

Primax Electronics Ltd.

# 2018 Annual Report



**PRIMAX**

**Primax Electronics Ltd.**

No.669, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)

Tel: +886-2-2798-9008

[www.primax.com.tw](http://www.primax.com.tw)



**1. Names, titles, telephone numbers and e-mail addresses of the Spokesperson and Deputy Spokesperson:**

Spokesperson:

Sean Lin / Title: Special Assistant to the Chairman  
Telephone: +886-2-2798-9008  
E-mail: IR@primax.com.tw

Deputy Spokesperson:

Cherryie Chen / Title: Investor Relation Manager  
Telephone: +886-2-2798-9008  
E-mail: IR@primax.com.tw

**2. Registered address and telephone of corporate headquarters**

Registered address of corporate headquarters:  
No. 669, Ruiguang Road, Neihu District, Taipei City /  
Telephone: +886-2-2798-9008

**3. Name, address, website, and telephone number of share registration and transfer agent**

Name: SinoPac Securities  
Address: 3F, No. 17, Bo'ai Road, Zhongzheng District, Taipei City  
Telephone: +886-2-2381-6288  
Website: <http://www.sinotrade.com>

**4. Names, address, website, and telephone number of the CPA, CPA firms retained for service in the most recent period**

Names of CPAs: MEI-PIN WU, CHI-LUNG YU  
Name of CPA firm: KPMG Taiwan  
Address: 68F., No.7, Section 5, Sinyi Road, Sinyi District, Taipei City  
Telephone: +886-2-8101-6666  
Website: <http://www.kpmg.com.tw>

**5. Names of the exchanges in foreign countries where the stock of PRIMAX is listed for trading and the means for inquiry of the securities:**

None

**6. Company website:**

[http:// www.primax.com.tw](http://www.primax.com.tw)







# Letter to Shareholders

Dear shareholders,

In 2018, the global economy was slowing down. Although new consumer electronic products were still being introduced to the market along with many new technologies intergrated, the ongoing trade war between USA and China caused uncertainties and weak consumer demands and hurt the global manufacturing industry. Taiwan's electronics manufacturing sector, due to its high dependency on exports, is vulnerable to such protectionism.

Amidst the challenging environment, PRIMAX has adhered to its existing strategy to maintain stable and sustainable growth with balanced product portfolio and diversified customer base. With regards to business updates, the strong demands of smart speakers with more new technologies and features have brought significant growth for Tympany's audio products, both in revenues and profits. As for automotive electronics, PRIMAX was qualified by a global leading electric vehicle brand customer and started the multi-camera project shipments in 2018, which enabled the Company to successfully expand its multi-camera technology to cars and contributed revenues during the year. This represents PRIMAX's successful entry into the application of smart driving and autonomous driving. On the other hand, PC peripherals segment, as our legacy products, continued to penetrate into high-end gaming peripherals market and worked with leading gaming brand customers, which can more than offset the decline of traditional PC market, and maintain mild growth in 2018.

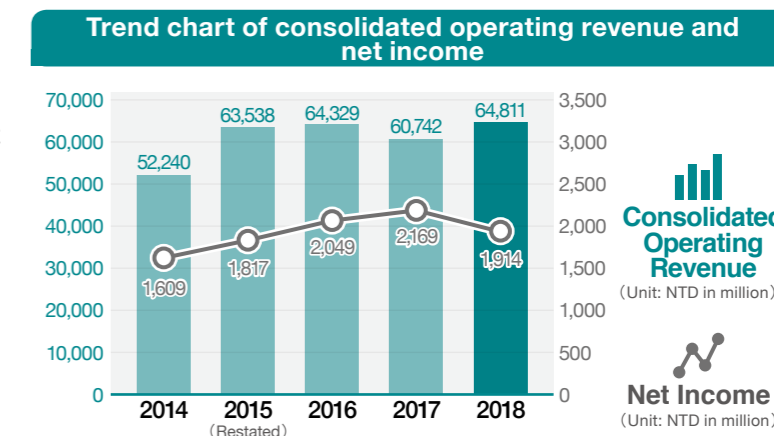
In terms of manufacturing technology, PRIMAX remains committed to its goal to optimize product quality and yields. Meanwhile, the organization is actively adopting the concept of Industry 4.0 and smart manufacturing, and has initiated a series of transformation and improvements to the manufacturing process as well as R&D capacity to further enhance its competitive advantage, thereby preparing for the next stage of growth.

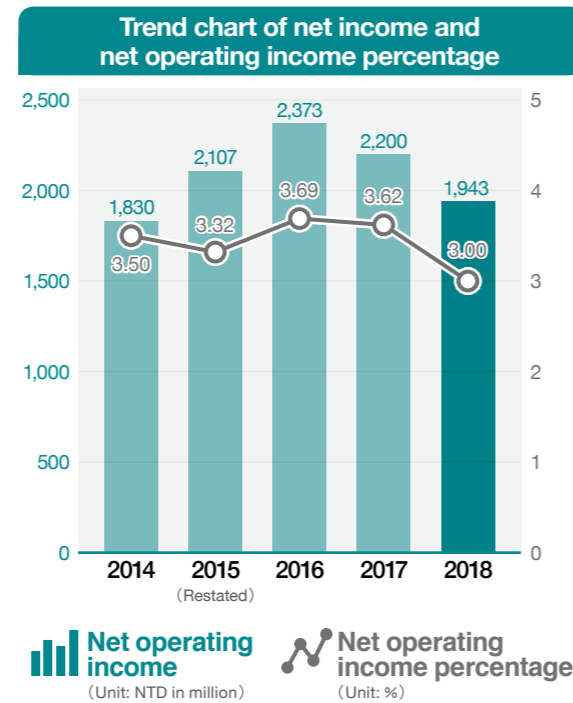
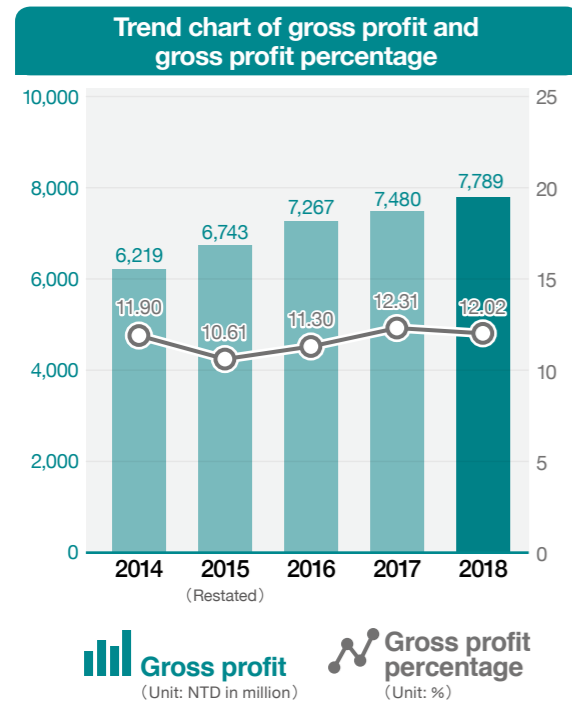
The following is an overview of the Company's 2018 performance.

## 1. Business Operation in 2018

### (1) Financial Results

The Company generated NT\$64,811,408 thousand of net consolidated operating revenues in 2018, representing a 6.7% growth over the NT\$60,741,692 thousand in 2017. Consolidated net income totaled NT\$1,913,975 thousand in 2018, representing a 11.8% reduction compared to the NT\$2,168,981 thousand in 2017.





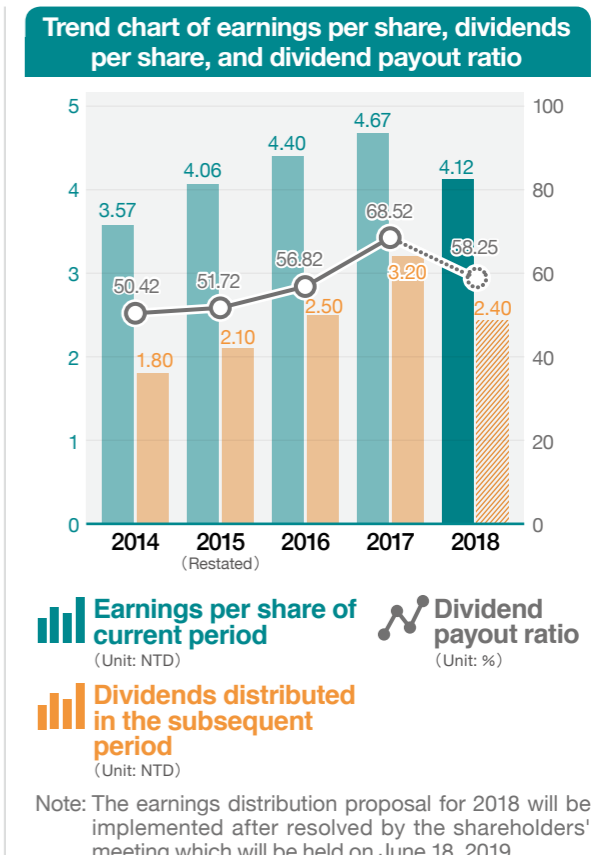
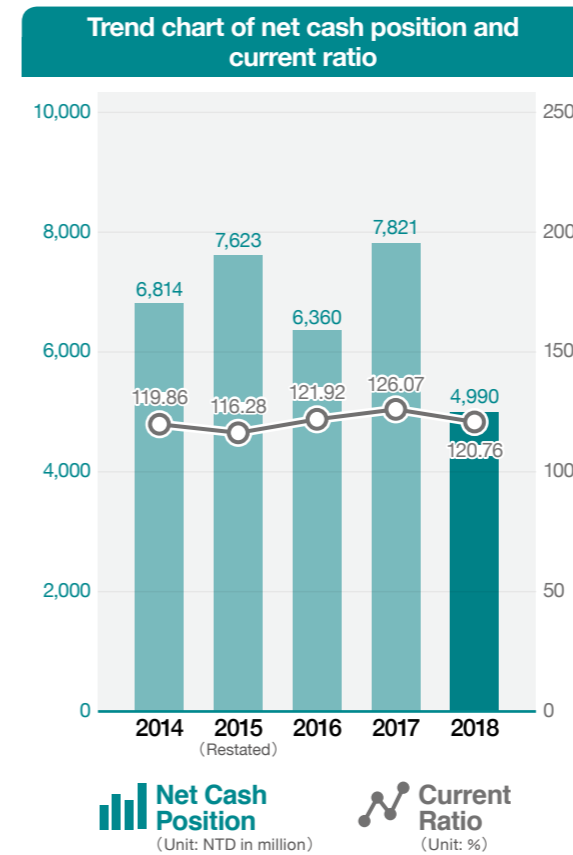
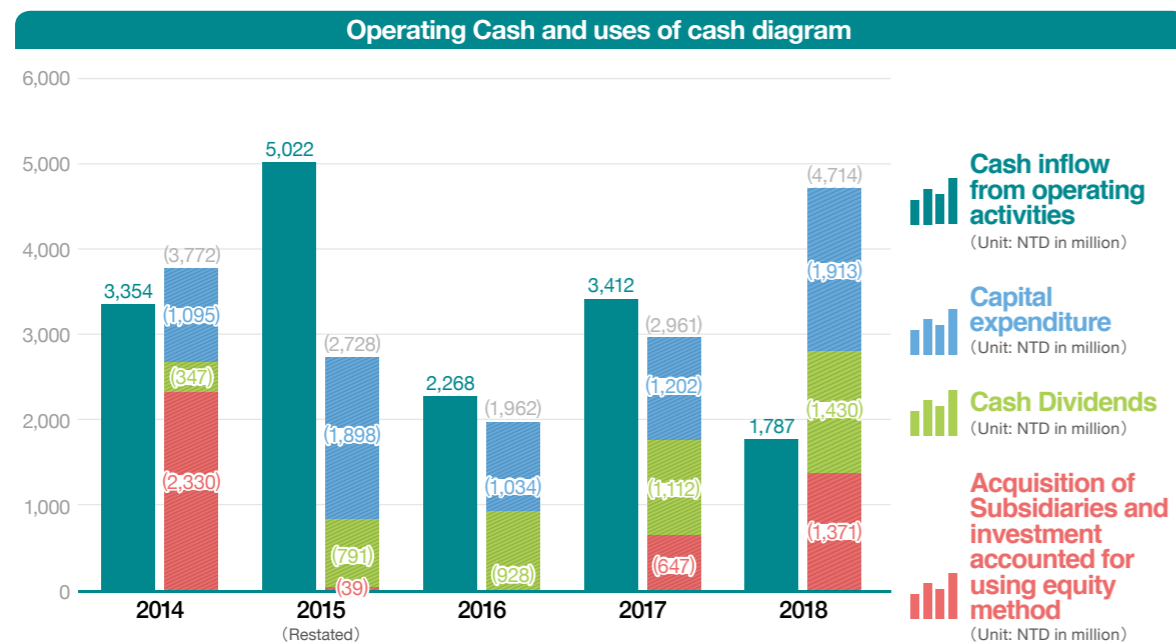
## (2) Budget Execution

The financial forecast is not disclosed for 2018, and thus this is not applicable

## (3) Cash Flow Analysis

Unit: NT\$1,000

Item	2018	2017	Net Change
Net cash inflow from operating activities	1,786,951	3,412,165	(1,625,214)
Net cash outflow from investing activities	(2,917,352)	(1,452,394)	(1,464,958)
Net cash outflow from financing activities	(1,539,774)	(451,649)	(1,088,125)



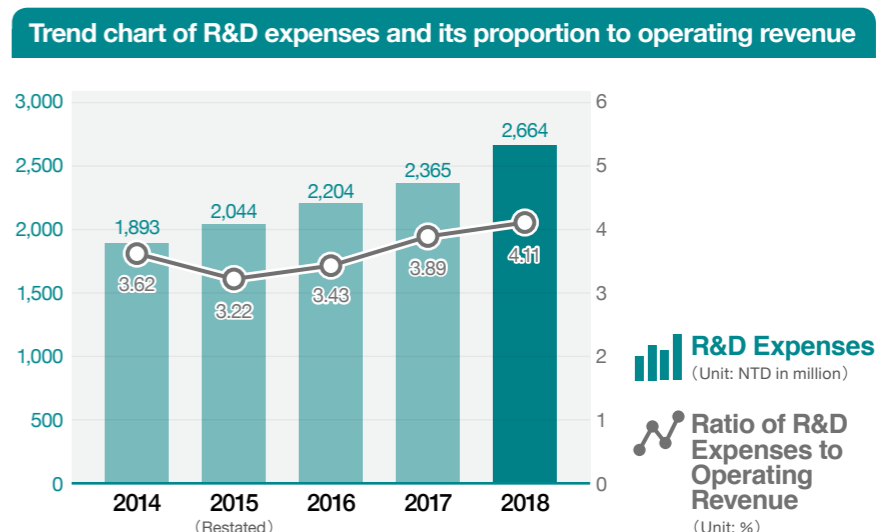
Note: The earnings distribution proposal for 2018 will be implemented after resolved by the shareholders' meeting which will be held on June 18, 2019.

## (4) Profitability Analysis

Item	2018	2017
Return on shareholders' equity (%)	13.69	17.20
Operating income to paid-in capital (%)	43.41	49.33
Pre-tax income to paid-in capital (%)	52.84	63.85
Net margin (%)	2.95	3.57
Earnings per share (NTD)	4.12	4.67

## (5) R&D Investments

Primax group spent NT\$2,664,477 thousand of research and development expenses in 2018 as a means to enhance its R&D capacity and competitive advantage. Much of this sum was spent on the development and design of new products/technologies and improvement of the manufacturing process.





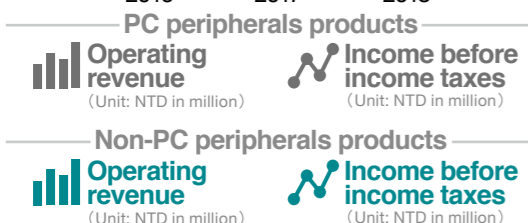
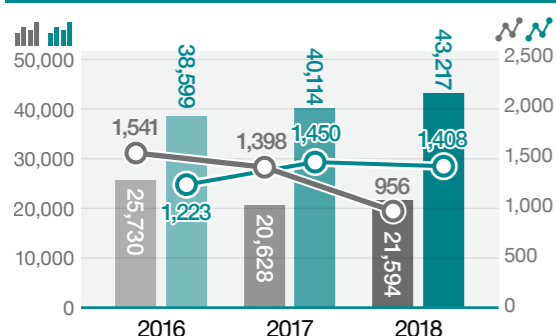
## 2. 2019 Business Strategy and Technology Developments

Looking forward, for the development of strategies and product planning, the Group will keep focusing on the steady revenue growth, supplemented by the optimal product mix. Meanwhile, under the trend of industry 4.0, the introduction of applications related to smart manufacturing will be deepened, to upgrade the core competitiveness of the precision manufacturing capability.

### Strengthen the cornerstones of PC peripherals products, expand audio products domains, penetrate into automotive electronic markets

In 2019, PRIMAX will continue focusing its business development efforts in areas that it possesses a technological advantage, and strive to increase the market share of new products while at the same time exploring new applications and transition opportunities for mature products. Non-PC segment has emerged to become a key revenue and profit driver to the Company in recent years, for which PRIMAX will aim to increase its share in the ODM/OEM market and continuously expand the scope of products manufactured in the coming year. Demands for audio products such as smart speakers and wireless headphones are expected to maintain strong growth momentum in 2019, a trend that the Company plans to take advantage of by collaborating more closely with customers on product design and adoption of new technologies.

Trend chart of the development of PC and Non-PC peripheral products



Year 2018 marked PRIMAX 's successful entry into automotive electronics business. The Company plans to build on top of this success in 2019 by growing its shipment of automotive camera modules in terms of volume, quality and market share. In addition, PRIMAX will actively explore new customers and make automotive electronics the third pillar of its business operations. Technologies including cloud computing, mobile device, smart home and IoT have gradually matured, and therefore the Company will shift its camera module development focus towards multi-cameras, 3D sensing, and smart vision, etc. for broader applications.

In the PC segment, revenues and profits from gaming peripherals continued to exhibit significant growth in 2018, and is gradually becoming a dominant force that drives the transformation of PC peripherals. Demands in the gaming market should remain positive throughout 2019, and the Company's long-established technology and design capability will enable it to meet new market trends and customers' needs. By actively assisting customers with their product development, we expect to inspire new revenue growth from this particular business segment.

### Enhance the advantages of automation manufacturing process and move toward the smart manufacturing and industry 4.0.

In terms of production management, the Company will be making progressive upgrades to its production capacity in 2019 to realize its smart vision for manufacturing and Industry 4.0. Starting with the adoption of automated manufacturing process and new information technology for communications, PRIMAX expects to reduce production cost, increase yield and optimize utilization of production capacity.

The global economy should remain susceptible to the impacts of the US-China trade war, geopolitics and protectionism in the coming year, while PRIMAX, based in Asia with collaborative supply chain and attractive markets, will adopt a global manufacturing strategy, supported by Industry 4.0 and modularized manufacturing.

Chairman & CEO  
LIANG, LI-SHENG

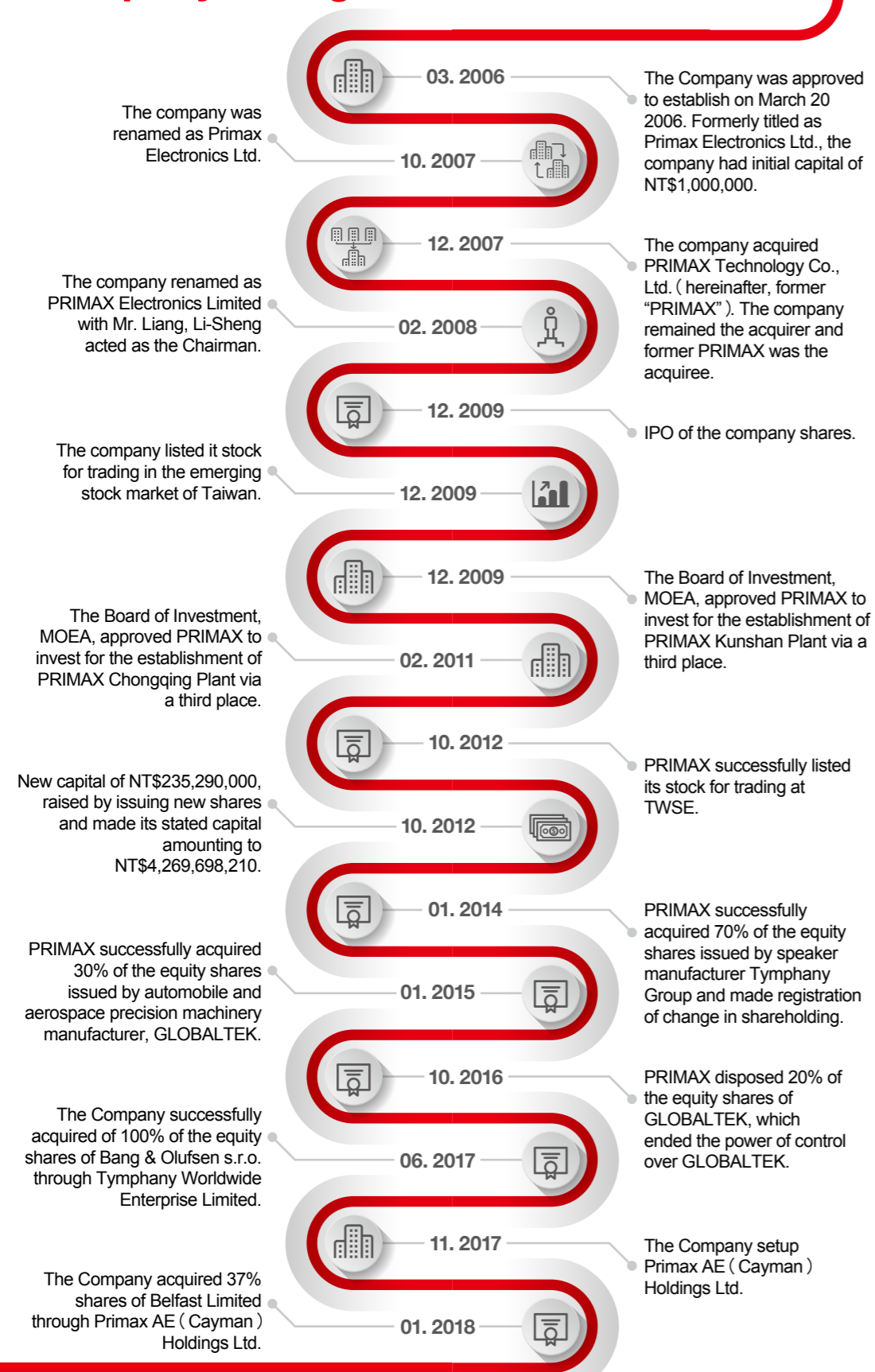


# Company Profile



# 1. Establishment date: March 20, 2006

## 2. Company background

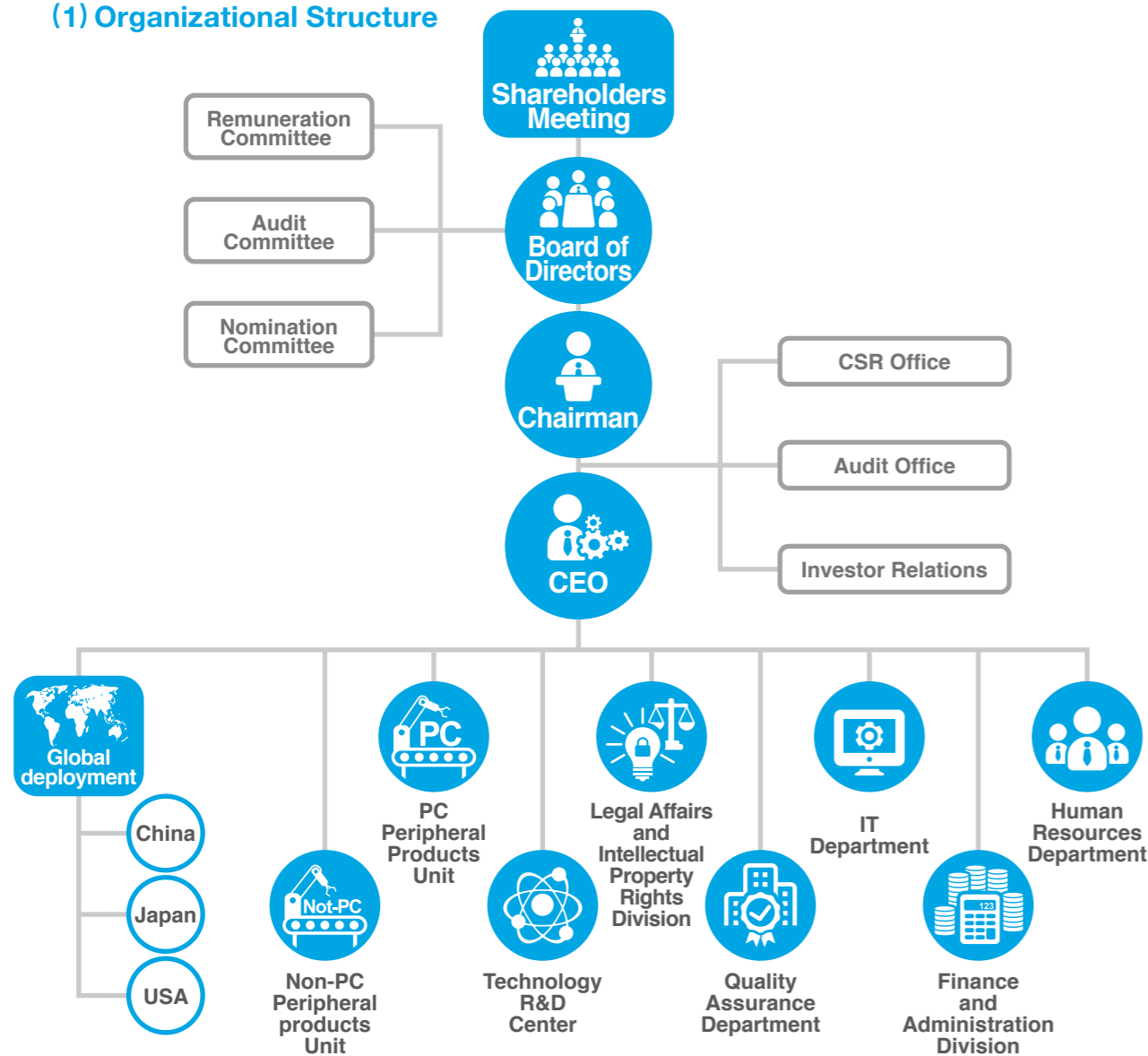


# Corporate Governance Report



# 1. Organizational System

## (1) Organizational Structure



## (2) The business operations of each main department

Department	Main job responsibilities
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Enact the policy, system and standard and structure of remuneration to the directors (including the Chairman), general manager, and vice general manager in accordance with the Company's objectives, operational performance and competitive environment, and has it reviewed as required.</li> <li>2. Periodically assess the operational performance of the chairman, general manager, and vice general manager and approve the contents and amount of their respective salaries and compensation.</li> <li>3. Assess and approve the welfare standard of the general manager and vice general manager.</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. Supervising the adequate presentation of the Company's financial statements.</li> <li>2. Supervising the commission (discharge) of the CPAs and their independence and performance.</li> <li>3. Supervising the effective implementation of the Company's internal control.</li> <li>4. Supervising the Company's compliance with the relevant laws and regulations.</li> <li>5. Supervising the control of the Company's existing or potential risks.</li> <li>6. Supervising the performance of the Company's internal audit department.</li> </ol>



Department	Main job responsibilities
Nomination Committee	<ol style="list-style-type: none"> <li>1. Locate the right persons to the seats of Directors and Senior Managers and propose a list of qualified candidates to the Board.</li> <li>2. Review the list of candidates recommended by the Shareholders or the Board, and give recommendations to the Board to determine if it is necessary for a replacement.</li> </ol>
CSR Office	<p>The CSR Office is established by the Chairman with the authorization of the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. Responsible for enacting CSR policies, systems or related management approach</li> <li>2. Assist each department to promote and implement corporate social responsibility projects in response to the Company's economic, environmental and social issues</li> <li>3. Study domestic and foreign benchmark enterprises' best practices of business sustainable practices and provide advice and guidance to the relevant departments for practice in order to continue to strengthen the Company's competitiveness of its sustainable operations</li> </ol>
Audit Office	Review and audit the implementation of the internal control system, and regularly report it to the Board of Directors and management, and measure operational efficiency with recommendations for improvement suggested in a timely manner in order to ensure effective implementation of the internal control system and to improve the effectiveness of the overall organization
Investor Relations	A spokesman system and operation, investor relations activities and opinions process, external information disclosure, and media publishing and contact related business
Quality Assurance Department	<ol style="list-style-type: none"> <li>1. Quality system planning and supervision</li> <li>2. Design quality and technology upgrade</li> <li>3. Product quality upgrade</li> <li>4. Customer complaints process and improvement</li> <li>5. Employee quality training plan and implementation</li> </ol>
Legal Affairs and Intellectual Property Rights Division	Intellectual property rights management and legal affairs handling
Finance and Administration Division	<ol style="list-style-type: none"> <li>1. Dealing with accounting, finance, tax and shareholder service matters</li> <li>2. Supporting project implementation and promotion</li> </ol>
Human Resources Department	<ol style="list-style-type: none"> <li>1. Employees and Human Resource Management</li> <li>2. Salary and benefits management</li> <li>3. Education and Training and Development</li> <li>4. General Affairs Services</li> <li>5. Health and Safety Management</li> </ol>
Product Business Group	<p>It is divided into PC peripheral products and non-PC peripheral products; also, each business group is in charge of research and development and marketing.</p> <ul style="list-style-type: none"> <li>• R&amp;D:               <ul style="list-style-type: none"> <li>New product research, design and development</li> <li>New product project assessment, analysis and planning</li> <li>New product manufacturing technology and document and data transfer</li> </ul> </li> <li>• Marketing:               <ul style="list-style-type: none"> <li>Product planning, marketing and market development</li> </ul> </li> </ul>
Technology R&D Center	Be responsible for the research, design and development of the core technology of all products.
IT Department	<ol style="list-style-type: none"> <li>1. Organize and plan the safety, implementation and system integration of the Company's electronic information</li> <li>2. The enactment and maintenance of computerized information management system and current manual processes analysis and future operating process design</li> <li>3. The new application system planning and development and the function expansion and update of the developed application system</li> <li>4. User education and training and operational planning</li> <li>5. Disaster recovery management planning and execution</li> <li>6. Equipment Planning and Management</li> <li>7. Computer operation management</li> </ol>





## 2. Profiles of the Directors, Supervisors, General Manager, Vice General Manager, Assistant General Manager, department heads, and branch officers

### (1) Information of Directors and Supervisors

#### Information of Directors and Supervisors (1)

05.16.2019 / Unit: shares / %

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main experience (education and degree)	Currently hold a position with the Company and others	Other officers, directors, or supervisors who are a spouse or a relative within the second degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman/ General Manager	Republic of China	Liang, Li-Sheng	Male	05.30.2018	3 Years	10.23.2009 (Note 8)	1,500,001	0.34	2,100,001	0.47	0	0	0	0	Department of Business Administration, Tamkang University Chairman of Primax Electronics Ltd.	Note 1	—	—	—
Director	Republic of China	Yang, Chi-Ting	Male	05.30.2018	3 Years	03.11.2011	1,926,963	0.43	1,926,963	0.43	1,900,962	0.43	0	0	MBA, University of Southern California, USA Chailease Holding Company Limited Chief Auditor	Note 2	—	—	—
Director	Republic of China	Pan, Yung-Chung	Male	05.30.2018	3 Years	09.05.2014	7,455,046	1.67	7,455,046	1.67	0	0	0	0	Department of Electronics, Feng Chia University General Manager of Business Department of PRIMAX	Note 3	Director/ General Manager of Business Department	Pan, Yung-Tai	Brother
Director/ General Manager of Business Department	Republic of China	Pan, Yung-Tai	Male	05.30.2018	3 Years	09.05.2014	4,766,599	1.09	4,872,599	1.09	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 4	Director	Pan, Yung-Chung	Brother
Director	VG	Sunshine Coast Services Limited	—	05.30.2018	3 Years	05.30.2018	4,000,000	0.9	4,000,000	0.9	0	0	0	0	—	—	—	—	—
	Republic of China	Representative: Chen, Jie-Chi	Male	05.30.2018	3 Years	05.30.2018	0	0	0	0	0	0	0	0	EE, Master of Science, Illinois Institute of Technology Chairman, ALT International Co., Ltd	Note 5	—	—	—
Independent Director	Republic of China	Ku, Tai-Chao	Male	05.30.2018	3 Years	03.30.2010	0	0	0	0	0	0	0	0	Bachelor of Law, National Taiwan University Vice President of Taiwan Stock Exchange Corporation	None	—	—	—
Independent Director	Republic of China	Cheng, Chih-Kai	Male	05.30.2018	3 Years	06.29.2015	0	0	0	0	0	0	0	0	Department of Management Science, National Chiao Tung University Senior Vice President of Synnex USA	Note 6	—	—	—
Independent Director	Republic of China	Wu, Chun-Pang	Male	10.25.2018	2.6 Years	10.25.2018	0	0	0	0	0	0	0	0	MBA, University of Missouri, U.S.A General Manager, Taiwan Branch, Deutsche Bank	Note 7	—	—	—

Note 1: Primax Tech. (Cayman Holding) Ltd. Director; Polaris Electronics, Inc. Director; Destiny Tech Holding Co., Ltd. Director; Primax Ind. (Cayman Holding) Ltd. Director; Primax Ind. (HK) Ltd. Director; DongGuan Primax Electronic & Telecommunication Products Ltd. Chairman; Primax Electronics. (KunShan) Corp., Ltd. Chairman; Beijing Destiny Electronic Technology Corporation, Chairman; DESTINY Technology Corp., Director; Diamond (Cayman) Holdings Ltd. Representative of Institutional Director; Tymphony Worldwide Enterprises Ltd. Representative of Institutional Director; Alpine Asia Investment Limited Director; Tymphony Logistics, Inc. Director; Tymphony Acoustic Technology (Huizhou) Co., Ltd. Chairman; Tymphony Acoustic Technology Ltd. Director; Primax AE (Cayman) Holdings Ltd. Director; ALT International Co., Ltd. Director.

Note 2: Chailease Auto Rental Co., Ltd. Chairman and General Manager; Apex Credit Chairman and General Manager; Fina Finance & Trading Co., Ltd. Supervisor; Asia Sermkij Leasing Public Co., Ltd. Chairman; Bangkok Grand Pacific Lease Public Co., Ltd. Chairman.

Note 3: Primax Ind. (HK) Ltd. Director; Primax Tech. (Cayman Holding) Ltd. Director; Primax Ind. (Cayman Holding) Ltd. Director; Tymphony Worldwide Enterprises Ltd. Representative of Institutional Director; Tymphony HK Ltd. Director; Tymphony Acoustic Technology (Huizhou) Co., Ltd. Director and General Manager; Dongguan Tymphony Acoustic Technology Co., Ltd. Executive Director and General Manager; Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd. Executive Director and General Manager; Tymphony Acoustic Technology HK Ltd. Director; Tymphony Acoustic Technology Ltd. Director; Gratus Technology Corp., Director; ALT International Co., Ltd. Director.

Note 4: Tymphony Worldwide Enterprises Ltd. Representative of Institutional Director; Tymphony Acoustic Technology Ltd. Vice Chairman; ALT International Co., Ltd. Director.

Note 5: ALT International Co., Ltd. Director; ALT Investment Limited (BVI) Director; De Amertek Technology Inc., Director; Advanced Leading Technology (Shanghai) Co., Ltd. Director; Advanced Micro Electronics Co., Ltd. Director; Advanced Leading Technology Co., Director.

Note 6: Eureka Therapeutics (California), Director; B Current Impact Investment Inc., Chairman; Social Enterprise Insights, Director; H3 Platform, Director; B Current Impact Investment Inc. II Chairman; Acorn Pacific Ventures Partner.

Note 7: Far Eastern International Commercial Bank Director.

Note 8: Based on the date of election after the acquisition date of PRIMAX.

#### Major shareholders of the institutional shareholders

05.16.2019

Name of Institutional Shareholders	Major Shareholders
Sunshine Coast Services Limited	Twin Minds Investments Ltd. (100%)

#### Major shareholders of the Company's major institutional shareholders

05.16.2019

Name of Institutional Shareholders	Major Shareholders
Twin Minds Investments Ltd.	Tang, Xiao-Hua (100%)

#### Information of Directors and Supervisors (2)

05.16.2019

Name	Meet the Following Professional Qualification Requirements, together with at Least Five Years Work Experience	Independence Status (Note)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director			
		1	2	3	4	5	6	7	8	9	10				
Liang, Li-Sheng	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Yang, Chi-Ting	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Pan, Yung-Tai	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Pan, Yung-Chung	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Sunshine Coast Services Limited Representative: Chen, Jie-Chi	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Ku, Tai-Chao	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Cheng, Chih-Kai	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Wu, Chun-Pang	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0

Note: Please tick  the corresponding boxes if directors or supervisors have qualified any of the following conditions during the two years prior to being elected or during the term of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates (The same does not apply, however, if the person is an independent director of the Company, its parent company, or its subsidiary and established in accordance with applicable domestic laws or the laws of the host countries).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under someone else's name (s), in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top-10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- Not a professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal affairs, financial, accounting services, or consultation to the Company or to any affiliate of the Company, or a spouse thereof. This rule shall be waived for members of the remuneration committee established by companies listed in TWSE or Gre Tai Securities Market who perform the function of the committee in accordance with Article VII of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- Not been a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Law.



