

**PRIMAX ELECTRONICS LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Review Report  
for the Nine Months Ended  
September 30, 2019 and 2018**

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

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## Independent Auditors' Review Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of PRIMAX ELECTRONICS LTD. ("the Company") and its subsidiaries ("the Group") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2019 and 2018, as well as the changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. The 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\$4,953,134 thousand and NT\$6,938,080 thousand, constituting 8.8% and 16.3% of the consolidated total assets; and the total liabilities amounting to NT\$4,234,871 thousand and NT\$4,742,113 thousand, constituting 10.1% and 16.8% of the consolidated total liabilities as of September 30, 2019 and 2018, respectively; as well as the total comprehensive loss amounting to NT\$152,167 thousand, NT\$206,224 thousand, NT\$110,484 thousand and NT\$188,623 thousand, constituting (30.0)%, (70.9)%, (8.5)% and (18.7)% of the consolidated comprehensive income (loss) for the three and nine months ended September 30, 2019 and 2018, respectively.

Furthermore, as stated in note 6(f), the investments accounted for using equity method of the Group in its investee companies of NT\$904,011 thousand and NT\$0 thousand as of September 30, 2019 and 2018, respectively, and its related share of loss of associates accounted for using equity method of NT\$24,907 thousand, NT\$0 thousand, NT\$24,907 thousand, and NT\$16,753 thousand for the three and nine months ended September 30, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three and nine months ended September 30, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of Tymphony Worldwide Enterprises Ltd., a subsidiary of the Group. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Tymphony Worldwide Enterprises Ltd., is based solely on the review report of another auditor. The financial statements of Tymphony Worldwide Enterprises Ltd. reflect the total assets amounting to NT\$25,138,944 thousand and NT\$13,956,596 thousand, constituting 44.9% and 32.7% of the related consolidated total assets as of September 30, 2019 and 2018, respectively; as well as the operating revenue amounting to NT\$13,751,563 thousand, NT\$8,593,738 thousand, NT\$26,539,402 thousand and NT\$17,727,983 thousand, constituting 54.4%, 43.8%, 47.7% and 38.3% of the related consolidated operating revenue for the three and nine months ended September 30, 2019 and 2018, 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 12, 2019

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2019 and 2018**

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2019, December 31 and September 30, 2018**

(Expressed in Thousands of New Taiwan Dollars)

	Assets	September 30, 2019		December 31, 2018		September 30, 2018		September 30, 2019		December 31, 2018		September 30, 2018	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<b>Current assets:</b>												
1100	Cash and cash equivalents (note 6(a))	\$	7,109,072	13	4,990,458	12	3,880,850	9	2100	Short-term borrowings (notes 6(n) and 8)	\$	8,315,240	15
1110	Current financial assets at fair value through profit or loss (note 6(b))		99,813	-	115,608	-	98,435	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))		151,104	-
1170	Notes and accounts receivable, net (notes 6(d) and (w))		23,661,751	42	16,382,468	38	17,859,273	42	2150	Notes payable		27	-
1180	Accounts receivable from related parties, net (notes 6(d), (w) and 7)		128,491	-	539,820	1	422,292	1	2170	Accounts payable		22,538,722	40
1200	Other receivables (notes 6(d) and 7)		884,688	2	1,040,546	3	902,397	2	2180	Other payables (notes 6(g) and 7)		-	-
1310	Inventories (note 6(e))		10,222,846	18	7,760,333	18	7,837,955	18	2200	Salaries payable		3,690,921	7
1470	Other current assets (note 8)		1,136,047	2	642,927	1	639,177	2	2201	Current lease liabilities (note 6(p))		1,155,142	2
			43,242,708	77	31,472,160	73	31,640,379	74	2280	Other current liabilities (note 6(w))		240,091	1
	<b>Non-current assets:</b>								2300	Long-term borrowings, current portion (notes 6(o) and 8)		336,283	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))		54,182	-	268,088	1	302,883	1	2320	Current refund liabilities		27,778	-
1550	Investments accounted for using equity method, net (notes 6(f) and (h))		904,011	2	-	-	-	-	2365	Non-current liabilities:		1,302,795	2
1600	Property, plant and equipment (notes 6(j) and 8)		6,469,019	12	5,509,536	13	4,967,966	12		Long-term borrowings (notes 6(o) and 8)		37,758,103	68
1755	Right-of-use assets (note 6(k))		1,772,745	3	-	-	-	-		Non-current liabilities:		-	-
1760	Investment property, net (note 6(l))		34,404	-	34,751	-	34,867	-	2540	Long-term borrowings (notes 6(o) and 8)		1,149,447	2
1780	Intangible assets (note 6(m))		2,537,867	4	4,463,979	10	4,483,398	11	2580	Non-current lease liabilities (note 6(p))		2,351,597	4
1840	Deferred tax assets		625,743	1	654,310	2	563,516	1	2630	Long-term deferred revenue (note 6(j))		700,280	1
1985	Long-term prepaid rents		-	-	223,064	-	228,666	-	2600	Other non-current liabilities (note 6(f))		4,201,324	7
1990	Other non-current assets — other (note 8)		342,840	1	535,613	1	395,875	1		Total liabilities		41,959,427	75
			12,740,811	23	11,689,341	27	10,977,171	26		Equity attributable to owners of parent:		2,130,564	5
									3110	Ordinary shares (note 6(i))		28,191,383	65
									3200	Capital surplus (note 6(i))		4,467,608	8
									3310	Legal reserve		1,381,161	3
									3320	Special reserve		1,377,077	3
									3350	Unappropriated retained earnings (notes 6(c) and (t))		1,187,783	3
									3400	Other equity interest (note 6(c))		662,348	1
									36XX	Non-controlling interests (note 6(i))		4,900,249	9
										Total equity		(889,534)	(2)
										Total liabilities and equity		(751,110)	(2)
												2,131,790	4
												14,024,092	25
												14,970,118	35
												43,161,501	100
												55,983,519	100
	<b>Total assets</b>	\$	55,983,519	100	43,161,501	100	42,617,550	100				42,617,550	100

(English Translation of Consolidated Financial Statements 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 and nine months ended September 30, 2019 and 2018**

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

	For the three months ended September 30				For the nine months ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (notes 6(w) and 7)	\$ 25,290,569	100	19,607,824	100	55,635,972	100	46,289,256	100
5000 Operating costs (notes 6(e), (r), (x), 7 and 12)	<u>22,280,188</u>	<u>88</u>	<u>17,265,861</u>	<u>88</u>	<u>49,140,809</u>	<u>88</u>	<u>40,770,466</u>	<u>88</u>
Gross profit from operation	3,010,381	12	2,341,963	12	6,495,163	12	5,518,790	12
Operating expenses (notes 6(p), (r), (x) and 12):								
6100 Selling expenses	397,086	2	389,232	2	1,070,976	2	1,027,311	2
6200 Administrative expenses	562,323	2	488,483	2	1,420,747	3	1,235,081	3
6300 Research and development expenses	821,713	3	723,945	4	2,158,542	4	1,874,635	4
6450 Expected credit loss (note 6(d))	<u>17,717</u>	-	<u>8,790</u>	-	<u>16,424</u>	-	<u>9,517</u>	-
Total operating expenses	<u>1,798,839</u>	<u>7</u>	<u>1,610,450</u>	<u>8</u>	<u>4,666,689</u>	<u>9</u>	<u>4,146,544</u>	<u>9</u>
Net operating income	<u>1,211,542</u>	<u>5</u>	<u>731,513</u>	<u>4</u>	<u>1,828,474</u>	<u>3</u>	<u>1,372,246</u>	<u>3</u>
Non-operating income and expenses:								
7010 Other income (note 6(y))	40,885	-	46,010	-	146,049	-	110,836	-
7020 Other gains and losses (notes 6(h) and (z))	(10,003)	-	75,703	1	238,132	1	300,171	1
7060 Share of loss of associates accounted for using equity method (note 6(f))	(24,907)	-	-	-	(24,907)	-	(16,753)	-
7050 Finance costs (note 6(p))	<u>(50,692)</u>	-	<u>(14,981)</u>	-	<u>(155,764)</u>	-	<u>(32,408)</u>	-
Total non-operating income and expenses	<u>(44,717)</u>	-	<u>106,732</u>	<u>1</u>	<u>203,510</u>	<u>1</u>	<u>361,846</u>	<u>1</u>
Profit before tax	1,166,825	5	838,245	5	2,031,984	4	1,734,092	4
7950 Less: Income tax expenses (note 6(s))	<u>263,224</u>	<u>1</u>	<u>119,962</u>	<u>1</u>	<u>457,885</u>	<u>1</u>	<u>319,068</u>	<u>1</u>
Profit	<u>903,601</u>	<u>4</u>	<u>718,283</u>	<u>4</u>	<u>1,574,099</u>	<u>3</u>	<u>1,415,024</u>	<u>3</u>
8300 Other comprehensive income (loss):								
8310 Items that may not be reclassified subsequently to profit or loss:								
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(3,866)	-	(26,822)	-	(15,245)	-	(106,886)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<u>(3,866)</u>	-	<u>(26,822)</u>	-	<u>(15,245)</u>	-	<u>(106,886)</u>	-
8360 Items that may be reclassified subsequently to profit or loss:								
8361 Exchange differences on translation of foreign operation's financial statements	(392,596)	(2)	(400,405)	(2)	(258,992)	(1)	(299,808)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<u>(392,596)</u>	<u>(2)</u>	<u>(400,405)</u>	<u>(2)</u>	<u>(258,992)</u>	<u>(1)</u>	<u>(299,808)</u>	<u>(1)</u>
8300 Other comprehensive income after tax	<u>(396,462)</u>	<u>(2)</u>	<u>(427,227)</u>	<u>(2)</u>	<u>(274,237)</u>	<u>(1)</u>	<u>(406,694)</u>	<u>(1)</u>
Comprehensive income	<u>\$ 507,139</u>	<u>2</u>	<u>291,056</u>	<u>2</u>	<u>1,299,862</u>	<u>2</u>	<u>1,008,330</u>	<u>2</u>
Profit attributable to:								
8610 Owners of parent	\$ 763,920	3	664,548	4	1,532,775	3	1,355,745	3
8620 Non-controlling interests (note 6(i))	<u>139,681</u>	<u>1</u>	<u>53,735</u>	-	<u>41,324</u>	-	<u>59,279</u>	-
	<u>\$ 903,601</u>	<u>4</u>	<u>718,283</u>	<u>4</u>	<u>1,574,099</u>	<u>3</u>	<u>1,415,024</u>	<u>3</u>
Comprehensive income attributable to:								
8710 Owners of parent	\$ 417,391	2	267,441	2	1,289,052	2	973,424	2
8720 Non-controlling interests (note 6(i))	<u>89,748</u>	-	<u>23,615</u>	-	<u>10,810</u>	-	<u>34,906</u>	-
	<u>\$ 507,139</u>	<u>2</u>	<u>291,056</u>	<u>2</u>	<u>1,299,862</u>	<u>2</u>	<u>1,008,330</u>	<u>2</u>
Earnings per share (note 6(v))								
9710 Basic earnings per share (NT dollars)	<u>\$ 1.72</u>		<u>1.50</u>		<u>3.45</u>		<u>3.06</u>	
9810 Diluted earnings per share (NT dollars)	<u>\$ 1.71</u>		<u>1.49</u>		<u>3.43</u>		<u>3.04</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements 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, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Share capital					Other equity interest				
	Ordinary shares	Capital advance	Capital collected in	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation
<b>Balance at January 1, 2018 after adjustments</b>	\$ 4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	1,355,745	11,385,272	1,596,530
Profit	-	-	-	-	-	-	-	-	1,415,024	59,279
Other comprehensive income	-	-	-	-	-	-	-	-	(382,321)	(24,373)
Comprehensive income	-	-	-	-	-	-	-	-	973,424	34,906
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)	-
Changes in shares of investment accounted for using equity method	-	-	-	59,018	-	-	-	-	59,018	221,008
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	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 employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-
Acquired non-controlling interest from business combination	-	-	-	-	-	-	-	-	-	-
<b>Balance at September 30, 2018</b>	\$ 4,477,153	-	1,375,701	1,187,783	299,065	4,569,087	(647,989)	(75,970)	11,061,640	1,440,110
<b>Balance at January 1, 2019</b>	\$ 4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	11,625,821	3,292,554
Profit	-	-	-	-	-	1,532,775	-	-	1,532,775	3,344,297
Other comprehensive income	-	-	-	-	-	-	-	-	41,324	1,574,099
Comprehensive income	-	-	-	-	-	-	-	-	(243,723)	(30,514)
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-
Appropriated legal reserve	-	-	-	182,687	-	-	(182,687)	-	-	-
Appropriated special reserve	-	-	-	-	363,283	-	(363,283)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,072,341)	-	(1,072,341)	-
Changes in shares of investment accounted for using equity method	-	-	-	6,932	-	-	-	-	6,932	2,844
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	42,838	-
Retirement of restricted stock	(6,915)	-	(2,848)	-	-	-	-	-	9,763	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	(52,698)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(42,152)
Derecognition of non-controlling interests due to disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(1,184,009)
<b>Balance at September 30, 2019</b>	\$ 4,467,608	-	1,381,161	1,370,470	662,348	4,900,249	(788,660)	(64,713)	11,892,302	2,131,790
										14,024,092

