1,060	328	1,856	1,155
	$ 46,010	44,866	110,836	126,706

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(y) Other gains and losses

The details of other gains and losses were as follows:

		For the three months ended September 30		For the nine months ended September 30	
		2018	2017	2018	2017
Net gains (losses) on financial assets/liabilities measured at FVTPL	$	(40,575)	27,102	(40,319)	51,226
Foreign currency exchange gains (losses), net		85,247	14,984	212,380	11,751
Net losses on disposal of property, plant and equipment		(1,911)	(16,937)	(7,283)	(18,694)
Other		32,942	230,833	135,393	291,387
	$	75,703	255,982	300,171	335,670

(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
September 30, 2018								
Non-derivative financial liabilities:								
Short-term borrowings	$	2,366,260	2,372,213	2,372,213	-	-	-	-
Notes and accounts payable		18,505,065	18,505,065	18,505,065	-	-	-	-
Accounts payable to related parties		90,076	90,076	90,076	-	-	-	-
Other payables		2,066,335	2,066,335	2,066,335	-	-	-	-
Refund liabilities		956,197	956,197	956,197	-	-	-	-
Long-term borrowings		300,988	329,456	35,632	35,992	44,239	71,524	142,069
Guarantee deposits		193,919	193,919	-	-	-	-	193,919
Derivative financial liabilities:		162,890	-	-	-	-	-	-
Outflow		-	4,516,956	4,516,956	-	-	-	-
Inflow		-	(4,352,542)	(4,352,542)	-	-	-	-
	$	24,641,730	24,677,675	24,189,932	35,992	44,239	71,524	335,988

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	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2017							
Non-derivative financial liabilities:							
Short-term borrowings	$ 995,638	997,078	997,078	-	-	-	-
Notes and accounts payable	16,350,178	16,350,178	16,350,178	-	-	-	-
Other payables	2,858,327	2,858,327	2,858,327	-	-	-	-
Long-term borrowings	218,888	221,752	108,721	28,532	56,677	27,822	-
Guarantee deposits	174,167	174,167	-	-	-	-	174,167
Derivative financial liabilities:	103,107	-	-	-	-	-	-
Outflow	-	3,187,373	3,187,373	-	-	-	-
Inflow	-	(3,089,268)	(3,089,268)	-	-	-	-
	$ 20,700,305	20,699,607	20,412,409	28,532	56,677	27,822	174,167
September 30, 2017							
Non-derivative financial liabilities:							
Short-term borrowings	$ 1,983,274	1,989,419	1,989,419	-	-	-	-
Notes and accounts payable	14,385,648	14,385,648	14,385,648	-	-	-	-
Other payables	2,545,438	2,545,438	2,545,438	-	-	-	-
Long-term borrowings	218,888	222,145	109,024	28,528	56,677	27,916	-
Guarantee deposits	150,480	150,480	-	-	-	-	150,480
Derivative financial liabilities:	72,503	-	-	-	-	-	-
Outflow	-	8,977,861	8,977,861	-	-	-	-
Inflow	-	(8,891,322)	(8,891,322)	-	-	-	-
	$ 19,356,231	19,379,669	19,116,068	28,528	56,677	27,916	150,480

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:

	September 30, 2018			December 31, 2017			September 30, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD:CNY	$ 589,959	6.8792	18,023,840	529,047	6.534	15,790,922	363,139	6.6369	11,004,921
USD:HKD	278,276	7.8177	8,501,606	262,270	7.817	7,828,236	126,237	7.8118	3,825,612
USD:TWD	335,156	30.5510	10,239,352	361,298	29.848	10,784,026	327,378	30.3050	9,921,190
USD:EUR	-	-	-	20,037	0.838	598,060	-	-	-
EUR:CZK	15,722	25.6874	559,350	-	-	-	-	-	-

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	September 30, 2018			December 31, 2017			September 30, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities									
Monetary items									
USD:CNY	$ 437,673	6.8792	13,371,362	412,867	6.534	12,323,269	355,327	6.6369	10,768,191
USD:HKD	268,083	7.8177	8,190,205	259,738	7.817	7,752,673	133,123	7.8118	4,034,307
USD:TWD	384,596	30.551	11,749,804	345,140	29.848	10,301,737	302,875	30.3050	9,178,627
USD:EUR	-	-	-	7,203	0.838	214,983	-	-	-
EUR:CZK	11,657	25.6874	414,720	-	-	-	-	-	-

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 September 30, 2018 and 2017, would have increased or decreased the profit before tax by $179,901 and $38,530 for the nine months ended September 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 nine months ended September 30, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain $85,247, $14,984, $212,380 and $11,751, respectively.