(2) Profiles of the General Manager, Vice General Manager, Assistant General Manager, department heads, and branch officers

05.16.2019 / Unit: shares / %

Title	Nationality	Name	Gender	Date of Elected	Shares Held		Shares Held by Spouse or Minor Children			Shares Held under Other's Names		Major Experience/Education Background	Position (s) concurrently held in other companies	Managers as spouse or relatives within 2nd degree kingship		
					Shares	%	Shares	%		Shares	%			Title	Name	Relationship
Chairman/ General Manager	Republic of China	Liang, Li-Sheng	Male	10.01. 2018	2,100,001	0.47	0	0		0	0	Department of Business Administration, Tamkang University Chairman of Primax Electronics Ltd.	Note 1	-	-	-
Director/ General Manager of Business Department	Republic of China	Pan, Yung-Tai	Male	12.28. 2007 (Note 7)	4,872,599	1.09	815,517	0.18		0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 2	-	-	-
General Manager of Operations	Republic of China	Kuo, You-Min	Male	01.15. 2018	105,000	0.02	0	0		0	0	Industrial Marketing, MBA, University of North Carolina at Chapel Hill Senior Vice President, Hon Hai Group	Note 3	-	-	-
Senior Vice General Manager	Republic of China	Hsiao, Ying-Yee	Male	09.19. 2016	135,000	0.03	0	0		0	0	Swiss Business School EMBA CFO of CMC Magnetics co., Ltd.	Note 4	-	-	-
Vice General Manager	Republic of China	Chou, Yen-Chou	Male	01.17. 2011	102,000	0.02	0	0		0	0	Doctoral of Industrial Engineering, University of Cincinnati USA Senior Assistant General Manager of Operations, Hon Hai Group	Note 5	-	-	-
Vice General Manager	Republic of China	Chiang, Yan-Ying	Female	04.01. 2015	629,106	0.14	0	0		0	0	Department of Labor Relations, Chinese Culture University; EMBA, National Chengchi University PRIMAX Senior Assistant General Manager	None	-	-	-
Vice General Manager	Republic of China	Chang, Ching-Kai	Male	04.01. 2015	819,703	0.18	0	0		0	0	Department of Information Engineering, Tamkang University PRIMAX Senior Assistant General Manager	None	-	-	-
Vice General Manager	Republic of China	Chang, Yao-Han	Male	10.07. 2015	275,000	0.06	0	0		0	0	Graduate Institute of International Affairs and Strategic Studies, Tamkang University PRIMAX Senior Assistant General Manager	None	-	-	-
Vice General Manager	Republic of China	Wei, Hao-San	Male	10.07. 2015	584,732	0.13	0	0		0	0	Electrical Engineering Institute, California State University, Long Beach (USA) PRIMAX Senior Assistant General Manager	Note 6	-	-	-
Vice General Manager	Republic of China	Cho, Yu-Shan	Male	01.01. 2017	60,000	0.01	0	0		0	0	EMBA, NCCU General Manger, Automotive Electronics Division, Quanta Storage Inc.	None	-	-	-
Assistant Vice General Manager	Republic of China	Chang, Shu-Chuan	Female	11.15. 2017	0	0	0	0		0	0	Institute of Accounting, National Cheng Kung University Assistant General Manager, Finance Department, Lian Hwa Foods Corp.	None	-	-	-
Assistant Vice General Manager	Republic of China	Lin, Chun-Hsien	Male	05.14. 2019	230,330	0.05	0	0		0	0	University of Oregon, MBA (Finance) PRIMAX Executive Assistant of Chairman	None	-	-	-

Note 1: Primax Tech. (Cayman Holding) Ltd. Director ; Polaris Electronics, Inc. Director ; Destiny Tech Holding Co., Ltd. Director ; Primax Ind. (Cayman Holding) Ltd. Director ; Primax Ind (HK) Ltd. Director ; DongGuan Primax Electronic & Telecommunication Products Ltd. Chairman ; Primax Electronics. (KunShan) . Corp., Ltd. Chairman ; Beijing Destiny Electronic Technology Corporation, Chairman ; DESTINY Technology Corp., Director ; Diamond (Cayman) Holdings Ltd. Representative of Institutional Director; Tymphany Worldwide Enterprises Ltd. Representative of Institutional Director; Alpine Asia Investment Limited Director; Tymphany Logistics, Inc. Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Chairman ; Tymphany Acoustic Technology Ltd. Director; Primax AE (Cayman) Holdings Ltd. Director; ALT International Co., Ltd. Director.

Note 2: Tymphany Worldwide Enterprises Ltd. Representative of Institutional Director ; Tymphany Acoustic Technology Ltd. Vice Chairman ; ; ALT International Co., Ltd. Director.

Note 3: Polaris Electronics, Inc. Director, Gratus Technology Corp. Director.

Note 4: DongGuan Primax Electronic & Telecommunication Products Ltd, Supervisor ; Primax Electronics. (KunShan) . Corp., Ltd. Supervisor ; Primax Electronics. (ChongQing) . Corp., Ltd. Supervisor ; Beijing Destiny Electronic Technology Corporation Director ; Destiny Co. Ltd. Director; Primax Tech. (Cayman Holding) Ltd. Director; Primax Ind. (Cayman Holding) Ltd. Director; Diamond (Cayman) Holdings Ltd. Representative of Institutional Director; Tymphany Worldwide Enterprises Ltd. Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Director ; Dongguan Tymphany Acoustic Technology Co., Ltd. Supervisor; Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. Supervisor; Tymphany Acoustic Technology Ltd. Supervisor; Primax AE (Cayman) Holdings Ltd. Director.

Note 5: DESTINY Technology Corp. Supervisor.

Note 6: DESTINY Technology Corp. Director and Beijing Destiny Electronic Technology Corporation Director.

Note 7: The inauguration date refers to the base date of the Company's merging PRIMAX.



### 3. Profiles of the Remuneration to Directors, Supervisors, General Manager, and Vice General Managers in the most recent year

#### (1) Remunerations paid to directors in the latest year (2018).

Unit: NT\$1,000 / 1,000 shares

Title	Name	Remunerations of Directors								Ratio of total remuneration (A+B+C+D) to net income (%) (Note 1) Base Compensation (A) (Note 4)	Remuneration to Directors								Ratio of total remuneration (A+B+C+D) to net income (%) (Note 1)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A) (Note 4)		Pension (B)		Base Compensation (A) (Note 4)		Pension (B)			Salary, Bonuses and Allowances (E)		Pension (F)		Profit Sharing- Employee Bonus (G) (Note 3)							
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities				The Company	All Consolidated Entities
														Amount of Cash	Amount of Shares	Amount of Cash	Amount of Shares					
Chairman/General Manager	Liang, Li-Sheng	10,171	10,171	0	0	4,891	4,891	0	0			0.82	0.82	0	0	0	0	0	0	0.82	0.82	0
Director/General Manager	Yang, Hai-Hung (Note 7)	0	0	0	0	27,309	27,309	808	808			1.54	1.54	21,970	21,970	0	0	0	0	2.74	2.74	0
Director	Yang, Chi-Ting																					
Director	Pan, Yung-Chung																					
Director/ General Manager of Business Department	Pan, Yung-Tai																					
Director	Tsao, Chung-Feng (Note 8)																					
Director	Sunshine Coast Services Limited Representative: Chen, Jie-Chi (Note 9)																					
Independent Director	Ku, Tai-Chao																					
Independent Director	Wei, Yung-Tu (Note 8)																					
Independent Director	Cheng, Chih-Kai																					
Independent Director	Wu, Chun-Pang (Note 10)																					

Note 1: The net income of the Company in 2018 amounted to NT\$1,826,870 thousand.

Note 2: Refers to the earnings distribution proposal in the most recent year (2018) resolved by the Board (03.28.2019) for an amount of NT\$32,200 thousand to be distributed as remuneration to directors. The remuneration amount to be distributed in current year will be proportionally to the amount distributed last year.

Note 3: Refers to the earnings distribution proposal in the most recent year (2018) resolved by the Board (03.28.2019) for an amount of NT\$64,430 thousand to be distributed as remuneration to employees. The remuneration amount to be distributed in current year will be proportionally to the amount distributed last year.

Note 4: Remuneration to chairman is proposed by Human Resource Department taking the competitive environment and operating risk into consideration and complying with the corporate management policy and bonus plan, approved by the Remuneration Committee assessing the performance of chairman, and resolved by the Board.

Note 5: The net income before deducting the remuneration to employees and to directors in 2018 is NT\$2,207,759 thousand, and the proportion of remuneration to directors is 1.46 percent. After the conclusion of the Remuneration Committee, the agenda of remuneration to directors is proposed to the Board and resolved in the shareholders' meeting.

Note 6: Reimbursement of meals, accommodation and transportation is on an actual out-of-pocket basis.

Note 7: Resigned on 10.01.2018.

Note 8: Discharged at the end of the term on 05.30.2018.

Note 9: Newly elected on 05.30.2018.

Note 10: Newly elected on 10.25.2018 in a by-election.

Range of remuneration paid to each director of the Company	Name of Director			
	Total remuneration paid (A+B+C+D)		Total remuneration paid (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Less than NT\$2,000,000	Yang, Hai-Hung Tsao, Chung-Feng Wei, Yung-Tu Sunshine Coast Services Limited Representative: Chen, Jie-Chi Wu, Chun-Pang	Yang, Hai-Hung Tsao, Chung-Feng Wei, Yung-Tu Sunshine Coast Services Limited Representative: Chen, Jie-Chi Wu, Chun-Pang	Tsao, Chung-Feng Wei, Yung-Tu Wu, Chun-Pang Sunshine Coast Services Limited Representative: Chen, Jie-Chi	Tsao, Chung-Feng Wei, Yung-Tu Wu, Chun-Pang Sunshine Coast Services Limited Representative: Chen, Jie-Chi
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Pan, Yung-Tai Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao	Pan, Yung-Tai Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao	Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao	Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Cheng, Chih-Kai	Cheng, Chih-Kai	Yang, Hai-Hung Cheng, Chih-Kai	Yang, Hai-Hung Cheng, Chih-Kai
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Liang, Li-Sheng	Liang, Li-Sheng	Liang, Li-Sheng Pan, Yung-Tai	Liang, Li-Sheng Pan, Yung-Tai
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 and more	-	-	-	-
<b>Total</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>



**(2) Remunerations Paid to General Manager and Vice General Manager in the Latest Year (2018)**

Unit: NT\$1,000 / 1,000 shares

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing-Employee Bonus (D) (Note 1)				Ratio of total remuneration (A+B+C+D) to net income (%) (Note 2)		Receiving the remunerations from the reinvestments other than subsidiaries	
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities		
								Cash	Stock	Cash	Stock				
Director/ General Manager (Note 3)	Yang, Hai-Hung														
Vice General Manager	Cho, Yu-Shan														
Director/ General Manager of Business Department	Pan, Yung-Tai														
Vice General Manager (Note 4)	Tseng, Chien-Yu														
Director/ Vice General Manager (Note 5)	Tsao, Chung-Feng														
Vice General Manager	Chou, Yen-Chou	31,668	32,431	0	0	44,050	44,050	0	0	0	0	4.14%	4.19%	None	
Vice General Manager (Note 6)	Li, Chiu-Sheng														
Vice General Manager	Chiang, Yan-Ying														
Vice General Manager	Chang, Ching-Kai														
Vice General Manager	Wei, Hao-San														
Vice General Manager	Chang, Yao-Han														
Senior Vice General Manager	Hsiao, Ying-Yee														
General Manager of Operations	Kuo, You-Min														

Note 1: Refers to the earnings distribution proposal in the most recent year (2018) resolved by the Board (03.28.2019) for an amount of NT\$64,430 thousand to be distributed as remuneration to employees. The remuneration to General Manager and Vice General Manager had not yet been discussed by the Remuneration Committee as of the printing date of the annual report; therefore, the remuneration amount to be distributed in current year will proportionally refer to the amount distributed last year.

Note 2: The net income of the Company in 2018 amounted to NT\$1,826,870 thousand.

Note 3: Yang, Hai-Hung resigned 10.01.2018.

Note 4: Tseng, Chien-Yu resigned on 05.31.2018.

Note 5: Tsao, Chung-Feng resigned on 02.28.2018.

Note 6: Li, Chiu-Sheng resigned on 08.31.2018.

Note 7: Kuo, You-Min assumed office on 01.15.2018.

Range of remuneration paid to each General Manager and Vice General Manager of the Company	Name of General Manager / Vice General Manager	
	The Company	All Consolidated Entities
Less than NT\$2,000,000	Tseng, Chien-Yu / Tsao, Chung-Feng Li, Chiu-Sheng	Tseng, Chien-Yu Tsao, Chung-Feng
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Yang, Hai-Hung / Cho, Yu-Shan Chiang, Yan-Ying / Chang, Ching-Kai	Yang, Hai-Hung / Cho, Yu-Shan Chiang, Yan-Ying / Chang, Ching-Kai Li, Chiu-Sheng
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Pan, Yung-Tai / Hsiao, Ying-Yee Chang, Yao-Han / Wei, Hao-San	Pan, Yung-Tai / Hsiao, Ying-Yee Chang, Yao-Han / Wei, Hao-San
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Chou, Yen-Chou	Chou, Yen-Chou
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Kuo, You-Min	Kuo, You-Min
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 and more	-	-
<b>Total</b>	<b>13</b>	<b>13</b>

**(3) The Names of Managers to be distributed for Employees' compensations and Status (2018)**

Unit: NT\$1,000 / 1,000 shares

Title	Name	Amount of Shares (Note 1)	Amount of Cash (Note 1)	Total	Ratio of total amount to net income (%) (Note 2)
Vice General Manager	Cho, Yu-Shan				
Director/ General Manager of Business Department	Pan, Yung-Tai				
Vice General Manager (Note 4)	Tseng, Chien-Yu				
Director/ Vice General Manager (Note 5)	Tsao, Chung-Feng				
Vice General Manager	Chou, Yen-Chou				
Vice General Manager (Note 6)	Li, Chiu-Sheng	-	0	0	0%
Vice General Manager	Chiang, Yan-Ying				
Vice General Manager	Chang, Ching-Kai				
Vice General Manager	Wei, Hao-San				
Vice General Manager	Chang, Yao-Han				
Senior Vice General Manager	Hsiao, Ying-Yee				
General Manager of Operations (Note 7)	Kuo, You-Min				
Assistant Vice General Manager	Chang, Shu-Chuan				

Note 1: Refers to the earnings distribution proposal in the most recent year (2018) resolved by the Board (03.28.2019) for an amount of NT\$64,430 thousand to be distributed as remuneration to employees. The remuneration to General Manager and Vice General Manager had not yet been discussed by the Remuneration Committee as of the printing date of the annual report; therefore, the remuneration amount to be distributed in current year will proportionally refer to the amount distributed last year.

Note 2: The net income of the Company in 2018 amounted to NT\$1,826,870 thousand.

Note 3: Yang, Hai-Hung resigned 10.01.2018.

Note 4: Tseng, Chien-Yu resigned on 05.31.2018.

Note 5: Tsao, Chung-Feng resigned on 02.28.2018.

Note 6: Li, Chiu-Sheng resigned on 08.31.2018.

Note 7: Kuo, You-Min assumed office on 01.15.2018.

**(4) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, General Manager, and vice General Manager, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.**

1. The analysis of the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, General Manager, and vice General Manager:

Identity	Ratio of total remuneration to net income (loss)			
	2017		2018	
	The Company	Consolidated	The Company	Consolidated
Director	4.23%	4.23%	3.56%	3.56%
Supervisors	NA	NA	NA	NA
General Manager/Vice General Manager	4.71%	4.77%	4.14%	4.19%



2. The remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

- (1) The Company's remuneration to Directors includes directors' compensation. Remuneration to Directors is distributed by the Company's annual profit, if applicable, with less than two percent appropriated as remuneration to directors in accordance with the Articles of Association, resolved by the Remuneration Committee, proposed to and resolved by the Board of Directors and reported to the shareholders' meeting. Also, reasonable remuneration distributed by taking the Company's operating results, performance contributed by Directors, and performance evaluation of the Board into consideration. Remuneration to chairman is proposed by Human Resource Department taking the competitive environment and operating risk into consideration and complying with the corporate management policy and bonus plan, approved by the Remuneration Committee assessing the performance of chairman, and resolved by the Board.
- (2) The remuneration to the General Manager and Vice General Manager is defined by the job position held, the operating scale, the competitive environment, the industry standard, the operating performance, and individual performance about goal achievement, and proposed by Human Resource Department complying with the the Company's policy of remuneration to managers and bonus plan, approved by the Remuneration Committee assessing the performance of chairman, and resolved by the Board. Related reasonableness of performance evaluation and remuneration is reviewed by the Remuneration Committee and the Board, and reviewed the remuneration policy based on actual operation and related regulations at all times.

## 4. Corporate governance operation

### (1) Operating Status of the Board

The attendance of the directors and supervisors for the 13 Board meetings (A) held by the Company as of the printing date of the annual report (10 meetings in 2018 and 3 meetings in 2019) as follows:

Title	Name	Actual attendance (participations) B	Delegated attendance	Percentage of Actual attendance (participations) [B/A]	Remarks
Chairman of Board	Liang, Li-Sheng	13	0	100	—
Director	Yang, Hai-Hung	7	0	77.8	Resigned on 10.01.2018; required attendance: 9
Director	Yang, Chi-Ting	11	2	84.6	—
Director	Pan, Yung-Tai	12	1	92.3	—
Director	Pan, Yung-Chung	12	1	92.3	—
Director	Tsao, Chung-Feng	4	1	80	Discharged at the end of term on 05.30.2018; required attendance: 5
Director	Sunshine Coast Services Limited Representative: Chen, Jie-Chi	6	2	75	Newly on board on 05.30.2018; required attendance: 8
Independent Director	Ku, Tai-Chao	10	2	76.9	—
Independent Director	Wwi, Yung-Tu	5	0	100	Discharged at the end of term on 05.30.2018; required attendance: 5
Independent Director	Cheng, Chih-Kai	12	1	92.3	—
Independent Director	Wu, Chun-Pang	4	0	100	Newly on board on 10.25.2018; required attendance: 4

#### Other Matters to be Recorded:

1. For any of the following situation during the operation of the Board, the date of meeting of the Board, terms, description of proposal, all the independent directors' opinions and the treatment of such opinions shall be specified:

- (1) Issues specified in Article 14-3, Securities and Exchange Act: As of the date of the Annual Report publication, all the matters to be resolved were passed unanimously by all the directors.
- (2) Other than the abovementioned issues, the matters to be resolved in the meetings of the Board with dissents or qualified opinions, which are recorded or in writing: None.



2. For the recusal of directors to the proposals with interest conflicts, the name of director (s), description of proposal, reason of recusal, and the status of voting participation shall be specified: the directors well attended the meetings and voted according to their functions; the followings are the execution of recusal due to interest conflicts:

- (1) In the meeting of the Board on 01.31.2018, regarding Proposal No. 9, the bonus distribution to executives for 2017, No. 11, the distribution of employees' compensation, and No. 12, the first allocation of new restricted employee shares for 2017, Director Yang, Hai-Hung, Pan, Yung-Tai, and Tsao, Chung-Feng were the involved parties to these proposals and thus entered recusals of the discussion and voting to these proposals related to their interests. For Proposal No. 10, the bonus to the Chairman for 2017, the Chairman was the involved party to the proposal and thus entered recusals of the discussion and voting due to interest conflicts.
- (2) In the meeting of the Board on 03.13.2018, regarding Proposal No. 13, the review to the market compensation and benefit package of managers for 2017 and the salary adjustment for 2018, Director Yang, Hai-Hung and Pan, Yung-Tai were the involved parties to these proposals and thus entered recusals of the discussion and voting to the proposal related to their interests. Director Pan, Yung-Chung and Tsao, Chung-Feng entered recusals of the discussion and voting to the proposal.
- (3) In the meeting of the Board on 04.13.2018, regarding Proposal No. 5, the bonus plan to executives and key officers for 2018, Director Yang, Hai-Hung and Pan, Yung-Tai were the involved parties to these proposals and thus entered recusals of the discussion and voting to the proposal related to their interests; Director Pan, Yung-Chung and Tsao, Chung-Feng entered recusals of the discussion and voting to the proposal. For Proposal No. 6, the adjustment of reward to the Chairman for 2018, as well as No. 7 the performance criteria for Chairman and the bonus plan for 2019, the Chairman was the involved party to the proposals related to his interests and thus entered recusals of the discussion and voting due to interest conflicts.
- (4) In the meeting of the Board on 08.10.2018, regarding Proposal No. 1, the second allocation of new restricted employee shares for 2017, Director Pan, Yung-Tai and Pan, Yung-Chung entered recusals of the discussion and voting.
- (5) In the meeting of the Board on 09.28.2018, regarding Proposal No. 2, Changing the General Manager, the Chairman was the involved party, and his proxy, Director Yang, Tzu-Ting entered recusals of the discussion and voting.
- (6) In the meeting of the Board on 11.13.2018, regarding Proposal No. 5, the reward plan for independent directors, the Independent Director Ku, Tai-Chao, Cheng, Chih-Kai, and Wu, Chun-Pang entered recusals of the discussion and voting.
- (7) In the meeting of the Board on 01.22.2019, regarding Proposal No. 9, the bonus distribution to executives for 2018, Director Pan, Yung-Tai was the involved party to the proposal and thus Director Pan, Yung-Chung entered recusals of the discussion and voting. For Proposal No. 2, the bonus to the Chairman for 2018, the Chairman was the involved party to the proposal and thus entered recusals of the discussion and voting due to interest conflicts.
- (8) In the meeting of the Board on 03.28.2019, regarding Proposal No. 7, the bonus plan to executives and key officers for 2018, Director Pan, Yung-Tai was the involved party to the proposal and thus Director Pan, Yung-Chung entered recusals of the discussion and voting to the proposal. For Proposal No. 8, the adjustment of reward to the Chairman for 2019, as well as No. 9 the performance criteria for Chairman and the bonus plan for 2019, the Chairman was the involved party to the proposals related to his interests and thus entered recusals of the discussion and voting due to interest conflicts.

3. The goals for enhancing the functions of Board of Directors of the year and the latest year (e.g. establishment of the Audit Committee, or improvement of transparency for information) and the assessment to the implementation.

#### 1. The goals for enhancing the functions of Board of Directors of the year

- (1) The Company's Board of Directors had resolved on 01.12.2011 to have the Remuneration Committee setup. The Remuneration Committee members were appointed in accordance with Article 5 of the Company's "Remuneration Committee Charter". The Remuneration Committee under the Board of Directors is aimed to strengthen the function of the Board of Directors.
- (2) The Company's Board of Directors had resolved on 07.07.2015 to have the Audit Committee setup. The Audit Committee members were appointed in accordance with Article 4 of the Company's "Audit Committee Charter". The Audit Committee under the Board of Directors is aimed to strengthen the function of the Board of Directors.
- (3) The Company established the Nomination Committee with the resolution by the Board of the Directors on 03.07. 2017. The Nomination Committee members were appointed in accordance with Article 4 of the Company's "Nomination Committee Charter". The Nomination Committee under the Board of Directors is aimed to strengthen the function of the Board of Directors.
- (4) The Company's Board of Directors had resolved on 03.28.2019 to have "standard operating procedures for handling directors' requirements" to assist directors in performing their duties and improving the effectiveness of the Board of Directors.
- (5) Substantiate corporate governance and improve information transparency: the Board of Directors is operated in accordance with the "Rules of Procedure for Board of Directors Meetings". The Company's board meeting is convened in accordance with the "Rules of Procedure for Board of Directors Meetings" adequately.
- (6) Advanced study of directors and supervisors: The Company arranges advanced studies for directors and supervisors to help them obtain necessary information conveniently in order to maintain their core values and professional strengths and abilities.

2. **Assessment of the execution:** The Company upholds the principle of transparent operation to have important resolutions published on the MOPS after the board meeting in order to protect the interests of shareholders.

### (2) Operations of the Audit Committee, or the Engagement of Supervisors to the Board:

1. There are three members for the Audit Committee. The current term is from 06.12.2018 to 05.29.2021.
2. The attendance of the independent directors for the 7 Audit Committee meetings (A) held by the Company as of the printing date of the annual report (5 meetings in 2018 and 2 meetings in 2019) as follows:

Title	Name	Actual Attendance (B)	Percentage of Actual Attendance (%) (B/A)	Remarks
Independent Director	Ku, Tai-Chao	6	85.7	—
Independent Director	Wei, Yung-Tu	2	100	Discharged at the end of term on 05.30.2018; required attendance: 2
Independent Director	Cheng, Chih-Kai	7	100	—
Independent Director	Wu, Chun-Pang	3	100	Newly on board on 10.25.2018; required attendance: 3



**Other mandatory notes:**

- For any of the following situation during the operation of the Audit Committee, the date of meeting of the Committee, terms, description of proposal, resolutions of the Audit Committee and the treatment of such opinions shall be specified:
  - Issues specified in Article 14-5, Securities and Exchange Act: As of the date of the Annual Report publication, all the matters to be resolved were passed unanimously by all the members of the Audit Committee.

NO.	Proposal	Operation	Execution results
1.	The fair presentation of the financial statements.	1. The quarterly financial reports are to be resolved for the passage. 2. The report of the semi-annual communications with the CPAs	To be resolved were passed unanimously
2.	The selection, discharge, independence and performance of appointed CPAs.	1. On 05.10.2018, due to their internal adjustment, the appointed CPAs were intended to be replaced by Wu, Mei-Ping and Yu, Chi-Lung 2. On 11.12.2018, it was resolved to pass the evaluations on the independence of the appointed CPAs	To be resolved were passed unanimously
3.	The effective implementation of the internal controls.	The Statement of the Internal Control System was resolved to be passed on 03.12.2018.	To be resolved were passed unanimously
4.	The compliance with related laws and regulations.	1. On 08.24.2018, it was resolved to pass the amendments to the "Procedures for Acquisition or Disposal of Assets." 2. On 11.12.2018, the outcome of the introduction of No. 16 of the International Financial Report Standards, "Lease" was reported.	To be resolved were passed unanimously
5.	The controls over the existing or potential risks.	1. The self-assessment for the internal control is conducted annually to identify the risks. 2. Based on the degrees of risks, the annual audit plan is prepared for implementation, and each audit operations have been completed for 2018.	To be resolved were passed unanimously
6.	The performance of the internal audit department.	1. The head of Audit participates in the meetings every quarter to report the audit plan, execution and the material findings. 2. On 11.12.2018, the annual audit plan for 2019 was resolved to be passed.	To be resolved were passed unanimously

- Other than the abovementioned issues, the matters failed to be passed by the Audit Committee, but resolved with consents of more than two third of all directors: **None**.
- For the recusal of independent directors to the proposals with interest conflicts, the name of independent director (s), description of proposal, reason of recusal, and the status of voting participation shall be specified: **None**.
- The communications among the independent directors, the head of internal audit, and CPAs
  - The Company's Internal Auditor communicates with the Independent Directors on the audit findings in the meetings of the Audit Committee regularly and reports on the implementation of internal audit and the follow-up with defects detected in the audits. In the meetings, the committee requires that the level of risk shall be specified in the audit report and report on the outcome of internal audit on the risk attribute inherent to the operation cycle. Recommendations prescribed the Independent Directors shall be executed at once. The Company's Audit Committee has a good communication with the Internal Auditor in the conduct of internal audits.
  - The Company's contracted CPAs report financial statements audit or review result and other mandatory communicating matters in the Audit Committee meeting at least once a year; in addition, the contracted CPAs already explained and discussed about key audit matters with the Audit Committee before the contracted CPAs audited financial statements in 2018. The Audit Committee has a good communication with the contracted CPAs.

**(3) Operation Status of the Corporation Governance and the discrepancies with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the causes.**

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the causes.
	Yes	No	Summary	
1. Does Company follow "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to establish and disclose its corporate governance practices?	✓		The Company has established the Corporate Governance Best Practice Principles, and disclosed these on the official website and MOPS.	No significant difference
2. Shareholding Structure & Shareholders' Rights	Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	✓	The Company has established spokespersons and deputy spokespersons. The share affairs and legal departments handle the advices of shareholders or disputes.	No significant difference
	Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓	The Company has delegated a professional share affair agency to grasp the shareholding status of directors, managers and major shareholders.	
	Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	✓	The Company has established related guidelines in the internal control system, to set up an appropriate risk control mechanism and the "firewall."	



Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the causes.	
	Yes	No	Summary		
2. Shareholding Structure & Shareholders' Rights	✓		Has the Company established internal rules prohibiting insider trading on undisclosed information?	The Company has established guidelines to prevent the insider trading, to prohibit insider trading on undisclosed information	No significant difference
3. Composition and Responsibilities of the Board of Directors	✓		Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	<p>The Company has established the Corporate Governance Best Practice Principles, and disclosed these on the official website and MOPS. Article 20 specified that the diversification of the Board of Directors shall be:</p> <p>The composition of the Board of Directors shall be diversified, such as different professional background, expertise area, or genders. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:</p> <ol style="list-style-type: none"> <li>Operational judgment capability.</li> <li>Accounting and financial analysis capability.</li> <li>Operational and management capability.</li> <li>Crisis management capability.</li> <li>Industry knowledge.</li> <li>International market perspective.</li> <li>Leadership capability.</li> <li>Decision-making capability.</li> </ol> <p>The diversification of the Board of Directors is described as follows: There are nine directors in the Board, including four independent directors (44%). Two of them have terms less than three years and one for four to six years and one for nine to twelve years. Eight of directors are male (89%) and one is female (11%). Regarding the age, two of them are 71-75 years old (22%), six are 61-70 years old (67%), and one is 45-50 years old (11%).</p> <p>For their specialties, nine of them have the experience of industry and management; one with R&amp;D experience (11%), three with marketing experience (33%) and three with finance and banking (33%) background. In the aspect of professional knowledge and skills, nine of them have the knowledge and skills of leadership, decision-making, and operations and management; six of them have the knowledge and skills of risk management (67%); three of them have the knowledge and skills of IT (33%); five of them have the knowledge and skills of finance and accounting (56%); and two of them have the knowledge and skills of legal affairs (22%).</p>	No significant difference
	✓		Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	The Company established the Nomination Committee on 03.07. 2017. In the future, the Company will establish various functional committees where necessary. Regarding "Nomination Committee Charter", please refer to the website or MOPS.	No significant difference
	✓		Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	<p>The Company has enacted the "Rules Governing the Performance Evaluation of the Board of Directors" on 11.10.2016, and was disclosed on the website and MOPS. It stipulates that the Company has to conduct an internal performance evaluation of the Board of Directors at least once a year, and an external independent institution or experts to conduct an evaluation at least once every three years and has to conduct an annual performance evaluation at the end of the year. The result of the performance evaluation of the Board of Directors will be completed prior to the date of the nearest meeting of the Board in the subsequent year. The scope of the evaluation includes the performance evaluation of the Board of Directors as a whole, individual board member and functional committees. The methods of evaluation include internal self-evaluation of the Board of Directors, self-evaluation of directors, or other adequate methods of performance evaluation.</p> <p>The performance evaluation of the Board of Directors and the Directors and functional committees like the Audit Committee, and the Remuneration Committee in 2017 has been conducted by the CPAs of KPMG, Lin, Pao-Chu. The evaluation consisted of an questionnaire survey, data analysis and interviews. The evaluation result and the issues requiring further improvement in 2018 were presented to the Board Meeting held in 01. 2018.</p>	No significant difference



Assessment Item	Operation Status						Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the causes.																						
	Yes	No	Summary																										
3. Composition and Responsibilities of the Board of Directors  Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	V		<p>KMPG classified the result of the evaluation into five levels.</p> <table border="1"> <thead> <tr> <th>Significant Improvement Required</th> <th>Improvement Required</th> <th>Fair</th> <th>Good</th> <th>Excellent</th> <th>N/A</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>Not included in scoring</td> </tr> </tbody> </table> <p><b>Comprehensive Outcomes of Assessment:</b> for performance assessments to the Board, the directors, the Audit Committee, and the Compensation Committee, the outcomes are between good to outstanding.</p> <p><b>Description of Grading</b></p> <table border="1"> <tbody> <tr> <td><b>Excellent</b></td> <td>In compliance with Best Practices at an international standard of corporate governance.</td> </tr> <tr> <td><b>Good</b></td> <td>In compliance with Best Practices at a domestic standard of corporate governance.</td> </tr> <tr> <td><b>Fair</b></td> <td>In compliance with domestic law or general standards.</td> </tr> <tr> <td><b>Improvement Required</b></td> <td>Does not comply with applicable legal rules and general standards, but not at significant level.</td> </tr> <tr> <td><b>Significant Improvement Required</b></td> <td>Severe shortcomings.</td> </tr> </tbody> </table> <p>The content for the performance evaluation of the Board of Directors includes 9 dimensions in 89 topics, which are specified below:</p> <ol style="list-style-type: none"> <li>(1) Establishment of a competent Board.</li> <li>(2) Effective operation of the Board of Directors.</li> <li>(3) Professional development and continuing education.</li> <li>(4) Foresight in corporate management.</li> <li>(5) Execution of assigned duties.</li> <li>(6) The function of the management.</li> <li>(7) Creation of corporate culture.</li> <li>(8) Communication with stakeholders.</li> <li>(9) Performance evaluation.</li> </ol> <p>The content of the performance evaluation of the Directors includes 6 dimensions in 27 topics, which are specified below:</p> <ol style="list-style-type: none"> <li>(1) Control of the objectives and mission of the Company.</li> <li>(2) Recognition of the authority and responsibility of the Directors.</li> <li>(3) Professional development and continuing education.</li> <li>(4) Execution of assigned duties.</li> <li>(5) Level of participation in the operation of the Company.</li> <li>(6) Cultivation of internal relations and communication.</li> </ol> <p>The content of performance evaluation of the Audit Committee includes 7 dimensions in 88 topics, which are specified below:</p> <ol style="list-style-type: none"> <li>(1) Establishment of a competent Audit Committee.</li> <li>(2) Effective operation of the Audit Committee.</li> <li>(3) Professional development and continuing education.</li> <li>(4) Execution of assigned duties.</li> <li>(5) Establishment of channels for complaints.</li> <li>(6) Relationship with the Board of Directors.</li> <li>(7) Performance evaluation.</li> </ol> <p>The content of performance evaluation of the Remuneration Committee includes 6 dimensions in 54 topics, which are specified below:</p> <ol style="list-style-type: none"> <li>(1) Establishment of a competent Remuneration Committee.</li> <li>(2) Effective operation of the Remuneration Committee.</li> <li>(3) Professional development and continuing education.</li> <li>(4) Execution of assigned duties.</li> <li>(5) Relationship with the Board of Directors.</li> <li>(6) Performance evaluation.</li> </ol> <p>Based on the outcomes of the Board's performance for 2017, there are three suggestions for optimization:</p> <ol style="list-style-type: none"> <li>(1) Considering adding more female directors.</li> <li>(2) The succession plan for the directors and management team may be included in the working plan of the Nomination Committee, for the talent demanded for the mid- and long-term development.</li> <li>(3) The continuing education may be specific to each individual director, to assist in their performance of the duties.</li> </ol>				Significant Improvement Required	Improvement Required	Fair	Good	Excellent	N/A	1	2	3	4	5	Not included in scoring	<b>Excellent</b>	In compliance with Best Practices at an international standard of corporate governance.	<b>Good</b>	In compliance with Best Practices at a domestic standard of corporate governance.	<b>Fair</b>	In compliance with domestic law or general standards.	<b>Improvement Required</b>	Does not comply with applicable legal rules and general standards, but not at significant level.	<b>Significant Improvement Required</b>	Severe shortcomings.	No significant difference
			Significant Improvement Required	Improvement Required	Fair	Good	Excellent	N/A																					
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Assessment Item	Operation Status						Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the causes.
	Yes	No	Summary				
3. Composition and Responsibilities of the Board of Directors  Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	V		<p>For the abovementioned suggestions, the follow up improvement and executions are as the following:</p> <ol style="list-style-type: none"> <li>(1) One female independent director is intended to be elected in the 2019 Annual General Shareholders' Meeting</li> <li>(2) The succession program for the chairman and the management, has been approved by the Board of Director in November 2018, and the HR Department is the accountable unit.</li> <li>(3) The head of corporate governance is responsible to plan and arrange the annual continuing education sessions for individual/all directors.</li> </ol> <p>The latest self-assessment in the performance of the Board of Director has been completed at the end of 2018. The shareholder service department conducted the assessment with questionnaires, internal self-assessment of the Board of Directors and the functional committees, and the self-assessment of the directors. The content includes the operations and individual engagement of the Board of Directors, directors, Audit Committee and Compensation Committee.</p> <p>The measurement items to assess the performance of the Board of directors include the following five major aspects:</p> <ol style="list-style-type: none"> <li>(1) Engagement in the operations of the Company.</li> <li>(2) Enhancement to the quality of decision-making of the BOD.</li> <li>(3) Composition and structure of the BOD.</li> <li>(4) The election and continuing education of the members of the BOD.</li> <li>(5) Internal control.</li> </ol> <p>The measurement items to assess the performance of the directors include the following six major aspects:</p> <ol style="list-style-type: none"> <li>(1) Grasping the goal of the company and mission.</li> <li>(2) Awareness of the duties of directors.</li> <li>(3) Engagement in the operations of the Company.</li> <li>(4) Internal relationship management and communications.</li> <li>(5) The election and continuing education of the members of the directors.</li> </ol> <p>VI. Internal control.</p> <p>The measurement items to assess the performance of the Audit Committee include the following five major aspects:</p> <ol style="list-style-type: none"> <li>(1) Engagement in the operations of the Company.</li> <li>(2) Enhancement to the quality of decision-making of the Audit Committee.</li> <li>(3) Composition and structure of the Audit Committee.</li> <li>(4) The election and continuing education of the members of the Audit Committee.</li> <li>(5) Internal control.</li> </ol> <p>The measurement items to assess the performance of the Compensation Committee include the following five major aspects:</p> <ol style="list-style-type: none"> <li>(1) Engagement in the operations of the Company.</li> <li>(2) Enhancement to the quality of decision-making of the Compensation Committee.</li> <li>(3) Composition and structure of the Compensation Committee.</li> <li>(4) The election and continuing education of the members of the Compensation Committee.</li> <li>(5) Internal control.</li> </ol> <p><b>Outcomes of the Comprehensive Assessment:</b></p> <p>The outcomes of 2018 assessment for the performance of the Board of Director has been reported in the BOD's meeting on 01.22. 2019. The average scores for each indicative questionnaires of the directors are between 4 (agree) to 5 (much agree). It means that the directors recognized the current operation of the Boarding, covering the functional committees, to a certain degree. The suggestions of improvement are also provided; It is suggested to increase seats for 2019 female independent directors to improve the diversity; the seats for independent directors may be also increased to enhance the effect of corporate governance. The Company intends to elect one more female independent director in the 2019 Annual General Shareholders' meeting, according to the suggestions.</p>				No significant difference
Does the Company regularly evaluate its external auditors' independence?	V		<p>The Audit Committee has the contracted CPA's independence and performance assessed regularly every year at least once a year in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and "Audit Committee Charter", which are specified follows:</p> <ol style="list-style-type: none"> <li>(1) Review CPA's resume.</li> <li>(2) He/she is not a director, supervisor, manager, or does not hold a position with other companies that 05. affect job responsibility or cause a conflict of interest.</li> <li>(3) The same CPA is not contracted as the auditor for seven consecutive years.</li> <li>(4) The declaration of independence is obtained from the commissioned CPA annually.</li> <li>(5) Auditing and tax service quality and timeliness is reviewed.</li> <li>(6) No litigation or any disciplinary action is received from the competent authorities.</li> <li>(7) The scale of operation and reputation of the CPA Firm is reviewed.</li> <li>(8) Interaction with the management and internal auditor.</li> </ol> <p>The most recent review was completed on 11.13. 2018, when the Audit Committee was considered and the above requirements were met.</p>				No significant difference