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2019	2018
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 2,031,984	1,734,092
Adjustments:		
Adjustments to reconcile profit (loss):		
Expected credit loss	16,424	9,517
Depreciation and amortization expense	1,639,878	1,189,632
Interest expense	152,636	27,062
Interest income	(142,644)	(92,971)
Compensation cost of share-based payment	52,614	80,174
Loss related to inventories	185,607	131,223
Share of loss of associates accounted for using equity method	24,907	16,753
Loss (Gain) on disposal of property, plant and equipment	(3,880)	7,283
Loss on disposal of subsidiaries	279,377	-
Total adjustments to reconcile profit	2,204,919	1,368,673
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	15,795	42,716
Notes and accounts receivable	(7,542,284)	(4,388,224)
Accounts receivable from related parties	(27,872)	(67,883)
Other receivables	153,194	(142,194)
Inventories	(2,892,097)	(800,744)
Other current assets	(614,869)	54,599
Other operating assets	(14,413)	3,822
Changes in operating assets	(10,922,546)	(5,297,908)
Financial liabilities at fair value through profit or loss	131,124	59,783
Notes and accounts payable	4,243,832	2,002,225
Accounts payable to related parties	(45,328)	(71,691)
Salaries payable	14,285	(117,317)
Other payables	424,772	(14,193)
Other current liabilities	(38,782)	(52,952)
Refund liabilities	207,962	(102,003)
Other operating liabilities	1,441,519	(308,562)
Changes in operating liabilities	6,379,384	1,395,290
Total changes in operating assets and liabilities	(4,543,162)	(3,902,618)
Total adjustments	(2,338,243)	(2,533,945)
Cash outflow generated from operations	(306,259)	(799,853)
Interest received	142,644	92,971
Interest paid	(152,582)	(27,009)
Income taxes paid	(388,007)	(450,599)
Net cash flows used in operating activities	(704,204)	(1,184,490)
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(17,556)	(8,880)
Proceeds from disposal of financial assets at fair value through other comprehensive income	214,202	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,016	2,107
Increase in refundable deposits	(52,126)	(80,970)
Net cash flows from loss control of subsidiaries	(131,285)	-
Acquisition of investments accounted for using equity method	-	(1,356,995)
Increase in restricted deposits	-	(71,579)
Acquisition of property, plant and equipment	(3,201,891)	(1,275,299)
Proceeds from disposal of property, plant and equipment	33,564	2,264
Dividends received	214	13,437
Changes in non-controlling interests	-	273,846
Acquisition of unamortized expense	(65,709)	(37,027)
Aggregation from business combination without consideration transferred	-	375,269
Acquisition of intangible assets	(886)	-
Net cash flows used in investing activities	(3,219,457)	(2,163,827)
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	7,348,382	1,173,012
Decrease in long-term borrowings	(62,526)	(138,484)
Increase in guarantee deposits received	18,403	19,752
Payment of lease liabilities	(189,220)	-
Cash dividends	(1,094,820)	(1,430,068)
Net cash flows from (used in) financing activities	6,020,219	(375,788)
Effect of exchange rate changes on cash and cash equivalents	22,056	(216,056)
Net increase (decrease) in cash and cash equivalents	2,118,614	(3,940,161)
Cash and cash equivalents at beginning of period	4,990,458	7,821,011
Cash and cash equivalents at end of period	\$ 7,109,072	3,880,850

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**As of September 30, 2019 and 2018 Reviewed only, not audited**  
**in accordance with generally accepted auditing standards**

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**September 30, 2019 and 2018**

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

**(1) Company history**

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

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

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

The consolidated financial statements of the Company as at and for the year ended September 30, 2019, 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 12, 2019.

(Continued)

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

**(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, 2019. The related new standards, interpretations and amendments are as follows (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” ):

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

- 1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(Continued)

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

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of other equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

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

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$2,174,129 thousand of right-of-use assets and \$1,684,460 thousand of lease liabilities respectively, but did not affect the retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.31%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<u><b>January 1, 2019</b></u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 1,505,323
Recognition exemption for:	
short-term leases and lease of low-value assets	(14,954)
Extension and termination options reasonably certain to be exercised	<u>669,810</u>
	<u><b>\$ 2,160,179</b></u>
Discounted using the incremental borrowing rate at January 1, 2019 (as well as lease liabilities recognized at January 1, 2019)	<u><b>\$ 1,684,460</b></u>

(Continued)

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020

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

**(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.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the 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, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
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 5)
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 5)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 5)
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 5)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Holding company	100.00 %	- %	- %	(note1) (note5)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	100.00 %	
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 5)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 5)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
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 5)
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	(note 5)
Primax Singapore	Primax Electronics (Thailand) Pte. Ltd. (Primax Thailand)	Manufacture and sale of computer peripheral devices and software	99.99 %	- %	- %	(note 1) (note 5)
Diamond	Tymphony Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	100.00 %	
TWEL	Tymphony Acoustic Technology (Huizhou) Co., Ltd (Tymphony Huizhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	71.43 %	71.43 %	71.43 %	(note 2)
Tymphony Huizhou	Tymphony Acoustic Technology HK Ltd. (TYM Acoustic HK)	Research and development, design, and sale of audio accessories, amplifiers and their components and holdings	100.00 %	100.00 %	100.00 %	
Tymphony Huizhou	Dongguan Tymphony Acoustic Technology Co., Ltd. (Tymphony Dongguan)	Manufacture, research and development, design and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
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	Tymphony 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 5)
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	Tymphony HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
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 %	37.00 %	(note 4) (note 6)
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	- %	100.00 %	100.00 %	(note 4) (note 6)
AIC	Advanced Micro Electronics Co., LTD. (AME)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	- %	100.00 %	100.00 %	(note 4) (note 6)
AIC	Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	- %	99.67 %	99.67 %	(note 4) (note 6)
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 %	100.00 %	(note 3) (note 4) (note 6)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	- %	100.00 %	100.00 %	(note 4) (note 6)

Note 1: The subsidiary was established in the third quarter of 2019.

Note 2: The subsidiary's former name was Premium Loudspeakers (Hui Zhou) Co., Ltd., which was renamed as Tymphany Acoustic Technology (Huizhou) Co., Ltd., based on the resolution approved during the special shareholders' meeting on December 11, 2018.

Note 3: In July 2018, ALT executed a capital increase, wherein ALT (Shanghai) had participated and invested the amount of CNY8,000, resulting in the shareholding of AIC and ALT (Shanghai) to decrease and increase to 70.55% and 29.45%, respectively. In August and November 2018, ALT executed another capital increase, wherein only AIC had participated and invested the amounts of USD1,000 and USD3,000, respectively, which resulted in the shareholding of AIC and ALT (Shanghai) to increase and decrease to 85.22% and 14.78%, respectively.

(Continued)

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

Note 4: In July 2019, AIC held an interim shareholders' meeting and re-elected its board members, wherein the Group did not obtain more than 50% of the voting rights of the board. As a result, the Group lost its control over AIC and its subsidiaries. Thereafter, the Group reclassified them from subsidiaries to investments accounted for using equity method.

Note 5: The company is a non-significant subsidiary, and its financial statements have not been reviewed.

Note 6: The company was a non-significant subsidiary as of December 31 and September 30, 2018, and its financial statements for the nine months ended September 30, 2018 have not been reviewed.

(c) **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. The Group recognizes any changes, proportionately with the shareholding ratio under capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

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 recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of its associate.