(iii) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the profit before tax would have increased or decreased by $2,445 and $2,219 for the nine months ended September 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 nine months ended September 30	
	2018	2017
Price of securities at the reporting date	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	$ 27,054	54,849
Decreasing 10%	$ (27,054)	(54,849)

(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:

	September 30, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	$ 98,435	-	-	98,435	98,435
Financial assets at FVOCI– non-current	$ 302,883	270,541	-	32,342	302,883
Financial assets measured at amortized cost:					
Cash and cash equivalents	$ 3,880,850				
Notes and accounts receivable (including related parties)	18,281,565				
Other receivables	902,397				
Refundable deposits	172,163				
Total	$ 23,236,975				
Financial liabilities at FVTPL– current	$ 162,890	-	-	162,890	162,890

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	September 30, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	$ 2,667,248				
Notes and accounts payable	18,505,065				
Accounts payable to related parties	90,076				
Other payables	2,886,825				
Salaries payable	1,010,789				
Refund liabilities	956,197				
Guarantee deposits	193,919				
Total	$ 26,310,119				

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

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

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 $270,541, $374,680 and $370,500 on September 30, 2018, December 31 and September 30, 2017, respectively. The fair value of the investment was previously categorized as Level 3 on September 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 nine months ended September 30, 2018.

4) Reconciliation of Level 3 fair values

	For the nine months ended September 30, 2018			For the nine months ended September 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	(40,319)	-	(40,319)	23,647	-	23,647
Recognized in other comprehensive income	-	(16,523)	(16,523)	-	86,933	86,933
Acquisition /disposal	(62,180)	6,773	(55,407)	9,113	13,472	22,585
Transfer out of Level 3	-	(360,905)	(360,905)	-	-	-
Balance on September 30	**$ (64,455)**	**32,342**	**(32,113)**	**23,647**	**401,802**	**425,449**

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

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

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

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

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

(aa) Financial risk management

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

(ab) Capital management

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

(7) Related-party transactions:

(a) Names and relationship of the related parties

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

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

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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 September 30		For the nine months ended September 30		September 30,	December 31,	September 30,
	2018	2017	2018	2017	2018	2017	2017
Other related parties	$ 203,513	69,008	429,085	185,546	422,292	105,911	91,978

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 September 30		For the nine months ended September 30		September 30,	December 31,	September 30,
	2018	2017	2018	2017	2018	2017	2017
Other related parties	$ 55,076	-	73,352	-	90,076	-	-

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:

	September 30, 2018	December 31, 2017	September 30, 2017
DAC	$ 30,551	-	-

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:

	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties	$ 20,160	-	-

(Continued)

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

(v) Receivables and payables on behalf of related parties

The other payables arising from rent and utilities paid by other related parties in advanced amounted to $7,432 on September 30, 2018.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 42,207	37,652	128,985	122,300
Post-employment benefits	1,098	-	4,301	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	7,444	10,482	33,514	32,551
	$ 50,749	48,134	166,800	154,851

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	September 30, 2018	December 31, 2017	September 30, 2017
Other current assets – restricted assets	Guarantee letters issued by bank	$ 21,491	-	-
Other non-current assets – restricted assets	Guarantee letters issued by bank	$ 72,690	1,142	1,142
Property, plant and equipment	Loan collateral	$ 272,188	-	-

(9) Significant commitments and contingencies:

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

September 30, 2018	December 31, 2017	September 30, 2017
$ 1,222,040	298,480	303,050

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

(c) The following are savings accounts provided by the Group to the bank in order for the bank to issue a guarantee letter to customs and Power Supply Bureau as guarantee deposits and power supply guarantee, respectively.