Assessment Item	Operation Status		Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the causes.
	Yes	No	
4	✓		No significant difference
5	✓		No significant difference



Assessment Item	Operation Status		Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the causes.				
	Yes	No					
5	✓		No significant difference				
				6	✓		No significant difference
				7. Information Disclosure	✓		No significant difference
					✓		No significant difference





Assessment Item	Operation Status		Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the causes.	
	Yes	No		Summary
8		V	<p>1. The Company has committed based on the Labor Standards Law to protect the basic rights of employees and has set up the Employee Welfare Committee in accordance with the Employee Welfare Act. The existing welfare system includes: a periodical health check, birthday and three festival gifts (vouchers), weddings and funeral subsidy, scholarships and financial aid, domestic and overseas travel subsidy, emergency assistance loans, year-end party and lotteries, and other community activities.</p> <p>2. The Company attaches great importance to the harmonious labor relations. For safeguarding employees' rights and benefits, employees can perform a two-way communication for the Company's systems and work environmental issues through department meetings, staff seminars, labor relation meetings, employee suggestion boxes, etc.; also, regularly inspect and maintain the safety and health of the working environment in order to ensure employees' work safety and health.</p> <p>3. The Company has a smooth communication channel constructed with the employees, bankers, customers, vendors, and other stakeholders of the Company in order to protect the legitimate interests of all parties.</p> <p>4. The Company has established the procedures for customer management service, customer satisfaction surveys, and handling customer complaint. Regarding customer grievance, properly identify the root cause of the problem and accountability, and evaluate customer satisfaction periodically to ensure providing customers with the best services.</p> <p>5. The Company has various internal regulations and internal control systems enacted lawfully, a variety of risk management and assessment performed; in addition, the internal audit office will have the implementation of internal control system audited periodically and occasionally.</p> <p>6. Continuing education of Directors: Please refer to the Annual Report "2018 the Directors' Continuing Education" (page.28).</p> <p>7. The Company has purchased liability insurance USD20 Million for the directors and supervisors every year.</p> <p>8. The succession program for the chairman and the management, has been approved by the Board of Director in 11. 2018, and the HR Department is the accountable unit, to draft and implement the program, and report to the BOD at least annually. The desired successors must be extremely competent for the work and strategic thinking; his/her values are consistent with the Company's, including decency, integrity, humility, practical, respect, trustworthy and sharing. During the year, the positions requiring successors for the first stage have been screened based on the organizational development needs and the candidates will be selected in three to five years. The training of these successors will be via the "rotation of works" and "assignment of projects" in the Group to enhance their strategic thinking and capability of strategy setting.</p>	No significant difference
9			<p><b>The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange; for improvement not yet conducted, the prioritized enhancement and measures shall be described. (Exempted for the companies out of assessment)</b></p> <p>The Company was ranked top 5% in 2017 and 2016 for the result of Corporate Governance Evaluation, and was ranked 6%~20% in 2018, and also 11-20% of listed company with market value more than 10 billion NTD. For 2018, the Company has continued to make efforts toward the defects found in the Corporate Governance Evaluation, including:</p> <p>1. The Shareholders' Meetings applies e-voting, and the candidate nomination system is implemented fully for the election of directors. Through the Nomination Committee to fully implemented the criteria for reviewing the nomination and the operational procedures; such implementations are disclosed on the official website and MOPS.</p> <p>2. In the Shareholders' Meeting, the proposals are voted one by one, and the results of voting are disclosed on MOPS on the same date, in order to protect the interests of shareholders and improve the information disclosures.</p> <p>3. For two consecutive years, the Shareholders' Meetings were convened before the end of 05., so that the minor shareholders 05. execute their rights easily.</p> <p>4. The guidelines for assessing the Board's performance are established. The external assessment has been completed at the beginning of 2018. The completed outcomes of the assessment are disclosed in the Annual Report and the Company's website.</p> <p>5. The Company voluntarily prepares the Corporation Social Responsibilities Reports, in both Chinese and English, and the third party certificates have obtained for two consecutive years.</p> <p>6. For the announcements of financial information, publications of material information, shareholders' meeting related information, and the content of the investor conference are issued both in Chinese and English.</p>	



Continuing Education Received by the Directors in 2018

Title	Name	Date of Class	Conducting Entity	Name of the Class	Hours of Class	Total Hours of Classes in 2018
Director	Liang, Li-Sheng	09. 26. 2018	SinoPac Securities and TWSE	ESG Investment Forum (morning)	3	6
		09. 19. 2018	Taiwan Corporate Governance Association	The 14th Corporate Governance International Forum (afternoon session)	3	
Director	Pan, Yung-Tai	09. 26. 2018	SinoPac Securities and TWSE	ESG Investment Forum (morning)	3	6
		11. 14. 2018	Securities and Future Institute	New Version Blueprint of Corporate Governance and the Discussion of Enhancing Corporate Governance Mechanism	3	
Director	Pan, Yung-Chung	04. 18. 2018	Taiwan Securities Association	How enterprises apply the big data analyses to improve the operating performance	3	6
		09. 19. 2018	Taiwan Corporate Governance Association	The 14th Corporate Governance International Forum (morning session)	3	
Director	Yang, Chi-Ting	06. 06. 2018	Taiwan Corporate Governance Association	The obligations and responsibilities of Board regarding the legal issues of M&A	3	6
		06. 07. 2018	Taiwan Corporate Governance Association	Common financial embezzlement and fraud cases and the preventive mechanism	3	
Legal Representative Director	Chen, Jie-Chi	11. 29. 2018	Securities and Future Institute	How directors and supervisors supervise the Company to well execute the risk management and risk handling	3	12
		12. 06. 2018	Securities and Future Institute	Analysis to the real cases of breach of trust by directors and supervisors and the crime of special breach of trust	3	
		12. 12. 2018	Securities and Future Institute	Discussion regarding enterprise information disclosure and the responsibility of falseness	3	
Independent Director	Ku, Tai-Chao	12. 13. 2018	Securities and Future Institute	Warning of financial crisis for enterprises and type analysis	3	6
		10. 03. 2018	Securities and Future Institute	How the directors and supervisor without finance or accounting background to review finance reports?	3	
		10. 04. 2018	Securities and Future Institute	Analysis to the real cases of breach of trust by directors and supervisors and the crime of special breach of trust	3	



Title	Name	Date of Class	Conducting Entity	Name of the Class	Hours of Class	Total Hours of Classes in 2018
Independent Director	Cheng, Chih-Kai	06. 13. 2018	Taiwan Academy of Banking and Finance	New mindset of sustainable succession management for enterprises	3	6
		08. 22. 2018	Securities and Future Institute	The impacts for the latest tax reform to enterprises' operation and the reactions	3	
Independent Director	Wu, Chun-Pang	07. 24. 2018	Taiwan Academy of Banking and Finance	Class for the board operation practice and corporate governance	3	6
		12. 24. 2018	Taiwan Academy of Banking and Finance	Class for the board operation practice and corporate governance	3	

**(4) If the Company has a Remuneration Committee setup, the composition, mandate, and operation of the Committee should be disclosed accordingly:**

To improve corporate governance and strengthen the function of the Board of Directors, PRIMAX had established the Remuneration Committee in 2011 to assist the Board of Directors assessing and verifying the remuneration policy and system of the Chairman and managers. The Board of Directors has three members appointed to form the Remuneration Committee in accordance with the Company's "Remuneration Committee Charter". The Remuneration Committee shall meet at least twice a year and there were 4 meetings convened in the most recent year.

**1. Information of the members of the Remuneration Committee**

Title	Name	Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Status (Note)								Number of other Taiwanese public companies concurrently serving as a Remuneration committee member	Remarks	
			An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8			
Independent Director	Ku, Tai-Chao	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Cheng, Chih-Kai	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Others	Yao, Heng-Shan	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—

Note: Please tick the corresponding boxes ✓ if the member has qualified any of the following conditions during the two years prior to being elected or during the term of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates. However, the same does not apply if the person is an independent director of the Company, its parent company, or its subsidiary and established in accordance with applicable domestic laws or the laws of the host countries.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under someone else's name (s), in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top-10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- Not a professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal affairs, financial, accounting services, or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- Not been a person of any conditions defined in Article 30 of the Company Law.

**2. Remuneration Committee Meeting Status**

- There are three members in the Remuneration Committee.
- The tenure of the current term is from 06.12.2018 to 05.29.2021. In the latest year, the Remuneration Committee convened four meetings (A). The committee members' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Convener	Ku, Tai-Chao	4	0	100%	—
Member	Cheng, Chih-Kai	4	0	100%	—
Member	Yao, Heng-Shan	4	0	100%	—



Annotations:

- There was no recommendation of the Remuneration Committee which was not adopted or was modified by the Board of Directors in 2018.
- For the determined matters by the Remuneration Committee, shall there be dissent, qualified opinion with records or written statement, the date of meeting of the Remuneration Committee, term, content of the proposal, opinions of all members, and the treatment to the dissent:
  - The 10th meeting of 3rd Round was convened on 01.23.2018, and four proposals and one report were raised, including the "proposal of the 2017 performance and bonus for the executives," the "proposal of the 2017 performance and bonus for the Chairman," the "First Batch of Issuance of the Restricted New Shares for Employees for 2017," and the "Year-end Report of Remuneration Committee for 2017." The four proposals were unanimously approved by the members of Remuneration Committee.
  - The 11th meeting of 3rd Round was convened on 03.12.2018, and the proposals included the "review of the market competitiveness of the managers' remunerations and the adjustment of salary for 2017," the "proposal for bonus to the executives and key officers for 2018," the "proposal of the 2018 performance criteria and bonus for the Chairman," the "Remuneration distributions to employees and directors for 2017." Regarding the "proposal for bonus to the executives and key officers for 2018" and the "proposal of the 2018 performance criteria and bonus for the Chairman," all the members of Remuneration Committee suggested to review the status of each BU to set more reasonable objectives to encourage growth, and thus the two proposals were to be discussed in the next meeting; other proposals were passed.
  - The 12th meeting of 3rd Round was convened on 04.12.2018, and the proposals included the "proposal for bonus to the executives and key officers for 2018," the "proposal for adjusting the remuneration to the Chairman," and the "proposal of the 2018 performance criteria and bonus for the Chairman." The three proposals were unanimously approved by the members of Remuneration Committee.
  - The 1st meeting of 4th Round was convened on 08.09.2018, and the proposals included the "election of the convener for the 4th Round of Remuneration Committee," the "Second Batch of Issuance of the Restricted New Shares for Employees for 2017," and "the amendment to the guidelines allocating cars for executives." The convener of the 4th Round of Remuneration Committee was elected and both the proposals were passed.

**(5) CSR performance: The systems and measures adopted by the Company for the tasks of environmental protection, community involvement, social contribution, social services, social welfare, consumer rights, human rights, security and health, and other social responsibility activities, and the performance.**

Item	Assessment Item	Implementation Status		How does the Company's corporate social responsibility differ from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	
1. Implementation of corporate governance	Does the Company have a corporate social responsibility policy and evaluate its implementation?	✓		The Company has established the "Corporate Social Responsibility Best Practice Principles for Primax," and the Principles are passed by the Board for announcement. The detailed outcomes of the implementation in 2018 are disclosed in the Annual Corporate Social Responsibility Report.
	Does the Company hold regular CSR training?	✓		The Company conducts periodical training pursuant to the CSR Best Practice Principles, to enhance the related knowledge. One CRS outcome presentation was conducted in 2018.
	Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	✓		The Board has authorized Chairman to establish the Corporate Social Responsibility Office. The dedicated personnel are in charge of the policies, systems, related management guidelines of corporate social responsibility, as well as to propose, establish, execute and review the tangible promotion plans. At least regular presentation to the Board annually is required. Under the Office, there are task forces for corporate governance, green operation, and social care, to promote and execute issues covering different aspects of CSR.
	Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?	✓		The Board has authorized Chairman to establish the Corporate Social Responsibility Office. The dedicated personnel are in charge of the policies, systems, related management guidelines of corporate social responsibility, as well as to propose, establish, execute and review the tangible promotion plans. At least regular presentation to the Board annually is required. Under the Office, there are task forces for corporate governance, green operation, and social care, to promote and execute issues covering different aspects of CSR.



Item	Assessment Item	Implementation Status			How does the Company's corporate social responsibility differ from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
2. Environmentally Sustainable Development	Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		When providing products and services, the Company proactively implement the concept of environment protection to the green design and management. The materials used for products comply with all the international environmental standards and clients' requirements. In 2018, the inventory for water footprints and substance flow have been conducted, and the relevant improvement plans are taken to use the resources more effectively.	No significant difference
	Has the Company set an Environmental management system designed to industry characteristics?	✓		The Company has established the management system for green procurement, as well as controlled the process and materials, to ensure the products meets all the environmental requirements. A dedicated unit is set up to maintain the environmental quality for all production facilities in Mainland China. The measures of energy-saving and carbon emission reduction are also taken with greater strength.	
	Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	✓		The Company has established the "Declaration for Greenhouse Gas Inventory and Voluntary Reduction." The Company is committed to the greenhouse gas inventory to grasp the status of greenhouse gas emission. Based on result of inventory, the further voluntary reduction plans for greenhouse gas will be implemented.	
3. Promotion of Social welfare	Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		The "Guidelines of Recruitment" of the Company abide by all related labor laws and regulations, as well as the international recognized basic principles for labor rights (e.g. Responsible Business Alliance (RBA)'s Responsible Labor Initiatives). The internal human resources regulations are reviewed and amended regularly. The Company also aggressively protect the legal rights of employees. For the recruitments, the principles of equality and non-discrimination are applied. The "friendly working place" is created, to implement the philosophy of the "best employer."	No significant difference
	Has the Company established appropriately managed employee appeal procedures?	✓		The Company has established the "Operational Procedures for Ethical Management and Guidelines of Conducts," to completely regulate the whistleblowing system and operations. To improve the understanding between the Company and employees, we provide four channels for filing complaints: the comment box, the employee surveys, labor-management meetings, and the direct communication to the line manager/HR Department. Each complaint is dealt with the established process to show the respects	
	Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		The factory areas of Primax are all in Mainland China; Taiwan is the headquarter and the R&D center. To provide a safe and healthy working environment, the related management measures of Primax are as the following: <b>1. Education and training:</b> including first aids; machinery safety; identification of risks for environment, health, and safety; occupational health, and contingency measures. For the health promotion, health seminars are also provided. <b>2. Risk management:</b> drills for fire reporting and chemical leakages. <b>3. Health check:</b> except the regular health checks, in the factory areas in Mainland China, the positions with higher risks are provided with specific checking, such as serum ALT, listening checking, and electrocardiogram. For X-ray operators, the precise checks for skin, liver, kidney, and lymphs are offered as well. <b>4. Medical aids:</b> In each factory and office, Primax has established the medical office/center, with medical practitioners stationed regularly. In each department, a first-aid box is provided. The employees are provided with emergency medical assistance, disease prevention, and medical consultancy. <b>5. The Company has been certified with OHSAS 18001 Occupational Health and Safety Management System.</b>	



Item	Assessment Item	Implementation Status			How does the Company's corporate social responsibility differ from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
3. Promotion of Social welfare	Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?	✓		There is a regular communication mechanism for employees in place. The CEO conducts a seminar with the employees every six months, to communicate the short term plans of the holistic operation, outlooks, outcomes, and the key points of the corporate culture. The head of business convenes the department communication meeting quarterly, to ensure the personnel grasp the overview of the business. In the quarterly labor-management meeting, the important issues are communicated. The managers are also encouraged to have one-on-one communications with the subordinates, for the good interactions.	No significant difference
	Has the Company established effective career development training plans?	✓		The learning and development in the Company, is around the core of job functions. These are closely integrated with the future development strategies and goals. The training system is divided into the professional function trainings, the leadership training, and the general function trainings.	
	Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	✓		The Company has established the procedures for client service management, satisfaction survey to clients, and procedures of handling complaints, among other things, to appropriately identify problems and accountable parties for complaint events. The clients' satisfactions are also evaluated periodically to ensure the best services to all the clients.	
	Does the Company follow regulations and international standards in the marketing and labelling of its products and services?	✓		When providing products and services, the concept of environment protections are implemented in the green designs and the green management, to comply with the requirements of laws and clients, and to fulfill the responsibility as a citizen of Earth. Except meeting the requirements of laws (e.g. RoHS, REACH, ErP, among other things) and clients, the Company also establishes the responding capability used in the organization and to the suppliers, with the relevant trainings. This is integrated with PLM, to implement the green product policy.	
4. Enhanced Information Disclosure	Does the company evaluate environmental and social track records before engaging with potential suppliers?	✓		Before a supplier is engaged by the Company, a rigorous evaluation procedure is applied (including reviewing, re-examining of contracts, two-way communications, complaint filing mechanism and channels) for the environment, health and safety management of the candidate, which includes if the environmental monitoring is conducted, if the local labor regulations and RBA regulations are complied with, among other things. Meanwhile, an onsite appraisal is conducted for each supplier, mainly for the harmful materials. The appraisal includes: the organizational structure of green product management in the supplier, trainings and education, control of productions, product design, procurement inspection, and the preventions of hazardous material pollutions.	No significant difference
	Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	✓		The Company requires the suppliers to sign the "Statement of Supplier," including the environmental declaration and the conflicting mining declaration. If any supplier violates related requirements, the Company may remove or terminate the transactions with the supplier concerned. Meanwhile, the third party institution is engaged to conduct the risk assessment and audit to the key suppliers, including health and safety in the working place, and labor rights. The improvement for the defects found in the audit would be required to be achieved in the specified period of time.	
	Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	✓		The company's website has a corporate social responsibility zone, and discloses information about corporate social responsibility in the annual report. At the same time, it began to issue a corporate social responsibility report in 103 years in response to the importance of stakeholder concerns. One of the communication channels for providing CSR mailboxes as stakeholders.	No significant difference



5	<p>If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice" please describe the operational status and differences.</p> <p>The Company has established the "Corporate Social Responsibility Best Practice Principles for Primax," whose operations are implemented in the aspects of corporate governance, employee-caring, community guarding, and earth protecting; the Codes of Conducts are also complied with, and thus there is no material difference. For the corporate governance, please refer to the section of "Operation of Corporation Governance" in the Annual Report. For the details of employee-caring, community guarding, and earth protecting, please refer to the annual corporate social responsibilities report.</p>
6	<p>Other important information to facilitate better understanding of the company's implementation of corporate social responsibility:</p> <ol style="list-style-type: none"> <li>The Company manages the employees based on related labor laws and regulations, including the Labor Standard Acts; dedicated personnel are assigned to handle the labor affairs, for the purpose of protecting the rights of employees.</li> <li>By complying with the requirements of organization and personnel in the Occupational Safety and Health Act, the Company conducts the health and safety works, and provides the required health and safety educations, drills for disasters, as well as health checks to employees.</li> <li>The Company regards the protection to consumers' interests and product safety as the responsibilities of the Company, and solves product problems raised by the clients actively.</li> <li>The Company regards the health of employee as a key responsibility, and thus actively promotes measures enhancing their mental and physical health, including various hobby clubs, subsidies to running and Jade Mountain climbing, calories label for the food in canteen, disease prevention, seminars for emotion relief, and EAP hotline for employees.</li> <li>The corporate governance, green operations, and social care task force, under the Corporate Social Responsibility Office, have operated and implemented as the following in 2018:             <p><b>(1) Corporate governance:</b></p> <ul style="list-style-type: none"> <li>The Shareholders' Meetings applies e-voting, and the candidate nomination system is implemented fully for the election of directors. Through the Nomination Committee to fully implemented the criteria for reviewing the nomination and the operational procedures; such implementations are disclosed on the official website and MOPS.</li> <li>In the Shareholders' Meeting, the proposals are voted one by one, and the results of voting are disclosed on MOPS on the same date, in order to protect the interests of shareholders and improve the information disclosures.</li> <li>For two consecutive years, the Shareholders' Meetings were convened before the end of May, so that the minor shareholders may execute their rights easily.</li> <li>The guidelines for assessing the Board's performance are established. The external assessment has been completed at the beginning of 2018. The completed outcomes of the assessment are disclosed in the Annual Report and the Company's website.</li> <li>The Company voluntarily prepares the Corporation Social Responsibilities Reports, in both Chinese and English, and the third party certificates have obtained for two consecutive years.</li> <li>For the announcements of financial information, publications of material information, shareholders' meeting related information, and the content of the investor conference are issued both in Chinese and English.</li> </ul> <p><b>(2) Green operations:</b></p> <ul style="list-style-type: none"> <li>Greenhouse Gas Emissions and Emission Intensity: The total greenhouse gas emitted by the PRIMAX in 2018 was 82,820.871 tons of CO<sub>2</sub>e/year, compared with 92,305.514 tons CO<sub>2</sub>e/year in 2017, a decrease of 10.28%. In 2018, the emission intensity of greenhouse gas was 12.78 kg CO<sub>2</sub>e/ NT10,000, and was 15.91% less than the 15.20kg CO<sub>2</sub>e/ NT10,000 in 2017. The main reason is that the Group has promoted energy conservation activities with significant results and operating revenue in 2018 is higher than 2017.</li> <li>The total volume of the energy consumption for Primax Group in 2018 is 356,899,909,325 KJ, which was 5.08% lower than the 376,007,255,529 KJ in 2017; The intensity of energy consumption in 2018 is 55,067.5 KJ/10,000 NTD revenue which was 11.04% less than 61,902.7 KJ/10,000 NTD revenue in 2017. The main reason is that the Group has promoted energy conservation activities with significant results and operating revenue in 2018 is higher than 2017. The Company has begun to inspect greenhouse gas emissions of employees' flight trips since 2017. To calculate the carbon emissions based on the Carbon Emissions Calculator announced by International Civil Aviation Organization (ICAO). The total CO<sub>2</sub>e generated because of the Company's employee flight travel is 625.637 tons of CO<sub>2</sub>e in 2018, which was 28.28% less than the 872.316 tons of CO<sub>2</sub>e in 2017, and obtained a verification statement from a third-party inspector.</li> </ul> <p>The HQ in Taipei/R&amp;D Center in Taipei for 2019, DongGuan Primax Electronic &amp; Telecommunication Products Ltd, Primax Electronics. (ChongQing) . Corp., Ltd., Primax Electronics. (KunShan) . Corp., Ltd., Premium Loudspeakers (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd. and Dongcheng Difenni Electroacoustic Technology Co., Ltd. have passed the certification of ISO14046:2014</p> <ul style="list-style-type: none"> <li>In 11.2018, the Company won the excellence award of the low-carbon products from the Environmental Protection Administration and became the first electronic enterprise to win the award.</li> <li>The subsidiary, DongGuan Primax Electronic &amp; Telecommunication Products Ltd, was evaluated as the good environmental corporation with a blue label environment credit rating in 2018.</li> <li>In 2018, there are six major expenditure categories for environmental protection expenses, including environmental protection equipment and engineering, management systems, human resources, inspection equipment, energy saving investment, and information management system expenses. Total environmental protection expenses for the year 2018 are NT\$81,595,690 is higher than that for 2017 are NT\$25,356,161.</li> </ul> </li> </ol>



6	<ul style="list-style-type: none"> <li>For the corporation social responsibilities of the suppliers, the Company has completed the audits of 11 major suppliers, and helped them to improve the defects in 2018. To other 224 suppliers, the risk inventory is done through the online questionnaires, and 11 of them are identified with potential risks. The onsite evaluations are conducted by a third party justly. Three trainings of corporation social responsibilities are done for the suppliers. To total 101 suppliers, or 188 partners from these suppliers, the communications and promotions regarding the promotion of corporation social responsibilities and the implementation of the requirements are conducted.</li> </ul> <p><b>(3) Social care task force</b></p> <ul style="list-style-type: none"> <li>In 2018, the signed donation plans are continuously carried on from 2017, including sponsoring NT\$2 million to House of Dream, Junyi Academy, and Cheng-Chi Education Foundation, respectively; and NT\$ 1 million to Rong Wu Foundation, for the purpose of promoting the reversing educations for digital education, integrity and leadership.</li> <li>The Company has a long term partnership with Hondao Senior Citizen's Welfare Foundation. In 2018, the Company participated the Grandparents' Hiking, and the Evergreen baseball games, as well as the volunteers in the senior day trip at Nankang, and the escorts with seniors for shopping in winter. (170 volunteers)</li> <li>Cooperated with House of Dream for the gift contribution as the Christmas gifts, and the market for charity sales. (254 volunteers ,Total fundraising NT\$86,530)</li> <li>The Company accepted the visiting groups from Taoyuang Elementary School in Taitung, and purchased the pineapples from Bu La Ku Social Enterprise in Taoyuan Village, Taitung as gifts to employees. (850 volunteers ,Total expense NT\$59,885)</li> </ul> <p><b>(4) The Corporate Social Responsibility Office reported the execution of the corporate social responsibilities and each plans to the Board on 08.10.2018.</b></p>
7	<p>Other information regarding "Corporate Responsibility Report" which is verified by certifying bodies:</p> <p>The Company compiled its CSR Report of 2018 in accordance with the GRI Standards version, and be certified by SGS in accordance with the AA1000 Class I High Assurance Verification.</p>

**(6) Fulfillment to the Ethical Corporate Management and Measures Taken:**

Item	Assessment Item	Operation Status		Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the causes.	
		Yes	No		
1. Establishment of the Ethical Management Policies and Proposals	Has the Company clearly specified in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies?	V		<ol style="list-style-type: none"> <li>The Company has enacted the "Procedures for Ethical Management and Guidelines for Conduct" to ensure the management in compliance with the related regulations for the TWSE/GTSM listed companies or other behavioral guidelines.</li> <li>The Company's "Rules of Procedure for Board of Directors Meetings" is with the Director's "avoiding conflict of interest" clause included. For the Directors or their representatives of institution with a conflict of interest against the motion to be resolved in the board meeting that is detrimental to the Company's best interest, the conflicting directors or representatives 05. state their opinions and inquiries but 05. not participate in discussion and voting. In addition, they should be excused from the discussion and voting in the meeting, and 05. not vote on behalf of other directors.</li> <li>The Company has enacted the "Rule Governing the Prevention of Insider Trading" to explicitly define that directors, supervisors, managers, and employees should exercise due diligence as a good administrator, loyalty, and good faith to conduct business, and to sign a confidentiality agreement not to disclose any material information to any third party.</li> </ol>	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
	Has the Company prescribed the specific prevention programs, including operational procedures, guidelines, penalties for violations, and the appealing system, to be carried out?	V		In addition to enacting the "Procedures for Ethical Management and Guidelines for Conduct", the Company's "Work Rules" and "Code of Conduct" are also introduced to require employees comply with the laws and ethics. In addition, the Company requires suppliers and subcontractors to sign the "Supplier Declaration" in order to establish a fair, honest, trustworthy, and transparent trading environment.	



Item	Assessment Item	Operation Status		Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the causes.	
		Yes	No		Summary
1. Establishment of the Ethical Management Policies and Processes	Has the Company take the preventing measures against the business activities specified in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other one with higher unethical risks?	√		It is clearly defined in the Company's "Procedures for Ethical Management and Guidelines for Conduct" not to provide or accept illegal gains, prohibiting facilitation payments, and other prevention program and operating procedures; moreover, regulating the procedures for political contributions, charitable donations, and sponsorship program.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
	Has the Company assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	√		The Company has the ethical corporate management evaluation procedure, prior to establishing a business relation, clearly defined in the "Procedures for Ethical Management and Guidelines for Conduct". It prohibits the Company from dealing with any unethical companies and requires having the ethical corporate management clauses included in the contracts to be signed by the Company and the counterparty.	
	Has the Company set up a unit which is dedicated to or tasked with promoting the Company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	√		The Company has designated the Human Resources Department to promote the ethical corporate management and to report the execution status to the Board of Directors. For any unethical conduct occurred, the designated unit will have the process and subsequent discussion and corrective action reported to the Board of Directors.	
	Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	√		1. The Company's "Rules of Procedure for Board of Directors Meetings" and "Procedures for Ethical Management and Guidelines for Conduct" are with the Director's "avoiding conflict of interest" clause included. For the Directors or their representatives of institution with a conflict of interest against the motion to be resolved in the board meeting that is detrimental to the Company's best interest, the conflicting directors or representatives 05. state their opinions and inquiries but 05. not participate in discussion and voting. In addition, they should be excused from the discussion and voting in the meeting, and 05. not vote on behalf of other directors. 2. Employees with conflicts of interest against the business executed by them should have it reported to the direct supervisor and the designated unit.	
2. Implementation of Ethical Management	To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	√		The Company has an accounting system and internal control system enacted in accordance with the relevant laws and regulations. The Audit Office has regularly checked the compliance of the accounting system and internal control system and has the result reported to the Board of Directors.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
	Has the Company provide internal and external ethical conduct training programs on a regular basis?	√		The Company provide internal and external ethical conduct training programs: (1) The Company regularly holds various types of communication meetings, advocacy videos, and carnival games every year to convey the value of integrity in a straightforward manner. (2) The electronic billboards are used to play the promotion film of ethical management, with game events, to communicate the value of ethical management in easy but deep manner. (3) Set up an independent mail box for whistle-blowing on the official website and intranet, to enhance the effectiveness of the whistle-blowing system. (4) Each newcomer must take an 8-hour orientation within one month after on-board date, and an hour of ethics and integrity training should be included. (5) There were a total of 12,214 newcomers in 2018. The total training hours were 12,214 hours. The training rate was 100%. (6) In the year 2018, Tymphony Group conducted an hour of RBA basic training. A total of 1,342 employees participated the training, including 542 indirect employees and 800 direct employees, total training hours were 1,342 hours. (7) Internal and external ethical conduct training programs was reported to Board of Directors on 01.22.2019	



Item	Assessment Item	Operation Status		Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the causes.	
		Yes	No		Summary
3. Implementation of Whistleblowing Procedures	Has the Company established specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and designate responsible individuals to handle the whistleblowing received?	√		The Company has the award and punishment, grievance system, and disciplinary action stipulated in the "Procedures for Ethical Management and Guidelines for Conduct", and has ethical corporate management included in the Code of Conduct and human resources policies.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
	Has the Company establishes standard operation procedures for investigating the whistleblowing received and ensuring such whistleblowing is handled in a confidential manner?	√		The Company has established a system for filing complaints synonymously. In addition, a designated unit for handling business secret has also been established for the management of the business secret, retention of secrets and confidentiality procedure. The performance will be reviewed regularly to ensure sustainability and effectiveness.	
	Has the Company adopted proper measures to prevent a whistleblower from retaliation for his/her whistleblowing?	√		The Company has the relevant norms included in the "Procedures for Ethical Management and Guidelines for Conduct" to ensure that whistleblowers will not be treated improperly.	
	Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and MOPS?	√		Please refer to the MOPS ( <a href="http://newmops.twse.com.tw/">http://newmops.twse.com.tw/</a> ) or the Company's website ( <a href="http://www.primax.com.tw/">http://www.primax.com.tw/</a> ) for the ethical corporate management best practice principles. Please also refer to the annual CSR report for the relevant information of activity promotion.	
4. Enhancing Disclosure	If the company has established its ethical management codes of practice according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe the operational status and differences: no material difference.			The Human Resources Department is the designated unit to have the Ethical Corporate Management Best Practice Principles, Code of Conduct, and related approaches enacted, to clearly prohibit accepting any illegal gains; also, to advocate the importance of ethics and moral value through internal training and promotion activities, to establish a whistleblowing system, and to ensure an effective operation.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
5	Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): (1) Require the Company's suppliers and subcontractors to sign the "Supplier Declaration". (2) It is clearly defined in the Company's "Procedures for Ethical Management and Guidelines for Conduct" that colleagues should explain the Company's ethical corporate management policy and the relevant regulations to the counterparty throughout the business process, and should specifically disclaim, directly or indirectly, any offer, promise, request, or accept illegal gains in any form or name, including kickbacks, commissions, facilitation payments, or any illegal gains offered or received from other channels. (3) Strengthen advocating the importance of integrity and moral at the orientation scheduled for newcomers.				

**(7) Shall there be any principle of corporate governance and related regulation established by the Company, the inquiry means shall be disclosed.**  
Please visit the MOPS (<http://newmops.twse.com.tw/>) or the Company's website (<http://www.primax.com.tw/>) for the Company's corporate governance best practice principles and the relevant regulations.

**(8) Other information to further the understanding to the corporate governance 05. be disclosed altogether: None**

**(9) The status of the internal control system shall disclose the following:****1. Statement of Internal Control**

**PRIMAX Electronics Ltd.**  
**Statement of Internal Control System**      Date :03.28.2019

The Company's self-examination of internal control system in 2018 is declared as follows:

- The Company is fully acknowledged that it is the responsibility of the Board of Directors and the management to establish, executes, and maintains the internal control system. The Company has already had established such a system. The objective is to achieve effectiveness and efficiency of operation (including profitability, performance, assets security, etc.), reliability, timeliness, and transparency of reporting and in compliance with the relevant laws, regulations, and bylaws, and with reasonable assurance provided.
- Internal control system has its inherent limitations, regardless how perfect the design is. An effective internal control system can only provide a reasonable assurance for the achievement of the three objectives referred to above. Moreover, due to changes in the environment and situation, the effectiveness of the internal control system 05. thus vary along with it. However, the Company's internal control system is designed with a self-monitoring mechanism. Therefore, the Company will be able to take action to have deficiencies corrected upon identification.
- The Company is based on the effectiveness criteria of internal control system in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Regulations") to determine whether the design and implementation of internal control system is effective or not. According to the effectiveness criteria of internal control system in the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the internal control system is classified into five constituent elements in accordance with the management and control process, including: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each composing element contains a number of projects. Aformentioned elements please refer to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" for the projects in the preceding paragraph.
- The Company has adopted the internal control system criteria in the preceding paragraph to assess the effectiveness of the design and implementation of internal control system.
- The Company based on the assessment result in the preceding paragraph, believes that the Company's internal control system on 12.31.2018 (including the supervision and management of subsidiaries), including understanding the results of effectiveness and efficiency of operation, reliability, timeliness, and transparency of reporting and in compliance with the relevant laws, regulations, and bylaws, and the design and implementation of internal control system is effective and can provide reasonable assurance of achieving the above objectives.
- This Statement will be the focus of the Company's annual report and prospectus, and it will be published to the public. If the information disclosure in the preceding paragraph involves fraudulent, concealment, and any false presentation, the relevant legal obligation for such violation will be handled in accordance with Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.
- This Statement has been resolved by the Board of Directors on 03.28.2019 with the presence of 8 Directors in common consent.

PRIMAX Electronics Ltd.