(d) **Lease (applicable from January 1, 2019)**

(i) **Identifying a lease**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(Continued)

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

- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
- the Group has the right to operate the asset and the supplier has no right to change the decision; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

(Continued)

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

(Continued)

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

(e) Income taxes

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

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

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

(f) Employee benefits

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

**(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, 2018. Please refer to note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Cash on hand	\$ 7,122	6,548	3,736
Demand accounts and checking deposits	2,855,440	3,911,783	2,358,515
Time deposits	<u>4,246,510</u>	<u>1,072,127</u>	<u>1,518,599</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u><u>\$ 7,109,072</u></u>	<u><u>4,990,458</u></u>	<u><u>3,880,850</u></u>

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

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

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

(i) Details of financial instruments were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
<b>Mandatorily measured at FVTPL:</b>			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 66,169	115,608	98,435
Foreign exchange swap contracts	33,644	-	-
	<u>\$ 99,813</u>	<u>115,608</u>	<u>98,435</u>
	September 30, 2019	December 31, 2018	September 30, 2018
<b>Financial liabilities held-for-trading:</b>			
Derivative instrument not used for hedging			
Forward exchange contracts	\$ (132,873)	(19,980)	(87,437)
Foreign exchange swap contracts	(18,231)	-	(75,453)
	<u>\$ (151,104)</u>	<u>(19,980)</u>	<u>(162,890)</u>

(ii) The Group held the following derivative instruments as held-for-trading financial assets, without the application of hedge accounting:

September 30, 2019			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 276,000	October 3, 2019~ March 19, 2020	30.498~31.492
Forward exchange contracts — buy TWD / sell USD	USD 286,000	October 3, 2019~ January 7, 2020	30.526~31.614
Forward exchange contracts — buy CNY/ sell USD	USD 162,900	October 8, 2019~ January 7, 2020	6.8806~7.178
Foreign exchange swap contracts — swap in USD/ swap out TWD	USD 145,000	October 4, 2019~ February 26, 2020	30.432~31.461
Foreign exchange swap contracts — swap in TWD / swap out USD	USD 25,000	January 7, 2020~ March 19, 2020	30.661~30.828

(Continued)

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

<b>December 31, 2018</b>			
<b>Derivative financial instruments</b>	<b>Nominal amount (in thousands)</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
Forward exchange contracts — buy USD / sell TWD	USD 167,000	January 7, 2019~ May 17, 2019	29.94~30.687
Forward exchange contracts — buy CNY / sell USD	USD 237,500	January 7, 2019~ May 17, 2019	6.8744~7.0017
Foreign exchange contracts — buy TWD / sell USD	USD 40,000	January 7, 2019~ January 18, 2019	30.525~30.7315
<b>September 30, 2018</b>			
<b>Derivative financial instruments</b>	<b>Nominal amount (in thousands)</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
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
Forward exchange swap contracts — swap in TWD / swap out USD	USD 45,000	October 11, 2018~ October 23, 2018	28.768~29.944

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

(c) Financial assets at FVOCI

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<b>Equity investments at FVOCI</b>			
Stocks listed in domestic markets—Global TEK	\$ -	232,737	270,541
Stocks unlisted in domestic markets—WK Technology Fund IV Ltd.	1,076	1,076	1,313
Stocks unlisted in domestic markets—Changing Information Technology Inc.	2,102	2,102	2,102
Stocks unlisted in domestic markets—Syntronix Corp.	49	49	49
Equities unlisted in foreign markets—Grove Ventures L.P.	48,426	27,660	24,441
Stocks unlisted in foreign markets—WK Global Investment III Ltd.	2,529	4,464	4,437
<b>Total</b>	<b>\$ 54,182</b>	<b>268,088</b>	<b>302,883</b>

(Continued)

## PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale.
  - (ii) The Group has sold 5,338 thousand shares held in Global TEK as a result of enhancing its working capital in the nine months ended September 30, 2019. The shares sold had a fair value of \$214,202 resulting in the Group to realize a loss of \$52,698, which has been included in its other equity interest, and later on transferred to retained earnings. No strategic investments were disposed in the nine months ended September 30, 2018.
  - (iii) WK Technology Fund IV Ltd. refunded the amount of \$691 to the Group due to its capital reduction in June 2018.
  - (iv) Grove Venture, L.P. executed capital increases, wherein the Group had participated and invested the amounts of \$17,556 and \$8,880 in the nine months ended September 30, 2019 and 2018, respectively.
  - (v) WK Global Investment III Ltd. refunded the amounts of \$2,016 and \$1,416 to the Group due to its capital reduction in June 2019 and June 2018, respectively.
  - (vi) The Group did not provide any of the aforementioned financial assets as collateral.
- (d) Notes and accounts receivable (including related parties)

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Notes receivable	\$ 14,517	288,156	274,786
Accounts receivable	23,690,139	16,139,779	17,728,431
Accounts receivable – related parties	128,491	539,820	422,292
Less: allowance for doubtful accounts	(42,905)	(45,467)	(143,944)
Total	<u><u>\$ 23,790,242</u></u>	<u><u>16,922,288</u></u>	<u><u>18,281,565</u></u>

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

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- (ii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables. 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, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	<b>September 30, 2019</b>		
	<b>Carrying amounts of notes and accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 22,619,898	0%	-
0 to 30 days past due	1,050,343	0%~3%	22,323
31 to 60 days past due	26,170	0%~5%	1,038
61 to 90 days past due	79,340	0%~10%	7,835
91 to 180 days past due	32,878	0%~25%	1,302
181 to 360 days past due	14,811	0%~80%	1,432
More than 361 days past due	9,707	0%~100%	8,975
	<b>\$ 23,833,147</b>		<b>42,905</b>
	<b>December 31, 2018</b>		
	<b>Carrying amounts of notes and accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 15,223,848	0%	-
0 to 30 days past due	1,466,038	0%~3%	19,830
31 to 60 days past due	57,440	0%~5%	652
61 to 90 days past due	61,145	0%~10%	198
91 to 180 days past due	106,835	0%~25%	388
181 to 360 days past due	14,245	0%~80%	1,419
More than 361 days past due	38,204	0%~100%	22,980
	<b>\$ 16,967,755</b>		<b>45,467</b>

(Continued)

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

	<b>September 30, 2018</b>		
	<b>Carrying amounts of notes and accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 16,601,458	0%	-
0 to 30 days past due	1,419,141	0%~3%	28,335
31 to 60 days past due	131,380	0%~5%	2,147
61 to 90 days past due	99,772	0%~10%	2,903
91 to 180 days past due	42,013	0%~25%	8,678
181 to 360 days past due	44,359	0%~80%	27,336
More than 361 days past due	<u>87,386</u>	0%~100%	<u>74,545</u>
	<u><b>\$ 18,425,509</b></u>		<u><b>143,944</b></u>

- (iii) The movement in the allowance for notes and accounts receivable (including related parties) was as follows:

	<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1, 2019 and 2018	\$ 45,467	127,640
Impairment losses recognized	16,424	9,517
Acquisition from business combination	-	7,588
Disposal of subsidiaries	(14,861)	-
Amounts written off	(4,220)	(3,000)
Effect of exchange rate changes	<u>95</u>	<u>2,199</u>
Balance at September 30, 2019 and 2018	<u><b>\$ 42,905</b></u>	<u><b>143,944</b></u>

- (iv) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group 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. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of September 30, 2019, December 31 and September 30, 2018, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

(Continued)

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

September 30, 2019						
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
HSBC Bank	-	-	-	-	-	US\$ 13,500
Bank of Taiwan	-	-	-	-	-	NT\$ 130,000
EnTie Bank	201,363	-	-	201,363	-	-
	<u>\$ 201,363</u>	<u>-</u>	<u>-</u>	<u>201,363</u>		
December 31, 2018						
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
HSBC Bank	-	-	-	-	-	US\$ 13,500
Bank of Taiwan	-	-	-	-	-	NT\$ 130,000
EnTie Bank	152,127	-	-	152,127	-	-
	<u>\$ 152,127</u>	<u>-</u>	<u>-</u>	<u>152,127</u>		
September 30, 2018						
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
HSBC Bank	-	-	-	-	-	US\$ 13,500
EnTie Bank	213,608	-	-	213,608	-	-
	<u>\$ 213,608</u>	<u>-</u>	<u>-</u>	<u>213,608</u>		

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

(e) Inventories

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials	\$ 3,039,860	2,185,662	2,731,619
Semi-finished goods and work in process	3,126,619	1,536,356	2,007,874
Finished goods and merchandise	4,056,367	4,038,315	3,098,462
	<u>\$ 10,222,846</u>	<u>7,760,333</u>	<u>7,837,955</u>

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

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Losses on inventory valuation	\$ (104,182)	(51,198)	(84,780)	(105,202)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(892)	(2,713)	(7,750)	(26,963)
Losses on disposal of inventories	(71,037)	(6,465)	(99,968)	(8,627)
Gains on physical inventories	<u>3,074</u>	<u>5,652</u>	<u>6,891</u>	<u>9,569</u>
	<u>\$ (173,037)</u>	<u>(54,724)</u>	<u>(185,607)</u>	<u>(131,223)</u>

(f) 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:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Carrying amount of individually insignificant associates' equity	\$ 904,011	(236)	(231)
Credit balance of long-term investment reclassified as other non-current liabilities	<u>-</u>	<u>236</u>	<u>231</u>
Total	<u>\$ 904,011</u>	<u>-</u>	<u>-</u>

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Attributable to the Group:				
Loss	\$ (24,907)	-	(24,907)	(16,753)
Other comprehensive income	<u>(3,603)</u>	<u>-</u>	<u>(3,603)</u>	<u>-</u>
Comprehensive income	<u>\$ (28,510)</u>	<u>-</u>	<u>(28,510)</u>	<u>(16,753)</u>

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

The Group acquired 37% shares of Belfast Limited (renamed as AIC after the acquisition), 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 January 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(g). In July 2019, the Group lost its control over AIC, but retained its significant influence. Thereafter, AIC was reclassified from subsidiaries to investments accounted for using equity method. Please refer to note 6(h).

As of December 31 and September 30, 2018, the Group's investment accounting for using equity method was 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 has 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 by auditors.

(g) Business combination

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 acquisition), 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.

(i) 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.

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

- (ii) According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date. Therefore, the Group evaluated the fair value and useful lives of intangible assets at the time of acquisition. As of the reporting date, the Group 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:

<u>Items</u>	<u>Amount</u>
Consideration transferred	
Fair value of shares in company	\$ 1,359,015
Contingent consideration	57,751
Fair value of non – controlling interest	<u>1,433,951</u>
	<u>2,850,717</u>
Fair value of identifiable assets acquired and liabilities assumed	
Cash	379,844
Notes and accounts receivable	662,180
Inventories	377,767
Other current assets	89,090
Property, plant and equipment	448,201
Intangible assets	1,337,933
Deferred tax assets	29,829
Other non – current assets	61,433
Short-term borrowings	(223,605)
Notes and accounts payable	(314,429)
Other current liabilities	(62,790)
Deferred tax liabilities	(313,221)
Other non – current liabilities	(195,302)
Non – controlling interest	<u>(817)</u>
Identifiable net assets	<u>2,276,113</u>
Goodwill	<u>\$ 574,604</u>

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

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

(h) Loss control of subsidiaries

In July 2019, AIC held an interim shareholders' meeting and re-elected its directors, wherein the Group did not obtain more than 50% of its board of directors' voting rights. Therefore, the Group lost its control over AIC, but still retained significant influence. Thereafter, AIC and its subsidiaries were no longer included in the Group's consolidated financial statements; hence, they were reclassified to investments accounted for using the equity method. Due to the loss of its control over AIC, the Group remeasured its 37% shares in AIC amounting to \$932,522 at fair value, resulting in a revaluation loss of \$279,377 to be recognized in July 2019. Additionally, the Group reclassified the exchange differences on translation of foreign operation's financial statements of \$4,071 from other equity interest to other income. The Group recorded the net losses of its disposals amounting to \$275,306 under other gains and losses.