	September 30, 2018	December 31, 2017	September 30, 2017
Guarantee letters	$ 240,334	173,837	189,959

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

	September 30, 2018	December 31, 2017	September 30, 2017
Sales of accounts receivable	$ 527,005	724,878	2,081,334
Long-term borrowings	$ 425,995	880,000	880,000

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

	September 30, 2018	December 31, 2017	September 30, 2017
Property, plant and equipment	$ 102,678	41,209	80,010

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By function / By item	For the three months ended September 30, 2018			For the three months ended September 30, 2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	1,107,381	916,178	2,023,559	865,210	723,000	1,588,210
Labor and health insurance	36,476	39,960	76,436	29,628	33,061	62,689
Pension	56,361	38,096	94,457	57,843	29,279	87,122
Others	43,497	50,838	94,335	17,873	49,747	67,620
Depreciation	279,554	39,710	319,264	300,096	30,315	330,411
Amortization	5,835	83,255	89,090	4,350	45,828	50,178

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By function / By item	For the nine months ended September 30, 2018			For the nine months ended September 30, 2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	2,748,986	2,263,979	5,012,965	2,327,089	1,929,129	4,256,218
Labor and health insurance	94,263	121,466	215,729	77,762	96,981	174,743
Pension	176,123	97,410	273,533	167,565	84,225	251,790
Others	91,286	136,600	227,886	45,629	119,708	165,337
Depreciation	873,627	110,913	984,540	894,125	82,017	976,142
Amortization	15,002	189,743	204,745	13,124	132,561	145,685

(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 nine months ended September 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	355,585	355,585 (note 3)	-	Necessary to loan to other parties	-	Operating capital	-	-	-	867,628	867,628
2	TYM HK	TYM Acoustic HK	Other receivables	〃	761,124	552,454	552,454 (note 3)	2%	〃	-	Investment capital	-	-	-	945,293	945,293
3	AIC	AME	Other receivables	〃	138,471	137,790	137,376 (note 3)	-	〃	-	Necessary to short-term loan	-	-	-	122,890	245,780
〃	〃	ALT (Shanghai)	Other receivables	〃	339,086	192,789	192,789 (note 3)	-	〃	-	〃	-	-	-	122,890	245,780
〃	〃	DAC	Other receivables	〃	30,731	30,551	30,551	-	〃	-	〃	-	-	-	122,890	245,780
4	ALT (Shanghai)	ALTI	Other receivables	〃	15,980	15,887	15,887 (note 3)	-	〃	-	〃	-	-	-	38,838	77,676
5	ALTI	AME	Other receivables	〃	15,312	15,223	15,223 (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: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,318,492	322,676	305,510	-	-	2.76 %	8,849,312	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,631,826	131,912	-	-	-	- %	4,351,537	-	-	Y
〃	〃	PKS1	〃	1,631,826	164,890	-	-	-	- %	4,351,537	-	-	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: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
The Company	Shares:							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	WK Technology Fund IV LTD.	-	〃	161	1,313	0.38	1,313	
	Changing Information Technology Inc.	-	〃	179	2,102	1.62	2,102	
	Formosoft International Inc.	-	〃	11	-	0.76	-	
	Syntronix Corp.	-	〃	6	49	0.02	49	
	Ricavision International Inc.	-	〃	917	-	2.04	-	
	Global TEK	-	〃	5,510	270,541	8.35	270,541	
	Grove Ventures L.P.	-	〃	-	24,441	2.73	24,441	
					298,446			
Primax Tech.	Shares:							
	Echo. Bahn.		Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	〃	425	4,437	1.32	4,437	
					4,437			

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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: Diamond	Investment accounted for using equity method	Initial Offerings	Subsidiary	84,050	3,089,647	45,000	1,372,500	-	-	-	-	129,050	4,766,806 (note 1)
〃	Primax AE	〃	〃	〃	-	-	48,200	1,431,540	-	-	-	-	48,200	1,375,975 (note 1)
Diamond	TWEL	〃	〃	〃	55,001	3,187,565	137,250	1,372,500	-	-	-	-	192,251	4,869,429 (note 1)
Primax AE	AIC	〃	〃	None	-	-	30	1,356,996	-	-	-	-	30	1,301,432 (note 1)
TWEL	Premium Hui Zhou	〃	〃	Subsidiary	-	1,514,469	-	1,372,500	-	-	-	-	-	3,105,166 (note 1)
Premium Hui Zhou	TYM Acoustic HK	〃	〃	〃	5,000	147,011	180,536	670,457	-	-	-	-	185,536	921,326 (note 1)
PCH2	Money market fund of RMB	Financial assets at FVTPL	〃	〃	-	-	-	3,036,874	-	3,042,588	3,030,094	5,714 (note 2)	-	-
PKS1	Money market fund of RMB	〃	〃	〃	-	-	-	416,963	-	419,894	418,081	2,931 (note 2)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	1,403,308	-	1,405,698	1,400,075	2,390 (note 2)	-	-
Premium Hui Zhou	Money market fund of RMB	〃	〃	〃	-	-	-	1,002,778	-	1,004,695	1,002,413	1,917 (note 2)	-	-
Tymphany Dongguan	Money market fund of RMB	〃	〃	〃	-	-	-	542,375	-	542,537	541,939	163 (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	17,977,396	76 %	60 days	Price agreed by both sides	The same as general purchasing	(7,150,551)	(73)%	(note 2)
〃	PKS1	〃	Purchase	1,114,724	4 %	〃	〃	〃	(631,325)	(6)%	(note 2)
〃	PCQ1	〃	Purchase	4,741,736	20 %	〃	〃	〃	(1,959,397)	(20)%	(note 2)
〃	Polaris	The subsidiary of Primax Tech	(Sale)	(2,077,744)	(8)%	90 days	〃	The same as general selling	51,364	1%	(note 2)
PCH2	The Company	The parent of Primax Cayman	(Sale)	(17,977,396)	(87)%	60 days	〃	〃	7,150,551	89%	(note 2)