Chairman & CEO



Signature

**2. If CPAs are designated to audit the internal control system, the CPA's report shall be disclosed: **None.****



**(10) For the recent year up to the publication date of the annual report, the penalties placed on the Company or its employee(s) by laws; penalties placed on the employee (s) due to violations of internal control system by the Company, the major defects and the improvements: none.**

**(11) Important resolutions of the Shareholders' Meeting and the Board for the recent year up to the publication date of the annual report.****1. Important resolutions of the Shareholders' Meeting and the implementations**

Time	Important Proposal
05.30.2018 Annual General Shareholders' Meeting	<ol style="list-style-type: none"> <li>Passed the motion on Business Report and Financial Statements in 2017. <b>Status:</b> Resolved by the shareholders' meeting.</li> <li>Passed the motion on the earnings distribution in 2017. <b>Execution:</b> the base date of distribution was set as 07.11.2018, the date of release was 08.08.2018. The cash dividend was 3.2 NTD per share.</li> <li>Passed the motion on the amendment of the Company's "Articles of Association". <b>Execution:</b> The registration was approved by the Ministry of Economic Affairs on 09.21.2018 and it was published on the Company's website.</li> <li>Failure to pass the amendments to the "Procedures for Acquisition or Disposal of Assets." <b>Execution:</b> the current regulations apply. Pass the motion on amendments to the "Procedures for Acquisition or Disposal of Assets." in 10.25.2018 Extraordinary Shareholders' Meeting</li> <li>Full election of directors. <b>Execution:</b> the six elected directors were Liang, Li-Sheng, Yang, Hai-Hung, Yang, Chi-Ting, Pan, Yung-Tai, Pan, Yung-Chung, and Chen Chieh-Chi; two independent directors elected were Ku, Tai-Chao and Cheng, Chih-Kai and was approved by the Ministry of Economic Affairs on 09.21.2018.</li> <li>Passed the motion on the removal of the non-competition restrictions for the new directors. <b>Execution:</b> the non-competition restrictions were removed and it was published on TWSE.</li> </ol>
10.25.2018 Extraordinary Shareholders' Meeting	<ol style="list-style-type: none"> <li>Passed the motion on the amendments to the "Procedures for Acquisition or Disposal of Assets." <b>Execution:</b> the amended regulations was published on the Company's website and will be relied on for the follow up process.</li> <li>One vacancy of independent directors to be re-elected. <b>Execution:</b> Wu, Chun-Pang was elected as an independent director and was approved by the Ministry of Economic Affairs on 11.20.2018.</li> </ol>

**2. Important Resolutions of the Board's Meetings**

Time	Important Proposal
01.31.2018	<ol style="list-style-type: none"> <li>Passed the motion on the budget for operation plan in 2018.</li> <li>Passed the motion on the annual bonus for senior managers in 2017.</li> <li>Passed the motion on the annual bonus for the Chairman in 2017.</li> <li>Passed the motion on the remuneration to employees in 2017.</li> <li>Passed the motion for the 1st issuance of RSA in 2017.</li> </ol>
03.13.2018	<ol style="list-style-type: none"> <li>Passed the motion on Business Report and Financial Statements in 2017.</li> <li>Passed the motion on the assessment of IFRS 16: "Leasing"</li> <li>Passed the motion on the earnings distribution in 2017.</li> <li>Passed the motion on the amendment to the "Regulations Governing Acquisition or Disposal of Assets".</li> <li>Passed the motion on the amendment to the "Articles of Association".</li> <li>Passed the motion on re-elect all directors.</li> <li>Passed the motion on the removal of the non-compete restriction on the Directors.</li> <li>Passed the motion on the date, time, place, and content of major motions for the Shareholders' Meeting in 2018.</li> <li>Passed the motion on the formulation of the procedures for nomination of candidates for the directors (including independent directors) about the agenda of electing directors in the shareholders' meeting of 2018.</li> <li>Passed the motion on the candidates of Directors.</li> <li>Passed the motion on the amendment to the "Nomination Committee Charter".</li> <li>Passed the motion on reviewing the competitiveness for remuneration and benefit of managers and salary adjustment for the year 2018.</li> <li>Passed the motion on the remuneration to Directors and employees in 2017.</li> <li>Passed the motion on the increasing capital of Premium Loudspeakers (Huizhou) Co. Ltd.</li> </ol>
04.13.2018	<ol style="list-style-type: none"> <li>Passed the motion on the additional budget for operation plan in 2018.</li> <li>Passed the motion on increasing the candidates of Directors.</li> <li>Passed the motion on bonus plan for senior management and key officers in 2018.</li> <li>Passed the motion on remuneration adjustment for the Chairman in 2018.</li> <li>Passed the motion on the standard of performance and bonus plan for the Chairman in 2018</li> </ol>
05.11.2018	Passed the motion on the consolidated financial statements for the 2018 1st quarter.
05.30.2018	Passed the motion on the independent director candidate, Ms. Chen, Su-Jen is not available for the director's election.



Time	Important Proposal
06.12.2018	<ol style="list-style-type: none"> <li>Passed the motion on the members of the Audit Committee for the 2nd term</li> <li>Passed the motion on the delegation of the member of the Remuneration Committee for the 4th term.</li> <li>Passed the motion on the election of the Nomination Committee for the 2nd term.</li> <li>Passed the motion on the ex-dividend base date and the release date for the cash dividends distributed from the 2017's profits.</li> <li>Passed the motion on the DongGuan Primax Electronic &amp; Telecommunication Products Ltd's engagement to the capital raising of Premium Loudspeakers (Huizhou) Co., Ltd.</li> </ol>
08.10.2018	<ol style="list-style-type: none"> <li>Passed the motion on the consolidated financial statements for the 2nd quarter.</li> <li>Passed the motion on the 2nd allocation of the new restricted employee shares for 2017.</li> <li>Passed the motion on the construction of the factory at the 7th phase of Liu-Wu factory area of DongGuan Primax Electronic &amp; Telecommunication Products Ltd.</li> </ol>
08.24.2018	<ol style="list-style-type: none"> <li>Passed the motion on the amendments to the "Procedures for Acquisition or Disposal of Assets."</li> <li>Passed the motion on to re-elect one vacancy of independent directors.</li> <li>Passed the motion on the date, time, place, and major proposals for the first interim Shareholders' Meeting in 2018.</li> <li>Passed the motion on the election of directors in the first interim Shareholders' Meeting in 2018, and the acceptance of nominations for the independent directors.</li> </ol>
09.28.2018	<ol style="list-style-type: none"> <li>Passed the motion on the nominations for the independent directors and the reviews.</li> <li>Passed the motion on the change of General Manager.</li> </ol>
11.13.2018	<ol style="list-style-type: none"> <li>Passed the motion on the consolidated financial statements for the 3rd quarter.</li> <li>Passed the motion on the evaluations for the independence of appointed CPAs</li> <li>Passed the motion on the standard of performance and bonus plan for the Independent Director in 2018.</li> </ol>
01.22.2019	<ol style="list-style-type: none"> <li>Passed the motion on the 2018 bonus distribution for executives.</li> <li>Passed the motion on the 2018 bonus for Chairman.</li> <li>Passed the motion on the budgets of the business plans in 2019.</li> </ol>
03.28.2019	<ol style="list-style-type: none"> <li>Passed the motion on of the Business Report and the Financial Reports for 2018.</li> <li>Passed the motion on the amendments to the "Internal Control System."</li> <li>Passed the motion on the election of the independent directors.</li> <li>Passed the motion on the amendments to the "Articles of Association for the Nomination Committee."</li> <li>Passed the motion on the nominations for candidates of the independent directors</li> <li>Passed the motion on the salary adjustments for the executives for 2019.</li> <li>Passed the motion on the bonus plan for the executives and key officers for 2019.</li> <li>Passed the motion on the compensation plan for Chairman for 2019.</li> <li>Passed the motion on the criteria for Chairman's performance and the bonus plan for 2019.</li> <li>Passed the motion on the intended issuance of the "new restricted employee shares".</li> <li>Passed the motion on the "Guidelines for issuing new restricted employee shares for 2019."</li> <li>Passed the motion on the amendments to several clauses of the "Articles of Association for the Remuneration Committee."</li> <li>Passed the motion on the distribution of compensations to employees and directors for 2018.</li> <li>Passed the motion on the profit distribution for 2018.</li> <li>Passed the motion on the amendments to the "Procedures for Acquisition or Disposal of Assets."</li> <li>Passed the motion on the amendments to the "Operational Procedures for Loaning of Funds to Others."</li> <li>Passed the amendments to the "Operational Procedures for Endorsement and Guarantee."</li> <li>Passed the motion on the IPO of Tymphany Acoustic Technology (Huizhou) Co., Ltd, the subsidiary, for CNY common shares (A-Share), and the listing application at the mid-and small enterprise board of Sheng-Zheng Stock Exchange.</li> <li>Passed the motion on the removal of the non-competition restrictions for directors.</li> <li>Passed the motion on the date, time, place, and major proposals for the general Shareholders' Meeting in 2019.</li> <li>Passed the motion on the election of interim directors in the general Shareholders' Meeting in 2019, and the acceptance of nominations for the candidates of the independent directors.</li> <li>Passed the motion on the "Standard Procedure to Handle the Requests from Directors" for resolution.</li> </ol>
05.14.2018	<ol style="list-style-type: none"> <li>Passed the motion on 1st quarter of 2019 Financial Statements.</li> <li>Passed the motion on the disposal of investments-Global Tek.</li> <li>Passed the motion on set up a corporate governance executive.</li> </ol>

**(12) For the recent year and up to the publication date of the annual report, dissents of any director or supervisor to the key resolutions of the Board, with records or written statements, and the descriptions: None**

**(13) Resignation or Dismissal of Chairman, General Manager, and Heads of Accounting, Finance, Internal Audit and R&D during 2018 and as of the Date of this Annual Report:**

Title	Name	Date of Office	Date of departure	Reason for resignation or discharge
Vice General Manager	Li, Chiu-Sheng	09.01.2011	08.31.2018	Resignation
General Manager	Yang, Hai-Hung	04.06.1989	10.01.2018	Resignation



## 5. CPAs fees

Name of CPA firm	Name of CPA	Audit Period	Remarks
KPMG Taiwan	Wu, Mei-Pin · Yu, Chi-Long	Fully Year, 2018	—

Unit: NT\$1,000

Range of Amount	Service Fee Items	Audit Fees	Non Audit Fees	Total
1	Lower than 2,000	—	—	—
2	2,000 (inclusive) ~ 4,000	—	—	—
3	4,000 (inclusive) ~ 6,000	—	—	—
4	6,000 (inclusive) ~ 8,000	—	—	—
5	8,000 (inclusive) ~ 10,000	—	—	—
6	Over 10,000	9,820	1,659	11,479

Any of the following information regarding the CPAs shall be disclosed:

(1) If the non-audit fee paid to auditors, the audit firm, and its affiliates accounted for more than one-fourth of total audits fees, the audit fee and non-audit fee amount and non-audit service content should disclosed.

Unit: NT \$1,000

Accounting Firm	Name of CPA	Audit Fees	Non Audit Fees					Audit Period by the CPAs	Remarks
			System design	Industrial and commercial registration	Human resources	Others	subtotal		
KPMG Taiwan	Wu, Mei-Pin	9,820	0	40	0	1,619	1,659	2018 Full year	For overseas investment evaluation
	Yu, Chi-Lung								

(2) If the audit firm was replaced and the audit fee paid to the new audit firm was less than the payment of the previous year, the audit fee amount before and after the replacement and the reasons called for the replacement should be disclosed: **None**

(3) If the audit fee reduced more than 15% from the year before, the decrease of the audit fee amount and ratio and the reason for such decrease should be disclosed: **None**

## 6. CPAs Replacement

### (1) Information of former CPAs:

Item	Explanation
Date of Replacement	03.27.2018
Reason of Replacement and the Explanation	KPMG internal work adjustment
Description of whether the CPA or the Company terminated or discontinued the engagement.	None
The former CPA issued an audit report during the most recent 2 years containing an opinion other than an unqualified opinion, state the opinion and reason.	None
Disagreement with the issuer	None
Other Disclosures ( matters to be disclosed specified by Article 10.6.1.4 to 10.6.1.7 of the Regulations )	None

### (2) About the Successor CPAs

Item	Explanation
Accounting Firm	KPMG Taiwan
Name	Wu, Mei-Pin, and Yu, Chi Lung
Date of Engagement	03.27.2018
The advisory matters and results prior to the commission regarding the accounting treatment or accounting principle of specific transactions and the possible audit opinion on the financial report.	None
The written opinion of the successor CPAs regarding the oppositions to the opinions of the former CPA's.	None

**(3) Reply of the former CPAs to Article 10, Paragraph 6, Part1 and Part 2,Section 3, of this standard: None**



7. If the Company's Chairman, General Manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise, their names, titles, and the service time with the accounting firms and affiliated enterprise should be disclosed: **None**

8. The change in equity transfer and equity pledge of the directors, supervisors, managers, and shareholders with over 10% shareholding in the most recent year and as of the printing date of the annual report

(1) Changes in equity transfer and equity pledge

Title	Name	2018		As of 05.16.2019	
		Change in quantity of shareholding	Change in quantity of shares under lien	Change in quantity of shareholding	Change in quantity of shares under lien
Chairman / General Manager	Liang, Li-Sheng (Note 1)	601,000	0	0	0
Director/ General Manager	Yang, Hai-Hung (Note 2)	150,000	0	0	0
Director	Yang, Chi-Ting	0	0	0	0
Director	Pan, Yung-Chung	0	4,300,000	0	0
Director/ General Manager of Business Department	Pan, Yung-Tai	108,000	0	60,000	0
Director	Tsao, Chung-Feng (Note 3)	0	0	0	0
Director	Sunshine Coast Services Limited (Note 4) Representative: Chen, Jie-Chi		( 1,704,000 )		
Independent Director	Ku, Tai-Chao	0	0	0	0
Independent Director	Wei, Yung-Tu (Note 3)	0	0	0	0
Independent Director	Cheng, Chih-Kai	0	0	0	0
Independent Director	Wu, Chun-Pang (Note 5)	0	0	0	0
General Manager for Operations	Kuo, You-Min	0	0	105,000	0
Senior Vice General Manager	Hsiao, Ying-Yee	60,000	0	75,000	0
Vice General Manager	Chou, Yen-Chou	15,000	0	15,000	0
Vice General Manager	Lee, Chiu-Sheng (Note 6)	95,000	0	0	0
Vice General Manager	Chiang, Yan-Ying	67,000	0	( 3,000 )	0
Vice General Manager	Chang, Ching-Kai	77,000	0	15,000	0
Vice General Manager	Chang, Yao-Han	47,000	0	30,000	0
Vice General Manager	Wei, Hao-San	108,000	0	90,000	0
Vice General Manager	Chuo, Yu-Shan	30,000	0	30,000	0
General Manager	Tseng, Chien-Yu (Note 7)	0	0	0	0
Assistant General Manager	Chang, Shu-Chuen	0	0	0	0

Note 1: Concurrently served as General Manager on 10.01.2018.

Note 2: Resign from the position of Director and General Manager on 10.01.2018.

Note 3: Discharged at the end of the term on 05.30.2018.

Note 4: Newly elected on 05.30.2018.

Note 5: Newly elected on 10.25.2018 in a by-election.

Note 6: Resigned on 08.31.2018.

Note 7: Resigned on 05.31.2018.



(2) Counterparties of the transfer of shares are related parties: None

(3) Counterparties of the pledge of shares are related parties: None

9. The Top-Ten shareholders who are related party mutually, or spouse, and relatives within the second degree of kinship

05.16.2019 / Unit: shares

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees.		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Alpine Asia Investments Limited Representative: Liang, Li-Sheng	27,751,062	6.21%	0	0	0	0	Campbell Technology Corporation	Kindred within the 2nd tier	—
Morgan Stanley & Co. International Plc	12,445,000	2.78%	0	0	0	0	None	None	—
Government of Singapore	11,681,000	2.61%	0	0	0	0	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Funds - Templeton Asian Smaller Companies Fund	11,219,000	2.51%	0	0	0	0	None	None	—
Campbell Technology Corporation Representative: Yang, Hai-Hung	10,204,909	2.28%	0	0	0	0	Alpine Asia Investments Limited	Kindred within the 2nd tier	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Franklin Templeton Investment Funds - Templeton Emerging Markets Smaller Companies Fund	9,013,100	2.02%	0	0	0	0	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Schroder International Selection Fund Emerging Asia	8,999,000	2.01%	0	0	0	0	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Global Investment Trust - Templeton Emerging Markets Small Cap Fund	7,808,100	1.75%	0	0	0	0	None	None	—
Pan, Yung-Chung	7,455,046	1.67%	0	0	0	0	None	None	—
Yeh, Yu-Fen	7,380,227	1.65%	0	0	0	0	None	None	—





## 10. The stock shares of one invested business held by the Company, the Company's directors, supervisors, and managers, and the business controlled by the Company directly or indirectly, and the consolidated shareholding ratio

03.31.2019 / Unit: Thousands Shares / %

Long-term Investment	Ownership by PRIMAX		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
DongGuan Primax Electronic & Telecommunication Products Ltd.	– (Note 1)	100.00	–	–	– (Note 1)	100.00
Primax Electronics. (KunShan) Co., Ltd.	– (Note 1)	100.00	–	–	– (Note 1)	100.00
Primax Electronics (ChongQing) Co., Ltd.	– (Note 1)	100.00	–	–	– (Note 1)	100.00
Beijing Destiny Electronic Technology Co., Ltd.	– (Note 1)	100.00	–	–	– (Note 1)	100.00
Primax Destiny Co., Ltd.	0.5	100.00	–	–	0.5	100.00
Polaris Electronics Inc.	1,600	100.00	–	–	1,600	100.00
Primax Industries (Hong Kong) Ltd.	602,817	100.00	–	–	602,817	100.00
Primax Technology (Cayman Holding) Ltd.	285,067	100.00	–	–	285,067	100.00
Primax Industries (Cayman Holding) Ltd.	8,147,636	100.00	–	–	8,147,636	100.00
Destiny Technology Holding Co., Ltd.	1,050	100.00	–	–	1,050	100.00
Diamond (Cayman) Holdings Ltd.	129,050	100.00	–	–	129,050	100.00
Gratus Technology Corp.	300	100.00	–	–	300	100.00
Tymphany Worldwide Enterprises Ltd.	192,251	100.00	–	–	192,251	100.00
TYP Enterprises, Inc. (Note 2)	0.50	71.43	–	–	0.50	71.43
Tymphany HK Ltd. (Note 2)	144,395	71.43	–	–	144,395	71.43
Tymphany Logistics, Inc. (Note 2)	200	71.43	–	–	200	71.43
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Note 2)	408,070	71.43	–	–	408,070	71.43
Dongguan Tymphany Acoustic Technology Co., Ltd. (Note 2)	– (Note 1)	71.43	–	–	– (Note 1)	71.43
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. (Note 2)	– (Note 1)	71.43	–	–	– (Note 1)	71.43
Tymphany Acoustic Technology HK Ltd. (Note 2)	185,536	71.43	–	–	185,536	71.43
Tymphany Acoustic Technology (UK) Ltd. (Note 2)	400	71.43	–	–	400	71.43
Tymphany Acoustic Technology Europe, s.r.o. (Note 2)	187,800	71.43	–	–	187,800	71.43
Tymphany Acoustic Technology Ltd. (Note 2)	5,000	71.43	–	–	5,000	71.43
Primax AE (Cayman) Holdings Ltd.	48,200	100.00	–	–	48,200	100.00
ALT International Co., Ltd. (Cayman) (Note 3)	30	37.00	–	–	30	37.00
Advanced Micro Electronics Co., Ltd. (Note 3)	30,789	37.00	–	–	30,789	37.00
Advanced Leading Technology (Shanghai) Co., Ltd. (Note 3)	– (Note 1)	36.88	–	–	– (Note 1)	36.88
ALT Investments Limited (BVI) (Note 3)	–	37.00	–	–	–	37.00
De Amertek Technology Inc. (US) (Note 3)	10	37.00	–	–	10	37.00
Advanced Leading Technology Co., Ltd.	– (Note 1)	36.98	–	–	– (Note 1)	36.98

Note 1: It is a company with limited liability; therefore, no stock shares issued.

Note 2: Indirectly holding of 71.43% of the shares through Tymphany Worldwide Enterprises Ltd.

Note 3: Indirectly holding of 37.00% of the shares through ALT International Co., Ltd. (originally named as Belfast Limited).

Note 4: 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 12. 11. 2018.

# 1. Capitalization

04.22.2019 / Unit: shares

Type of Shares	Authorized Share Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	446,808,824	53,191,176	500,000,000	Listed in TWSE

04. 22.2019 / Unit: NTS1,000 / thousand shares

Year / Month	Issuance Price	Authorized Share Capital:		Paid-up Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Capital increase by Assets other than cash	Others
2006.03	10	100	1,000	100	1,000	Initial capital stock	None	Note 1
2007.06	10	90,000	900,000	85,400	854,000	Capital increase in cash for NT\$853,000 thousand	None	Note 2
2007.09	10	400,000	4,000,000	321,500	3,215,000	Capital increase in cash for NT\$2,361,000 thousand	None	Note 3
2007.11	10	400,000	4,000,000	379,000	3,790,000	Capital increase in cash for NT\$575,000 thousand	None	Note 4
2009.11	10	500,000	5,000,000	379,935	3,799,349	Conversion of employee stock warrant for NT\$9,349 thousand	None	Note 5
2010.04	10	500,000	5,000,000	383,079	3,830,791	Conversion of employee stock warrant for NT\$31,442 thousand	None	Note 6
2010.09	10	500,000	5,000,000	385,336	3,853,364	Conversion of employee stock warrant for NT\$22,573 thousand	None	Note 7
2011.01	10	500,000	5,000,000	386,397	3,863,965	Conversion of employee stock warrant for NT\$10,601 thousand	None	Note 8
2011.03	10	500,000	5,000,000	397,475	3,974,746	Conversion of employee stock warrant for NT\$110,781 thousand	None	Note 9
2011.12	10	500,000	5,000,000	398,439	3,984,399	Conversion of employee stock warrant for NT\$9,653 thousand	None	Note 10
2012.04	10	500,000	5,000,000	401,080	4,010,798	Conversion of employee stock warrant for NT\$26,399 thousand	None	Note 11
2012.05	10	500,000	5,000,000	401,458	4,014,582	Conversion of employee stock warrant for NT\$3,785 thousand	None	Note 12
2012.10	10	500,000	5,000,000	403,441	4,034,408	Conversion of employee stock warrant for NT\$19,826 thousand	None	Note 13
2012.10	10	500,000	5,000,000	426,970	4,269,698	Capital increase in cash for NT\$235,290 thousand	None	Note 13
2013.03	10	500,000	5,000,000	428,966	4,289,658	Conversion of employee stock warrant for NT\$19,960 thousand	None	Note 14
2013.05	10	500,000	5,000,000	431,346	4,313,457	Conversion of employee stock warrant for NT\$23,799 thousand	None	Note 15
2013.10	10	500,000	5,000,000	432,796	4,327,957	New shares of restricted employee shares at NT\$ 14,500 thousand as stock dividend	None	Note 16

Note 1: 03. 20. 2006, Fu-Chien-Shang-Zi No. 09574650700 Letter.  
 Note 2: 06. 26. 2007, Jing-Shou-Shang-Zi No. 09601140030 Letter.  
 Note 3: 09. 26. 2007, Jing-Shou-Shang-Zi No. 09601235870 Letter.  
 Note 4: 11. 07. 2007, Jing-Shou-Shang-Zi No. 09601273090 Letter.  
 Note 5: 11. 04. 2009, Jing-Shou-Shang-Zi No. 09801254590 Letter.  
 Note 6: 04. 16. 2010, Jing-Shou-Shang-Zi No. 09901076470 Letter.  
 Note 7: 09. 13. 2010, Jing-Shou-Shang-Zi No. 09901206110 Letter.  
 Note 8: 01. 11. 2011, Jing-Shou-Shang-Zi No. 10001005610 Letter.

Note 9: 03.31. 2011, Jing-Shou-Shang-Zi No. 10001060980 Letter.  
 Note 10: 12. 05. 2011, Jing-Shou-Shang-Zi No. 10001275550 Letter.  
 Note 11: 04. 09. 2012, Jing-Shou-Shang-Zi No. 10101059950 Letter.  
 Note 12: 05. 22. 2012, Jing-Shou-Shang-Zi No. 10101091810 Letter.  
 Note 13: 10. 12. 2012, Jing-Shou-Shang-Zi No. 10101211370 Letter.  
 Note 14: 03. 07. 2013, Jing-Shou-Shang-Zi No. 10201041250 Letter.  
 Note 15: 05. 28. 2013, Jing-Shou-Shang-Zi No. 10201096770 Letter.  
 Note 16: 10. 22. 2013, Jing-Shou-Shang-Zi No. 10201214400 Letter.

Year / Month	Issuance Price	Authorized Share Capital:		Paid-up Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Capital increase by Assets other than cash	Others
2013.12	10	500,000	5,000,000	433,573	4,335,733	1. Conversion of employee stock warrant for NT\$5,916 thousand 2. New shares of restricted employee shares at NT\$ 1,860 thousand as stock dividend	None	Note 17
2014.03	10	500,000	5,000,000	433,981	4,339,813	1. Conversion of employee stock warrant for NT\$2,730 thousand 2. New shares of restricted employee shares at NT\$ 1,350 thousand as stock dividend	None	Note 18
2014.06	10	500,000	5,000,000	433,831	4,338,313	1. Conversion of employee stock warrant for NT\$750 thousand 2. Cancellation of new restricted employee shares for NT\$2,250 thousand	None	Note 19
2014.08	10	500,000	5,000,000	434,051	4,340,513	1. New shares of restricted employee shares at NT\$2,200 thousand as stock dividend	None	Note 20
2014.12	10	500,000	5,000,000	434,658	4,346,578	1. Conversion of employee stock warrant for NT\$7,015 thousand 2. Cancellation of new restricted employee shares for NT\$950 thousand	None	Note 21
2015.03	10	500,000	5,000,000	438,649	4,386,487	1. Conversion of employee stock warrant for NT\$27,659 thousand 2. New shares of restricted employee shares at NT\$ 12,250 thousand as stock dividend	None	Note 22
2015.06	10	500,000	5,000,000	439,529	4,395,287	1. Conversion of employee stock warrant for NT\$8,800 thousand	None	Note 23
2015.09	10	500,000	5,000,000	441,214	4,412,137	1. New shares of restricted employee shares at NT\$ 17,750 thousand as stock dividend 2. Cancellation of new restricted employee shares for NT\$900 thousand	None	Note 24
2016.01	10	500,000	5,000,000	441,188	4,411,877	1. Conversion of employee stock warrant for NT\$1,640 thousand 2. Cancellation of new restricted employee shares for NT\$1,900 thousand	None	Note 25
2016.03	10	500,000	5,000,000	441,794	4,417,938	1. Conversion of employee stock warrant for NT\$7,061 thousand 2. Cancellation of new restricted employee shares for NT\$1,000 thousand	None	Note 26
2016.06	10	500,000	5,000,000	441,903	4,419,028	1. Conversion of employee stock warrant for NT\$2,390 thousand 2. Cancellation of new restricted employee shares for NT\$1,300 thousand	None	Note 27
2016.09	10	500,000	5,000,000	441,748	4,417,478	Cancellation of new restricted employee shares for NT\$1,550 thousand	None	Note 28
2016.12	10	500,000	5,000,000	442,134	4,421,343	Conversion of employee stock warrant for NT\$3,865 thousand	None	Note 29
2017.02	10	500,000	5,000,000	444,704	4,447,043	1. Conversion of employee stock warrant for NT\$1,200 thousand 2. New shares of restricted employee shares at NT\$ 24,500 thousand as stock dividend	None	Note 30

Note 17: 12. 11. 2013, Jing-Shou-Shang-Zi No. 10201247440 Letter.  
 Note 18: 12. 11. 2013, Jing-Shou-Shang-Zi No. 10301032580 Letter.  
 Note 19: 06. 12. 2014, Jing-Shou-Shang-Zi No. 10301102920 Letter.  
 Note 20: 08. 14. 2014, Jing-Shou-Shang-Zi No. 10301160910 Letter.  
 Note 21: 12. 12. 2014, Jing-Shou-Shang-Zi No. 10301251420 Letter.  
 Note 22: 03. 24. 2015, Jing-Shou-Shang-Zi No. 10401045290 Letter.  
 Note 23: 06. 29. 2015, Jing-Shou-Shang-Zi No. 10401110510 Letter.

Note 24: 09. 17. 2015, Jing-Shou-Shang-Zi No. 10401190870 Letter.  
 Note 25: 01. 04. 2016, Jing-Shou-Shang-Zi No. 10401282090 Letter.  
 Note 26: 03. 08. 2016, Jing-Shou-Shang-Zi No. 10501040780 Letter.  
 Note 27: 06. 04. 2016, Jing-Shou-Shang-Zi No. 10501121270 Letter.  
 Note 28: 09. 21. 2016, Jing-Shou-Shang-Zi No. 10501222010 Letter.  
 Note 29: 12. 02. 2016, Jing-Shou-Shang-Zi No. 10501279810 Letter.  
 Note 30: 02. 24. 2017, Jing-Shou-Shang-Zi No. 10601026170 Letter.

Year / Month	Issuance Price	Authorized Share Capital:		Paid-up Capital		Remarks	Capital increase by Assets other than cash	Others
		Shares	Amount	Shares	Amount			
2017.03	10	500,000	5,000,000	444,754	4,447,543	Conversion of employee stock warrant for NT\$500 thousand	None	Note 31
2017.06	10	500,000	5,000,000	444,779	4,447,793	Conversion of employee stock warrant for NT\$250 thousand	None	Note 32
2017.08	10	500,000	5,000,000	444,697	4,446,973	Cancellation of new restricted employee shares for NT\$820 thousand	None	Note 33
2017.10	10	500,000	5,000,000	445,247	4,452,473	New shares of restricted employee shares at NT\$ 5,500 thousand as stock dividend	None	Note 34
2017.12	10	500,000	5,000,000	445,688	4,456,883	1. Conversion of employee stock warrant for NT\$4,530 thousand 2. Cancellation of new restricted employee shares for NT\$ 120 thousand	None	Note 35
2018.02	10	500,000	5,000,000	446,788	4,467,883	New shares of restricted employee shares at NT\$ 11,000 thousand as stock dividend	None	Note 36
2018.03	10	500,000	5,000,000	446,916	4,469,163	Conversion of employee stock warrant for NT\$1,280 thousand	None	Note 37
2018.05	10	500,000	5,000,000	446,815	4,468,153	Cancellation of new restricted employee shares for NT\$ 1,010 thousand	None	Note 38
2018.10	10	500,000	5,000,000	447,715	4,477,153	New shares of restricted employee shares at NT\$ 9,000 thousand as stock dividend	None	Note 39
2018.11	10	500,000	5,000,000	447,452	4,474,523	Cancellation of new restricted employee shares for NT\$2,630thousand	None	Note 40
2019.02	10	500,000	5,000,000	446,875	4,468,753	Cancellation of new restricted employee shares for NT\$5,770 thousand	None	Note 41
2019.04	10	500,000	5,000,000	446,809	4,468,088	Cancellation of new restricted employee shares for NT\$665 thousand	None	Note 42

Note 31: 03. 27. 2017, Jing-Shou-Shang-Zi No. 10601038880 Letter.  
 Note 32: 06. 03. 2017, Jing-Shou-Shang-Zi No. 10601071370 Letter.  
 Note 33: 08. 30. 2017, Jing-Shou-Shang-Zi No. 10601125590 Letter.  
 Note 34: 10. 13. 2017, Jing-Shou-Shang-Zi No. 10601143730 Letter.  
 Note 35: 12. 19. 2017, Jing-Shou-Shang-Zi No. 10601167890 Letter.  
 Note 36: 02. 23. 2018, Jing-Shou-Shang-Zi No. 10701019540 Letter.

Note 37: 03. 08. 2018, Jing-Shou-Shang-Zi No. 10701024500 Letter.  
 Note 38: 05. 15. 2018, Jing-Shou-Shang-Zi No. 10701048690 Letter.  
 Note 39: 10. 15. 2018, Jing-Shou-Shang-Zi No. 10701124480 Letter.  
 Note 40: 11. 20. 2018, Jing-Shou-Shang-Zi No. 10701140200 Letter.  
 Note 41: 02. 27. 2019, Jing-Shou-Shang-Zi No. 10801021530 Letter.  
 Note 42: 04. 22. 2019, Jing-Shou-Shang-Zi No. 10801043240 Letter.

## 2. Composition of Shareholders

**Financial Institutions**  
6.30%

Number of Shareholders: 90 person  
Shareholding: 28,151,957

**Governmental Agencies**  
2.46%

Number of Shareholders: 4 person  
Shareholding: 10,981,000

**Domestic Natural Persons**  
20.55%

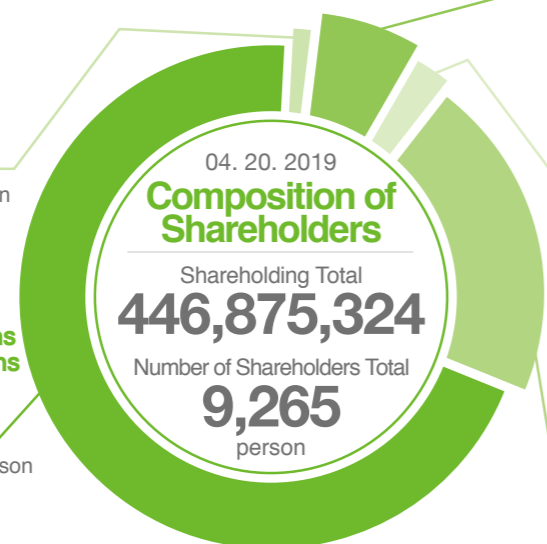
Number of Shareholders: 8,846 person  
Shareholding: 91,822,019

**Other Juridical persons**  
1.23%

Number of Shareholders: 38 person  
Shareholding: 5,490,510

**Foreign Institutions and Natural Persons**  
69.46%

Number of Shareholders: 287 person  
Shareholding: 310,429,838



## 3. Distribution Profile of Share Ownership

04. 20.2019 / Unit: person / shares

Shareholder Ownership (Unit: Share)	Number of Shareholders	Shareholding	Holding Percentage (%)
1-999	348	47,232	0.0106%
1,000 to 5,000	7,069	13,660,020	3.0568%
5,001 to 10,000	777	6,342,354	1.4193%
10,001 to 15,000	241	3,149,312	0.7047%
15,001 to 20,000	164	3,098,584	0.6934%
20,001 to 30,000	119	3,137,426	0.7021%
30,001 to 50,000	114	4,677,347	1.0467%
50,001 to 100,000	103	7,433,432	1.6634%
100,001 to 200,000	85	12,461,172	2.7885%
200,001 to 400,000	83	24,139,238	5.4018%
400,001 to 600,000	31	15,827,902	3.5419%
600,001 to 800,000	21	14,348,407	3.2108%
800,001 to 1,000,000	20	18,485,556	4.1366%
Over 1,000,001	90	320,067,342	71.6234%
<b>Total</b>	<b>9,265</b>	<b>446,875,324</b>	<b>100%</b>

## 4. List of Major Shareholders

04. 20.2019 / Unit: shares

Name of the Major Shareholder	Shares	Shareholding	Holding Percentage (%)
ALPINE ASIA INVESTMENTS LIMITED (B.V.I)		27,751,062	6.21%
HSBC in Custody for Morgan Stanley & Co. International Plc		12,445,000	2.78%
CITI in custody for Government of Singapore		11,681,000	2.61%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Franklin Templeton Investment Funds - Templeton Asian Smaller Companies Fund		11,219,000	2.51%
Campbell Technology Corporation		10,204,909	2.28%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Franklin Templeton Investment Funds-Templeton Emerging Markets Smaller Companies Fund		9,013,100	2.02%
PMorgan Chase Bank N.A. Taipei Branch in custody for Schroder International Selection Fund Emerging Asia		8,999,000	2.01%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Global Investment Trust - Templeton Emerging Markets Small Cap Fund		7,808,100	1.75%
Pan,Yung-Chung		7,455,046	1.67%
Yeh, Yu-Fen		7,380,227	1.65%

## 5. Market price, net worth, earnings, and dividends per share within two (2) years and the related information

Item	Year	2017	2018	2019.03.31	
Market price per share	Highest	90	92.9	63.5	
	Lowest	41.9	35.55	42.1	
	Average (Note 1)	63.67	60.43	56.35	
Net value per share	Before distribution	25.55	25.98	27.36	
	After distribution	22.34	23.59 (Note 2)	24.96 (Note 2)	
Earnings Per Share	Weighted average shares	440,907	443,011	444,146	
	Earnings Per Share	4.67	4.12	0.8	
Dividend per share (Note 2)	Cash dividend (Note 4)		3.2	2.4 (Note 2)	0
	Issuance of bonus shares	issuance of profit shares	0	0	N/A
		Issuance from capital surplus	0	0	N/A
	Accumulated unpaid dividend		0	0	N/A
Analysis of Return on Investment (Note 3)	P/E ratio		13.63	14.67	N/A
	Price to dividend ratio		19.90	25.18 (Note 2)	N/A
	Cash dividend yield (%)		5.03%	3.97% (Note 2)	N/A

Note 1: Based on the traded value and volume of each year to calculate the average market price for each year.

Note 2: The proposal of profit distribution for 2018 has been passed with the Board's resolution, but not yet passed by the Shareholders' Meeting on 03.28.2019.

Note 3: P/E= average closing price per share of the year/ earnings per share.

Price to Dividend ratio= average closing price per share of the year/ dividend per share.

Cash dividend yield= cash dividend per share / average closing price per share of the year.

Note 4: The dividend yield of the profit distribution for 2016 and 2017 is 56.82% and 68.52%, respectively; the expected dividend yield of the profit distribution for 2018 is 58.25%.

## 6. The Company's dividend policy and its implementation

### (1) Dividend policy specified in the Company's Charter:

Shall there be surplus after the annual settlement, the accumulated deficit shall be offset first, and then 10% is provided as the legal reserve; however, this provision 05. be exempted if the legal reserve has reach the paid-up capital of the Company. Also after the provision or reversal of the special reserve, together with the undistributed profit at the beginning of the period, the residual surplus becomes the distributable profits accumulated for shareholders, and the distribution will be proposed by the Board of Directors to the Shareholders Meeting for resolution.