The carrying amount of assets and liabilities of AIC and its subsidiaries on July 2019 were as follow:

Cash	\$ 131,285
Notes and accounts receivable	685,683
Inventories	243,977
Other current assets	83,045
Property, plant and equipment	460,424
Intangible assets	1,763,938
Deferred tax assets	29,774
Right-of-use assets	131,996
Other non-current assets	31,029
Short-term borrowings	(235,707)
Notes and accounts payable	(201,424)
Other current liabilities	(83,485)
Deferred tax liabilities	(273,288)
Lease liabilities	(93,980)
Other non-current liabilities	(216,309)
Non-controlling interest	(453)
Carrying amount of net assets	<u><u>\$ 2,456,505</u></u>

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

(i) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2019	December 31, 2018	September 30, 2018
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	28.57 %	28.57 %
AIC and its subsidiaries	China and U.S.A./Cayman Is.	- %	63 %	63 %

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

(i) Tymphany Huizhou and its subsidiaries's collective financial information:

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 21,514,942	12,801,027	13,358,820
Non-current assets	6,220,830	4,029,482	3,570,406
Current liabilities	(19,324,349)	(9,594,008)	(10,101,517)
Non-current liabilities	(949,235)	(76,753)	(84,013)
Net assets	<u>\$ 7,462,188</u>	<u>7,159,748</u>	<u>6,743,696</u>
Non-controlling interests	<u>\$ 2,131,790</u>	<u>2,045,390</u>	<u>1,926,532</u>

  

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Operating revenue	<u>\$ 13,755,178</u>	<u>8,630,023</u>	<u>26,548,163</u>	<u>17,799,426</u>
Profit	\$ 542,438	285,529	559,137	341,110
Other comprehensive income (loss)	(164,962)	(71,737)	(118,693)	(70,581)
Comprehensive income	<u>\$ 377,476</u>	<u>213,792</u>	<u>440,444</u>	<u>270,529</u>
Profit attributable to non-controlling interests	<u>\$ 154,963</u>	<u>110,505</u>	<u>159,734</u>	<u>129,158</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 107,714</u>	<u>89,953</u>	<u>125,709</u>	<u>108,994</u>

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

		For the nine months ended September 30	
		2019	2018
Cash flows used in operating activities	\$	(2,002,979)	(1,284,742)
Cash flows used in investing activities		(1,630,771)	(474,366)
Cash flows from financing activities		3,525,886	1,047,119
Effect of exchange rate changes		(68,884)	(82,156)
Net decrease in cash and cash equivalents	\$	<u>(176,748)</u>	<u>(794,145)</u>
Dividends paid to non-controlling interests	\$	<u>42,152</u>	<u>-</u>

(ii) AIC and its subsidiaries' collective financial information:

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ -	1,224,400	1,342,140
Non-current assets	-	2,364,796	2,296,725
Current liabilities	-	(451,162)	(537,087)
Non-current liabilities	-	(502,642)	(455,669)
Net assets	\$ <u>-</u>	<u>2,635,392</u>	<u>2,646,109</u>
Non-controlling interests	\$ <u>-</u>	<u>1,298,907</u>	<u>1,366,022</u>

	For the month ended July 31, 2019	For the three months ended September 30, 2018	For the seven months ended July 31, 2019	For the four months ended September 30, 2018
Operating revenue	\$ <u>53,324</u>	<u>203,990</u>	<u>418,666</u>	<u>279,402</u>
Loss	\$ (24,222)	(89,870)	(187,693)	(110,761)
Other comprehensive income (loss)	-	(15,332)	8,725	(7,128)
Comprehensive loss	\$ <u>(24,222)</u>	<u>(105,202)</u>	<u>(178,968)</u>	<u>(117,889)</u>
Loss attributable to non-controlling interests	\$ <u>(15,282)</u>	<u>(56,770)</u>	<u>(118,410)</u>	<u>(69,879)</u>
Comprehensive loss attributable to non-controlling interests	\$ <u>(17,966)</u>	<u>(66,338)</u>	<u>(114,899)</u>	<u>(74,088)</u>

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

	<b>For the seven months ended July 31, 2019</b>	<b>For the four months ended September 30, 2018</b>
Cash flows from (used in) operating activities	\$ (52,216)	4,191
Cash flows used in investing activities	(116,807)	(98,105)
Cash flows from (used in) financing activities	72,567	(39,989)
Effect of exchange rate changes	6,570	(2,688)
Net decrease in cash and cash equivalents	<u>\$ (89,886)</u>	<u>(136,591)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(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, 2019 and 2018, were as follows:

	<b>Land</b>	<b>Buildings, leasehold improvement, and additional equipment</b>	<b>Machinery and equipment</b>	<b>Office and other equipment</b>	<b>Construction in progress and testing equipment</b>	<b>Government grants</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2019	\$ 229,801	4,338,669	6,925,443	770,043	566,140	-	12,830,096
Additions	-	52,027	658,352	602,019	1,594,667	-	2,907,065
Disposals	-	(40,849)	(523,622)	(14,985)	(1,174)	-	(580,630)
Reclassifications	-	89,865	785,162	10,779	(959,627)	-	(73,821)
Disposals of subsidiaries	(95,100)	(251,649)	(152,682)	(51,256)	(40,372)	-	(591,059)
Effect of changes in exchange rate	-	(79,724)	(237,680)	(36,260)	(46,303)	-	(399,967)
Balance on September 30, 2019	<u>\$ 134,701</u>	<u>4,108,339</u>	<u>7,454,973</u>	<u>1,280,340</u>	<u>1,113,331</u>	<u>-</u>	<u>14,091,684</u>
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	<u>\$ 229,801</u>	<u>4,228,103</u>	<u>6,488,250</u>	<u>722,522</u>	<u>476,582</u>	<u>(2,221)</u>	<u>12,143,037</u>

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

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2019	\$ -	1,977,887	4,859,380	483,293	-	-	7,320,560
Depreciation	-	198,786	848,021	106,853	-	-	1,153,660
Disposals	-	(40,185)	(496,456)	(14,305)	-	-	(550,946)
Reclassifications	-	(58)	1,412	(5,682)	-	-	(4,328)
Disposals of subsidiaries	-	(37,809)	(54,638)	(38,188)	-	-	(130,635)
Effect of changes in exchange rate	-	(41,017)	(112,288)	(12,341)	-	-	(165,646)
Balance on September 30, 2019	<u>\$ -</u>	<u>2,057,604</u>	<u>5,045,431</u>	<u>519,630</u>	<u>-</u>	<u>-</u>	<u>7,622,665</u>
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	<u>\$ -</u>	<u>1,918,093</u>	<u>4,787,280</u>	<u>471,919</u>	<u>-</u>	<u>(2,221)</u>	<u>7,175,071</u>
<b>Carrying amounts:</b>							
Balance on January 1, 2019	<u>\$ 229,801</u>	<u>2,360,782</u>	<u>2,066,063</u>	<u>286,750</u>	<u>566,140</u>	<u>-</u>	<u>5,509,536</u>
Balance on September 30, 2019	<u>\$ 134,701</u>	<u>2,050,735</u>	<u>2,409,542</u>	<u>760,710</u>	<u>1,113,331</u>	<u>-</u>	<u>6,469,019</u>
Balance on January 1, 2018	<u>\$ 134,701</u>	<u>1,978,402</u>	<u>1,713,476</u>	<u>197,316</u>	<u>413,789</u>	<u>-</u>	<u>4,437,684</u>
Balance on September 30, 2018	<u>\$ 229,801</u>	<u>2,310,010</u>	<u>1,700,970</u>	<u>250,603</u>	<u>476,582</u>	<u>-</u>	<u>4,967,966</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$2,263,307, \$821,213 and \$642,114 as of September 30, 2019, December 31 and September 30, 2018, respectively.

(ii) The Group lost its control over AIC, resulting in its property, plant and equipment to be derecognized in July 2019. Please refer to note 6(h).

(iii) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.

(k) Right-of-use assets

The Group leases many assets including land, buildings and vehicles. Information about leases for which the Group as a lessee is presented below:

	Land	Buildings	Vehicles	Other equipment	Total
<b>Cost:</b>					
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	435,567	1,729,293	9,269	-	2,174,129
Additions	-	27,978	8,290	10,129	46,397
Disposals	-	(45,777)	-	-	(45,777)
Disposals of subsidiaries	(39,374)	(103,760)	-	-	(143,134)
Effect of changes in exchange rates	(7,540)	(24,740)	(181)	(23)	(32,484)
Balance on September 30, 2019	<u>\$ 388,653</u>	<u>1,582,994</u>	<u>17,378</u>	<u>10,106</u>	<u>1,999,131</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
<b>Depreciation and impairment loss:</b>					
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation	8,209	220,047	6,367	7,857	242,480
Disposals of subsidiaries	(464)	(10,673)	-	-	(11,137)
Effect of changes in exchange rates	(280)	(4,564)	(101)	(12)	(4,957)
Balance on September 30, 2019	<u>\$ 7,465</u>	<u>204,810</u>	<u>6,266</u>	<u>7,845</u>	<u>226,386</u>
<b>Carrying amounts:</b>					
Balance on September 30, 2019	<u>\$ 381,188</u>	<u>1,378,184</u>	<u>11,112</u>	<u>2,261</u>	<u>1,772,745</u>

In July 2019, the Group lost its control over AIC, and derecognized its right-of-use assets; Please refer to note 6(h).

(l) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
<b>Carrying amounts:</b>			
Balance on January 1, 2019	<u>\$ 16,249</u>	<u>18,502</u>	<u>34,751</u>
Balance on September 30, 2019	<u>\$ 16,249</u>	<u>18,155</u>	<u>34,404</u>
Balance on January 1, 2018	<u>\$ 16,249</u>	<u>18,965</u>	<u>35,214</u>
Balance on September 30, 2018	<u>\$ 16,249</u>	<u>18,618</u>	<u>34,867</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the nine months ended September 30, 2019 and 2018. Please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2018 for other further information.
- (ii) The fair value of the investment property was not significantly different from those disclosed in the note 6(l) of the consolidated financial statements for the year ended December 31, 2018.
- (iii) The Group did not provide any of the aforementioned investment property as collateral.