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			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,114,724)	(100)%	〃	〃	〃	631,325 (note 1)	100%	(note 2)
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(4,741,736)	(90)%	〃	〃	〃	1,959,397	94%	(note 2)
Polaris	The Company	The parent of Primax Tech	Purchase	2,077,744	100 %	90 days	〃	The same as general purchasing	(51,364)	(100)%	(note 2)
Premium Hui Zhou	Tymphany Dongguan	Subsidiary	Purchase	181,809	3 %	60 days	〃	〃	(135,103)	(4)%	(note 2)
〃	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(6,981,383)	(96)%	60 days	〃	The same as general selling	4,208,458	98%	(note 2)
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	342,330	5 %	〃	〃	The same as general purchasing	(231,906)	(6)%	(note 2)
〃	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(6,919,719)	(95)%	〃	〃	The same as general selling	2,926,300	91%	(note 2)
〃	Premium Hui Zhou	Parent	(Sale)	(181,809)	(2)%	〃	〃	〃	135,103	4%	(note 2)
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,446,862)	(100)%	60 days	〃	〃	456,236	100%	(note 2)
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,171,038	96 %	90 days	〃	The same as general purchasing	(529,114)	(82)%	(note 2)
〃	TYM Acoustic Europe	〃	(Sale)	(122,610)	(10)%	60 days	〃	The same as general selling	120,057	26%	(note 2)
TYM Acoustic Europe	TYM Acoustic HK	Parent	Purchase	122,610	9 %	〃	〃	The same as general purchasing	(120,057)	(21)%	(note 2)
〃	TYM Acoustic HK	Parent	(Sale)	(1,171,038)	(94)%	90 days	〃	The same as general selling	529,114	92%	(note 2)
TYM HK	Premium Hui Zhou	The parent of TYM Acoustic HK	Purchase	6,981,383	44 %	60 days	〃	The same as general purchasing	(4,208,458)	(55)%	(note 2)
〃	Tymphany Dongguan	The subsidiary of Premium Hui Zhou	Purchase	6,919,719	44 %	〃	〃	〃	(2,926,300)	(37)%	(note 2)
〃	TYDC	The subsidiary of Tymphany Dongguan	Purchase	1,446,862	9 %	〃	〃	〃	(456,236)	(6)%	(note 2)
TYM HK	Tymphany Dongguan	The subsidiary of Premium Hui Zhou	(Sale)	(342,330)	(2)%	〃	〃	The same as general selling	231,906	3%	(note 2)
〃	TYML	Subsidiary	(Sale)	(221,508)	(1)%	〃	〃	〃	39,542	1%	(note 2)
〃	Specialty	Other related party	(Sale)	(349,903)	(2)%	90 days	〃	〃	181,061	2%	
TYML	TYM HK	Parent	Purchase	221,508	100 %	60 days	〃	The same as general purchasing	(39,542)	(100)%	(note 2)
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	274,584	78 %	90 days	〃	〃	(195,519)	(78)%	(note 2)
〃	DAT	The subsidiary of AIC	(Sale)	(103,753)	28 %	〃	〃	The same as general selling	104,838	16%	
〃	DAC	Other related party	(Sale)	(192,168)	(51)%	120 days	〃	〃	232,856	35%	
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(274,584)	(41)%	90 days	〃	〃	195,519	35%	(note 2)
DAT	AME	〃	Purchase	103,753	60 %	〃	〃	The same as general purchasing	(104,838)	100%	(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.