The dividend policy of the Company considers the operations, budgets for capital expenses, future demands for funds, and long-term financial planning, as well as the interests of the shareholders and the balance of dividend, and is established by the Board of Directors. Without any other special consideration, the dividend policy is to distribute at least 50% of the earning after tax for that year. The distribution of profit is in the form of cash or share dividends, while the cash dividends are not less than 10% of the total amount of dividends. However, this percentage is subjected to adjustment depending on the holistic operation of the year.

### (2) The proposed dividend distribution for the year:

For the profit distribution of 2018, as the resolution of the Board's meeting on 03.28. 2019, it is intended to distribute cash dividends to the shareholders for NT\$ 1,072,341,178 (the dividend yield is about 58.25%). The proposal will be proceeded by the regulations once it is resolved by the Shareholders' Meeting on 06.18. 2019.

## 7. The impact of the stock dividend proposed in the shareholders' meeting on the Company's business performance and the earnings per share: **No dividend distribution scheduled**

## 8. Remuneration to employees, directors, and supervisors

### (1) The percentage or range for the compensations to employees, and directors and supervisors specified in the Company's Charter.

Shall there be profit for the year, 2% to 10% shall be provided as the compensation to employees, and no more than 2% as the compensation to directors. Provided that the amount of accumulated deficits shall be reserved before providing compensations to employees and directors.

The compensation to employees referred in the preceding paragraph 05. be distributed in shares or cashes, and the eligible employees 05. include the employees of subsidiaries meeting certain criteria.

The profit of the year referred in Paragraph 2, means the profit before tax and deducting the compensations to employees and directors.

The distribution of compensations to employees and directors shall be passed the Board's meeting with 2/3 or more of directors attending and consents of the simple majority of the attending directors. The resolution shall be reported to the Shareholders' Meeting.

### (2) The estimation basis for the estimated compensations to employees, directors, and supervisors, is the shares when the compensations are distributed in shares; if there is any deviance between the estimation and the actual distribution, such deviation is treated with accounting method.

The compensations to employees and directors specified based on the Company Act and the Company's Charter, are compliant to the requirement specified in ARDF's (96) Ji-Mi-Zi No. 052 Interpretation Letter. When preparing the interim and annual financial statements, the compensations to employees and directors are estimated and listed first under the proper accounting accounts as the operating costs or operating expenses, based on the nature of the compensations to employees and directors. Shall there be deviance between the distributed amount resolved by the Shareholders' Meeting and the estimates in the financial reports, it is deemed a change of estimate and listed as distribution of the profit/loss of the period.

### (3) Resolution of compensation distribution by the Board

1. The amount of compensations to employees, directors, and supervisors, in cash or shares If there is any deviance to the recognized annual estimation, the deviance, reasons, and treatment shall be disclosed.

The Company intends to, based on the Board's resolution in the Board's meeting on 03.28.2019, distribute cash compensations to employees and directors for NT\$ 64,430,000 and NT\$ 32,200,000 respectively; the estimates are NT\$ 64,438,580 and NT\$ 32,219,290, respectively Thus the deviation between the intended distribution and the estimates are NT\$-8,580 and NT\$ -19,290, respectively; the reason is the estimate difference of accounting. After the actual distributed amount is resolved by the Shareholders' Meeting, if the changing amount does not meet the criteria of restating financial statement, such amount will be listed as the profit/loss for the next year.

2. The amount of compensation to employees in shares, and its percentage to the sum of the net profit after tax and total amount of the compensation to employees of the period:  
The compensation to employees in shares is not proposed, and thus it is not applicable.

**(4) The actual distribution of the compensations to employees, directors, and supervisors (including shares and cash distributed, and the share price). If there is any deviance to the recognized compensations to employees, directors, and supervisors, the deviance, reasons, and treatment shall be disclosed.**

The Company distributed compensations to employees and directors for NT\$ 68,260,000 and NT\$ 34,000,000, respectively for 2017; the recognized amounts are NT\$ 68,181,524 and NT\$ 34,094,258, respectively. Thus the deviation between the intended distribution and the estimates are NT\$ 78,476 and NT\$ -94,258, respectively; the reason is the estimate difference of calculation. As the changing amount does not meet the criteria of restating financial statement, such amount will be listed as the profit/loss for the next year.

## 9. The Company's buying back shares: **None**

## 10. The process of corporate bonds, preferred stock, and GDR: **None**

## 11. Employee stock warrant status: **None**

## 12. The process of new restricted employee shares

**(1) The new restricted employee shares that have not fully met the requirements, and the impact to the shareholders' equity.**

05.16. 2019

Type of new restricted employee shares	1st issue of 2016	2nd issue of 2016	1st issue of 2017	2nd issue of 2017
The effective date of declaration	10.18.2016	10.18.2016	10.31.2017	10.31.2017
Issuing date	02.13.2017	09.07.2017	02.08.2018	09.13.2018
Number of new restricted employee shares issued (shares)	2,450,000	550,000	1,100,000	900,000
Issuing price	0	0	0	0
Ratio of the number of new restricted employee shares issued to total outstanding shares (%)	0.55	0.12	0.25	0.2

05.16. 2019

Type of new restricted employee shares	1st issue of 2016	2nd issue of 2016	1st issue of 2017	2nd issue of 2017
Vested conditions of the new restricted employee shares	Shall comply with the Company's operating results and individual performance as defined in the Rules.			
The limitation of rights of the new restricted employee shares	1. Employees 05. not have the new restricted employee shares sold, mortgaged, transferred, gifted, pledged, or disposed in any form before fulfilling the vested conditions. 2. The attendance, motion, speech, and voting right of the shareholders' meeting should be implemented in accordance with the trust and depository contracts. 3. Except for the limitations in the preceding paragraph, the other rights of the new restricted employee shares received according to the Rules, including but not limited to stock dividends, bonuses and rights to additional paid-in capital, stock subscription from cash capital increase, voting right, etc., before fulfilling the vested conditions, are without any limitation same as the Company's common stock issued.			
The custody of new restricted employee shares	Custody under trust.			
Number of new restricted employee shares called or buyback (shares)	The new restricted employee shares received but not yet fulfilling the vested conditions will be called back without compensation by the Company and it will then be canceled.			
Number of new restricted employee shares derestricted (shares)	488,000	147,000	199,500	85,000
Number of new restricted employee shares (shares)	1,266,000	144,000	277,500	0
Ratio of the number of new restricted employee shares to the total outstanding shares (%)	696,000	259,000	623,000	815,000
Ratio of the number of new restricted employee shares to the total outstanding shares (%)	0.16	0.06	0.14	0.18
The impact on shareholders' equity	No significant impact.	No significant impact.	No significant impact.	No significant impact.

Note: on 04. 22. 2019, total issued shares are 446,808,824 shares

**(2) Name and status of the managers obtaining the new restricted employee shares, and top ten employees in terms of shares obtained.**

05.16. 2019

Title	Name	Number of new restricted employee shares	Ratio of the number of new restricted employee shares to the total outstanding shares	Released				Unreleased			
				Number of shares	Issuing price	Amount of issuance	Released Restricted Shares as a Percentage of Shares Issued	Number of shares	Issuing price	Amount of issuance	Unreleased Restricted Shares as Percentage of Shares Issued
Director / General Manager	Liang, Li-Sheng	1,700,000	0.38%	729,000	0	0	0.16%	971,000	0	0	0.22%
General Manager of Business Department	Pan, Yung-Tai										
General Manager of Operations	Kuo, You-Min										
Senior Vice General Manager	Hsiao, Ying-Yee										
Vice General Manager	Chou, Yen-Chou										
Vice General Manager	Cho, Yu-Shan										
Vice General Manager	Chiang, Yan-Ying										
Vice General Manager	Chang, Ching-Kai										
Vice General Manager	Chang, Yao-Han										
Vice General Manager	Wei, Hao-San										
Assistant General Manager	Chang, Shu-Chuen										
Assistant General Manager	Lin, Chun-Hsien										



## 4. Capital & Shares

05.16. 2019

Title	Name	umber of new restricted employee shares	Ratio of the number of new restricted employee shares to the total outstanding shares	Released				Unreleased			
				Number of shares	Issuing price	Amount of issuance	Released Restricted Shares as a Percentage of Shares Issued	Number of shares	Issuing price	Amount of issuance	Unreleased Restricted Shares as Percentage of Shares Issued
Senior Assistant General Manager	Huang, Jian-Nan	1,010,000	0.23%	420,000	0	0	0.09%	590,000	0	0	0.13%
Senior Assistant General Manager	Chen, Ying-Shou										
Senior Assistant General Manager	Chou, Yi-Te										
Senior Assistant General Manager	Chang, Shih-Peng										
Senior Assistant General Manager	Chang, Chen-Te										
Senior Assistant General Manager	Hu, Ching-Yuan										
Assistant General Manager	Teng, Wei-Chih										
Assistant General Manager	Liu, Yu-Hung										
Assistant General Manager	Chi, Chao-Hsi										
Assistant General Manager	Chen, Kuang-Che										
Assistant General Manager	Li, Yi-Ju										

Note 1: on 04. 22 .2019, total issued shares are 446,808,824 shares

### 13. Stock acquisition or transfer from other companies with new shares issued

- (1) For the latest year up to the publication date of the annual report, the completed merge and acquisition or transferred newly issued shares from other companies: none.
- (2) For the latest year up to the publication date of the annual report, the resolved merge and acquisition or transferred newly issued shares from other companies by the Board: none.

### 14. Fund plan and its execution

#### (1) Description of the Plan:

Up to the quarter before the publication date of the annual report, the previously issued or privately placed negotiable securities that have not completed, or completed but the efficacy of the plan not yet demonstrated in last three years: not applicable.

#### (1) Status of Execution:

Analyses of the plans specified in the preceding paragraph, item by item, for the comparison between the executions and the expected efficacies up to the quarter before the publication date of the annual report: not applicable.



# Operation Overview



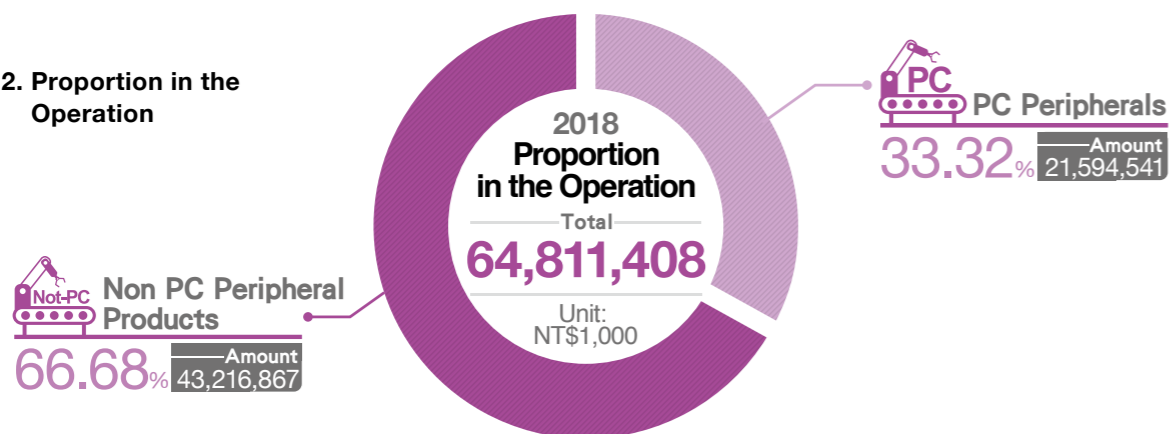
# 1. Business content

## (1) Scope of the business:

### 1. Descriptions of the Major Business

- CB01020 Office Machines Manufacturing
- CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- CC01060 Wired Communication Equipment and Apparatus Manufacturing
- CC01070 Telecommunication Equipment and Apparatus Manufacturing
- CC01080 Electronic Parts and Components Manufacturing.
- CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- CC01110 Computers and Computing Peripheral Equipment Manufacturing
- CE01030 Photographic and Optical Equipment Manufacturing
- F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
- I301010 Software Design Services
- F113050 Wholesale of Computing and Business Machinery Equipment
- F118010 Wholesale of Computer Software
- F213030 Retail sale of Computing and Business Machinery Equipment
- F218010 Retail Sale of Computer Software
- C805050 Industrial Plastic Products Manufacturing
- CA02010 Metal Architectural Components Manufacturing
- CA02090 Metal line Products Manufacturing
- F401010 International Trade
- F114030 Wholesale of Motor Vehicle Parts and Supplies
- F214030 Retail Sale of Motor Vehicle Parts and Supplies
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

### 2. Proportion in the Operation



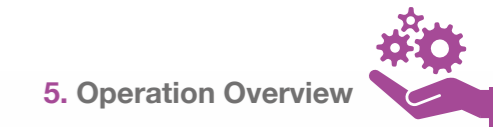
### 3. Current products (services) offering of the Company

#### PC Peripherals

##### ① Input devices

- Optical mice
- RFID optical and laser mice
- Wireless dual module mice
- Mini mice
- Wireless keyboards
- Mechanical keyboards
- Backlight keyboards
- Mechanical keyboards for notebooks
- Keyboard modules
- MFI (Made for iPad, Made for iPhone) wired keyboards
- Peripherals for game consoles
- Advanced laser mice
- Bluetooth mice
- Wireless pointer
- Wired keyboards
- Bluetooth keyboards
- Mice and keyboards for game
- Keyboards for notebooks
- Keyboards for ultra thin tablets
- Smart TV remote control
- Bluetooth wireless joy stickers for game consoles

##### ② Touch panels for notebooks



## Non PC Peripheral Products



### 2-1 Parts of Mobile Devices

- Embedded cameras and finger print recognition modules for mobile phones.
  - 24 megapixel optical image stabilization camera modules
  - 13 + 13 megapixel dual camera modules
  - 5 megapixel and 8 megapixel fixed focus camera modules (front camera)
  - 13, 16, and 20 megapixel close loop quick auto focus camera modules
  - 13, 16, 20 and 24 megapixel optical image stabilization + auto focus camera modules
  - Phase-shift leveling quick focus camera modules
  - 13 + 13 megapixel dual lens camera modules
  - 20 + 12 megapixel dual zoom lens
  - 20 + 12 megapixel dual zoom lens
  - 8 megapixel to 20 megapixel ultra small camera modules
  - 3D/2.5D face recognition modules
  - 3D depth sensing modules
  - Fingerprint on display modules
  - Capacitive fingerprint recognition modules
  - Ultrasound fingerprint recognition modules
  - Smart lock fingerprint recognition modules

### Peripherals for Communications

- Bluetooth headsets/ Bluetooth stereo headsets/Bluetooth stereo modules/ Bluetooth desktop or automotive hands-free devices/ Bluetooth USB audio signal receivers
- Bluetooth GPS receiver/ Bluetooth USB data transferring receivers
- Desktop charger/ car charger/ UBS charging cables/ portable power supplies/ wireless charger/ wireless charging modules
- MP3 chargers/ radio wired controller/ remote control
- Data transferring cables for mobile phones/ USB car readers

### 2-2 Products of Office Equipment

- Scanners
  - Color flatbed scanner
  - ADF scanners
  - ARDF scanners
  - DADF scanners for document and cards
  - Office scanner modules
  - Development of the software and firmware for scanners
- Printers
  - Development of the control panels for monochrome and color laser printers
  - Development of the software and firmware for monochrome and color laser printers
  - Dot matrix business printers
  - Thermal induction printers
  - Portable thermal printers
- Multi-function printers
  - Monochrome and color laser multi-function printers
  - Development of the control panels for multi-function printers
  - Development of the software and firmware for multi-function printers

### Fax machines

- Monotone fax machines

### Data process devices

- Computer terminals
- Mobile internet-connecting devices
- Point of Sale (POS)
- Cash registers
- Lottery printers

### Office automation products

- Shredders
- Binding machines
- Laminators
- Paper cutting machines

### Smart web cameras

- Surveillance cameras
- Cameras for meetings

### 2-3 Smart Digital Imaging System

- Automation for household
- Smart surveillance

### 2-4 Smart home and acoustic products

- Portable wireless internet storage devices
- Smart audio-control acoustic equipment
- Portable Bluetooth amplifiers
- Single surrounded amplifiers (2.1 and 5.1 channels)
- Single surrounded amplifiers supporting Dolby stereo specs
- Professional acoustic equipment and digital mixer for personal performance
- Professional amplifiers for stages
- Speakers for computers and acoustic equipment
- Headsets
- Wireless earbud headsets
- Speakers



### 2-5 Automotive electronics

- Automotive camera modules
  - Assisting camera modules for reversing
  - Advanced assisting cameras modules for driving
  - L4/L5 cameras modules for automatic driving
  - Driving detection cameras modules



4. New products ( services ) under development plans

PC Peripherals	Non PC Peripheral Products
Mouses and keyboards as computer input devices	<b>2-1 Parts of Mobile Devices</b> Full HD camera modules for thin notebooks 360°panorama/ sports cameras Surveillance cameras Fingerprint recognition modules for mobile phones Fingerprint recognition modules for credit cards Smart lock fingerprint recognition modules Automotive ADAS triple camera modules Dash cams Wearable cameras
Backlighted keyboards	<b>2-2 Products of Office Equipment</b> Commercial high speed DADF scanners Commercial internet scanners Scanner modules for high speed multi-function Development of the control panels for high speed color laser printers Monochrome/color barcode printers Development of the control panels for multi-function Monochrome/color printers Mobile internet-connecting devices Development of the control panels for POS Development of interface between portable photo printers and internet
Keyboard modules	<b>2-3 Smart home and acoustic products</b> Household internet storage devices Portable wireless internet hard disk Smart multi-media servers for home entertainment Smart home Wireless audio equipment Applications for smart home Portable wireless speakers Audio-control acoustic equipment Active noise-cancelling headphones Sports headphones with physical measurement functions Wireless TWS earbuds Audio-control modules for acoustic equipment
Bluetooth and wireless controllers, pointers	<b>2-4 Smart Digital Imaging System</b> Portable internet (WAN) camcorder for police Smart door bells Smart surveillance systems Wireless mobile phone chargers with backup function Home security surveillance systems Smart video conference systems
High speed wireless mouses for eSports	<b>2-5 Automotive electronics</b> Assisting camera modules for reversing Advanced assisting cameras modules for automatic driving or driving In car surveillance modules
Multi-function mode mouses for eSports	<b>2-6 Wireless charging related products</b> 10~30W big area non-position limited wireless charging solutions with quick charge for iPhones 15~30W wireless charging modules with quick charge for iPhones 15~30W wireless charging pads/docks with quick charge for iPhones 15~30W multi-circuits wireless charging modules in cars with quick charge for iPhones 60W~120W high power wireless chargers RF wireless chargers
Mouses and keyboards for game	
Peripherals for game consoles.	
Multi-touch panels	
Smart TV remote control	
Keyboards for ultra thin tablets and leather cover keyboards	
Controllers for mobile phone gaming	
Input devices for living rooms	
Thin mechanical keyboards	
Thin film keyboards	
High speed transmitting expansion port for notebooks	
Keyboards for meetings with audio functions	

(2) Overview of the Industry

1. Current status and development of the industry

(1) PC Peripherals

The PC peripherals produced by the Group are mainly the keyboards and mouses for desktop and notebook computers. The movement of the market is closely tied with the development of PC products. Though the PC market has been slowed down in recent years, but the shipments from the top six PC brands still take 80% of the global market, and the PC industry will keep the scenario of "Majors are always big." Thus, the Group have attracted and grasp these well-known global brands with eye-catching technologies. Therefore, the Group has not seriously impacted in the holistic PC market. On the other hand, as eSports have been included in

the sports industry in many countries officially, with the active followups from the PC industry, more PC brands for eSports are born, and thus more demands for eSports input peripherals are derived. Also, the Group has realized that the home game consoles also join the trend of eSports. More eSports games are developed intensively, and the peripheral producers of game consoles develop products with more advanced technologies more actively. Currently, the Group has grasped many clients of eSports peripheral brands and eSports PC brands; thus we expect better performance in 2019.



(2) Non PC Peripheral Products

2-1 Parts of Mobile Devices

According to the statistics of IDC, there were 1.40 billion smart phones in 2018, almost same as the previous year. The major markets worldwide slowed down, but the emerging markets obviously grew. This is sufficient to say that the phone-replacing cycle in the mature markets are extended. Based on the forecasts of analysts, in 2019, the trend is flat, with the major markets are either slowing down or flat. Therefore, the major global brands expand to emerging markets, especially India and Indonesia. The localized production also becomes a key task. Inherently, the major peripheral producers are thinking how to cope the changes. With the help of the continuous innovations of mobile apps, the integration and application of the ecologic chain is sprouting. The trend, including mobile payment, IoT, among other things, brings marvelous imaginations for the improvement of the future life styles. As a result, for the parts for the related mobile devices, such as the camera module, fingerprint recognition modules, wireless charging, and various sensors, demands have increased gradually. For the camera lens module, in 2019, the demands of high end lens camera would be robust. Except the trend of optical image stabilization, quick focusing, and being more compact, the application of dual camera would be the mainstream, which in turn, will be a new challenge for the packaging technology and the flexibility of capacity planning of the camera lens module suppliers. The mobile payment is the hit now, and the recognitions of finger prints and faces exist simultaneously to a certain degree.

2-2 Products of Office Equipment

The office equipment products of the Group including image scanners, printers, multi-function printers, fax machines, imaging processors (e.g. computer terminals and cash registers), and the automated office products (e.g paper shredders and laminators). There are many different kind of products, and scanners and multi-function printers are the major ones.

As scanners, printers, and multi-function printers are products with very mature technologies, the prices keeps declining even they are developed toward high-resolutions and internet-connectable. With the soft global economics and the slowdown in the emerging markets, sales of printers and multi-function printers continuously gets slower. Based on the annual Chinese printer market survey for

2016, issued by IDC, the total new installations of printers in China kept on declining, even these new installations from the major printer makers. With the weak global economics, the procurements from the governments and mid- and small enterprises shrunk apparently. Meanwhile, the buying behaviors and demands of personal consumers changed as well. Prices and advertising promotion were not the major concerns for buying any more. The cost-performance, reliability, and services gradually become the keys of the decision-making. The penetration of mobile devices (smart phones and tablets) and the trend of digitized process impact the printer market, to result in the decrease of printing. But according to IDC, the market is expected to grow with 2.3% CAGR from 2014 to 2019. And thus the printing service market regains the attentions. With the fast growth of smart phone and tablet markets, companies significantly develop innovative applications, such as cloud printing and scanning. The users can print or access the image files through Wi-Fi via their mobile devices. This new function has become essential to the multi-function printers. With the demands of new functions, and the expansion of emerging markets, the low-end A4 monochrome and color printers have got the new growth dynamics.

2-3 Smart Digital Imaging System

In the pass, the image recognition solutions, such as pedestrian tracking, warning lines, electronic fences, or face recognition, struggled as the free give away or even toys due to the low accuracy under the computer vision structure that was unable to meet the harsh requirements of actual field and backgrounds. Until the birth of AI and deep learning, the image recognition has taken the Convolutional Neural Network as the algorithm structure. Albeit the restrictions from modeling annotations, database collection, complicated management of database, localization, customized consumption, and technical labors, the different fields and environments are overcome, and the accuracy and feasibility are greatly enhanced. Based on the survey of MarketsandMarkets™, in 2017 alone, the market scale of face recognition is 4 billion USD. By 2022, the scale will be over 7.76 billion USD.

2-4 Smart home and acoustic products

With the penetration of broad band internet and the increase of transmission speed, the home internet environment is getting mature. More and more wireless internet products, smart





phones, tablets, and related applications, the boundaries between the different interfaces and operating systems of internet/computer/mobile devices (smart phones and tablets) and TV/appliances are getting blurry. Different platforms and devices can be all connected, to be a seamless video/audio entertainment environment. The UI is getting more intuitive and humanized. The products and applications related to smart home is an inevitable trend, or even the highlights of the consumer electronics, and the creme de la creme in the major electronics show, e.g. CES, CeBIT, and IFA. With the enhancement of the bandwidth of internet (IEEE802.11n, and ac MU-MIMO), the audio/video streaming for smart home provides better experience to meet the consumers' expectation, and drives the development of related products and services.



The leading brands recently launches higher-end products, from the UHD 4k LCD TV, set-top boxes (e.g. Apple TV, Roku, Google Chromecast, and Amazon Fire TV), internet storage devices (e.g. NAS, and DLNA wireless storage), entertainment servers (Xbox One and PS4), to the wireless audio equipment (e.g. soundbars). Whether the hardware manufacturers of the internet services providers. they have made all the possible efforts to push the business in the past year. Though product lines and technologies are different, but from the view of market application, soft- and hardware with streaming and cloud algorithm features have become the focal point of the growth of smart home in the next few years.

The environment of four displays with one cloud (displays of TV, computer, mobile phones and tablets, with the private cloud of the home) around the home entertainment center, living room, derives the storage demands to the video/audio data (personal cloud) and the demand of sharing among these devices. Be it software or hardware, consumers have practical demands of storing digital photos, videos, musics and documents, which in turn, brings more new opportunities.

Since the explosion of smart home, smart audio equipment becomes a new battle field of many

international majors. The key of development to these smart audio equipment manufacturers is to understand the needs of users for further innovation, so their competitiveness is enhanced. Portability is a critical feature of the mobile smart hardware i the mobile network era. But some smart audio equipment are even bigger due to the quantity of speakers required for maintaining the high quality of sound, and more battery for longer stand by time. By excluding these internal conditions, such as the quality of sound, the smart audio equipment has to be compacter with battery embedded, so it works normally without being plugged in.

The latest trend in 2016, was the integration of a voice assistant, to create a controlling hub for the smart home. With the service of Siri, launched by Apple, voice assistants received attentions from many aspects. Though mobile phones are very convenient due to the portability. But there is an inherit limit, namely, the phone has to be taken out to be used. However, the smart audio equipment with voice assistant, change the way people use that: only by speaking, the question is answered. This make the voice assistant possible to join the life applications. The market of smart audio equipment is also upgraded for a new area.

2017 is a wonderful year for the smart audio equipment. Combining with many services and smart devices, the smart audio equipment expanded its presence in people's lives, be it shopping, education, security, or home control, the feasible business models appeared. The leading company, Amzon.com sold more than a million units, and opened the services to all audio equipment makers. The smart audio equipment of Google was following closely with the speed of one unit sold per minute. It demonstrates that we invest the right products, and move fast forward.



In 2018, the smart audio equipment expanded to the commercial area, becoming the direct assistant in hotel rooms for guests. Also some new-built buildings have pre-installed the smart audio equipment on the wall, to provide the smart home management.

2.5 Wireless charging related products

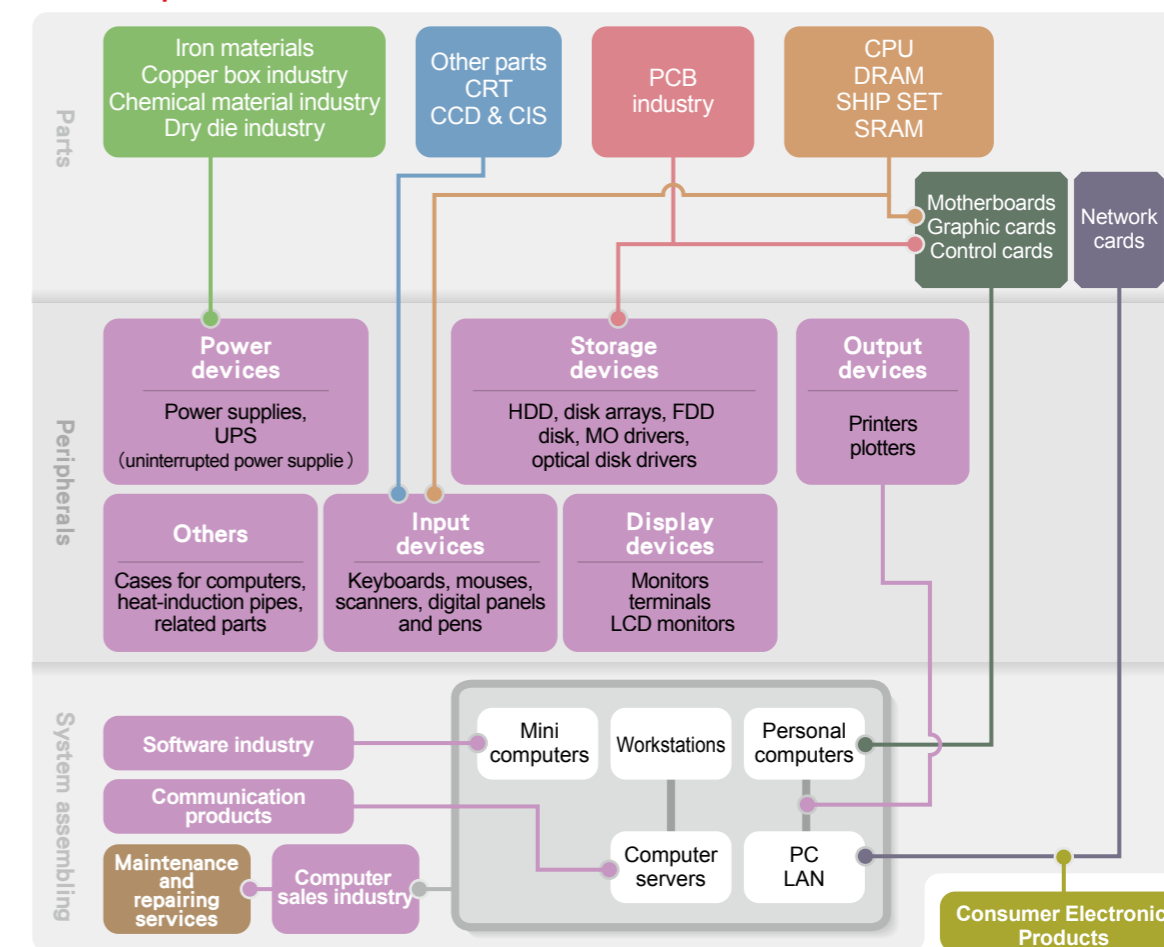
Through the war of specs and the evolution of technologies in the past decade, in 2018, wireless charger gained the supports from major mobile phone suppliers (e.g. Apple and Samsung), and the engagement of Xiaomi and Huawei, the WPC spec, i.e. Qi, has been confirmed to be the main stream in the market, and thus driven a new tide of demands.

According to the 2nd quarter IHS report for 2018, the global shipment of wireless charging receivers has reached 483 million units in 2017, and the transferring devices of wireless charging is also

38% of the said figure, or 133 million units. For the next five years, the CAGR of these two will still be more than 30%, and it is estimated to reach 2 billion units by 2022. The significant growth is attributed to the application of mobile devices and automotive electronics. The new iPhones released in 2018 all are equipped with wireless charging function, which in turn will make the trend even stronger.

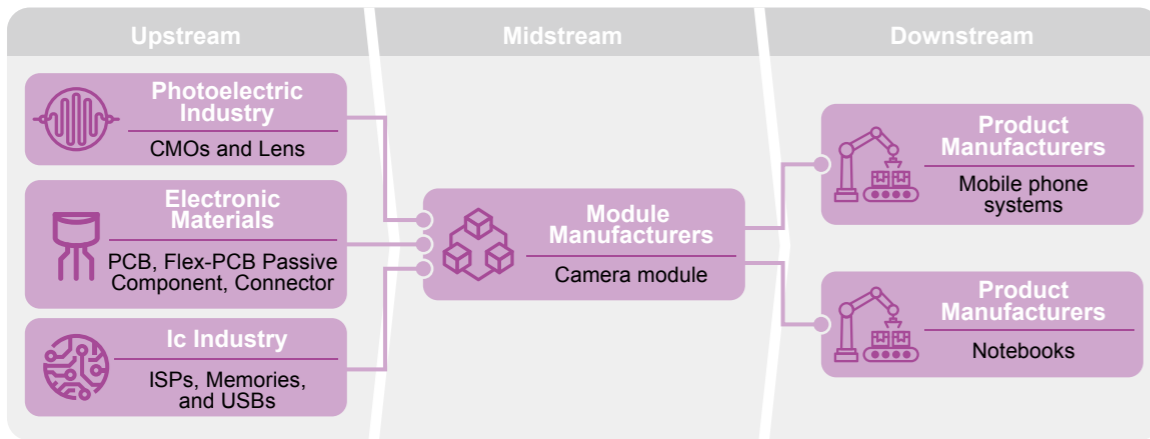
The most popular wireless charger are divided to three types. The first one is the low- and mid-power chargers for mobile communication devices, consumer electronics and wearable devices; the second one is the mid- and high power applications, including computers, machine tools, industrial applications and household appliances. The last one is the super-high power wireless charging products for cars. Currently, the major share is for the former one, with more than 90% of market demands, and the engaging makers planned mostly belong to the former type.

2. The relevance among the upper-, mid- and downstream industries: (1) PC Peripherals:

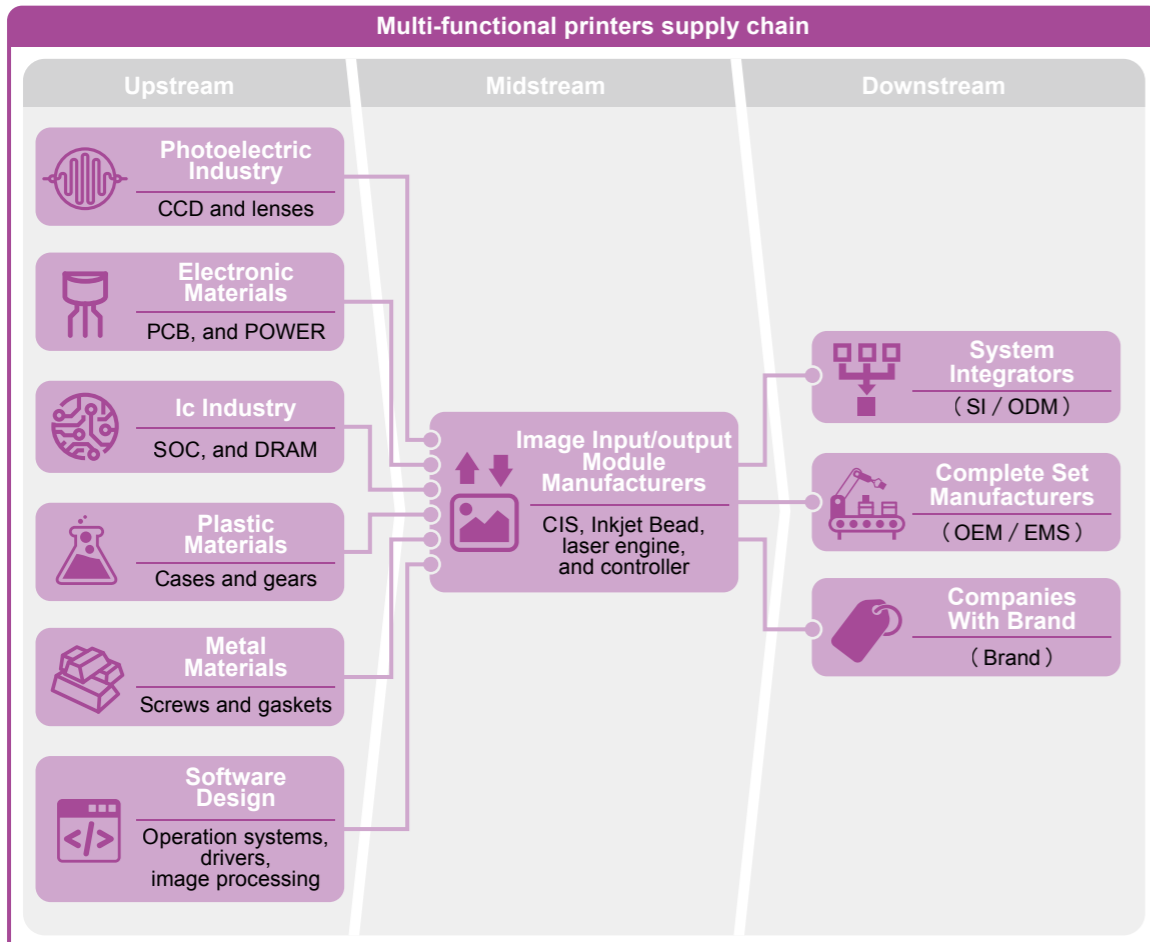


(2) Non PC Peripheral Products

2-1 Mobile device components products



2-2 Business equipment products:



Multi-functional printers (MFP) comprises several important modules, namely document scanner, printing heads, control panel, operation panel, automatic feeder, and paper trays. The key components of document scanners is the image sensor, including two major technologies, namely CCD and CMOS, which are basically held by Japanese makers, and the major suppliers are Sony and Toshiba.