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

(m) Intangible assets

The carrying amounts of the intangible assets of the Group for the nine months ended September 30, 2019 and 2018, were as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
<b>Cost or deemed cost:</b>					
Balance on January 1, 2019	\$ 2,612,461	1,099,859	1,383,197	121,797	5,217,314
Acquisition	-	-	513	373	886
Disposals of subsidiaries	(574,604)	(381,059)	(1,029,394)	-	(1,985,057)
Effect of changes in exchange rate	1,682	-	2,955	1,371	6,008
Balance on September 30, 2019	<u>\$ 2,039,539</u>	<u>718,800</u>	<u>357,271</u>	<u>123,541</u>	<u>3,239,151</u>
Balance on January 1, 2018	\$ 2,025,495	718,800	419,300	121,986	3,285,581
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	<u>\$ 2,608,574</u>	<u>1,326,188</u>	<u>1,105,699</u>	<u>121,986</u>	<u>5,162,447</u>
<b>Amortization and impairment loss:</b>					
Balance on January 1, 2019	\$ -	379,889	265,449	107,997	753,335
Amortization	-	76,138	88,956	3,662	168,756
Disposals of subsidiaries	-	(44,457)	(176,662)	-	(221,119)
Effect of changes in exchange rate	-	-	312	-	312
Balance on September 30, 2019	<u>\$ -</u>	<u>411,570</u>	<u>178,055</u>	<u>111,659</u>	<u>701,284</u>
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	<u>\$ -</u>	<u>354,876</u>	<u>217,695</u>	<u>106,478</u>	<u>679,049</u>
<b>Carrying amounts:</b>					
Balance on January 1, 2019	\$ 2,612,461	719,970	1,117,748	13,800	4,463,979
Balance on September 30, 2019	<u>\$ 2,039,539</u>	<u>307,230</u>	<u>179,216</u>	<u>11,882</u>	<u>2,537,867</u>
Balance on January 1, 2018	\$ 2,025,495	433,019	252,594	19,080	2,730,188
Balance on September 30, 2018	<u>\$ 2,608,574</u>	<u>971,312</u>	<u>888,004</u>	<u>15,508</u>	<u>4,483,398</u>

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

- (i) The Group lost its control over AIC, resulting in its intangible assets to be derecognized in July 2019. Please refer to note 6(h).
- (ii) For the intangible assets identified from the acquisition of AIC and its subsidiaries in June 2018, please refer to note 6(g).
- (iii) The Group did not provide any of the aforementioned intangible assets as collateral.
- (n) Short-term borrowings

The details were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank loans	\$ 8,315,240	1,137,565	2,265,709
Secured bank loans	-	65,000	100,551
Short-term borrowings	<u>\$ 8,315,240</u>	<u>1,202,565</u>	<u>2,366,260</u>
Unused credit lines	<u>\$ 13,979,053</u>	<u>21,333,665</u>	<u>17,942,101</u>
Annual interest rates	<u>0.60%~4.02%</u>	<u>0.85%~4.02%</u>	<u>0.85%~3.85%</u>

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

- (o) Long-term borrowings

September 30, 2019				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%	2020	\$ 27,778
Less: current portion				(27,778)
				\$ -
Unused credit lines				\$ -
December 31, 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	223,230
Less: current portion				(67,548)
				\$ 239,015
Unused credit lines				\$ -

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

**September 30, 2018**

	<b>Currency</b>	<b>Annual interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
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)
				<u>\$ 234,032</u>
Unused credit lines				<u>\$ -</u>

- (i) Pursuant to the loan agreements with CTBC Bank, the Group has to maintain the following financial ratios calculated based on the Group'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 Group violates the financial covenants, the banks have the right to charge a default penalty or to require the Group to improve its financial ratios.

The Group 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.

- (p) Lease liabilities

	<b>September 30, 2019</b>
Current	<u>\$ 240,091</u>
Non-current	<u>\$ 1,149,447</u>

For the maturity analysis, please refer to note (aa).

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended September 30, 2019</b>	<b>For the nine months ended September 30, 2019</b>
Interest on lease liabilities	<u>\$ 16,343</u>	<u>\$ 52,011</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 11,017</u>	<u>\$ 43,889</u>

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

The amounts recognized in the statement of cash flows for the Group were as follows:

	<b>For the nine months ended September 30, 2019</b>
Rental paid in operating activities	\$ (43,889)
Interest on lease liabilities paid in operating activities	(52,011)
Payment made on lease liabilities in financing activities	<u>(189,220)</u>
Total cash outflow for leases	<u><u>\$ (285,120)</u></u>

(i) Real estate leases

As of September 30, 2019, the Group leases lands and buildings for its office, staff dormitory, factory facilities and warehouses. The leases typically run for a period between two and fifty years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

The Group leases vehicles with lease terms of one to five years.

The Group also leases machinery and some of the other equipment with lease terms of one to five years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(q) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable were as follows:

	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Less than one year	\$ 305,577	330,884
Between one and five years	800,680	854,051
More than five years	<u>399,066</u>	<u>444,223</u>
	<u><u>\$ 1,505,323</u></u>	<u><u>1,629,158</u></u>

The Group leases a number of offices and warehouses and pieces of equipment under operating leases. The lease terms are between 1 and 17 years.

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

(ii) Lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(l) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Less than one year	\$ 1,977	1,758	1,800
Between one and two years	105	488	137
Total undiscounted lease payments	<u>\$ 2,082</u>	<u>2,246</u>	<u>1,937</u>

(r) 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, 2018 and 2017.

(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	
	2019	2018	2019	2018
Defined benefit plans	\$ 338	428	1,015	1,284
Defined contribution plans	133,399	94,029	335,541	272,249
Total	<u>\$ 133,737</u>	<u>94,457</u>	<u>336,556</u>	<u>273,533</u>

(s) 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.

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

- (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	
	2019	2018	2019	2018
Income tax expense	\$ <u>263,224</u>	<u>119,962</u>	<u>457,885</u>	<u>319,068</u>

- (iii) There were no income tax recognized in equity or other comprehensive income.
- (iv) The Company's income tax returns have been examined by the tax authority through the years to 2016.
- (t) 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, 2019 and 2018. For the related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2018.

- (i) Ordinary shares

As of September 30, 2019, December 31 and September 30, 2018, the nominal ordinary shares amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 446,761, 447,452 and 447,715 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	
	2019	2018
Balance on January 1	447,452	445,688
Exercise of employee stock options	-	128
Issuance of restricted stock	-	2,000
Retirement of restricted stock	(691)	(101)
Balance on September 30	<u>446,761</u>	<u>447,715</u>

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Additional paid-in capital	\$ 662,230	609,303	609,303
Employee stock options	259,401	259,401	232,656
Restricted employee stock options	94,773	150,548	171,724
Long-term investment	<u>364,757</u>	<u>357,825</u>	<u>362,018</u>
	<u><u>\$ 1,381,161</u></u>	<u><u>1,377,077</u></u>	<u><u>1,375,701</u></u>

(iii) Retained earnings

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

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

On June 18, 2019 and May 30, 2018, the shareholders' meeting resolved to distribute the Company's 2018 and 2017 earnings at a price of NT\$2.4 and NT\$3.2 (dollars) per share amounting to \$1,072,341 and \$1,430,068, respectively.

(u) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the nine months ended September 30, 2019 and 2018. Please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2018 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 and 900 thousand shares on January 31, and August 10, 2018, respectively.

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

After the shareholders' meeting on June 18, 2019, 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.

Expenses attributable to share-based payment were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Expenses attributable to employee stock options	\$ 4,499	2,110	9,776	6,180
Restricted stock	12,250	20,690	42,838	73,994
Total	<u>\$ 16,749</u>	<u>22,800</u>	<u>52,614</u>	<u>80,174</u>

(v) 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	
	2019	2018	2019	2018
Profit attributable to owners of parent	<u>\$ 763,920</u>	<u>664,548</u>	<u>1,532,775</u>	<u>1,355,745</u>
Weighted-average number of ordinary shares (thousand shares)	<u>444,532</u>	<u>443,142</u>	<u>444,365</u>	<u>442,812</u>
Basic earnings per share (NT dollars)	<u>\$ 1.72</u>	<u>1.50</u>	<u>3.45</u>	<u>3.06</u>

(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Profit attributable to owners of parent	<u>\$ 763,920</u>	<u>664,548</u>	<u>1,532,775</u>	<u>1,355,745</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>447,290</u>	<u>445,229</u>	<u>447,429</u>	<u>445,571</u>
Diluted earnings per share (NT dollars)	<u>\$ 1.71</u>	<u>1.49</u>	<u>3.43</u>	<u>3.04</u>

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

Weighted-average number of ordinary shares (diluted) (thousand shares)

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Weighted-average number of ordinary				
shares on September 30 (basic)	444,532	443,142	444,365	442,812
Effect of employee stock options	-	-	-	17
Estimated effect of employee stock				
bonuses	953	476	1,314	1,180
Effect of restricted stock	<u>1,805</u>	<u>1,611</u>	<u>1,750</u>	<u>1,562</u>
Weighted-average number of ordinary				
shares on September 30 (diluted)	<u><b>447,290</b></u>	<u><b>445,229</b></u>	<u><b>447,429</b></u>	<u><b>445,571</b></u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

<b>For the three months ended September 30, 2019</b>			
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Goods sold	\$ 5,872,596	18,689,379	24,561,975
Service rendered	<u>54,443</u>	<u>674,151</u>	<u>728,594</u>
	<u><b>\$ 5,927,039</b></u>	<u><b>19,363,530</b></u>	<u><b>25,290,569</b></u>
<b>For the three months ended September 30, 2018</b>			
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Goods sold	\$ 5,909,746	13,093,111	19,002,857
Service rendered	<u>54,847</u>	<u>550,120</u>	<u>604,967</u>
	<u><b>\$ 5,964,593</b></u>	<u><b>13,643,231</b></u>	<u><b>19,607,824</b></u>
<b>For the nine months ended September 30, 2019</b>			
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Goods sold	\$ 16,605,404	36,783,911	53,389,315
Service rendered	<u>176,959</u>	<u>2,069,698</u>	<u>2,246,657</u>
	<u><b>\$ 16,782,363</b></u>	<u><b>38,853,609</b></u>	<u><b>55,635,972</b></u>

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

	<u>For the nine months ended September 30, 2018</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 15,901,421	28,830,214	44,731,635
Service rendered	169,892	1,387,729	1,557,621
	<u>\$ 16,071,313</u>	<u>30,217,943</u>	<u>46,289,256</u>
	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Mainland China	\$ 9,068,131	6,382,873	21,556,515
Europe	8,148,335	6,010,683	16,002,962
America	7,948,323	6,538,780	15,859,276
Other	125,780	675,488	2,217,219
	<u>\$ 25,290,569</u>	<u>19,607,824</u>	<u>55,635,972</u>
			<u>46,289,256</u>

(ii) Contract balances

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes and accounts receivable (including related parties)	\$ 23,833,147	16,967,755	18,425,509
Less: allowance for impairment	(42,905)	(45,467)	(143,944)
	<u>\$ 23,790,242</u>	<u>16,922,288</u>	<u>18,281,565</u>
Contract liabilities (classified as other current liabilities)	<u>\$ 126,887</u>	<u>106,018</u>	<u>108,383</u>

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

The amount of revenue recognized for the nine months ended September 30, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$68,366 and \$51,266, respectively.