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue Amount	Overdue Action taken	Amounts received in subsequent period (note 1)	Allowance for bad debts
PCH2	The Company	The Parent of Primax Cayman	7,150,551 (note 2)	3.61	-	-	2,316,158	-
PKS1	The Company	The Parent of Primax Cayman	986,910 (note 2)	2.82	355,585	Reclassify to Long-term payable, and enhance the control of receivables	94,073	-
PCQ1	The Company	The Parent of Primax Cayman	1,959,397 (note 2)	3.41	-	-	442,455	-
Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	4,208,458 (note 2)	3.05	-	-	729,160	-
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	2,926,300 (note 2)	2.37	-	-	384,805	-
〃	Premium Hui Zhou	Parent	135,103 (note 2)	2.51	-	-	1,183	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	456,236 (note 2)	7.39	-	-	164,130	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	120,057 (note 2)	2.07	-	-	4,476	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	529,114 (note 2)	3.23	-	-	206,737	-
TYM HK	Tymphany Dongguan	The subsidiary of Premium Hui Zhou	231,906 (note 2)	1.53	-	-	155,661	-
〃	Specialty	Other related party	181,061	3.25	-	-	42,991	-
AME	ALT (Shanghai)	The subsidiary of AIC	322,040 (note 2)	1.24	-	-	-	-
〃	DAT	The subsidiary of AIC	104,838 (note 2)	2.64	-	-	45,847	-
〃	DAC	Other related party	232,856	0.97	-	-	-	-
ALT (Shanghai)	AME	The subsidiary of AIC	195,519 (note 2)	3.85	-	-	26,848	-

Note 1: Amounts were collected as of November 8, 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	17,977,396	Price agreed by both sides	38.84 %
〃	〃	〃	〃	Accounts Payable	7,150,551	60 days	16.78 %
〃	〃	PKS1	〃	Purchase	1,114,724	Price agreed by both sides	2.41 %
〃	〃	〃	〃	Accounts Payable	631,325	60 days	1.48 %

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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
0	The Company	PKS1	The subsidiary of Primax HK	Other payables	355,585	60 days	0.82 %
〃	〃	PCQ1	〃	Purchase	4,741,736	Price agreed by both sides	10.24 %
〃	〃	〃	〃	Accounts payable	1,959,397	60 days	4.60 %
〃	〃	Polaris	The subsidiary of Primax Tech	Sale	2,077,744	Price agreed by both sides	4.49 %
1	Premium Hui Zhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	6,981,383	Price agreed by both sides	15.08 %
〃	〃	〃	〃	Accounts receivable	4,208,458	60 days	9.87 %
2	Tymphany Dongguan	TYM HK	〃	Sale	6,919,719	Price agreed by both sides	14.95 %
〃	〃	〃	〃	Accounts receivable	2,926,300	60 days	6.87 %
〃	〃	Premium Hui Zhou	Parent	Sale	181,809	Price agreed by both sides	0.39 %
〃	〃	〃	〃	Accounts receivable	135,103	60 days	0.32 %
3	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	1,446,862	Price agreed by both sides	3.13 %
〃	〃	〃	〃	Accounts receivable	456,236	60 days	1.07 %
4	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Sale	122,610	Price agreed by both sides	0.26 %
〃	〃	〃	〃	Accounts receivable	120,057	60 days	0.28 %
〃	〃	〃	〃	Purchase	1,171,038	Price agreed by both sides	2.53 %
〃	〃	〃	〃	Accounts payable	529,114	90 days	1.24 %
〃	〃	TYM HK	〃	Other payable	552,454	-	1.28 %
5	TYM HK	Tymphany Dongguan	The subsidiary of Premium Hui Zhou	Sale	342,330	Price agreed by both sides	0.74 %
〃	〃	〃	〃	Accounts receivable	231,906	60 days	0.54 %
〃	〃	TYML	Subsidiary	Sale	221,508	Price agreed by both sides	0.48 %
6	AIC	AME	〃	Other receivables	137,376	-	0.32 %
〃	〃	ALT (Shanghai)	〃	Other receivables	192,789	-	0.45 %
7	AME	ALT (Shanghai)	〃	Purchase	274,584	Price agreed by both sides	0.59 %
〃	〃	〃	〃	Accounts payable	195,519	90 days	0.46 %
〃	〃	〃	〃	Accounts receivable	322,040	90 days	0.76 %
〃	〃	DAT	The subsidiary of AIC	Sale	103,753	Price agreed by both sides	0.22 %
〃	〃	〃	〃	Accounts receivable	104,838	90 days	0.25 %