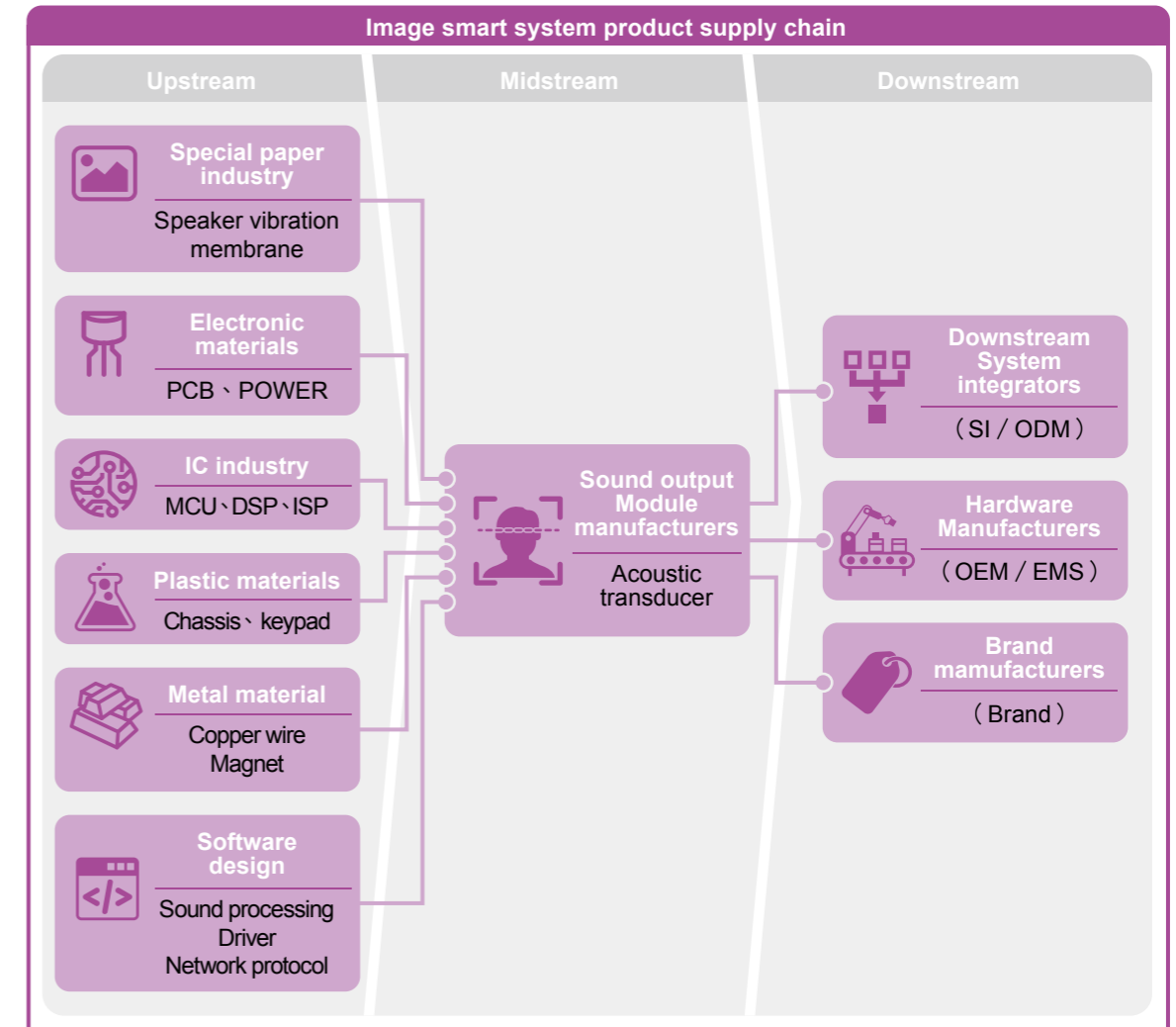
The mid-stream suppliers supply the scan modules, including sensors, mirrors, and lamps. The downstream system supplier provide the complete scanners, including the image scanning modules, motor control, image capture controlling circuits, data transmission controlling circuits, cases, and software. The system companies also provide the ADF to be integrated with scanners for continuous scanning.

The upper-stream suppliers of the Group are all renown global major manufacturers, and the long-term stable partnerships have been established. Therefore there has never been shortage, discontinuity, or delay of delivery or the quality. The operational risk resulted from the upper-stream changes is very low. By the aggressive development toward the modules specifically for high speed MFPs, and improving the firm- and software applications and the system integration, the production cost is reduced, and the quality is enhanced. To cope

with the product strategies of the clients in the emerging markets, the Group has developed numbers of mid- and low end monochrome laser printers and MFP, with competitive quality and cost.

2-3 Smart Digital Imaging System:

For the smart digital imaging system, the Group provides designs and manufacturing of various digital imaging products, such as CCM modules, wireless internet, imaging system, smart image recognition systems, among other things.

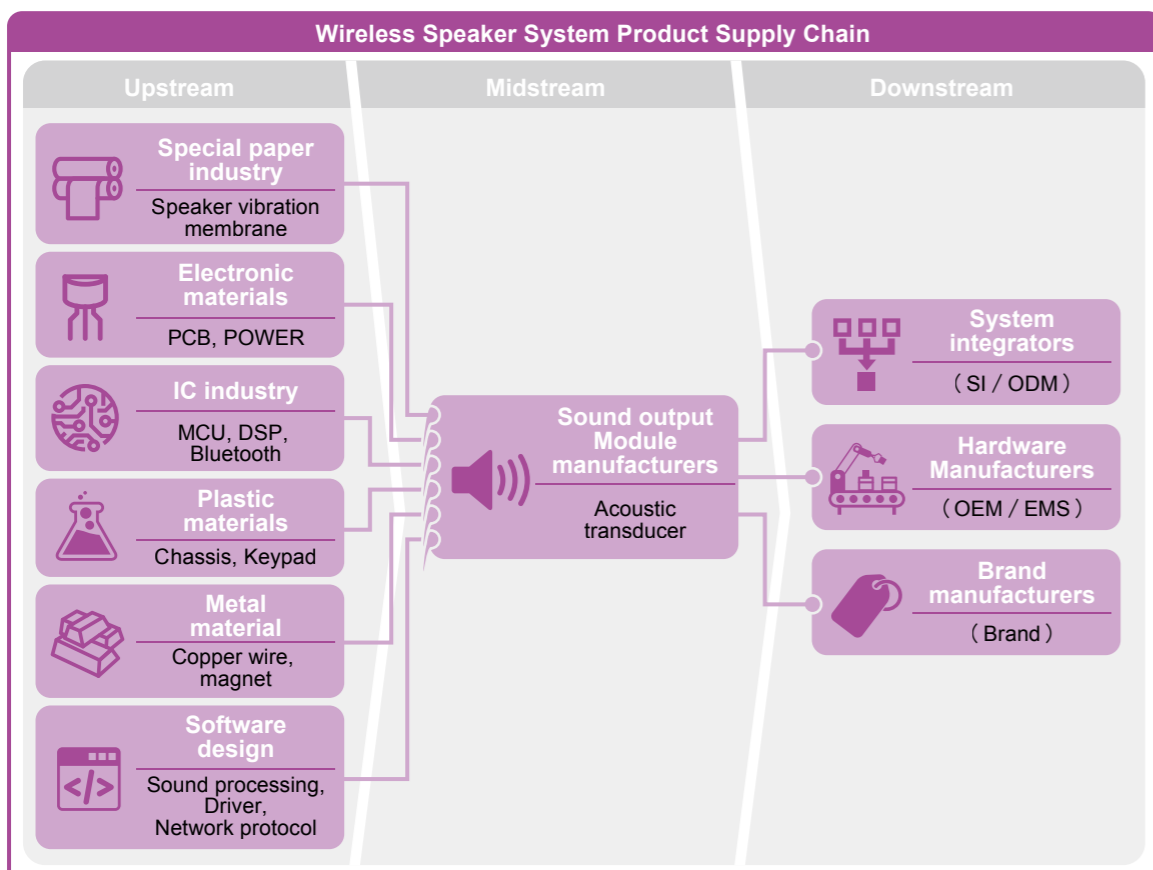


2-4 Smart home and acoustic products

The Group provides various smart home and acoustic products, such as speaks, passive speakers, wireless audio equipment, wireless headphones, TV Soundbars, camera-based video devices, among other things. Also the Group also provides personal storage products, such as wireless flash drives, and Wi-Fi hard drives.

2-5 Wireless Chargers:

Among the designs of wireless chargers, the Group focuses on the development, design, and assembling of modules and finished products: from the selection of MCU/chip platforms, design of circuit boards, design of loops, design of heat dissipation materials and modules, to the design and manufacturing of the complete machine for the commercialized products, as well as calibration



and testing. The complete design, manufacturing, and services are provided, with the certification services of wireless charging, such as Qi. Further more, the Group provides the optimization of efficiency and product customization, as a professional provider of product/service solutions.

Except the mainstream wireless charging products and technologies, the Group also strives to develop the unique big area charging and the mid-range RF wireless chargers, to make wireless charger more available in the daily life, and create the competitive advantages for the Group.

**2-6 Automotive camera modules:**

The use of the Advanced Driver Assistance System, also known as ADAS in motor vehicles to achieve unmanned driving will be an irreversible trend of development in the future. Machine vision has emerged as one of the standard sensor systems of motor vehicles in the future, among other things. This includes the investment of massive resources by key players like SONY, On-Semi, OmniVision and ST in the development of automotive image sensor solutions. It is estimated that automotive electronics will exceed 50% of the cost of a motor vehicle by 2020, and the market size worldwide will be USD\$ 500 billion. In the wake of

the development of unmanned driving, ADAS will be integrated with vehicle-mounted data communication products to further achieve the safety function of voluntary control. The sale of optical cameras that play the role of sensors in ADAS devices(Camera Module) will be as high as USD\$ 5.5 billion in 2018, and will enjoy annual compound growth of 23.6% in the next 5 years. Automotive camera modules will be in high demand in the future. This is one of the markets that the automotive electronics function of the Group will focus on.

**3. Product development trends**

**(1) PC peripherals products**

PRIMAX's PC peripherals are mainly used with desktop computers, notebook computers and personal digital information products. The PC peripherals market competition will be more severe due to the PC market shrinking and brand concentration effect. In response to the development trend of downstream product applications, keyboard and mouse manufacturers will respond to a wide array of market needs such as responding to the peripherals of Gaming, the future smart home, mobile device peripherals, IA (information home appliance) products, Internet of Things (IoT), wearable products, and current

consumer's personal and human needs, and continue to research and develop the peripheral input devices for network television, entertainment computers, game consoles, mobile devices, etc. in order to improve the added value of products and increase the technology gap from competitors; therefore, working towards high value-added products R&D is the future trend of the industry.

**(2) Non PC Peripheral Products**

**2-1 Mobile device components products**

The camera modules of PRIMAX will mainly be applied to high-end smart phones. Over the years, cell phones have moved towards "a large screen in overall proportion". This is just like the iPhone X with a big screen or a full screen. Under this trend, there is no room for the fingerprint recognition module dictating use of the Under Display Fingerprint ID Module, or Face ID instead. Likewise, the space for housing the camera module is also narrowed. The HoC (Holder on Chip) encapsulation technology, a patented product of PRIMAX, could help to downsize the dimension of camera modules significantly while maintaining the optical function of the camera.

The trend of housing fingerprint recognition modules for optical cell phone. There is little space for housing optical fingerprint recognition modules underneath the screen and extremely high precision in encapsulation is required. PRIMAX possesses the best precision encapsulation technology in the industry and is among the few enterprises that can provide optical fingerprint recognition modules underneath the screen.

Industry peers have proposed the MoC (Molding on Chip) production process in the encapsulation of micro camera modules. This helps to effectively



condense the dimension of micro camera modules, but the price is high, the delivery lead-time is long, the yield rate is low, and the investment for the equipment is high, which makes it not a preferable option for the cell phone industry. The patented HoC (Holder on Chip) encapsulation technology of PRIMAX is based on the equipment in service and is the same size as the MoC. It can be available at the price, delivery, and yield rate approximating conventional encapsulation. This will emerge as the mainstream encapsulation technology for micro camera modules in the future.

**2-2 Business equipment products**

With the rapidly growing sales of smartphones and tablet PC, consumers through Wi-Fi connection can have a photo shot and printed at the same time, and can have a document printed directly from the mobile device (ex: Apple AirPrint®) or store the scanned document images directly into the smartphones or tablets PC. The new functions of cloud printing (such as HP ePrint and Google Cloud Print) and scan-to-cloud are derived and met the needs of family life, entertainment and work at the same time. In order to meet the printing needs (convenience, easy operations, compatibility, consistent print quality, etc.) of mobile device users in various brands and platforms, the multifunction printer leaders, such as, Hewlett- Packard, Canon, Xerox, and Samsung, had set up the Mopria Alliance, jointly in 09. 2013 and enacted mobile printing standards, established a unified printing protocol, and initially focused on Android platform mobile devices. Currently, Mopria Alliance has 20 company members, including the multifunction printer brands, control panel chip design companies and application software development companies in the USA and Japan.



It is undeniable that smartphones and tablet PC have caused quite an impact on the printer industry, especially on the inkjet printer. In order to increase revenues and profitability, brand manufacturers have proposed "Managed Print Solution" to help companies reduce hardware equipment expenditures and printing costs. The leading manufacturers have proposed a comprehensive office document digitization process solution towards the development of a "Service-lead" business model and a customized system solution and service according to the characteristics of each industry. The most obvious example among them is Xerox, followed by other leading brands, such as HP, Canon, Lexmark, Ricoh, etc. Focus on the middle and low-end laser A4 MFP development and mobile devices support that will need hardware significantly in the future.

**2-3 Smart Digital Imaging System**

In the past, the flat vision of single camera would cause errors to result wrong judgement or trigger the alarm; but as AI key technologies keep on breaking through, the face recognition technology and the advanced algorithm can correctly determine the actual movement and size of the detected objects with the concept of invisible 3D fences, and thus the wrong triggers or omitted triggers of alarm are greatly reduced. Meanwhile the images from the surveillance system software and the connection/ storage of data are getting increased. How to effectively utilize these videos and data, deeply explore their potential value, has become the focus for the growth of smart home in the next few years. In the past, the manual selection of image by experts was necessary for the image recognition. Now with the deep learning techniques and the hardware algorithm resources, the automated feature learning is able via great volume of data, and thus the application threshold for image recognition development is lowered.

Many image recognitions need great deal of manual working, such as the symptom recognition of medical image, client group and pedestrian tracking analyses, security surveillance of the public area/household, and the defect identifications on the production lines. Industry 05. improve the accuracy of image recognition with the help of smart imaging system, to reduce the time of manual reading, and extend to integrate with other system for innovation services.



**2-4 Smart home and acoustic products**

With the penetration of broadband internet and the acceleration of transmission speed, as well as the increased wireless internet products, smart phones, tablets and related application, consumers' demands to digital data storage, management, and sharing, as well as the sync connection among digital devices grow quickly. The demands to the personal cloud or home cloud are also driven. The products and functions of smart home already extend to various personal mobile devices, such as Apple AirPlay and iTunes, and cloud-based digital program services with set-top boxes like Apple TV, Google chromecast, Roku, and Amazon Fire TV, as well as digital content providers, e.g. Netflix, Hulu, HBO, cable tv stations and sports channels. The continuous upgrades of wireless internet bandwidth (5G WiFi, and IEEE802.11ac) will accelerate the development of industries related to smart homes. The products include network storage devices, portable wireless hard disk, household digital video-audio multimedia servers, home control and security surveillance, and smart home wireless audio equipment, among other things. With the emerging of voice assistants, except for the speakers, for the audio equipment, sound receipt of microphone becomes a new demand.

In the past, the microphone tended to be a single one, as the voice receiver for conference calls with Bluetooth speakers. By entering the era of voice assistant, a single microphone is insufficient. And thus the matrix microphone that is able to detect source of sounds from all directions and receive sound accurately has become the key new technology in the market. Meanwhile, the back-end voice processing for microphone, the voice recognizer and software have developed as well. This is the next tide of the acoustic products.



**2-5 Automotive camera modules:**

Strengthening the external sensing and judgement: via the evolution of hardware, the collection of actual road data by the camera modules and the optimized algorithm, the vehicle systems has grasped actual driving conditions gradually. For instance, the vehicle identification and lane detection, pedestrian detection and identification of traffic signals, and the application of 3D vision and navigations.

Minimization of camera modules for cars: the car cameras are shifting from external to internal, for fatigue detection, calibration of head up display, and real-time monitoring. Users pay significant attentions to such cameras. Therefore, car makers address the size and concealment of this type of camera modules a lot, and this is the inevitable direction for the future development.

Toward high pixels: more pixels mean more details and data. The traditional megapixel level camera module is not able to provide sufficient data for the judgement at the backend in the automated driving era. Therefore, the camera module with 2/5/8 megapixel or more would be the basic requirement for ADAS system and L4/L5 automatic driving vehicles.

**4. Competition of Products**

**(1) PC Peripherals products**

Keyboard and mouse are the input devices of personal computers. Although currently there are voice inputs, sensing inputs and other input methods available for choice; they are in no position to replace the leading role of keyboard inputs in the sense of input recognition, input efficiency and end-use scenarios. However, current information and electronic products are moving towards lightweight, small and easy to carry. In order to allow consumers to easily receive or transmit information,



the application of the touch panel is emerging. The current application of the touch panel is for portable electronic products. The Desktop computers and Notebook computers are both still with the keyboard input used currently. According to market survey and feedback, prolonged use of the touch panel has caused considerable inconvenience, for example, typing sensitivity and user's prolonged use resulting in sore hands. Therefore, currently, the touch panel input is only used for portable electronic products. For desktop and notebook computers, there is no solution for an absolute replacement available currently.

**(2) Non PC Peripheral Products**

**2-1 Mobile device components products**

The mobile phone industry takes billion of units of production and there are many competitors in the industry. Currently, there are 70 camera module suppliers in the world but less than 20 of which can supply more than a million pieces of products with full product line for camera monthly. The market is so huge that new entrants have been attracted to the competition ceaselessly. This is particularly the case in the vertical integration of related industries and the horizontal integration with mobile devices and other product lines. The competition from these two posed the gravest threat. The profit margin in this industry fell significantly and quickly since 2015. It was exacerbated with the requirement of great capital investment in the capacity of high-end items that the module suppliers tended to be in the world of survival to the fittest. Yet, the continued expansion of capacity led to excessive production capacity since 2016. Firms tended to become irrational in taking purchase orders. As a result, there will be a reshuffle of the module suppliers to certain degree and small firms will be ousted or moving to the emerging market or niche market. Fingerprint module technology entails low entrance barrier and competitive has been getting increasing keen. PRIMAX will map out its overall strategy with reference to the intensity of competition.

**2-2 Business equipment products**

The sale of the inkjet model is with the biggest market share (around 60%). The low-price black and white laser printers and multifunction printers are growing rapidly in the emerging markets and facing severe competition. By product categories, the future growth rate of multifunction printers will be greater than printers. In summary, laser multifunction printer is with great market potential.



Taking advantage of the fast, automatic scanning and double-sided copying to continuously meet consumer demands for wireless network function and continuously upgrade product digitalization applications. The substitution of the product is without significant risks; also, price, environmental protection, energy saving, printing costs, wireless network printing and localized design are the keys to triumphing in the fierce competition.

**2-3 Smart Digital Imaging System**

Except seeking the stable development for the existing product lines, the Group also actively plan the development of the new product lines with greatest potential. At the current stage, the digital image smart systems are the core of development. The categories of products include smart door bells, portable security camcorders, household digital video-audio smart surveillance, digital smart video conference system, smart access systems, and smart surveillance systems.

Meanwhile, the emerging of smart home, also brings new impact and opportunities to the market. The most typical example is "Echo" of Amazon. With its strength of leading e-commerce channel, and the powerful cloud-based procession function, Amazon's Echo has been well-received by the market once being launched. Within two year of its launch, Echo has been sold for more than a million units. This is a significant breakthrough for smart home, which had been a concept for more than two decade without fruit. This success also prompted Google to launch "Google Home" with the same smart home features at the end of 2017. The competitive advantages of Google Home are the strong network connection and the cloud-base algorithm of Google. It is expected to be a disrupter to the market.

In such competition environment, the companies grasp the key imaging processing capability and high quality mass production will be the winners.

**2-4 Smart home and acoustic products**

Further to the quest for stable development of the product lines being carried, PRIMIX also proactively develops new product lines with strong market potential. Currently, digital home and related application is the gravity of development and the products are Network Attached Storage (NAS), portable wireless HDD, home digital audiovisual

multimedia servers, digital home wireless sound system, and personal portable wireless speakers. The market for home-network storage device remains in a preliminary stage with a low household penetration rate, mainly due to consumer's being unfamiliar with the product functions. Therefore, manufacturers must be more focused on advertising and communications with consumers and continue to focus on innovation, research and development and improving the user operation interface. In addition to traditional home-network storage devices, wireless portable hard drive is another business opportunity. Due to the explosive growth in smartphones and tablet PC that are with limited storage capacity and standby battery life, the wireless portable hard drive is not only helpful in expanding data storage capacity, but also in being the backup power source when the mobile device is out of power, a very user-friendly and practical design.

In addition, the market of technology consumer products also thrived with the rising demand for smart phone, which also triggered a number of personal wireless multimedia entertainment needs. PRIMAX has long been engaging in the development of image processing and wireless Bluetooth communication technology, and the study on wireless audiovisual data transmission sharing since 2012. Two products are the gravity of study:

(1) Wireless storage devices; and (2) Digital wireless sound equipment. Smart phone featured high resolution screen and powerful processor that allows for the playing of high definition films and smart phone also has its fatal problem of small and expensive internal storage space. As such, it cannot be used as a computer that can be easily connected to an external HDD and wireless storage device emerged as the best solution. PRIMAX has also noticed that sound system featuring Bluetooth connectivity will be the mainstream product in the future. The prices of products of this kind varied widely. From USD10 a piece to almost USD1,000 a piece. Sound system of this kind is no longer a highend item that only people with high income, who are usually at the 30s or 40s, can afford. Now, this kind of products is also affordable to the young people. Lowering the barrier for buying the products entailed many competitors in the market. Likewise, traditional sound system brand oriented towards high-end items tended to launch products for players at entry level. They wish to earn the brand loyalty of the consumers at young age. Such change

in market prompts the traditional sound system brands to release more OEM products that give PRIMAX much better business opportunity. The rise of smart sound system featuring voice assistance function also brings about new impact and business opportunity to the market. The symbolic item is the Echo of Amazon. Fortified with its extensive e-Commerce channels and strong cloud computer processor, the products quickly won positive and vigorous response from market after launching. It took only a little more than one year to sell a million units. This really is a great success in sound system products. In keeping up with the competition, Google will launch the same type of smart sound system featuring voice assistance function at the end of 2017, the Google Home. They are not traditional sound system maker but e-Commerce giant or Internet guru, and they launch sound products with their advantages of strong network connection and cloud computing capacity that can match good sound quality. This will bring account great change in market.

Under such competitive environment, firms must keep abreast of critical sound engineering capacity and high quality capacity in mass production in order to excel in the competition.

**2-5 Wireless charger**

PRIMAX began to invest in the research and development of related products in 2007, and provided design, manufacturing, and OEM production service for world renowned cell phone brands, consumer electronic products, PCs, peripherals, and even sporting goods brands and manufacturers on wireless charging products. PRIMAX has a track of record of millions of units of production and has breakthroughs in the development and extensive application of various types of critical advanced technologies. An example is the 15W quick charging device for Samsung products in 2017, the 30W mid to high power PC wireless charging devices, and the 1st Qi wireless charging and power supply mouse/mouse pad with mass production launched in 2018, as well as the 15W iPhone wireless quick charging device.

In the future, PRIMAX will take advantage of its experience and technological know-how accumulated over the last 10 years to design different types of high performance, low energy consumption, and high power output wireless



charging devices to satisfy the needs of big customers in wireless charging devices and the development of related new technologies so that wireless charging will become a part of our daily lives in modern society and to help change the power consumption habits of people.

**2-6 Automotive camera modules:**

Currently, the shipment market of OE automotive camera modules is still monopolized by Tier One suppliers. The reason is simple. The OE automotive camera is a standardized item that cannot be purchased or used independently. Related specifications and requirements must be matched with the system end controlled by Tier One. As such, Autoliv/Continental/Mcnex/Bosch/ Delphi are the principal suppliers of OE for the time being. Because of the high precision and stability requirements for automobile lenses, the utilization of the AA (Active Alignment) manufacturing process has become the trend of the industry. The Group has had more than a decade of experience in AA manufacturing processes on consumer lens modules already, based on this, we will expand our products to the automobile industry, and this is where the current niche is.

Tier One does not make all automotive camera modules. Currently, a fair quantity of well-developed products are purchased through the supply from Tier Two. These include Panasonic/Truly/Jabil/Liteon/LGIT/SMK.



**(3) Overview of Technologies and R&D**

**1. Overview of the R&D expenses inputs**

Unit: NTD \$1,000

Year	R&D expense	Percentage of operating revenue
2018	2,664,477	4.11%
2019 Q1	637,488	4.67%

**2. The technologies or product successfully developed for the recent year and as of the publication date of the annual report.**

Year	R&D achievements
2018	<ul style="list-style-type: none"> <li>Design and development of matrix loud speakers combining a variety of speakers.</li> <li>Design and development of matrix loud speakers.</li> <li>Design and development of the structural optical facial recognition module.</li> <li>Design and development of the depth recognition module.</li> <li>Design and development of the ultra-small encapsulation module.</li> <li>Design and development of the 3-phase camera focusing module.</li> <li>Design and development of the automotive 3-phase camera module.</li> <li>Design and development of a new generation of A3 DADF scanners.</li> <li>Design and development of a keyboard using the Mini LED multiple color backlight module.</li> <li>Design and development of the composite mechanical keyboard.</li> <li>Design and development of the new generation of high speed wireless signal input design, development of the 15W Qi accredited quick charger for Samsung, and iPhone quick wireless charging panel.</li> <li>Design and development of the 1-15W headphones, wearables, and smart shoe wireless charging set.</li> <li>Design and development of the 15W iPhone wireless quick charging module.</li> <li>Design and development of the 15W iPhone wireless quick charging panel, charging stand.</li> <li>Design and development of the 15W iPhone wireless quick charging automotive phone holder.</li> <li>Design and development of the 15W iPhone wireless quick charging smart automotive phone holder.</li> <li>Design and development of 60W-120W high power wireless charging devices.</li> </ul>
2019	<ul style="list-style-type: none"> <li>Design and development of the 1-15W headphones, wearables, and smart shoe wireless charging set.</li> <li>Design and development 10~15W big area wireless charging solutions with quick charge for iPhones</li> <li>Design and development for 15-30W wireless charging modules with quick charge for iPhones</li> <li>Design and development for 15-30W wireless charging pads/docks with quick charge for iPhones</li> <li>Design and development for 15~30W multi-circuits wireless charging modules in cars with quick charge for iPhones</li> <li>Design and development for 60W~120W high power wireless chargers</li> <li>Design and development for mechanical high speed wireless keyboards for games</li> <li>Design and development for high speed wireless mice for games</li> <li>Design and development for household game console controllers at eSports level</li> <li>Design and development for high speed transmission port</li> <li>Design and development for vertical binding machines</li> <li>Design and development for A3 ARDF</li> <li>Design and development for wearable sensing devices</li> <li>Design and development for color printing devices for credit cards</li> <li>Design and development for portable Bluetooth printers</li> <li>Design and development for paper size detecting technology</li> <li>Design and development for Bluetooth micro camcorders</li> <li>Design and development for carrying camcorder for police, supporting LTE, Bluetooth, and Wi-Fi</li> <li>Design and development for wireless mobile phone chargers with backup function</li> <li>Design and development for smart doorbells</li> <li>Design and development for smart access control</li> <li>Design and development for household safety surveillance system</li> <li>Design and development for smart surveillance systems</li> <li>Design and development for smart video conference systems</li> <li>Design and development for 2/3/5/8 megapixel car-loaded camera modules</li> <li>Design and development for 48 megapixel mono/multiple camera modules for mobile phones</li> <li>Design and development for multi-function camera modules with ranging/depth, and face recognition</li> <li>Design and development for multi-function camera modules with structured light 3D modeling/ face recognition</li> <li>Design and development for wide-angle sports camera modules</li> <li>Design and development for new generation of optical fingerprint recognition modules</li> <li>Design and development for new generation smart lock fingerprint recognition modules</li> <li>Design and development for single speaker unit for headsets</li> <li>Design and development for real wireless headphones</li> <li>Design and development for Dolby Atmos sound bars</li> <li>Design and development for digital sound mixers</li> </ul>

Note: the above includes technologies and products successfully developed by PRIMAX.



**(4) Long-term and short-term business development plan**

**1. Short-term business development plans**

**(1) PC peripherals products**

- a. Grasped the technological development trend of mouse, keyboard, Multiple-color backlight keyboard module, Gaming peripherals, and smart remote control, and continue to research and develop new products in order to facilitate business promotion.
- b. Established a key components supply chain and establish the VMI / JIT system to effectively reduce inventory stock and to resolve material shortage problems.
- c. Improved plant productivity, reduce costs, and continue to strengthen OEM/EMS business in order to increase turnover stably and improve gross profit rate. Grasped mobile application and related technology development trend.

**(2) Non-PC peripherals products**

**2-1 Mobile device components products**

With the advantage of accreditation by a few big European and American brands, we committed the best of our effort in the market of China. Positioned on the basis of our success in the past, PRIMAX has successfully made the four major cell phone makers its customers. The primary strategy in the short run is the proper deployment of the entire group on the basis of existing customer relation. In the area of camera module, PRIMAX will introduce double-lens in full effort and regain the advantage of leadership in technology. In the area of fingerprint module, PRIMAX seeks to satisfy the needs of the customers and maintain its leading position. The keen and irrational competition compelled PRIMAX to go for devices of high added value in full effort and reinforce its partnership strategy with the suppliers in order to maintain its advantageous position.

In the cultivation of customer relation, PRIMAX takes the upgrade of gross margin from customers as a key indicator. Further to the emerging market, PRIMAX seeks to target strategic customers in depth and in scope of operation. In addition to the share of existing product line, PRIMAX also introduce the new related product line of cell phone for a larger share.

Autonomous automated production, high speed high-end production process with high profile 5S management will be the gravity of production in this year. In addition, the growth in sales orders drives for the expansion of production capacity for high-end products, which will be the mission for sustainable growth.

**2-2 Business equipment products**

PRIMAX actively developed a high-speed low-cost scanner module with mass production initiated successfully. Advanced commercial scanner and module products will soon be ready for mass production with the global business expanded actively. In terms of the design and production of laser printers and multifunction products, in addition to securing the existing customers, the mission is to develop a more competitive platform continuously and actively compete for the new product development projects of American and Japanese customers.

A number of projects are currently in progress and will gradually be ready for mass production this year. Barcode label printer is another new product line. The first generation products are already under mass production and with good market feedback. The new generation product will soon be ready for mass production. The image module and MFP





OEM business is growing stably and the mission is to actively compete for new customers and new products business. In terms of office automation products, along with the continuous improvement of inhouse technologies, a number of important patents have been obtained and new customers have been solicited successfully. Also, PRIMAX has transformed into an ODM business operation successfully and worked with customers to actively develop new products.

**2-3 Smart Digital Imaging System**

In addition to continuing to deepen its operations in existing product lines, PRIMAX also actively explore new product lines, in the hope of a new wave of digital waves, whether in product design capabilities and mastery of key technologies leading position. Digital home related products actively developed at present, expectations can bring new profit momentum and create profit margins. Current order in addition to mastering the development of smart home multimedia streaming technology trend, continue to develop new platforms and software to facilitate the promotion of business, and actively establish a key component supply chain. Internal research and development in terms of planning, continue to enrich the software development strength, and establish and soft long-term cooperation with the solution provider, master the relevant technology the trend of development. In the customer base, continue to deepen and broaden the eyes former major customer partnerships and product offerings. Current main customer households are market leaders and are in line with the growth strategy of PRIMAX,. PRIMAX's market share and leadership will be further expanded.

PRIMAX will advance the market of earphones and will further develop its business operation on the basis of existing customers and leading brands in market.

**2-4 Digital home and audio products**

PRIMAX, in addition to continuing the in-depth development of the existing product line, will actively develop new product lines in order to secure a leading position on the next wave of digitalization in the sense of product design and key technology. The digital home-related products that are currently under active development are expected to create new profit momentum and generate profits. Currently, in addition to mastering the network storage device and digital home multimedia

streaming related technology trends, we will continue to develop new platforms and software to facilitate business promotion and to actively establish a supply chain of key components. In terms of internal R&D programs, continue to strengthen software development ability and establish a long-term relationship with the software solutions providers in order to grasp the development trends of the related technologies. PRIMAX seeks to further cultivate its relations with major customers both in depth and in scope with a wider array of products. Currently, the major customers of PRIMAX are the leaders in market and they are congruent with the growth strategy of the Company. PRIMAX will gain a larger share in market and surpass its competitors. PRIMAX will advance the market of earphones and will further develop its business operation on the basis of existing customers and leading brands in market.

At the same time, in view of the market potential of professional-grade commercial audio and high profitability, the market has been cultivated in the past two years, the products of this market belong to high-priced, high-power durable products. Further increase PRIMAX's profit margin and long-term stable revenue sources great help.

**2. Long-term business development plans**

**(1) PC peripherals products**

Continue to upgrade automation capabilities, reduce labor costs and labor shortage, and enhance lean productivity and technology strength. Develop new product lines (such as wearable devices, mobile device game peripherals, etc.) in order to develop new businesses and increase turnover.

**(2) Non-PC peripherals products**

**2-1 Mobile device components products**

The large customer base and the targeted key parts and components suppliers of lens module/fingerprint module in the upstream (such as image chips, optical lens, motor, IR screened glass, and ceramic) will be the bargaining chip for PRIMAX in its long-term strategy for achieving effective strategic cooperation. With close partnership, PRIMAX can maintain an edge in cost competition, technology advantage and resources guarantee. In addition, PRIMAX will (1) expand its operation in supporting customers in broadening the entire product line of camera lens module/fingerprint module in depth and will support customer-defined physical platform,

including TV, wearable devices, tablet PC, mobile phone, and even vehicle use equipment for the needs of strategic customers and similar technology modules so derived; (2) expand other product lines of the customers in scope with the use of package deal to ensure sustained competitive advantage.

In terms of client management, gradually investin and manage the customers markets other than cell phone application that will soon flourish with remarkable results expected next year.

**2-2 Business equipment products**

PRIMAX will continue to expand the technology and business of scanners and multifunction products, becoming the World No. 1 ODM Company. On the other hand, in response to the huge market demand for wireless broadband and mobile multimedia devices, PRIMAX has actively supported the development, integration and application upgrade of the mobile device scanning and printing related technologies. PRIMAX has accumulated profound ability and experience in the high-end scanner, automatic document feeder, automatic binding machine, and control panel design. PRIMAX will be able to expand such products businesses successfully with over two decades of experience in developing and producing image products and embedded devices. In terms of office automation products, continue to invest in technology development to lead the market in energy-saving, system integration and excellent user-friendly design and to grow together with the target key customers.

**2-3 Smart Digital Imaging System**

In terms of long-term business development plans regarding new product development, PRIMAX, in addition to developing and expanding the technology and business of wireless network storage devices and digital home related products continuously, it will work closely with key customers to jointly develop new products to meet market demand and to create a win-win situation. In terms of customer base, we will expand the Company's existing customer base and target the leading brands in the market, including cooperating with the consumer electronics manufacturers in Europe, USA and Japan, leading the market in energysaving, system integration, and excellent userfriendly design and growing together with the target key customers. In addition to the development of hardware products, on the other hand, in response to the emerging



cloud computing applications, PRIMAX will continue to upgrade the development, integration and application capabilities upgrade of the related software technologies. PRIMAX will be able to expand the business of such products and services with the profound design, R&D, management and execution capacity.

**2-4 Digital home and audio products**

In terms of long-term business development plans regarding new product development, PRIMAX, in addition to developing and expanding the technology and business of wireless network storage devices and digital home related products continuously, it will work closely with key customers to jointly develop new products to meet market demand and to create a win-win situation. In terms of customer base, we will expand the Company's existing customer base and target the leading brands in the market, including cooperating with the consumer electronics manufacturers in Europe, USA and Japan, leading the market in energysaving, system integration, and excellent userfriendly design and growing together with the target key customers. In addition to the development of hardware products, on the other hand, in response to the emerging cloud computing applications, PRIMAX will continue to upgrade the development, integration and application capabilities upgrade of the related software technologies. PRIMAX will be able to expand the business of such products and services with the profound design, R&D, management and execution capacity.

In the development of audio products in the long run, the sale of speakers will be further expanded. Further to promote the using of self-made speakers to existing system customers with full range, the sale of independent speaker units will also be intensified. This will help to achieve the growth of business and also promote the visibility and reputation of the independent sound system quality of PRIMAX, and is a joint effort with system development operation.

The development of the emerging market will be the intensification of developing the customers in China and Europe. China is an emerging big market for sound system products and will be an emerging market for voice assistance smart sound system in the future. In Europe, many traditional sound system firms quest for industrial transformation that PRIMAX can demonstrate its strength in help them in transformation.



## 2. Market and production and sales overview

### (1) Market Analysis

#### 1. Sales area of major commodities

By area	Year	2017		2018	
		Amount (NT\$1,000)	%	Amount (NT\$1,000)	%
China		32,911,250	54.18	30,476,783	47.02
Europe		11,147,632	18.35	17,498,442	27.00
USA		13,508,587	22.24	16,752,178	25.85
Others		3,174,223	5.23	84,005	0.13
<b>Total</b>		<b>60,741,692</b>	<b>100.00</b>	<b>64,811,408</b>	<b>100.00</b>

#### 2. Market Share

PRIMAX is a professional manufacturer for PC peripheral products, mobile devices components, business equipment, and related products of digital home with a good reputation earned in the industry. Due to PRIMAX's wide product range that can be used on the mouse, keyboards, touch panel, notebook computers, mobile phones, headphones, charging cradles, printers, scanners and audio products, PRIMAX has started entering the automotive electronics market since 2015. The final products in use are quite different; therefore, there is no complete and objective market share statistics available for reference.

#### 3. Future market supply and demand and growth

##### (1) PC peripherals products

PRIMAX's peripheral products include keyboards, mouse, mobile device peripherals, etc., mainly used with computers and tablet PC products of which the keyboard and mouse are the main sales items.

The overall PC market in 2018 was flat. Despite the optimism of the PC market in the analysis, the rise of the global Gaming market triggered the demand for high-end PCs. According to the analysis of JPR, the peripherals of Gaming will have a market size of approximately USD\$ 5 billion with anticipated annual growth of 13% until 2020. As early as 2015, PRIMAX started to reach out to the few world renowned Gaming brands and has performed ideally. The outcome is positive so far. In contrast, the unit price of gaming product shipments is high such that it can help to fill the gap left behind by PCs and tablet PCs, and has contributed to revenue growth.