The contract liabilities primarily relate to the advance consideration received from contracts with goods sold, for which revenue is recognized when products are delivered to customers.

(Continued)

# PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (x) Employee's 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, 2019 and 2018 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Employee remuneration	\$ 28,277	23,263	56,312	46,806
Directors' remuneration	14,139	11,632	28,156	23,537
	<u>\$ 42,416</u>	<u>34,895</u>	<u>84,468</u>	<u>70,343</u>

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

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2018 and 2017 were as follows:

	2018		
	Actual earnings distributed	Accrued in the financial statement	Difference
Employee remuneration—Cash	\$ 64,430	64,439	9
Director's remuneration	32,200	32,219	19
	2017		
	Actual earnings distributed	Accrued in the financial statement	Difference
Employee remuneration—Cash	\$ 68,260	68,182	(78)
Director's remuneration	34,000	34,094	94

The differences were accounted for as changes in accounting estimates and recognized as profit or loss in the year 2019 and 2018. Information about the remuneration to employees and directors approved in the board of directors' meetings can be accessed in the Market Observation Post System website.

(Continued)

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

(y) Other income

The details of other income were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest income from bank deposits	\$ 39,488	31,108	142,644	92,971
Rent income	414	405	1,393	2,572
Dividend income	214	13,437	214	13,437
Other	769	1,060	1,798	1,856
	<b>\$ 40,885</b>	<b>46,010</b>	<b>146,049</b>	<b>110,836</b>

(z) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net losses on financial assets/liabilities measured at FVTPL	\$ (46,804)	(40,575)	(39,545)	(40,319)
Foreign currency exchange gains, net	148,205	85,247	300,156	212,380
Net gains (losses) on disposals of property, plant and equipment	4,347	(1,911)	3,880	(7,283)
Losses on disposals of investments	(275,306)	-	(275,306)	-
Other	159,555	32,942	248,947	135,393
	<b>\$ (10,003)</b>	<b>75,703</b>	<b>238,132</b>	<b>300,171</b>

(aa) 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(ab) of the consolidated financial statements for the year ended December 31, 2018 for further information.

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

(i) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
<b>September 30, 2019</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 8,315,240	8,340,314	8,340,314	-	-	-
Notes and accounts payable	22,538,749	22,538,749	22,538,749	-	-	-
Other payables	2,651,134	2,651,134	2,651,134	-	-	-
Lease liabilities	1,389,538	1,750,478	278,141	243,787	561,694	666,856
Refund liabilities	1,302,795	1,302,795	1,302,795	-	-	-
Long-term borrowings	27,778	27,916	27,916	-	-	-
Guarantee deposits	206,456	206,456	-	-	-	206,456
Derivative financial liabilities:	151,104	-	-	-	-	-
Outflow	-	5,976,506	5,976,506	-	-	-
Inflow	-	(5,854,373)	(5,854,373)	-	-	-
	<u>\$ 36,582,794</u>	<u>36,939,975</u>	<u>35,261,182</u>	<u>243,787</u>	<u>561,694</u>	<u>873,312</u>
<b>December 31, 2018</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 1,202,565	1,205,383	1,205,383	-	-	-
Notes and accounts payable	18,447,564	18,447,564	18,447,564	-	-	-
Accounts payable to related parties	94,106	94,106	94,106	-	-	-
Other payables	2,587,626	2,587,626	2,587,626	-	-	-
Refund liabilities	1,094,833	1,094,833	1,094,833	-	-	-
Long-term borrowings	306,563	335,525	72,318	44,934	79,985	138,288
Guarantee deposits	188,053	188,053	-	-	-	188,053
Derivative financial liabilities:	19,980	-	-	-	-	-
Outflow	-	1,183,951	1,183,951	-	-	-
Inflow	-	(1,166,359)	(1,166,359)	-	-	-
	<u>\$ 23,941,290</u>	<u>23,970,682</u>	<u>23,519,422</u>	<u>44,934</u>	<u>79,985</u>	<u>326,341</u>
<b>September 30, 2018</b>						
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	71,624	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)	-	-	-
	<u>\$ 24,641,730</u>	<u>24,677,675</u>	<u>24,225,924</u>	<u>44,239</u>	<u>71,524</u>	<u>335,988</u>

(Continued)

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

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, 2019			December 31, 2018			September 30, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>									
<b>Monetary items</b>									
USD: CNY	\$	7.0729	23,581,732		6.8632	21,319,228		6.8792	18,023,840
USD: HKD		7.8413	15,713,022		7.8329	10,620,661		7.8177	8,501,606
USD: TWD		31.0420	11,340,092		30.7330	10,068,493		30.5510	10,239,352
EUR: CZK		25.8988	103,999		25.8382	939,038		25.6874	559,350
<b>Financial liabilities</b>									
<b>Monetary items</b>									
USD: CNY		7.0729	18,519,288		6.8632	14,090,776		6.8792	13,371,362
USD: HKD		7.8413	15,219,887		7.8329	10,686,902		7.8177	8,190,205
USD: TWD		31.0420	12,754,403		30.7330	11,717,967		30.551	11,749,804
EUR: CZK		25.8988	437,503		25.8382	435,470		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 and HKD against the USD as well as CZK against the EUR as of September 30, 2019 and 2018, would have increased or decreased the net profit before tax by \$190,388 and \$179,901, 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, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to \$148,205, \$85,247, \$300,156 and \$212,380, respectively.

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

(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 decreased or increased by \$2,217 and increased or decreased by \$2,445 for the nine months ended September 30, 2019 and 2018, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

(iv) Other price risk:

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

	<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Price of securities at the reporting date</b>	<b>Other comprehensive income before tax</b>	<b>Other comprehensive income before tax</b>
Increasing 10%	\$ -	27,054
Decreasing 10%	\$ -	(27,054)

(Continued)

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

(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 lease liabilities, disclosure of fair value information is not required:

September 30, 2019					
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ 99,813</b>	-	-	99,813	99,813
<b>Financial assets at FVOCI– non-current</b>	<b>\$ 54,182</b>	-	-	54,182	54,182
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	\$ 7,109,072				
Notes and accounts receivable (including related parties)	23,790,242				
Other receivables	884,688				
Refundable deposits	113,879				
Total	<b>\$ 31,897,881</b>				
<b>Financial liabilities at FVTPL– current</b>	<b>\$ 151,104</b>	-	-	151,104	151,104
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 8,343,018				
Notes and accounts payable (including related parties)	22,538,749				
Other payables	3,690,921				
Salaries payable	1,155,142				
Lease liabilities	1,389,538				
Refund liabilities	1,302,795				
Guarantee deposits	206,456				
Total	<b>\$ 38,626,619</b>				

(Continued)

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

		December 31, 2018			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL—current</b>	<u>\$ 115,608</u>	-	-	115,608	115,608
<b>Financial assets at FVOCI— non-current</b>	<u>\$ 268,088</u>	232,737	-	35,351	268,088
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 4,990,458				
Notes and accounts receivable (including related parties)	16,922,288				
Other receivables	1,040,546				
Refundable deposits	<u>61,932</u>				
Total	<u>\$ 23,015,224</u>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 19,980</u>	-	-	19,980	19,980
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 1,509,128				
Notes and accounts payable (including related parties)	18,541,670				
Other payables	3,604,860				
Salaries payable	1,154,205				
Refund liabilities	1,094,833				
Guarantee deposits	<u>188,053</u>				
Total	<u>\$ 26,092,749</u>				
		September 30, 2018			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<u>\$ 98,435</u>	-	-	98,435	98,435
<b>Financial assets at FVOCI— non-current</b>	<u>\$ 302,883</u>	270,541	-	32,342	302,883
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 3,880,850				
Notes and accounts receivable (including related parties)	18,281,565				
Other receivables	902,397				
Refundable deposits	<u>172,163</u>				
Total	<u>\$ 23,236,975</u>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 162,890</u>	-	-	162,890	162,890

(Continued)

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

		September 30, 2018				
		Carrying amounts	Fair Value			
			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 (including related parties)		90,076				
Other payables		2,886,825				
Salaries payable		1,010,789				
Refund liabilities		956,197				
Guarantee deposits		193,919				
Total	\$	<u>26,310,119</u>				

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

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

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

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

- a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.
- b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and adjusted for the lack of liquidity. When prices are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

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

3) Transfers between Level 1 and Level 3

The Group holds an investment in equity shares of Global TEK, which is classified as FVOCI, with a fair value of \$232,737 and \$270,541 on December 31 and September 30, 2018, respectively. 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, 2019			For the nine months ended September 30, 2018		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
<b>Balance on January 1</b>	\$ 95,628	35,351	130,979	38,044	402,997	441,041
Recognized in profit or loss	(39,545)	-	(39,545)	(40,319)	-	(40,319)
Recognized in other comprehensive income	-	3,291	3,291	-	(16,523)	(16,523)
Acquisition /disposal	(107,374)	15,540	(91,834)	(62,180)	6,773	(55,407)
Transfer out of Level 3	-	-	-	-	(360,905)	(360,905)
<b>Balance on September 30</b>	<b>\$ (51,291)</b>	<b>54,182</b>	<b>2,891</b>	<b>(64,455)</b>	<b>32,342</b>	<b>(32,113)</b>

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 – equity securities. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial assets at FVOCI – 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.

(Continued)

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

(ab) Financial risk management

The Group's objectives and policies on financial risk management are consistent with note 6(ac) of the consolidated financial statements for the year ended December 31, 2018.

(ac) 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, 2018. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to note 6(ad) of the consolidated financial statements for the year ended December 31, 2018 for further details.