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Note 1: Disclosure of the amounts exceeding 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 nine months ended September 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 September 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 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	5,582,065	522,044	605,977	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,221,132	203,306	241,184	
〃	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	18,092	4,039	4,039	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	16,981	275	275	
〃	Diamond	Cayman Islands	Holding company	3,889,798	2,517,298	129,050	100.00	4,766,806	317,320	317,320	
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	10,665	771	771	
〃	Primax AE	Cayman Islands	Holding company	1,431,540	-	48,200	100.00	1,375,975	(52,687)	(52,687)	
	Total			8,806,648	6,002,608			13,991,716	995,068	1,116,879	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,709,774	522,021	522,021	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	388,329	5,953	5,953	
Diamond	TWEL	Cayman Islands	Holding company	2,711,450	2,711,450	192,251	100.00	4,869,429	296,776	322,025	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	-	30	37.00	1,301,432	(154,818)	(40,883)	
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	921,326	43,593	57,079	
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	945,293	192,117	192,117	
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	11,851	3,378	3,378	
〃	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	17,314	766	766	
〃	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	560,670	(170,245)	(166,962)	
〃	Tymphany Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	-	5,000	100.00	56,882	6,783	6,783	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	7,936	(224)	14,483	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	244,000 (note 2)	-	10	100.00	218,017	(15,379)	(15,379)	
〃	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	-	15,394	100.00	269,290	(19,159)	(19,159)	
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	100.00	(238)	(78)	(78)	

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.

(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 September 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	1,980,460	Indirect investment through Primax Cayman and Primax Tech.	1,636,597	-	-	1,675,103	594,119	100%	594,119	5,439,421	-
Destiny Beijing	Research and development of computer peripheral devices and software	39,232	Indirect investment through Destiny BVI.	31,340	-	-	32,079	4,080	100%	4,080	18,088	-
PKS1	Manufacture of computer, peripherals and keyboards	867,178	Indirect investment through Primax Cayman	656,656	-	-	672,122	25,644	100%	25,644	868,320	-
PCQ1	Manufacture of computer, peripherals and keyboards	556,568	〃	596,960	-	-	611,020	101,179	100%	101,179	1,144,097	-
Premium Hui Zhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,807,421	Indirect investment through Diamond	2,507,232	1,372,500	-	3,941,079	422,235	71.43%	301,611	3,105,166	-

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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 September 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						
Tymphany Dongguan	Research and development, design, and sale of audio accessories, amplifiers and their components	152,755	Indirect investment through Diamond	14,924	-	-	15,276	60,299	71.43%	38,767	299,444	-
TYDC	〃	88,822	〃	-	-	-	-	34,986	71.43%	18,517	91,819	-
ALT (Shanghai)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	459,025	Indirect investment through Primax AE	-	-	-	-	(50,336)	36.82%	(18,531)	91,309	-
ALT	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	156,642	〃	-	-	-	-	(9,080)	36.96%	(3,356)	51,750	-
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%	-	(231)	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD 3.9079; USD:TWD 30.5510; CNY:TWD 4.4411.
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 September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,031,467	7,804,966	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.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements for the nine months ended September 30, 2018, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions."

(14) Segment information:

For the three and nine months ended September 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.

	For the three months ended September 30, 2018		
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 5,964,691	13,643,133	19,607,824
Intra-group revenue	-	-	-
Total segment revenue	$ 5,964,691	13,643,133	19,607,824
Profit before tax from segments reported	$ 393,300	444,945	838,245

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

	For the nine months ended September 30, 2018		
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 16,071,411	30,217,845	46,289,256
Intra-group revenue	-	-	-
Total segment revenue	$ 16,071,411	30,217,845	46,289,256
Profit before tax from segments reported	$ 875,563	858,529	1,734,092

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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	For the nine months ended September 30, 2017		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	$ 15,345,807	26,367,579	41,713,386
Intra-group revenue	-	-	-
Total segment revenue	$ 15,345,807	26,367,579	41,713,386
Profit before tax from segments reported	$ 917,330	1,243,644	2,160,974