##### (2) Non-PC peripherals products

###### 2-1 Mobile device components

PRIMAX's mobile devices components include camera modules, fingerprint recognition

modules, Bluetooth headphone of communication peripherals, charging cradles, wireless charging, etc., of which, the sale of the camera module is the most prominent. Mainly used in notebook computers, smart phones, tablet PCs and other information, communications and consumer electronics products; therefore, the future changes in consumer demands will be closely related to notebook computers, smart phones and tablet PCs.

The shipment volume of Notebook PC in 2010 exceeded 200 million units. However, the shipment of Notebook PC turned sluggish in the last few years at just about 250 million units annually. Since the built-in camera module of Notebook PC is a standard device, the shipment volume of built-in camera module of Notebook PC will commensurate with the shipment volume of Notebook PC. Tablet PC has its heyday in 2012~2013 but started to decline in 2014 (except Apple, which still enjoyed stable growth). The estimation for the year 2018 will keep the same. The sales of mobile phones have slowed down but the multi-camera modules on mobile phones have become a trend (front camera, dual main camera, face recognition). Therefore, it is expected that the demand for mobile phone camera still has some growth. With the growth of shipment of mobile phone worldwide and the increased matching rate between camera module and audiovisual lens for mobile phones, the shipment volume of mobile phone camera module grew annually. With the prevalence of 3G and 4G, and the forthcoming 5G mobile network, the built-in sub camera for mobile phone (which is the visual lens) will increase in proportion year after year and will take the lead in driving the shipment of smart phone. There will be more than 70% of smart phone featuring a front camera and a rear camera. The ranking of brands is reshuffling all the times worldwide and the makers of China have earned the top 6 positions. In addition, some makers in India have their brands ranking around the 10th

place. These indicated the dynamic and momentum of the high growth in the emerging market.

###### 2-2 Business equipment products

Due to intense market competition, multifunction products (MFP) terminal prices continue to fall, with inkjet and black and white laser models, in particular. The consumer inkjet models sales will continue to decline due to the sluggish global economic growth. However, PRIMAX's focus of laser models will continue to grow slightly; also, the demand by emerging markets for MFP will continue to grow. Mature markets like Europe, USA and Japan will continue to demand more color MFP, mainly due to the switch from black and white to color MFP. The demand for printers and MFPs will continue to grow due to the impact of mobile devices and the digitalization trend; also, it is expected to have another wave of growth momentum created by relying on the upgrading performance, combined with digital workflow management capabilities, deepening vertical industrial custom-made practice, integrating the innovative applications of cloud services and focusing on the application of A4 lowend laser MFP and communication products.

###### 2-3 Smart Digital Imaging System

The continued decline of the price of full high definition TV (FHD TV) and the sustained growth of the demand of Ultra High Definition 4K TV (UHD 4K), and perpetual upgrade of personal portable devices, multimedia game and audiovisual streaming box, the broadband of cable network (10/100Gb), the ceaseless improvement of wireless broadband technology (IEEE802.11ac, 4G), the prevalence and diversity of cloud audiovisual streaming service, and the increasing abundance of high quality multimedia content allow for the colorful and plentiful presentation of home products. The continual launch of innovative devices, application and service will no doubt drive for further growth in the future.

The mushrooming of the voice assistance sound system market and the rapid development of AI in the last two years will contribute to the ample supply of smart sound system featuring network connectivity, voice assistance and connectivity to cloud and even new breed of products containing smart sound system module in the future. There will be a new wave of growth with quantum force in the sound system business.



###### 2-4 Wireless charging products

The popularity of smart phones, tablet PCs, and wearable devices, wireless products have become an indispensable part of our daily lives. With the introduction of the Samsung flagship models and all models of Apple in 2017, the growth of wireless charging will be an irreversible trend. Indeed, most cell phone makers have geared up for the market. Currently, the high-tag flagship models are still the major items for introduction.

In addition, suppliers of other consumer electronics and PC products also hope to introduce functions helpful to the consumers within their limited scope of function. Wireless charging will be helpful for consumers and is a function with differentiation and high added-value. For this reason, most big firms followed the footsteps of Apple and prepared to introduce wireless charging functions to some of their products.

According to IHS, the demand in 2022 will be as many as 2 billion units. This is a lucrative business opportunity mostly coming from the built in wireless charging function of cell phone. What could be inferred is that the models for wireless charging currently available, ranging from highend flagship models to mid to low-end market, will bring about business opportunities much as the camera module, Bluetooth, WiFi, touch panel, and fingerprint recognition did in the past, and make wireless charging devices another key component and vital peripheral product among other electronic items.

#### 4. Competitive niches

##### A. Sufficient production capacity and economies of scale

The consumer electronics product life cycle is shortening. All manufacturers strive to contribute by investing resources in new product development and cost reduction; therefore, Original Equipment Manufacturing (OEM) has become the mainstream practice in markets under the consideration of reducing costs and speeding up production. In this trend, the manufacturers with experience in the related products and sufficient production capacity are preferred by international corporations for the OEM business. PRIMAX has decades of experience in the development, design and production of image products and embedded devices; also, it has strong and experienced R&D teams and strict manufacturing and quality control processes. PRIMAX with the support of its strong R&D teams





can immediately adjust the production process upon the customers' request and help customers optimize existing products; also, it can immediately respond to customer demands. PRIMAX has four production sites setup in China, including Dongguan, Kunshan, Chongqing and Huizhou, and continues to expand production capacity, possessed production capacity with "economies of scale" effect and flexible production planning. Such economies of scale, flexible production planning, and professional process technology have prevented competitors from entering the market easily. Moreover, such rich production resources have provided PRIMAX with advantages in competition for international companies OEM businesses.

**B. Global Logistics Production**

PRIMAX provides services to clients with global logistics, in addition to providing quality products to customers. PRIMAX also provides logistics services to customers. PRIMAX is with excellent process management capability, flexible production, comprehensive production and sales network from Dongguan, Kunshan, Chongqing, and Huizhou, and for the purpose of staying close to its customers with services provided, delivery is made through the global instant supply warehouse (such as, USA, the Netherlands, China, etc. ) in order to shorten product delivery time, provide customers with the a stable and fast supply, and enable customers to establish a minimum inventory and reduce the backlog of funds; therefore, logistics service is one of the competitive niches of PRIMAX.

**C. Maintain strong partnerships with international companies**

Ever since its establishment, PRIMAX has paid perpetual attention to the research and development of PC peripherals, mobile device components, business equipment, digital home and audio products. The quality and stability of products are highly recognized by our customers with continued purchase. The main customers of PRIMAX are famous international big firms. PRIMAX can fully utilize its customer relation to acquire update market information through preliminary validation and authentication of products on the setup of specification and technological innovation so that PRIMAX can keep abreast of the market trend. For years, PRIMAX has cultivated strong bonding with upstream and downstream industries, and will be a vital partner to the big firms in the development of new products.

**D. People-machine interface integration technology and software development capacity**

PRIMAX has experienced and qualified software development team with hardware, software, and people-machine interface R&D capabilities that will not only take the initiative to help customers improve product operation interface, but also actively develop highly user-friendly software and have it converted into consumer electronics products that are well accepted by the general public, such as, personal network server, wireless hard drive, and other emerging new technology products. Such effort of developing new applications by having the existing technologies integrated is beneficial to future development.

**E. More than 10 years of experience in wireless charging hardware and software design and mass production capacity**

Wireless charging involves wireless and electromagnetic theories. Industry specifications and the advantage of the economy of scale are yet to be unified so there is no principal specification or leadership to follow. For this reason, many small firms have entered into this market. Most famous brands require a diversity of product designs, and are capable of controlling the design and optimization of products and even the accreditation and mass production of finished products. They expect firms of a fair size with design and development capacities at the same level. This gives an edge to PRIMAX.

PRIMAX began to attract the attention of famous cell phone and consumer electronic brands 10 years ago, and has continued to introduce products of famous brands in wireless charging. The models include a variety of receiving devices ( cell phone case, smart sound speakers, NB PC, headsets, and mouse ) , transmission devices ( charging panel, charging stand, automotive charging phone holder, wearable charging base unit, and mouse pad ) . PRIMAX is at international standard in design, manufacturing, testing, and quality assurance requirements, which outperformed other competitors in wireless charging devices in the short run. Currently, PRIMAX continues to attract the attention of famous brands with inquiries about wireless charging devices and even proposals for joint ventures.

**5. Advantages and disadvantages of future development and the responsive strategies**

**Advantages:**

**A. International manufacturers continue to outsource OEM businesses to reduce costs**

International brand manufacturers for operating branding business continuously, maintaining R&D technology and reducing production costs have the production operations commissioned to professional OEM factories in order to concentrate on the design, marketing and R&D to simplify management complexity, to improve operational efficiency, to streamline the organizational structure at the same time, to pool resources, to reduce production costs, to enhance brand value and to increase market share. In the electronics industry, the global division of labor is becoming obvious, and this operating mode has become necessary for all international brands; therefore, a large OEM business opportunity is in the making.

PRIMAX has setup production bases in Dongguan, Kunshan, Chongqing, and Huizhou of China for staying close to its customers in order to compete for OEM business and to reduce production costs. PRIMAX's product development and technical capability have been appreciated by customers in recent years with sufficient production resources offered as the customer's production support; also, provided customers with timely and most comprehensive services; therefore, international companies in the USA and Japan have granted their OEM businesses to PRIMAX. Apply PRIMAX's professional technology development ability and excellent production management model to effectively reduce product production costs and to explore more business opportunities in a competitive OEM market.

**B. End-user market is with much room for growth PC peripherals products**

PRIMAX's PC peripheral products include mouse, keyboards, tablet PC keyboards, etc. Although future computer market scale and growth trends will slow down due to the current computer brand business philosophy "the bigger, the better," however, PRIMAX's adequate customer strategy will help PRIMAX remain in a favorable position in competition. The growth in demand is also the result of the mushrooming of gaming industry with the demand for related keyboard and mouse.



**Non-PC peripherals products**

**2-1 Mobile device components products**

PRIMAX's mobile device components include notebook computers, smartphones, builtin camera module in tablet PCs, fingerprint identification modules and communications peripheral equipment Bluetooth headphones, charging cradles, etc. Consumers like to use mobile phone cameras to take pictures or shoot video for sharing with friends and family. Therefore, the manufacturers of smartphone and tablet PCs continue to introduce high-pixel smartphone and tablet PCs with built-in camera modules. In addition, along with the prevailing network and increased bandwidth, notebook computers' built-in camera module has become a standard accessory. Apparently, the built-in camera module has a great room for market growth. In addition, the mobile pay market is in full swing of development and the demand for fingerprint identification is huge and sudden; therefore, such demand has been the highest within two years. The increasing functions of mobile phones obviously consume more power. The mobile phone was able to be in a standby mode for over one week but not anymore. Instead, the demand for various mobile power supplies, USB charging cable and vehicle charging cable is growing substantially. In addition, the demand for Bluetooth headphones will continue to rise along with the development of network phones and portable device industry; therefore, PRIMAX's revenue growth will be activated as well.

**2-2. Business equipment products**

PRIMAX's business equipment products include laser printers, multifunction products, scanner, etc. The use of wireless technology for the printing and transmission of printers and MFPs is increasing along with the prevalence of wireless network technology. Along with the sales increase of smartphone and tablet PCs, and the upgraded functionality, consumers need the printing function of smartphone and tablet PCs more and more. The introduction of wireless MFP and printers in the market will be able to meet the printing needs of smartphone and tablet PCs; also, help improve PRIMAX's product sales indirectly. In addition, the demand for black and white laser MFP in emerging markets remain growing that will have a direct contribution to PRIMAX's sales growth.



2-3 Smart Digital Imaging System

As the broadband environment is getting mature and home Wi-Fi wireless network prevailing rate is growing year by year; therefore, the wireless transmission related applications are flourishing., Consumers demands the home entertainment streaming, and thus the internet storage devices for household and home entertainment servers will embrace strong sales. The explosive growth of mobile devices, such as the penetration of smartphones and tablets, has made the market demanding wireless storage devices for audio and video. It will drive consumers to purchase smart doorbells, smart access control systems, and intelligent monitoring systems as extensions for mobile devices.

PRIMAX also has the great strength in the regard of acoustic knowledge and development capabilities, as well as development and manufacturing capability for the key part, single speakers. Combining with the Group-wide manufacturing and procurement capability, we have excellent competitive advantages.

Smart Digital Imaging also requires the humanmachine interface and wireless networking capacity, which is also an integral part of the core competence of the Company so that we are strong enough to outcompete the competitors in competition.

2-4. Digital home and audio products

The broadband network environment is becoming mature and home Wi-Fi wireless network prevailing rate is growing year by year; therefore, the wireless transmission related applications are flourishing. Consumers' demands for home entertainment audio and video streaming will drive the sales of home network storage devices and home entertainment server to go up. The explosive growth of mobile devices, such as the prevailing smartphones and tablet PCs, has caused the market demand for wireless audio and video storage devices to increase and it will drive consumers to buy portable wireless hard drives as the capacity expansion of mobile devices.

PRIMAX is good at acoustic knowledge and the capacity in research and development,

and is also capable of developing and manufacturing of related key components and speaker body. With the overall manufacturing and procurement capacity, the Company has the best advantage in competition.

Smart sound system also requires the humanmachine interface and wireless networking capacity, which is also an integral part of the core competence of the Company so that we are strong enough to outcompete the competitors in competition.

**Disadvantages:**

**A. Shorter product life cycles**

Information, communications, and consumer electronics products rotate quickly with shorter product life cycles, resulting in high management risk, In addition to the inability to consume inventory stock and reduce financial pressures, product development, design and production time is shortened that creates a challenge to PRIMAX's professional technology and management ability.

**Responding Strategies:**

PRIMAX actively develops new technologies to enhance research and development capabilities, continue to cultivate R&D talents and improve production efficiency and yield rate in order to shorten the product development cycle. In addition, PRIMAX has established a long-term good cooperative relationship with many wellknown national and international manufacturers. At the time of developing products, cooperate and communicate with customers to fully understand the customer's needs and market trends in order to rapidly develop and produce products that meet market demand. In addition, place raw materials with special specifications under strict control, actively reduce inventory and minimize the obsolescent product loss in order to effectively reduce costs and enhance market competitiveness.

**B. Severe price competition jeopardizes profit margin**

In recent years, the rapid development of 3C products have driven market demand for PC peripheral products, mobile devices components and business equipment, resulting in severe market competition, increasing price

competition pressure, and causing the low price trend of electronic products that is detrimental to profitability.

**RResponding Strategies:**

PRIMAX focuses on enhancing its core competence and improving R&D technology and the production capacity for products. Continue to improve product manufacturing process through product design in order to reduce materials consumption; also, utilize advanced manufacturing equipment to improve production efficiency, while continuing to expand advanced products with higher gross profits in order to seek product differentiation, increase value-added products, and separate from competitors by creating market segment, while maintaining close relationship with existing customers in order to secure existing markets.

**C. Labor shortage and the rising labor costs in the Chinese market**

In recent years, the provincial labor departments of China have wages increased for the protection of labor's interests, also with the rapid domestic economic development of

China, annual economic growth is at a double-digit rate, resulting in the working population in the coastal areas of China unwilling to stay on their jobs; therefore, labor shortage and rising wages have resulted in high operating costs to the enterprises.

**Responding Strategies:**

For the sake of solving labor problems fundamentally and reducing labor costs, PRIMAX actively introduces modular automated production equipment and processes to improve production efficiency and reduce labor costs. At the same time, strive to improve the production procedures, simplify manufacturing processes and conduct automated testing; also, designate a specific unit to be responsible for the design and preparation of precision tooling and automated assembling equipment, and its utilization in mass production in order to master the production procedures and to control product quality. In addition, in recent years, continue to develop highly automated production and production line testing equipment in order to improve production efficiency and reduce production costs.

(2) Intended use and production process of main products

1. The intended use of main products

Main products and services	Intended use or function
Mouse	Control computer cursor and scroll to; provide easy operations in the window operating systems.
Keyboard	Provide input characters as well as other convenient control keys
Touch panel	Control computer cursor, scroll and other convenient controls by the touch panel.
Wireless harging device	Suitable for mobile phones, tablet PCs, NB PCs, consumer electronics, and industrial use items for power supply and charging.
Micro-camera module	It is applicable to mobile phones, tablet PCs, commercial and home monitoring, smart TV, game consoles, traffic recorders and GPS built-in camera modules.
Network camera module	It is applicable to notebook computers, LCD monitors, built-in network camera modules and externally attached network cameras.
Fingerprint identification modules	It is applicable to mobile phones and tablet PCs.
Communications peripheral equipment	It is applicable to mobile phones or MP3 players, built-in images, externally attached voice, data transmission, power supply, and other devices.
Image Scanner	It is applicable to personal computers, printers, file servers, flash drives and photo/document digitization and preservation.
Multi-function printers	It is applicable to individuals, homes, offices, shops, hotels, digital data center, photo/document scanning, photocopying, electronic documents printing and faxing documents.
Office automation products	It is applicable to individuals, homes, offices, shops, hotels, digital data centers, photo/document destruction, lamination and other processes.
Wireless storage devices	It is applicable to personal and home audio/video entertainment and data storage, and office data storage.
Wireless sound system	Suitable for individuals and families for appreciation of music, audiovisual integration, and mobile phone communication.
Smart sound system	Suitable for individuals and families, smart home control, voice data search, APP link and related service links, and appreciation of music.
Smart Digital Imaging	Suitable for enterprise and individuals and families, intelligent monitoring systems, smart home control, image identification, and APP link and related service links.





**(3) Supply of Main materials**

PRIMAX's products are mainly divided into two product lines of PC peripheral products and non-PC peripheral products. PRIMAX's products are mainly purchased through Dongguan Primax, Kunshan Primax and Chongqing Primax. Since they are 100% owned subsidiaries and sub-subsidiaries of PRIMAX, the delivery lead-time and sources of supply can be fully controlled without the possibility

of a supply shortage. For the main raw materials of the subsidiaries and sub-subsidiaries, PRIMAX has acquired through long-term cooperating suppliers for stabilizing supply source and quality; also, there are at least two suppliers of main raw materials retained for service; therefore, there should be no risk of a supply shortage or supply interruption that is detrimental to the Company's operations.

**(4) The names of the customers that were identified accounted for more than 10% of the total purchase (sale) amount in one of the last two years, the purchase (sale) amount and percentage, and the reasons for the amount increase and decrease. The information of the suppliers that were identified accounted for more than 10% of the total purchase amount in any of the last two years.**

- The information of the suppliers that were identified accounted for more than 10% of the total purchase amount in any of the last two years.  
There was no supplier that accounted for more than 10% of the total purchase amount in any of the last two years.
- The information on the customers that accounted for more than 10% of the total sales amount in any of the last two years.  
There was no customers that accounted for more than 10% of the total sales amount in any of the last two years.

**(5) The production value and volume in the last two-year:**

Unit: NT\$1,000 / 1,000 pcs

Production Values Major Products	Year	2017			2018		
		Capacity	Output	Amount	Capacity	Output	Amount
PC peripherals products		189,015	76,034	18,589,454	139,478	71,481	19,691,875
Non-PC peripherals products		1,085,444	219,888	35,074,932	2,109,800	202,409	38,970,385
<b>Total</b>		<b>1,274,459</b>	<b>295,922</b>	<b>53,664,386</b>	<b>2,249,278</b>	<b>273,890</b>	<b>58,662,260</b>

**(6) Statements of Sales Volumes and Values for the Past two Years:**

Unit: NT\$1,000 / 1,000 pcs

Sales Volumes and Values	Year	2017				2018			
		Domestic sales		Exporting sales		Domestic sales		Exporting sales	
Major Products		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC peripherals products		2,718	131,063	105,037	20,306,095	457	148,156	114,599	21,223,519
Non-PC peripherals products		2,570	638,989	173,350	38,332,998	1,000	164,958	137,805	41,021,722
Service income		0	0	0	1,332,547	0	0	0	2,253,053
<b>Total</b>		<b>5,288</b>	<b>770,052</b>	<b>278,387</b>	<b>59,971,640</b>	<b>1,457</b>	<b>313,114</b>	<b>252,404</b>	<b>64,498,294</b>

**3. The number of staffs, average service years, average age and educational distribution ratio in the last two years and as of the printing date of the annual report.**

Year		2017	2018	01.01.2019~05.16.2019
Number of Employees	Technician (Engineering)	2,941	3,354	3,055
	Management and business personnel	2,346	2,441	1,658
	<b>Total</b>	<b>5,287</b>	<b>5,795</b>	<b>4,713</b>
Average age		34.5	34.8	36.1
Average service years		4.7	4.7	5.5
Educational distribution ratio (%)	Ph.D.	0.2	0.3	0.3
	Master's	8.2	8.8	10.9
	Bachelor's	52.8	54.0	64.6
	Senior Higher School Education	17.3	16.1	14.7
Below Senior Higher School Education		21.6	20.8	9.5

**4. Environmental protection expenses information**

The Company's losses (including compensation) resulted from environmental pollution, the total amount of disposition and the disclosure of the response measures (including improvement measures) and possible expenses (including the possible losses due to not taking countermeasures, the estimated amount of compensation and fine, and the fact that the potential losses cannot be reasonably estimated) in the most recent year and as of the printing date of the annual report: **None**.

PRIMAX's 2018 environmental protection expenses for each plant statistics

Unit: NT\$

Classification	Description	Expenses and expenditures
1. Direct Costs for Reducing Environmental Impact		
(1) Pollution control cost	Fees for air pollution control, water pollution control, and others	5,001,161
(2) Resource Conservation Cost	Costs for resource (e.g. water) conservation	17,065,901
(3) Waste Disposal and Recycling	Costs for waste treatment (including recycling, incineration and landfill)	7,002,613
2. Indirect Cost for Reducing Environmental Impact (Environmental Managerial Cost)		52,526,015
(1) Cost of training		
(2) Environmental management system and certification expenditures		
(3) Environmental impact measurement and monitoring fees		
(4) Environmental protection product costs		
(5) Environmental protection organization fees		
3. Other Environmental Costs		0
(1) Costs for decontamination and remediation		
(2) Environmental damage insurance fees and environmental taxes and expenses		
(3) Costs related to environmental settlement, compensations, penalties and lawsuits		
<b>Total</b>		<b>81,595,690</b>



## 5. Labor relations

### (1) The Company employee's welfare measures, education, training, retirement system and its implementation, as well as agreement between the employers and employees and the employees' interest protection measures

#### 1. Employee's welfare measures and its implementation

The Company has an Employee Welfare Committee set-up in accordance with the Employee Welfare Act to handle the appropriation and distribution of welfare fund. The current welfare system includes: labor insurance and national health insurance, group insurance, annual health checks, birthday gift certificates, Labor Day / Dragon Boat Festival / Moon Festival gift money, employees and dependents weddings and funeral subsidy, employees and their families scholarships and financial aid, employee hospitalization condolence money, employees recreational activities, domestic and international travel allowance, emergency assistance loans to employees, year-end party and lotteries, and other community activities.

#### 2. Education, training, and its implementation

PRIMAX has constructed diversified learning and development channels for the staff's synergistic effect of learning in order to enhance the Company's competitiveness continuously and develop important technical and management personnel.

- **On-the-job training:** On-the-job learning and development is to help the staff enhance job experience by attending work meetings, project (mission) assignments, job rotation, etc.
- **Internal Training:** Internal training is divided into three categories of supervisor training, professional training, and general training, including new recruit's basic courses, supervisor courses at all levels, professional and technical courses, the course of quality, general education lectures, English courses, etc.
- **External professional trainings:** External professional training: In order to encourage colleagues to continue their selfenhancement of professional capacity or to learn a second professional skill for career plans, the Company has the professional external training cost fully subsidized.
- **Overseas trainings:** Select colleagues who perform outstandingly at work and with a good potential for development to participate in short-term overseas professional training or meetings in order to enrich their international vision.

- **Online learning and knowledge community platforms:** The digital LMS learning system provides general education, basic professional knowledge and English language courses to allow learning without time limits and space restrictions; colleagues can also conduct a knowledge exchange, sharing and discussions through the community forum on the platform and blog.
- **Self-learning:** Promote lifelong learning of job-related knowledge and skills; also, 05. apply for flexible working hours in order to initiate on-the-job training; in addition, in order to cope with the Company's international business model, English course subsidies are also available to colleagues to encourage them to strengthen their language skills. The Company has occasionally updated the list of books recommended to read and provided books subsidies to encourage colleagues to develop a reading habit.

#### 3. Retirement system and the its implementation

PRIMAX (formerly known as "Hung Chuan Investment Co., Ltd.") was established on 03.20.2006 and had merged PRIMAX with general rights and benefits of employees assumed unconditionally on 12.28.2007; also, the pension system of PRIMAX remained intact. The payment requirements and standards of labor pension are processed in accordance with the Labor Standards Law (hereinafter referred to as "the old system") and the Labor Pension Act (hereinafter referred to as "the new system").

For employees who have chosen the old system or the new system but with seniority under the old system reserved, PRIMAX has a retirement plan enacted in accordance with the Labor Standards Law and has a labor pension reserve appropriated on a monthly basis and deposited in the special account with the Bank of Taiwan for the use of future pension payment. In addition, for employees that are entitled to the new system, PRIMAX has an amount equivalent to 6% of the monthly salary appropriated as a labor pension reserve in accordance with the Labor Pension Act and has the amount deposited in the personal account with the Bureau of Labor Insurance.

#### 4. Agreement between employer and employees and the measures to safeguard employees' interests

PRIMAX has maintained harmonious labor relations. Employees can communicate with the Company regarding the Company's systems and work environment through the departmental meeting in order to maintain a good interaction between the employer and employees. In addition, PRIMAX's employee welfare committee is responsible for handling employee welfare matters and has various activities arranged occasionally to enhance a harmonious working atmosphere and the loyalty between the employer and employees. The practice is illustrated as follows:

- (1) Periodical department meetings to communicate the business plans, overview of business, and market conditions with the employees.
- (2) Establish sexual harassment preventive measures, and the guidelines for complaint filing and penalties, to maintain the good working relationship and interaction principles for both genders, and prevent the sexual discrimination and harassment.

### (2) Any losses resulting from labor disputes in the most recent year and as of the printing date of the annual report: None

### (3) The estimated amount of current and future potential disputes and the responding measures. If no reasonable estimate can be provided, please specify the reasons.

PRIMAX since the date of incorporation has upheld integrity and responsible attitude to provide welfare to its employees, to create a harmonious relationship between employer and employees, and work together with

- (3) Establish the labor-management meetings, and convene the meeting regularly to communicate, and promote the harmonic labor-management relationship.
- (4) Establish the employee welfare committee to organize group recreational activities and handle welfare matters regularly.
- (5) Flexible working-hour system for the work-life balance of employees
- (6) Education and training plan and subsidy, provide staff with occupational training and encourage employees to develop a second skill.
- (7) In addition to the basic security of labor and health insurance, a group insurance is also available for a greater protection of employee's life safety, healthcare, and family.
- (8) Regular health check of employees and the health and safety inspections, to ensure the mental and physical health of the employees and the safety of working places without concerns.

the employees for the business growth of the Company and the business operations. Therefore, a harmonious labor relation is established and no incidents of labor disputes are expected to take place.

## 6. Material contracts

Nature of Contract	Contracted Parties	Term of Agreement	Main Content	Restrictions
OEM product	Customer E	08.01.2014 ~ project ended	OEM camera modules and mouse	Confidential
OEM product	Customer G	02.20.2006 ~ project ended	OEM consumer electronic products	Confidential
OEM product	Customer B	05.22.2007 ~ project ended	OEM MFP	Confidential
OEM product	Customer U	08.2007 ~ project ended	OEM mouses	Confidential
OEM product	Customer T	02.20.2008 ~ project ended	OEM consumer electronic products	Confidential
OEM product	Customer H	06.01.2008 ~ project ended	OEM MFP	Confidential
OEM product	Customer O	01.2006 ~ project ended	OEM consumer electronic products	Confidential
Trade and lease	Shin Kong Life Insurance	12.2008 ~ 12.2023	Sale and lease of Primax building	None
Loan Agreement	Export-Import Bank of the Republic of China	02.12.2015 ~ 02.12.2020	Bank mid-term and long-term loan	None





# Review and analysis of the financial status and financial performance, and risk management

## 1. Financial status

Unit: NT\$1,000

Item	Year	2018	2017	Difference	
				Amount	%
Current assets		31,472,160	29,141,420	2,330,740	8.00%
Property, plant and equipment		5,509,536	4,437,684	1,071,852	24.15%
Intangible assets		4,463,979	2,730,188	1,733,791	63.50%
Other assets		1,715,826	1,465,851	249,975	17.05%
Total assets		43,161,501	37,775,143	5,386,358	14.26%
Current liabilities		26,060,819	23,114,653	2,946,166	12.75%
Non-current liabilities		2,130,564	1,678,688	451,876	26.92%
Total liabilities		28,191,383	24,793,341	3,398,042	13.71%
Capital stock		4,474,523	4,459,968	14,555	0.33%
Capital surplus		1,377,077	1,232,490	144,587	11.73%
Retained earnings		6,525,331	6,087,685	437,646	7.19%
Other equity		(751,110)	(394,871)	(356,239)	90.22%
Non-controlling interests		3,344,297	1,596,530	1,747,767	109.47%
Total shareholders' equity		14,970,118	12,981,802	1,988,316	15.32%

Explanation of the Item with significant Changes:

- (1) Property, plant and equipment increased from last year: mainly caused by the increased property, plant and equipment of Tymphony & AIC.
- (2) Intangible assets increased from last year: mainly caused by the increased goodwill, profitability, employee value, and customer relationship in the acoustics and automobile markets of AIC.
- (3) Non-current liabilities increased from last year: mainly caused by the consolidation of AIC long-term borrowings.
- (4) Other equity decreased from last year: mainly caused by the decreased adjustments to the foreign currency translations.
- (5) Non-controlling interests increased from last year: mainly caused by the merge of AIC and the acquisition of the non-controlling interests from the merge.

In sum, not only the operation performance of the company in this year is stable but also with the growth of operating income and stable cash inflows that make the financial structure of the company healthy.

## 2. Financial performance

### (1) Analysis of financial performance for the last two years

Unit: NT\$1,000

Item	Year	2018	2017	Increase/Decreased Amount	(%)
Net Sales		64,811,408	60,741,692	4,069,716	6.70%
Operating costs		57,021,985	53,261,685	3,760,300	7.06%
Gross profit		7,789,423	7,480,007	309,416	4.14%
Operating expense		5,846,909	5,280,102	566,807	10.73%
Operating income		1,942,514	2,199,905	(257,391)	-11.70%
Non-operating income and expenses		421,688	647,675	(225,987)	-34.89%
Income before tax from continuing operations		2,364,202	2,847,580	(483,378)	-16.98%
Income tax expense (benefit)		450,227	678,599	(228,372)	-33.65%
Net income (including the loss from discontinued operations)		1,913,975	2,168,981	(255,006)	-11.76%

Explanation of the material variation (the variation between two consecutive period is over 20%, and the amount exceeding NT\$10 million):

1. Non operating income and expenses decreased from last year: mainly caused by the decreased net profit from disposing available-for-sale financial assets.
2. Income tax expense decreased from last year: mainly caused by the decreased net income.



## 6. Review and analysis of the financial status and financial performance, and risk management

### (1) The sales volume forecast for the next year and the basis therefor, and the effect upon the company's financial operations as well as measures to be taken in response.

The Company sales forecast is based on the industrial environment and future market supply and demand; also, taken into account the business development, current purchase orders status, production base capacity planning, etc. For the sales forecast of each major product in 2019, in terms of PC peripherals business unit, product sales will likely remain the same or grow slightly, while the non-PC peripherals business unit is expected to grow steadily

due to the effect of global information and communications commodity and mobile phone market development and market demand for audio products. Currently, the Company has sound financial structure and excellent business constitution. The Company's proprietary funds and the net cash inflow from operating activities are sufficient to support the demand for working capital and capital expenditure needs resulted from revenue growth.

## 3. Cash flow

### (1) The changes in cash flow analysis in the most recent year (2018)

Unit: NT\$1,000

Cash balance 12.31.2017	Net cash provided from operating activities in 2018	Net cash in (out) flow in 2018	Cash balance 12.31.2018	Remedy to cash deficit	
				Investment plan	Finance plan
7,821,011	1,786,951	(2,830,553)	4,990,458	—	—

Analysis of the cash flow movement in the recent year:

- Operating activities:** net cash inflow from operating activities is NT\$ 1,786,951, mainly caused by the increase of net income and the decrease of note receivables and receivables.
- Investment activities:** the net cash outflow from investment activities is NT\$ 2,917,352, mainly resulted from the increase of acquisition of AIC and property, plant and equipment.
- Financing activities:** the net cash outflow from financing activities is NT\$ 1,539,774, mainly resulted from reimbursement of long-term borrowings and cash dividend distribution.

### (2) Plan for improvement of inadequate liquidity: PRIMAX has no inadequacy of liquidity in cash flow in the most recent year.

### (3) Analysis of cash flow liquidity for the next year (2019)

Unit: NT\$ 1,000

Cash balance 12.31.2018	Net cash provided from operating activities in 2019	Net cash in (out) flow in 2019	Cash balance 12.31.2019	Remedy to cash deficit	
				Investment plan	Finance plan
4,990,458	2,047,451	(1,437,017)	3,553,441	—	—

1. Analysis of cash flow movement for the next year:

- Operating activities:** the expected net cash inflow from operating activities is NT\$ 2,047,451, mainly resulted from the increase in profit of the period.
- Investment activities:** the expected net cash outflow from investment activities is NT\$ 2,992,740, mainly resulted from the acquisition of property, plant and equipment.
- Financing activities:** the expected net cash outflow from financing activities is NT\$ 561,728, mainly resulted from reimbursement of short and long-term borrowings and cash dividend distribution.

2. Remedy to the expected cash deficit and the analysis of liquidity: No deficit is expected and thus not applicable.

Note: the figures for the next year (2019) is on consolidated basis.

## 4. The impact of major capital expenditures on financial business in the most recent year: None



## 6. Review and analysis of the financial status and financial performance, and risk management

## 5. Investment policy in the most recent year, main reason for its profits or losses, improvement plan and the investment plans within the year

### (1) Investment policy

Based on the operation demands and future strategic development, with the information furnished by related units and suggestions from the Finance and Administration Department to the managers in charge, the investment

proposals are generated. The investee (s) will be assessed for the past performance, future prospects, market conditions and operating health, for the reference to the investment decision-making.

### (2) The main reason for investment profits or losses and the improvement plans in the most recent year.

12. 31. 2018 / Unit: NT\$ 1,000

Item	Description	Amount of Gain (Loss) Recognized in 2018	Main reasons of gain or loss	Improvement plan
Primax Industries (Cayman Holding) Ltd.		613,089	Normal operation	—
Primax Technology (Cayman Holding) Ltd.		228,002	Normal operation	—
Destiny Technology Holding Co., Ltd.		(214)	Normal operation	—
Primax Destiny Co., Ltd.		358	Normal operation	—
Diamond (Cayman) Holdings Ltd.		581,844	Normal operation	—
Gratus Technology Corp.		1,051	Normal operation	—
Primax AE (Cayman) Holdings Ltd.		(91,159)	Normal operation	—
Primax Industries (Hong Kong) Ltd.		529,018	Normal operation	—
Polaris Electronics Inc.		7,883	Normal operation	—
Tymphany Worldwide Enterprises Ltd.		588,057	Normal operation	—
Tymphany HK Ltd.		342,779	Normal operation	—
TYP Enterprises, Inc.		4,238	Normal operation	—
Tymphany Logistics, Inc.		13,588	Normal operation	—
Dongguan Primax Electronic & Telecommunication Products Ltd.		487,200	Normal operation	—
Beijing Destiny Electronic Technology Ltd.		(214)	Normal operation	—
Primax Electronics (Kunshan) Corp., Ltd.		27,532	Normal operation	—
Primax Electronics (Chongqing) Corp., Ltd.		176,502	Normal operation	—
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Note2)		538,122	Normal operation	—
Dongguan Tymphany Acoustic Technology Co., Ltd.		151,556	Normal operation	—
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.		18,196	Normal operation	—
Tymphany Acoustic Technology HK Ltd.		131,524	Normal operation	—
Tymphany Acoustic Technology (UK) Ltd.		926	Normal operation	—
Tymphany Acoustic Technology Europe, s.r.o.		24,867	Normal operation	—
Tymphany Acoustic Technology Ltd.		11,412	Normal operation	—
Advanced Leading Technology (Shanghai) Co., Ltd.		(56,205)	Normal operation	—
Advanced Leading Technology Co., Ltd.		(17,951)	Normal operation	—
Advanced Micro Electronics Co., Ltd.		(9,341)	Normal operation	—
De Amertek Technology Inc (US)		(37,468)	Normal operation	—
ALT International Co., Ltd (Cayman)		(80,790)	Normal operation	—
ALT Investments Limited (BVI)		109	Normal operation	—

Note1: The amounts listed in the CPA-certified financial report for 2018

Note2: 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 12.11. 2018.