(ad) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>September 30, 2019</b>
Short-term borrowings	\$ 1,202,565	7,348,382	(235,707)	8,315,240
Long-term borrowings	306,563	(62,526)	(216,259)	27,778
Lease liabilities	1,684,460	(189,220)	(105,702)	1,389,538
Total liabilities from financing activities	<u>\$ 3,193,588</u>	<u>7,096,636</u>	<u>(557,668)</u>	<u>9,732,556</u>
	<b>January 1, 2018</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>September 30, 2018</b>
Short-term borrowings	\$ 995,638	1,173,012	197,616	2,366,260
Long-term borrowings	218,888	(138,484)	220,584	300,988
Total liabilities from financing activities	<u>\$ 1,214,526</u>	<u>1,034,528</u>	<u>418,200</u>	<u>2,667,248</u>

**(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.

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

Note: In July 2019, the Group lost its control over AIC. Hence, AIC was no longer included in the Group's consolidated financial statements. Therefore, its transactions related to DAC and GRI need not be disclosed thereafter.

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

(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, 2019	December 31, 2018	September 30, 2018
	2019	2018	2019	2018			
Other related parties	\$ <u>140,202</u>	<u>203,513</u>	<u>515,103</u>	<u>429,085</u>	<u>128,491</u>	<u>539,820</u>	<u>422,292</u>

There were no significant differences in the selling prices between the related parties and other customers. The trading terms offered to other related parties were 90 days and 140 days, and the trading terms to other customers were 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 payable		
	For the three months ended September 30		For the nine months ended September 30		September 30, 2019	December 31, 2018	September 30, 2018
	2019	2018	2019	2018			
Other related parties	\$ <u>7,674</u>	<u>55,076</u>	<u>53,128</u>	<u>73,352</u>	<u>-</u>	<u>94,106</u>	<u>90,076</u>

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, 2019	December 31, 2018	September 30, 2018
DAC	\$ <u>-</u>	<u>-</u>	<u>30,551</u>

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

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

(iv) Borrowings from related parties

The borrowings from related parties were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Other related parties	\$ -	-	20,160

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

(v) Receivables and payables on behalf of related parties

The balances of other payables arising from rent and utilities paid by other related parties in advanced were as follows:

	Other payables		
	September 30, 2019	December 31, 2018	September 30, 2018
Other related parties	\$ -	35,062	7,432

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 34,906	42,207	127,351	128,985
Post-employment benefits	609	1,098	3,299	4,301
Share-based payments	5,022	7,444	18,265	33,514
	\$ 40,537	50,749	148,915	166,800

Please refer to note 6(u) 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, 2019	December 31, 2018	September 30, 2018
Other current assets – restricted assets	Guarantee letters issued by bank	\$ 549	16,633	21,491
Other non-current assets – restricted assets	Guarantee letters issued by bank	\$ 58,304	58,311	72,690
Property, plant and equipment	Loan collateral	\$ -	271,252	272,188

(Continued)

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

**(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, 2019	December 31, 2018	September 30, 2018
\$ <u>350,775</u>	<u>921,990</u>	<u>1,222,040</u>

- (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, 2019	December 31, 2018	September 30, 2018
Guarantee letters	\$ <u>169,912</u>	<u>224,384</u>	<u>240,334</u>

- (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, 2019	December 31, 2018	September 30, 2018
Sales of accounts receivable	\$ <u>665,475</u>	<u>660,144</u>	<u>527,005</u>
Long-term borrowings	\$ <u>400,000</u>	<u>433,995</u>	<u>425,995</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	\$ <u>2,309,959</u>	<u>110,620</u>	<u>102,678</u>

- (f) The Group entered into lease agreements for its offices and warehouses. Please refer to notes 6(p) and 6(q) for future rent payables.

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

**(11) Subsequent events: None**

(Continued)

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

**(12) Other:**

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

By item	By function	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		1,700,298	1,087,287	2,787,585	1,107,381	916,178	2,023,559
Labor and health insurance		35,766	46,060	81,826	36,476	39,960	76,436
Pension		96,544	37,193	133,737	56,361	38,096	94,457
Others		38,599	58,140	96,739	43,497	50,838	94,335
Depreciation		447,911	46,030	493,941	279,554	39,710	319,264
Amortization		2,883	62,535	65,418	5,835	83,255	89,090

By item	By function	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		3,726,092	2,653,742	6,379,834	2,748,986	2,263,979	5,012,965
Labor and health insurance		97,312	145,198	242,510	94,263	121,466	215,729
Pension		228,243	108,313	336,556	176,123	97,410	273,533
Others		118,308	147,700	266,008	91,286	136,600	227,886
Depreciation		1,266,120	130,367	1,396,487	873,627	110,913	984,540
Amortization		7,518	235,873	243,391	15,002	189,743	204,745

**(13) Other disclosures:**

**(a) Information on significant transactions:**

The followings were the information on significant transactions required by the Regulations for the Group:

**(i) Loans to other parties:**

Number	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	359,705	-	-	-	Necessary to loan to other parties	-	Operating capital	-	-	-	876,698	876,698
2	TYM HK	TYM Acoustic HK	Other receivables	"	666,476	-	-	2%-3%	"	-	Investment capital	-	-	-	910,148	910,148
3	TWEL	Diamond	Other receivables	"	45,530	44,709	44,709	-	"	-	"	-	-	-	749,382	1,498,765

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## PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 1: After the approval from the Board of directors, the loan provided to an individual entity shall not exceed the net worth of either PKS1 and TYM HK in the latest financial statements to their parent company, and also to subsidiaries wherein their parent owns 100%, directly and indirectly, of their voting shares. Also, the criterion for the amount available for financing is the same as that offered to an individual entity mentioned above.

Note 2: Due to the short-term financing need, the loan provided to an individual entity shall not exceed 20% of the net worth of TWEL in its latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of TWEL in its latest financial statements.

Note 3: The above transactions have been eliminated during the preparation of the consolidated Financial statements.

#### (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,567,691	316,120	310,420	14,957	-	2.61 %	9,513,842	Y	N	Y
1	Tymphony Huizhou	TYM UK	The subsidiary of TYM Acoustic HK	1,551,049	6,976	6,678	6,678	-	0.13 %	4,136,130	N	N	N

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 Tymphony Huizhou's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Tymphony Huizhou'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 as of September 30, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Shares:							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	WK Technology Fund IV LTD.	-	"	161	1,076	0.38	1,076	
	Changing Information Technology Inc.	-	"	184	2,102	1.54	2,102	
	Formosoft International Inc.	-	"	11	-	0.41	-	
	Syntrox Corp.	-	"	7	49	0.02	49	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Grove Ventures L.P.	-	"	-	48,426	2.73	48,426	
					<u>51,653</u>			
Primax Tech.	Shares:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	361	2,529	1.32	2,529	
					<u>2,529</u>			

(Continued)

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

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

Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
PCH2	Money market fund of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	1,741,311	-	1,750,295	1,744,744	8,984 (note 2)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	1,582,740	-	1,584,934	1,581,035	2,194 (note 2)	-	-
PKS1	Money market fund of RMB	"	"	"	-	-	-	344,322	-	345,136	344,063	814 (note 2)	-	-
Tymphony Huizhou	Money market fund of RMB	"	"	"	-	-	-	710,155	-	712,918	711,949	2,763 (note 1)	-	-
The Company	Primax Singapore	Investment accounted for using equity method	"	Subsidiary	-	-	10,100	318,150	-	-	-	-	10,100	313,897 (note 1)

Note 1: The difference between amounts of ending balance and purchasing price is recognized as profit or loss accounted for using equity method and exchange differences on translation.

Note 2: Gains on disposal include valuation and exchange differences on translation.

- (v) Acquisition of individual real estate with amount exceeding the lower of TWD\$300 million or 20% of the Company's issued capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD\$300 million or 20% of the Company's issued capital: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD\$100 million or 20% of the Company's 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	Primax Cayman	Subsidiary	Purchase	151,671	1 %	60 days	Price agreed by both side	The same as general purchasing	(81,070)	(1)%	note 1
"	PCH2	The subsidiary of Primax HK	Purchase	17,771,227	73 %	"	"	"	(4,760,137)	(55)%	"
"	PKS1	"	Purchase	1,107,709	4 %	"	"	"	(1,105,801)	(13)%	"
"	PCQ1	"	Purchase	5,315,500	22 %	"	"	"	(2,632,151)	(30)%	"
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(2,358,680)	(9) %	90 days	"	The same as general selling	241,176	3%	"
Primax Cayman	The Company	Parent	(Sale)	(151,671)	(100) %	60 days	"	"	81,070	100%	"
"	PCH2	The subsidiary of Primax HK	Purchase	151,671	100 %	"	"	The same as general purchasing	(214,459)	(100)%	"
PCH2	The Company	The parent of Primax Cayman	(Sale)	(17,771,227)	(87) %	"	"	The same as general selling	4,760,137	76%	"
"	Primax Cayman	The parent of Primax HK	(Sale)	(151,671)	(1) %	"	"	"	214,459	3%	"
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,107,709)	(100) %	"	"	"	1,105,801	100%	"
PCQ1	The Company	"	(Sale)	(5,315,500)	(92) %	"	"	"	2,632,151	94%	"

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Polaris	The Company	The parent of Primax Tech.	Purchase	2,358,680	100 %	90 days	Price agreed by both side	The same as general purchasing	(241,176)	100%	note 1
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(5,427,960)	(83) %	60 days	"	The same as general selling	4,062,598	96%	"
"	Tymphony Dongguan	Subsidiary	Purchase	106,825	2 %	"	"	The same as general purchasing	(51,460)	(2)%	"
TYM Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	"	235,665	2 %	"	"	"	(128,231)	(2)%	"
"	Tymphony Huizhou	Parent	(Sale)	(106,825)	(1) %	"	"	The same as general selling	51,460	1%	"
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(242,084)	(2) %	"	"	"	243,310	5%	"
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(14,022,931)	(96) %	"	"	"	4,617,010	91%	"
"	TYDC	Subsidiary	(Sale)	(184,574)	(1) %	"	"	"	123,733	2%	"
TYDC	Tymphony Dongguan	Parent	Purchase	184,574	4 %	"	"	The same as general purchasing	(123,733)	(6)%	"
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(4,585,189)	(100) %	"	"	The same as general selling	1,873,223	100%	"
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,488,297	82 %	90 days	"	The same as general purchasing	(205,017)	(37)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	242,084	13 %	60 days	"	"	(243,310)	(44)%	"
"	TYM Acoustic Europe	Subsidiary	(Sale)	(312,136)	(18) %	"	"	The same as general selling	272,617	56%	"
TYM Acoustic Europe	TYM Acoustic HK	Parent	Purchase	312,136	23 %	"	"	The same as general purchasing	(272,617)	(45)%	"
"	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	107,560	8 %	90 days	"	"	(56,220)	(9)%	"
"	TYM Acoustic HK	Parent	(Sale)	(1,488,297)	(90) %	"	"	The same as general selling	205,017	60%	"
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	5,427,960	23 %	60 days	"	The same as general purchasing	(4,062,598)	(38)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	14,022,931	60 %	"	"	"	(4,617,010)	(43)%	"
"	TYDC	The subsidiary of TYM Dongguan	Purchase	4,585,189	20 %	"	"	"	(1,873,223)	(18)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	(Sale)	(235,665)	(1) %	"	"	The same as general selling	128,231	1%	"
"	TYML	Subsidiary	(Sale)	(2,619,306)	(11) %	90 days	"	"	1,433,011	10%	"
"	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(107,560)	- %	"	"	"	56,220	-%	"
"	Specialty	Other related party	(Sale)	(279,752)	(1) %	"	"	"	128,491	1%	"
TYML	TYM HK	Parent	Purchase	2,619,306	100 %	60 days	"	The same as general purchasing	(1,433,011)	(100)%	"

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

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)	
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	182,239	78 %	90 days	Price agreed by both side	The same as general purchasing	-	-%	note 1 note 2
"	DAT	"	(Sale)	(131,392)	(51) %	"	"	The same as general selling	-	-%	note 1 note 2
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(182,239)	(53) %	90 days	"	The same as general selling	-	-%	note 1 note 2
DAT	AME	"	Purchase	131,392	85 %	"	"	The same as general purchasing	-	-%	note 1 note 2
"	DAC	Other related party	(Sale)	(155,703)	(86) %	"	"	The same as general selling	-	-%	

Note 1: Related transactions (except for AIC) have been eliminated during the preparation of the consolidated financial statements.

Note 2: The Group lost its control over AIC and its subsidiaries in July 2019. The information on AIC and its subsidiaries were disclosed as of July 31, 2019.

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

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	241,176 (note 2)	18.16	-	-	241,176	-
PCH2	The Company	The parent of Primax Cayman	4,760,137 (note 2)	4.02	-	-	1,530,832	-
"	Primax Cayman	The parent of Primax HK	214,459 (note 2)	1.42	-	-	142,652	-
PKS	The Company	The parent of Primax Cayman	1,105,801 (note 2)	1.57	-	-	131,516	-
PCQ	The Company	"	2,632,151 (note 2)	2.69	-	-	515,296	-
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	4,062,598 (note 2)	1.70	-	-	240,964	-
Tymphony Dongguan	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	243,310 (note 2)	1.58	-	-	-	-
"	TYM HK	The subsidiary of TYM Acoustic HK	4,617,010 (note 2)	3.85	-	-	1,270,570	-
"	TYDC	Subsidiary	123,733 (note 2)	3.51	-	-	36,438	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	1,873,223 (note 2)	4.69	-	-	807,243	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	272,617 (note 2)	1.86	-	-	69,150	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	205,017 (note 2)	3.87	-	-	20,659	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	128,231 (note 2)	1.81	-	-	-	-
"	TYML	The subsidiary of Tymphony Dongguan	1,433,011 (note 2)	4.76	-	-	703,672	-
"	Specialty	Other related party	128,491	2.91	-	-	43,947	-

Note 1: Amounts were collected as of November 1, 2019.

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).

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

(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	Primax Cayman	Subsidiary	Purchase	151,671	Price agreed by both sides	0.27 %
"	"	PCH2	The subsidiary of Primax HK	Purchase	17,771,227	Price agreed by both sides	31.94 %
"	"	"	"	Accounts Payable	4,760,137	60 days	8.50 %
"	"	PKS1	"	Purchase	1,107,709	Price agreed by both sides	1.99 %
"	"	"	"	Accounts Payable	1,105,801	60 days	1.98 %
"	"	PCQ1	"	Purchase	5,315,500	Price agreed by both sides	9.55 %
"	"	"	"	Accounts payable	2,632,151	60 days	4.70 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	2,358,680	Price agreed by both sides	4.24 %
"	"	"	"	Accounts receivable	241,176	90 days	0.43 %
1	Primax Cayman	PCH2	The subsidiary of Primax HK	Purchase	151,671	Price agreed by both sides	0.27 %
"	"	"	"	Accounts payable	214,459	60 days	0.38 %
2	Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	5,427,960	Price agreed by both sides	9.76 %
"	"	"	"	Accounts receivable	4,062,598	60 days	7.26 %
"	"	Tymphany Dongguan	Subsidiary	Purchase	106,825	Price agreed by both sides	0.19 %
3	Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	235,665	Price agreed by both sides	0.42 %
"	"	"	"	Accounts payable	128,231	60 days	0.23 %
"	"	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	Sale	242,084	Price agreed by both sides	0.44 %
"	"	"	"	Accounts receivable	243,310	60 days	0.43 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	14,022,931	Price agreed by both sides	25.20 %
"	"	"	"	Accounts receivable	4,617,010	60 days	8.25 %
"	"	TYDC	Subsidiary	Sale	184,574	Price agreed by both sides	0.33 %
"	"	"	"	Accounts receivable	123,733	60 days	0.22 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	4,585,189	Price agreed by both sides	8.24 %
"	"	"	"	Accounts receivable	1,873,223	60 days	3.35 %

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

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
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,488,297	Price agreed by both sides	2.68 %
"	"	"	"	Accounts payable	205,017	90 days	0.37 %
"	"	"	"	Sale	312,136	Price agreed by both sides	0.56 %
"	"	"	"	Accounts receivable	272,617	60 days	0.49 %
6	TYM Acoustic Europe	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	107,560	Price agreed by both sides	0.19 %
7	TYM HK	TYML	Subsidiary	Sale	2,619,306	Price agreed by both sides	4.71 %
"	"	"	"	Accounts receivable	1,433,011	90 days	2.56 %
8	AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	182,239	Price agreed by both sides	0.33 %
"	"	DAT	"	Sale	131,392	Price agreed by both sides	0.24 %

Note 1: Disclosure of the amounts exceeding of NT\$100 million.

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

Note 3: The Group lost its control over AIC and its subsidiaries in July 2019. The information on AIC and its subsidiaries were disclosed as of July 31, 2019.

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2019 (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, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2019	December 31, 2018	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	5,944,478	407,237	414,206	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,270,364	103,406	77,535	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	9,384	(4,310)	(4,310)	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	18,507	254	254	
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,199,635	328,982	342,131	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	11,991	872	872	
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	964,686	(372,091)	(372,091)	
"	Primax Singapore	Singapore	Holding company	318,150	-	10,100	100.00	313,897	(10)	(10)	
	Total			9,124,798	8,806,648			14,732,942	464,340	458,587	
Primax Singapore	Primax Thailand	Thailand	Manufacture and sale of computer peripherals devices and software	126,000	-	300	99.99	124,541	(9)	(9)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,062,824	404,957	404,957	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	402,093	4,880	4,880	

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,384,153	388,172	332,372	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	904,011	(193,187)	(91,667)	
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	689,954	689,954	185,536	100.00	891,873	(92,042)	(92,042)	
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	910,148	(225)	(225)	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	14,748	1,844	1,844	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	19,398	2,800	2,800	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	667,382	(62,508)	(62,508)	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	68,313	7,104	7,104	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	(9,551)	2,390	(16,618)	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	274,733 (note 2)	274,733 (note 2)	10	100.00	205,284	(35,401)	(35,401)	(note 3)
"	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	15,210 (note 2)	30,789	100.00	419,905	(39,593)	(39,593)	(note 3)
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	100.00	30	29	29	(note 3)

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: The Group lost its control over AIC and its subsidiaries in July 2019.

Note 4: Related investments (except for AIC) have been eliminated during the preparation of the consolidated financial statements.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to 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, 2019 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2019 (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	1,957,182	Indirect investment through Primax Cayman and Primax Tech.	1,684,161	-	-	1,700,578	292,504	100%	292,504	5,560,740	-
Destiny Beijing	Research and development of computer peripheral devices and software	38,770	Indirect investment through Destiny BVI.	32,270	-	-	32,594	(4,310)	100%	(4,310)	9,380	-
PKS1	Manufacture of computer, peripherals and keyboards	856,985	Indirect investment through Primax Cayman	676,126	-	-	682,924	(1,392)	100%	(1,392)	857,522	-
PCQ1	Manufacture of computer, peripherals and keyboards	550,027	"	614,660	-	-	620,840	209,924	100%	209,924	1,407,106	-
Tymphony Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,790,978	Indirect investment through Diamond	3,964,557	-	-	4,004,418	636,750	71.43%	454,844	3,693,156	-
Tymphony Dongguan	"	155,210	"	15,367	-	-	15,521	243,028	71.43%	150,678	559,179	-
TYDC	"	87,778	"	-	-	-	-	77,814	71.43%	52,693	139,652	-
ALT (Shanghai) (note 3)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	467,182	Indirect investment through Primax AE	153,665	-	-	155,210	(71,566)	36.88%	(26,392)	38,567	-
ALT (note 3)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	254,973	"	215,131	-	-	217,294	(44,500)	36.98%	(16,457)	55,289	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9588 ; USD:TWD 31.042; CNY:TWD 4.3889.

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

Note 3: The Group lost its control over AIC and its subsidiaries in July 2019.

Note 4: Related investments (except for ALT (Shanghai) and ALT) have been eliminated during the preparation of the consolidated financial statements.

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

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,515,531	8,797,947	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, Tymphany Huizhou, Tymphany Dongguan and TYDC were reviewed by other auditors, and other information related to subsidiaries came from financial reports prepared by the investees, not reviewed by auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the nine months ended September 30, 2019, 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, 2019 and 2018, 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, 2018 for further information.

The Group's segment financial information was as follows:

	<b>For the three months ended September 30, 2019</b>		
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Revenue			
External revenue	\$ 5,927,039	19,363,530	25,290,569
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,927,039</u>	<u>19,363,530</u>	<u>25,290,569</u>
Profit before tax from segments reported	<u>\$ 214,096</u>	<u>952,729</u>	<u>1,166,825</u>
	<b>For the three months ended September 30, 2018</b>		
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Revenue			
External revenue	\$ 5,964,593	13,643,231	19,607,824
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,964,593</u>	<u>13,643,231</u>	<u>19,607,824</u>
Profit before tax from segments reported	<u>\$ 236,022</u>	<u>602,223</u>	<u>838,245</u>

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

	<b>For the nine months ended September 30, 2019</b>		
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Revenue			
External revenue	\$ 16,782,363	38,853,609	55,635,972
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 16,782,363</u>	<u>38,853,609</u>	<u>55,635,972</u>
Profit before tax from segments reported	<u>\$ 856,878</u>	<u>1,175,106</u>	<u>2,031,984</u>
	<b>For the nine months ended September 30, 2018</b>		
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Revenue			
External revenue	\$ 16,071,313	30,217,943	46,289,256
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 16,071,313</u>	<u>30,217,943</u>	<u>46,289,256</u>
Profit before tax from segments reported	<u>\$ 718,285</u>	<u>1,015,807</u>	<u>1,734,092</u>