### (3) Investment in the next year: None



## 6. Risk analysis and evaluation

### (1) The effect upon the Company's profits (or losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

#### 1. Changes in exchange rate

PRIMAX's revenue-based business is targeting on exporting business. The exporting products are mainly quoted in US dollars; also, PRIMAX's transactions conducted with overseas suppliers and the purchase of machinery equipment from overseas suppliers are denominated in US dollars too, resulting in mutual offset effect, so it provides a natural hedging effect against changes in the exchange rate. PRIMAX's 2018 net foreign exchange loss amounted to NT\$89,636 thousand, accounted for 0.14% of net sales. Therefore, the overall foreign exchange does not constitute a risk factor burden on the profit status. However, PRIMAX in response to the risk of changes in the exchange rate on PRIMAX's profit or loss, in addition to using spot and forward foreign exchange transactions for foreign exchange hedging, will continue to monitor changes in the exchange rate and the foreign exchange positions within PRIMAX; also, will maintain foreign currency assets and liabilities balanced in order to avoid the risk of changes in exchange rates and reduce the impact of changes in exchange rate on company's profit and loss.

#### 2. Changes in interest rate

The consolidated Group's 2018 interest expense accounted for 0.06% of the sales, indicating that such interest expense had no significant impact on the consolidated company's profits and losses. In addition, PRIMAX regularly assesses bank loan



interest rates and maintains good relations with banks in order to obtain more favorable interest rates and to reduce interest expenses.

#### 3. Inflations

According to the data released by the Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan in 12.2018, the CPI fell by 0.05% and WPI annual growth rate was 0.83%, which implied that significant inflation is unlikely. These figures did not have significant impact on the income of PRIMAX in 2017. PRIMAX always pays attention to fluctuations in market prices and will have sales price and raw materials and inventory adjusted accordingly; however, there was no significant impact that occurred as a result of inflation.

### (2) The policy regarding high-risk and/or highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

#### 1. High-risk and/or highly leveraged investments

The Company focuses on the major business and has not involved with investments in high risk industries, nor high-leveraged investments.

#### 2. Loans, endorsements, and guarantees to other parties

PRIMAX had arranged the loaning of funds and making of endorsements/guarantees for the 100% owned subsidiaries for the need of business dealings in the most recent year and as of the printing date of the annual report. PRIMAX's loaning of funds and making of endorsements/guarantees are handled according to the policies and responsive

measures enacted in accordance with PRIMAX's "Procedures for Loaning of Funds" and "Procedures for Making of Endorsement/Guarantee;" also, the related operations are processed prudently with the possible risks and relevant regulations considered.

#### 3. Status of Derivative Transactions

PRIMAX had the derivatives transactions assessed carefully. The operations of any derivatives trading is aimed to help improve business performance and reduce PRIMAX's operations and financial risks; also, it is processed in accordance with the "Regulations Governing Acquisition or Disposal of Assets" and scope of authorization.



### (3) Future Development Plans and Expected R&D Expense Inputs

#### 1. Future Development Plans

The principal items for PRIMAX in development are PC peripherals, mobile device components, business equipment and digital home products. In the future, PRIMAX will continue to work in conjunction with large international firms and engage in strategic partnerships with new business entities with a focus on Gaming mouse, keyboard, and keyboard modules, multiple-color keyboard backlight modules, double-lens cell phone camera modules, 3D sensor modules, PC built-in camera modules, bio recognition modules, Bluetooth and network smart sound systems and related products, Bluetooth and wireless headphones and related items, multiple-function business machine scanners, Jet printing and laser

multi-purpose business machines, automotive electronics, automated production lines, artificial smart home appliances, smart health and smart home technology products, for further upgrade of our capacity in research and development, a larger share of the product market, and to make the products of PRIMAX even more competitive in the international market.

#### 2. Expected R&D Expense Inputs

The Group budgets the R&d expenses based on the progress of new products and technologies gradually; a certain increase is maintained on the basis of future operating conditions to ensure the competitive advantages. It is expected to contribute 3.1 billion NTD to R&D in 2018.

### (4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

PRIMAX has operated business in compliance with the governing regulations of the domestic and foreign invested companies. The related personnel also pay attention to changes in the law and

regulations for the reference of the management. Therefore, PRIMAX is able to grasp any changes in policies and law domestically and internationally with effective response initiated.

### (5) Effect on the Company's finance and business from the evolving technologies and industry, and measures to be taken in response:

In response to the ongoing development of advanced technology, PRIMAX will continue to commit resources to research and development, and keep abreast of the changes in the market and technology in specific areas of PC peripherals, mobile device components, business equipment and digital home products with the collection and analysis of related information to mitigate the impact brought forth by changes in technology. At the same time, PRIMAX will also intensify its research and development of products of high added-value

and high profit to make the product line more diversified and stable and to secure sources of profits. With outstanding process technologies, PRIMAX continues to expand its strategic alliance system in depth and width with existing customers from product design, production, logistics support, distribution and after-sales service in order to strengthen mutual long-term co-existence and common prosperity. Technological and industrial changes have not had a significant impact on PRIMAX's financial operations so far.



### (6) The effects of changes of the corporation image on the corporation risk management, and measures to be taken in response.

PRIMAX highly treasures its corporate image. As one of the leaders in PC peripherals, mobile device components, business equipment, and digital home products in the world, PRIMAX has a friendly human resources development and training program in place. The management is also



## 6. Review and analysis of the financial status and financial performance, and risk management

people-oriented helping to attract good people and technology to the Company. These have contributed to the buildup of a solid professional team. The results of operation will be rewarded to the Shareholders. PRIMAX performs its corporate social responsibility to its entirety and spares no effort in making improvements to the environment through energy saving and carbon reduction.

PRIMAX also heavily commits to social charity to achieve the goal of sustainable development. PRIMAX has appointed a designated team for managing its corporate image in preventing, handling and responding to possible problems. Nothing has affected the corporate image of PRIMAX in the most recent year and as of the printing date of the annual report.

### (7) Expected benefits and possible risks associated with merge and acquisitions, and measures to be taken in response:

The Board of PRIMAX resolved on 11.10. 2017 to establish Primax AE (Cayman) Holdings Ltd. with USD\$ 48,100,000 for acquiring 37% of the equity share of Belfast Limited. PRIMAX could further expand in the area of automotive electronics

through this transaction, like the competitive capability and business capability in power steering of motor vehicles and smart head lamps. Primax AE (Cayman) Holdings Ltd. completed the shareholdings settlement on 01.25.2018.

### (8) Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response: None.

### (9) Risks exposed to for purchases and sales, and measures to be taken in response

#### 1. Risks from the purchase concentration and measures to be taken in response.

PRIMAX, except for the finished product procurement, has retained two or more qualified suppliers for procurement in order to maintain purchase flexibility, ensure uninterrupted supply, and uphold bargaining advantage in order to achieve the goal of reducing cost. In summary, PRIMAX has not faced any risks of centralized purchasing of raw materials or supply interruption.

#### 2. Risks from sales concentration, and measures to be taken in response

The customers of PRIMAX are mainly international well-known technology firms, and also with diversity and stability. In 2018, the net sale with the top 10 customers accounted for approximately 43.10% of the total. There is no customer among the top 10 that accounted for more than 30% of the sale, which implied that there is no centralized sales. PRIMAX, in addition to maintaining good relations with the existing customers, actively develops new products to expand the market and customers for new products in order to have the customers dispersed and to minimize the risk of centralized sales.

### (10) Effect upon and risk to the FCM in the event of any large transfer or changing of hands of shareholding of a director, a supervisor, or a shareholder holding greater than a 10 percent stake in the FCM, and measures to be taken in response: None

### (11) Effect upon and risk to the FCM associated with any change in governance personnel or top management, and measures to be taken in response: None.



## 6. Review and analysis of the financial status and financial performance, and risk management

### (12) Litigious or non-litigious matters.

1. Major litigious, non-litigious, or administrative dispute that involves the Company and that has been concluded by a final and conclusive judgment or is still pending. Where the results of such disputes could materially affect shareholders' equity or the prices of the Company's securities, the facts of the dispute, the amount of money at stake, the date of commencement of litigation, the main parties to the dispute, and the status of the dispute for the recent year and up to the publication date of the Annual Report shall be disclosed.

#### A. Litigation Case 1

To respond to the request of Euler Hermes Insurance, in 06.2017, the Company has filed a legal action to the High Court of Hong Kong, for the overdue payment of Comtech International (Hong Kong) Limited and its joint guarantor Cogobuy Group, to demand the joint payment of goods of US\$5,811,000. The case was settled in 08.2018. The terms and conditions of such settlement do not materially affect the operation.

#### B. Litigation Case 2

The Company filed a legal action against Lens Technology (Chang Sha) Ltd., for failure to perform the purchase orders during 02.2017 to 05.2017 that caused loss of the Company's materials, to demand the indemnity of CNY 10,877,000. The case was received and is currently pending in Changsha People's Court, Hunan. The final outcome of the suit depends on the future legal process, but not expected to materially affect the operation.

2. Major litigious, non-litigious, or administrative dispute that involves the Company's directors, supervisors, general manager, major shareholder holding a stake of greater than 10 percent, or any subsidiary, and that has been concluded by a final and conclusive judgment or is still pending, where such a dispute could materially affect shareholders' equity or the prices of the Company's securities: None

### (13) Other important risks and responding measures

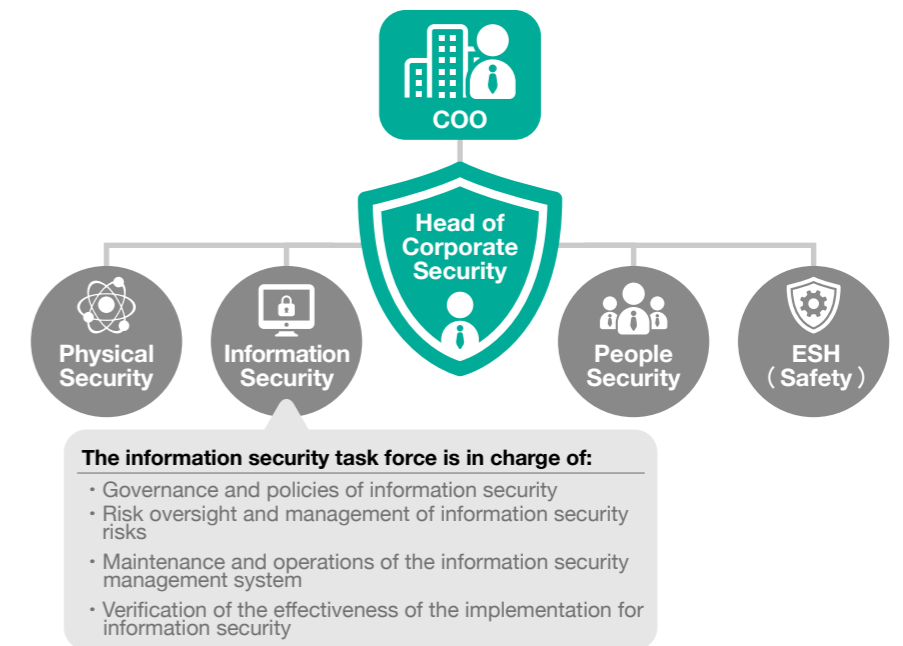
#### 1. The management policy, objective, and related procedure document for information security:

The Company has established the management system for information security since 2017, as well as the information security policies and related four-stage management documents. The PDCA method has been applied to continuously improve the holistic information security environment, set up the measurable information security objectives, and review and assess the objective achievement regularly. Also, the weakness scanning and penetration test are being planned now and the important system are scheduled. To prevent the APT attacks, the drills of

social engineering will be conducted, to design various control measures, in order to deepen the defense, and minimize the risks of information security.

#### 2. Information security organization:

To enhance the security management of







## 6. Review and analysis of the financial status and financial performance, and risk management

the Group, the Security Department of the Group has been established in 07. 2014. The "information security task force" has been set up under the department, to regulate the authorities and responsibilities of the information security managing personnel, coordinate affairs, and promote the management of information security, for the purpose of ensuring the management regulations for information security are effectively and continuously executed. The regular trainings of information security are also arranged to enhance the information security awareness of employees. The following are the organizational structures of the Security Department.

### 3. Risk appraisal for information security:

The Company inventory the information assets and update the record book of assets periodically. Every year, the risks related to the information assets are appraised, and the high-risk items are controlled, to lower the chance of risks and their impacts, for the purpose of ensuring the Company's long-term safety of the information security.

### 4. Internal audit for the information security

The information security established the appraisal items based on the risks. The self-assessment of information security and inspection are conducted annually. The outcome of assessment and supporting documents are sent to the audit department for re-audit.

The audit department implement the information cycle audit every six months. The information security is one of the required items for audit. All the outcomes of audit are reported to the Audit Committee and the BOD regularly, at least annually.

### 5. ISO/IEC 27001:2013 Certification of information security management system and the internet information security insurance:

The information security management system of the Company has passed the certification of the British Standards Institution (BSI), and met all the requirements of ISO/IEC 27001:2013 international standards. Also from 06.2018, the internet information security insurance has been bought for the coverage of US\$ 10 million; in case of information security accidents, the damages may be received.

## 7. Other important events: **None**



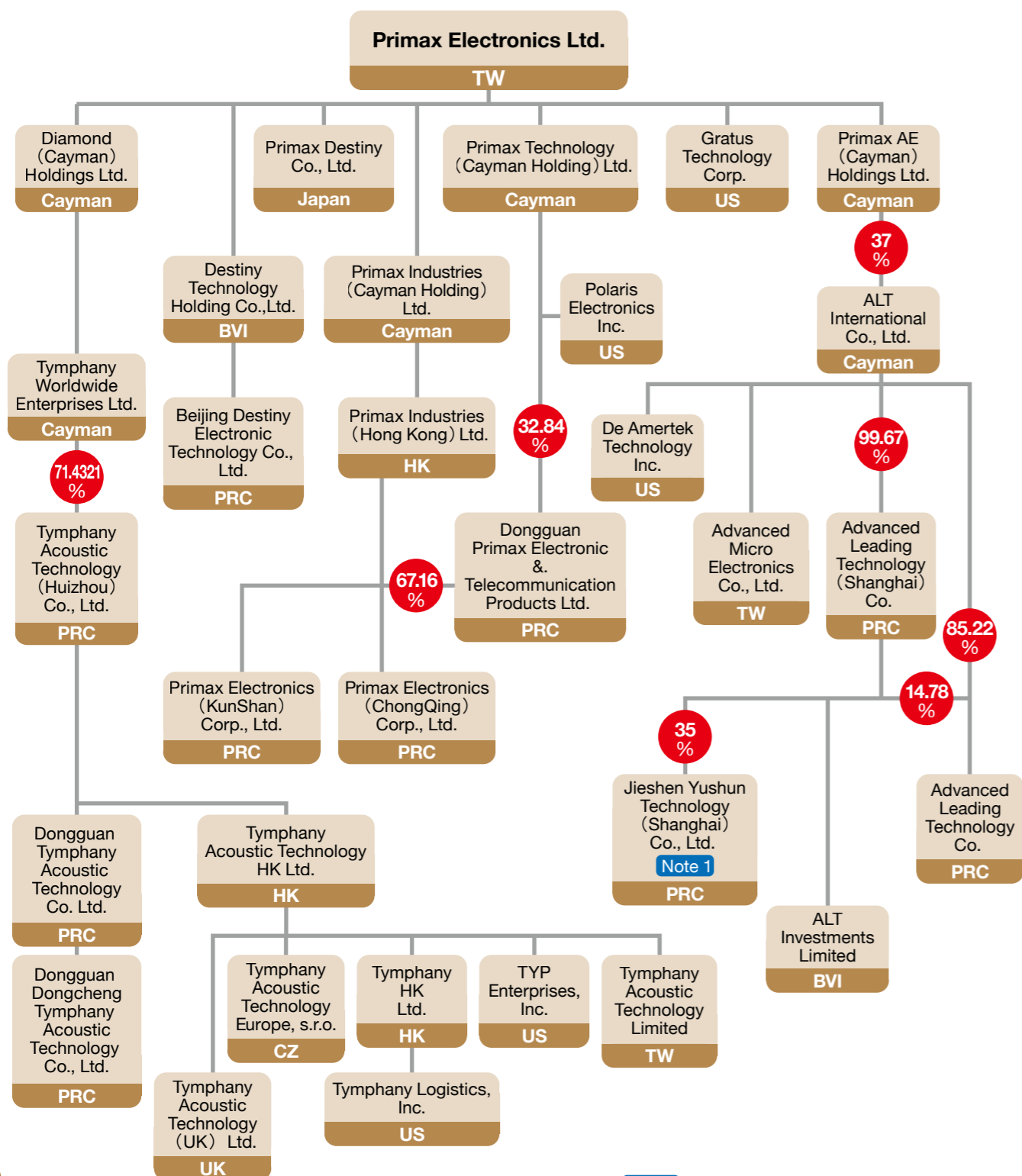
# Special Notes

# 1 Affiliated company's information

## (1) Consolidated Operation Report of Affiliates

### (1) Overview of Affiliates

#### 1. Organization Chart of Affiliates (12.31.2018)



Note 1 Jieshen Yushun Technology (Shanghai) Co., Ltd. is in the process of liquidation.

## 2. Basic Information of Affiliates

Unit: NT\$ 1,000 / 12.31.2018

Name of Enterprises	Date of Establishment	Address	Paid-in capital	Major Business or Products
Dongguan Primax Electronic & Telecommunication Products Ltd.	12.21.1995	B4079, Liu Wu Dao Section, Xincheng Qu, Shijie Chen, Dongguan City	1,996,871	Produce and sell PC peripherals, mobile device components, business equipment and other products.
Primax Electronics (KunShan) Co., Ltd.	11.17.2009	No. 2688 Tong Xin Road, Yushan Zhen, Kunshan City	874,363	Produce PC peripheral products
Primax Electronics (Chongqing) Corp., Ltd.	02.23.2011	No. 2669, Xinglong Road, Yongcuan Qu, Chongqing City	561,180	Produce PC peripheral products
Beijing Destiny Electronic Technology Corp., Ltd.	03.24.1994	Suite 201-202, 2F., No. 10, He Fang Road, Dinghai District, Beijing	39,557	Research and develop PC peripheral products and business equipment.
Primax Destiny Co., Ltd.	07.28.1995	2nd Fl., Yamashita Bldg., 1-23-2, Hamamatsucho, Minato-ku, Tokyo 105-0013 Japan	6,928	PC peripherals, mobile device components, business equipment, other products of market, customer service, etc.
Polaris Electronics, Inc.	04.24.1996	356 S. Milpitas Blvd, Milpitas, CA95035, USA	49,173	Trading of PC peripherals, mobile device components and business equipment.
Primax Industries (Hong Kong) Ltd.	05.19.1989	Rm.1520-21, 15/F., Block A, Hi-Tech Industrial Centre, 5-21 Pak Tin Par Street, Tsuen Wan, N.T., Hong Kong.	2,365,213	Holding company and customer service.
Primax Technology (Cayman Holding) Ltd.	10.08.1997	2nd Floor, Midtown Plaza, Elgin Avenue, George Town, Grand Cayman KY1-1106, Cayman Islands.	876,096	Holding company
Primax Industries (Cayman Holding) Ltd.	10.24.1996	2F, Zephyr House, Mary St. P.O. Box 709, George Town, Grand Cayman, Cayman Islands, British West Indies.	2,504,013	Holding company
Destiny Technology Holding Co., Ltd.	01.19.2001	Sealight House, Tortola, British Virgin Islands	32,270	Holding company
Diamond (Cayman) Holdings Ltd.	10.08.2013	P.O. Box 32052, The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208 Cayman Islands.	3,966,094	Holding company
Tymphony Worldwide Enterprises Ltd.	10.29.2013	P.O. Box 309, Uglan House, Grand Cayman, KY1-1104 Cayman Islands.	1,922,510	Holding company
TYP Enterprises, Inc.	01.06.2014	1 Thorndale Drive, Suite 200, San Rafael, CA 94903, USA	15	Market development and customer service of speakers and its parts and components.
Tymphony HK Ltd.	05.11.1995	Room 1307-8 Dominion Centre, 43-59 Queens Road East, Wanchai, Hong Kong	567,231	Holding company and sale of sound system accessories, speakers and parts and components, related market development and customer service.
Tymphony Acoustic Technology (Huizhou) Co., Ltd. (Note1)	08.09.2004	Tiffany Industrial Park, Xinlian Village, Xinxu Town, Huiyang District, Huizhou, Guangdong Province	1,822,397	Research and development, design and sale of various sound system accessories, speakers and parts and components.
Tymphony Logistics, Inc.	04.29.2015	356 S. Milpitas Blvd, Milpitas, CA95035, USA	6,147	Sale of sound system accessories, speakers and parts and components.
Dongguan Tymphony Acoustic Technology Co., Ltd.	09.06.2015	Liu Wu Dao Section, Xincheng Qu, Shijie Chen, Dongguan City	153,665	Research and development, design and sale of various sound system accessories, speakers and parts and components.
Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd.	10.11.2016	No. 27, Dayuan Road, Zhang Village, Dongcheng District, Dongguan	89,558	Research and development, design and sale of various sound system accessories, speakers and parts and components.

Name of Enterprises	Date of Establishment	Address	Paid-in capital	Major Business or Products
Tymphony Acoustic Technology HK Ltd.	01.05.2017	RM 803 Tung Hip Comm Bldg 248 Des Voeux Rd Central, Hong Kong	726,477	Research, development, design, and sale of sound system accessories, loud speakers and components, and holdings.
Tymphony Acoustic Technology (UK) Ltd.	01.20.2017	C/O Broomfield & Alexander Ltd Ty Derw, Lime Tree Court, Cardiff Gate Business Park, Cardiff, United Kingdom, CF23 8AB	15,544	Research, development, and design of sound system accessories, loud speakers and parts and components.
Tymphony Acoustic Technology Europe, s.r.o.	08.18. 2004	Průmyslový park 305, 742 21 Koprivnice-Viřovice, Czech Republic	255,408	Manufacturing, installation, and maintenance sound system accessories and parts and components.
Tymphony Acoustic Technology Limited	12 14. 2017	10F, No. 19-2 and 19-3, Sanzhong Rd., Nangang Dist., Taipei City	50,000	Research, development and design of sound system accessories, loud speakers and parts and components.
Gratus Technology Corp.	04.01.2015	356 S. Milpitas Blvd, Milpitas, CA95035, USA	9,220	Market development and customer service in PC peripherals, mobile device components, and business equipment.
Primax AE (Cayman) Holdings Ltd.	11.14.2017	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Island	1,481,331	Holding company
ALT International Co.,Ltd. (Cayman)	10.08.2003	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Island	2,515	Holding company
Advanced Micro Electronics Co., Ltd.	03.23.2000	Floor 27-10, No. 97, Sec. 1, Xintai 5th Road, Xizhi Dist., New Taipei City	153,943	Manufacturing and sales of control modules for cars and appliances, sensors, and other electronic parts.
Advanced Leading Technology (Shanghai) Co., Ltd.	07.20.2004	Rm. 302-41, Floor 3, Building 1, No. 400, Fangchun Road, Ziyourmaoyi Testing District, Shanghai, China	462,532	Manufacturing and sales of control modules for cars and appliances, sensors, and other electronic parts.
De Amertek Technology Inc. (US)	12.12.2017	50 Turner Ave Ste 200 Elk Grove Village IL 60007-3957 Cook	31,040	Sales of control modules for cars and appliances, and other electronic parts.
Advanced Leading Technology Co.	12.12.2017	Plant 6, No.8, Xinda Rd., Huimin Street, Jiashan County, Jiaying City, Zhejiang Province	252,435	Sales of control modules for cars and appliances, and other electronic parts.
ALT Investments Limited (BVI)	07.17.2015	SEA MEADOW HOUSE, BLACKBURN HIGHWAY, (P.O. BOX 116) ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	—	Holding company

Note1: The subsidiary's former name was Premium Loudspeakers (Hui Zhou) Co., Ltd. which was renamed as Tymphony Acoustic Technology (Huizhou) Co., Ltd. based on the resolution approved during the special shareholders' meeting on 12. 11, 2018.

Note2: Jieshen Yushun Technology (Shanghai) Co., Ltd. is in the process of liquidation, and not subsidiary of PRIMAX, the Basic Information of Affiliates is not disclosed.

### 3. Parties with deemed controlling and subordinate relation pursuant to Article 369-3 of the Company Act : None.

### 4. Business scope of affiliates as a whole, and their interactions/functions

The affiliates of the Group mainly engage the design, manufacturing, process and sales of PC peripherals and non PC peripheral products. In general, the interactions and functions among these affiliates are to support each other in designs, capacities, marketing, and services for greater synergies.

### 5. Information of Directors, Supervisors, and Managers of the Affiliates

12.31. 2018

Name of Enterprises	Title	Name or the Representative
Dongguan Primax Electronic & Telecommunication Products Co., Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. Primax Technology (Cayman Holding) Ltd. Representative: Liang,Li-Sheng
	Director	Primax Industries (Hong Kong) Ltd. Primax Technology (Cayman Holding) Ltd. Representative: Fan,Kang-Yang
	Director	Primax Industries (Hong Kong) Ltd. Primax Technology (Cayman Holding) Ltd. Representative: Chang,Chen-Deh
	Supervisors	Primax Industries (Hong Kong) Ltd. Primax Technology (Cayman Holding) Ltd. Representative: Hsiao,Ying-Yee
	General Manager	Chang,Chen-Deh
Primax Electronics. (KunShan). Corp., Ltd. PRC	Chairman	Primax Industries (Hong Kong) Ltd. Representative: Liang,Li-Sheng
	Director	Primax Industries (Hong Kong) Ltd. Representative: Chang,Chen-Deh
	Director	Primax Industries (Hong Kong) Ltd. Representative: Wang,Yao-Wei
	Supervisors	Primax Industries (Hong Kong) Ltd. Representative: Hsiao,Ying-Yee
	General Manager	Chang,Chen-Deh
Primax Electronics (ChongQing) Co., Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. Representative: Chang,Chen-Deh
	Director	Primax Industries (Hong Kong) Ltd. Representative: Chang,Chen-Deh
	Director	Primax Industries (Hong Kong) Ltd. Representative: Fan,Kang-Yang
	Supervisors	Primax Industries (Hong Kong) Ltd. Representative: Hsiao,Ying-Yee
	General Manager	Chang,Chen-Deh
Beijing Destiny Electronic Technology Co., Ltd.	Chairman	Destiny Technology Holding Co., Ltd. Representative: Liang,Li-Sheng
	Director	Destiny Technology Holding Co., Ltd. Representative: Hsiao,Ying-Yee
	Director	Destiny Technology Holding Co., Ltd. Representative: Wei,Hao-San
	Supervisors	Destiny Technology Holding Co., Ltd. Representative: Chang,Chen-Deh
Primax Destiny Co., Ltd.	Director	Wei,Hao-San
	Director	Liang,Li-Sheng
	Director	Hsiao,Ying-Yee
	Supervisors	Chou,Yen-Chou
Polaris Electronics, Inc.	Director	Liang,Li-Sheng
	Director	Kuo,You-Min
Primax Industries (Hong Kong) Ltd.	Director	Liang,Li-Sheng
	Director	Pan,Yung-Chung

Name of Enterprises	Title	Name or the Representative
Primax Technology (Cayman Holding) Ltd.	Director	Liang,Li-Sheng
	Director	Pan,Yung-Chung
	Director	Hsiao,Ying-Yee
Primax Industries (Cayman Holding) Ltd.	Director	Liang,Li-Sheng
	Director	Pan,Yung-Chung
	Director	Hsiao,Ying-Yee
Destiny Technology Holding Co., Ltd.	Director	Liang,Li-Sheng
Diamond (Cayman) Holdings Ltd.	Director	Primax Electronics Ltd. Representative: Liang,Li-Sheng 、 Hsiao,Ying-Yee
Tymphony Worldwide Enterprises Ltd.	Director	Diamond (Cayman) Holdings Ltd. Representative: Liang,Li-Sheng 、 Pan,Yung-Chung Pan,Yung-Tai 、 Hsiao,Ying-Yee
TYP Enterprises, Inc.	Director	Edward Townsend Boyd Thomas Lee Jacoby Representative: Pan,Yung-Chung
Tymphony HK Ltd.	Director	Edward Townsend Boyd Representative: Pan,Yung-Chung
Tymphony Acoustic Technology (Huizhou) Co., Ltd.	Chairman and Director	Liang,Li-Sheng
	General Manager	Pan,Yung-Chung
	Director	Representative: Liang,Li-Sheng 、 Pan,Yung-Chung Pan,Yung-Tai 、 Wu,Chang-I Edward Townsend Boyd 、 Liu,Xiao-Tong
	Supervisors	Chang,Te-Tsai 、 Hsiao,Ying-Yee 、 Fan,Chi-Liang
Tymphony Logistics,Inc.	Director	Liang,Li-Sheng
Dongguan Tymphony Acoustic Technology Co., Ltd.	Executive Director	Representative: Pan,Yung-Chung
	General Manager	Pan,Yung-Chung
	Supervisors	Hsiao,Ying-Yee
Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd.	Executive Director	Representative: Pan,Yung-Chung
	General Manager	Pan,Yung-Chung
	Supervisors	Hsiao,Ying-Yee
Tymphony Acoustic Technology HK Ltd.	Director	Pan,Yung-Chung
Tymphony Acoustic Technology (UK) Ltd.	Director	Philip Scott Mcphee
Tymphony Acoustic Technology Europe, s.r.o.	Director	Pavel Merhout
	Director	Philip Scott Mcphee
Tymphony Acoustic Technology Limited	Director	Liang,Li-Sheng 、 Pan,Yung-Tai 、 Pan,Yung-Chung
	Supervisors	Hsiao,Ying-Yee
Gratus Technology Corp.	Director	Kuo,You-Min
	Director	Pan,Yung-Chung
Primax AE (Cayman) Holdings Ltd.	Director	Primax Electronics Ltd. Representative: Liang,Li-Sheng 、 Hsiao,Ying-Yee
ALT International Co.,Ltd (Cayman)	Director	Liang,Li-Sheng 、 Pan,Yung-Chung 、 Pan,Yung-Tai Chen,Jie-Chi 、 Tang,Hsiao-Hua 、 Chen,Jie-Gan
	Independent Director	Wei, Yung-Tu 、 Sung,Wen-Chi 、 Wang,Jia-Qi
Advanced Micro Electronics Co., Ltd.	Chairman	Chen,Jie-Chi
	Director	Chen,Jie-Gan 、 Lin, Tzu-He 、 Tang,Hsiao-Hua 、 Lee, Pei-Ling
	Supervisors	Chen, Hai-Ming
Advanced Leading Technology (Shanghai) Co., Ltd.	Director	Chen,Jie-Chi 、 Chu, Chun-Cheng Daniel Delbert Anderson
ALT Investments Limited (BVI)	Director	Chen,Jie Chi
De Amertek Technology Inc (US)	Director	Chen,Jie Chi
Advanced Leading Technology Co.	Director	Chen,Jie-Chi 、 Chen,Jie-Gan Daniel Delbert Anderson

Note1: The subsidiary's former name was Premium Loudspeakers (Hui Zhou) Co., Ltd. which was renamed as Tymphony Acoustic Technology (Huizhou) Co., Ltd. based on the resolution approved during the special shareholders' meeting on 12.11. 2018.

## (2) Overview of the Operations of the Associates

Unit: NT\$1,000 / 12.31. 2018

Company Name	Capital amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Earnings in current period (After tax)	Earnings per Share (NT\$) (After tax)
Dongguan Primax Electronic & Telecommunication Products Ltd.	1,996,871	14,215,940	8,836,067	5,379,873	27,252,109	420,363	487,200	-
Primax Electronics (KunShan) Co., Ltd.	874,363	1,466,427	589,729	876,698	1,571,285	(14,801)	27,532	-
Primax Electronics (Chongqing) Corp., Ltd.	561,180	4,198,989	2,969,218	1,229,771	7,007,456	166,488	176,502	-
Beijing Destiny Electronic Technology Corp., Ltd.	39,557	35,667	21,727	13,940	101,516	(403)	(214)	-
Primax Destiny Co.,Ltd	6,928	20,849	3,310	17,539	13,313	634	358	716.00
Polaris Electronics, Inc.	49,173	1,071,637	679,071	392,566	2,851,289	10,576	7,883	4.93
Gratus Technology Corp.	9,220	12,369	1,361	11,008	25,245	1,429	1,051	3.50
Primax Industries (Hong Kong) Ltd.	2,365,213	5,776,690	12,409	5,764,281	12,407	948	529,018	0.88
Primax Technology (Cayman Holding) Ltd.	876,096	2,252,519	0	2,252,519	0	0	172,257	0.60
Primax Industries (Cayman Holding) Ltd.	2,504,013	5,848,152	74,397	5,773,755	296,200	(242)	529,064	0.06
Destiny Technology Holding Co., Ltd.	32,270	13,944	0	13,944	0	0	(214)	(0.20)
Diamond (Cayman) Holding Ltd.	3,966,094	5,179,373	107,565	5,071,808	0	0	581,844	4.51
Primax AE (Cayman) Holdings Ltd.	1,481,331	1,342,459	0	1,342,459	0	0	(91,159)	(1.89)
Tymphony Worldwide Enterprises Ltd.	1,922,510	3,491,602	8,346	3,483,256	162,376	24,252	662,173	3.44
ALT International Co.,Ltd (Cayman)	2,515	1,288,258	160	1,288,098	0	(4,395)	(238,124)	(7,937.47)
Advanced Micro Electronics Co., Ltd.	153,943	1,130,277	675,943	454,334	512,955	(1,650)	(9,341)	(0.30)
Advanced Leading Technology (Shanghai) Co., Ltd.	462,532	974,517	789,705	184,812	851,215	(120,999)	(152,409)	-
ALT Investments Limited (BVI)	0	15,983	15,981	2	0	(121)	109	-
De Amertek Technology Inc. (US)	31,040	351,303	113,014	238,289	171,105	(26,996)	(37,468)	(3,746.80)
Advanced Leading Technology Co.	252,435	316,548	118,603	197,945	89,230	(49,201)	(48,540)	-
Tymphony HK Ltd.	567,231	11,799,139	10,896,872	902,267	25,281,571	276,682	342,779	2.37
Tymphony Acoustic Technology (Huizhou) Co., Ltd. (Note1)	1,822,397	8,216,968	3,426,858	4,790,110	10,131,914	445,417	906,940	2.22
Tymphony Logistics, Inc.	6,147	44,548	35,899	8,649	242,515	1,333	(1,669)	(8.35)

Note1: The subsidiary's former name was Premium Loudspeakers (Hui Zhou) Co., Ltd. which was renamed as Tymphony Acoustic Technology (Huizhou) Co., Ltd. based on the resolution approved during the special shareholders' meeting on 12.11. 2018.



## 7. Special Notes

Company Name	Capital amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Earnings in current period (After tax)	Earnings per Share (NT\$) (After tax)
TYP Enterprises, Inc.	15	32,820	20,043	12,777	112,697	4,491	4,238	8,476.00
Dongguan Tymphony Acoustic Technology Co., Ltd.	153,665	7,054,521	6,495,243	559,278	12,037,481	275,129	198,659	-
Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd.	89,558	1,099,431	976,537	122,894	2,312,280	39,504	27,853	-
Tymphony Acoustic Technology HK Ltd.	726,477	2,760,210	1,761,512	998,698	2,078,546	(234,375)	131,524	0.71
Tymphony Acoustic Technology (UK) Ltd.	15,544	59,203	42,202	17,001	51,388	1,506	926	2.32
Tymphony Acoustic Technology Europe, s.r.o.	255,408	1,475,819	918,407	557,412	2,266,989	43,366	24,867	0.13
Tymphony Acoustic Technology Limited	50,000	234,494	173,285	61,209	615,671	13,170	11,412	2.28

### (2) Consolidated Financial Statements for Associates:

(1) Declaration for the Consolidated Financial Statements for Associates: please refer to VIII. Financial Overview, CPA-certified consolidated financial statements for 2018 and its note A.

(2) CPA-Certified Consolidated Financial Statements for Associates: please refer to VIII. Financial Overview, CPA-certified consolidated financial statements for 2018 and its note A.

### (3) Relationship Report: Not applicable

2. The process of private placement in the most recent year and as of the printing date of the annual report: **None**

3. The disposition of the Company's stock shares by the subsidiaries in the most recent year and as of the printing date of the annual report: **None**

4. Other supplementary information: **None**

5. The occurrence of the events affecting shareholders' equity or securities price as defined in Article 36, Paragraph 3 Section 2 of Securities Exchange Act in the most recent year and as of the printing date of the annual report: **None**



# Financial Review



# 1. The condensed balance sheet and consolidated income statement of the last five years

## (1) The Condensed Consolidated Balance Sheet - International Financial Report Standards

Unit: NT\$1,000

Item	Year	Financial information for the Past Five Years (Note 1)					As of 03.31.2019 (Note2)
		2014	2015	2016	2017	2018	
Current assets		23,078,336	30,413,161	27,799,554	29,141,420	31,472,160	27,617,890
Property, plant and equipment		3,935,145	6,284,023	4,717,422	4,437,684	5,509,536	6,209,529
Right-of-use assets		—	—	—	—	—	2,120,846
Intangible assets		2,916,644	3,322,191	2,673,670	2,730,188	4,463,979	4,401,791
Other assets		1,093,648	1,712,358	1,931,403	1,465,851	1,715,826	1,240,909
Total assets		31,023,773	41,731,733	37,122,049	37,775,143	43,161,501	41,590,965
Current liabilities	Before distribution	19,254,757	26,154,964	22,801,219	23,114,653	26,060,819	22,377,278
	After distribution	20,045,864	27,082,897	23,913,105	24,544,721	27,133,160	23,449,619
Non-current lease liabilities		—	—	—	—	—	1,397,502
Non-current liabilities		1,460,269	2,660,184	2,076,372	1,678,688	2,130,564	2,275,648
Total liabilities	Before distribution	20,715,026	28,815,148	24,877,591	24,793,341	28,191,383	26,050,428
	After distribution	21,506,133	29,743,081	25,989,477	26,223,409	29,263,724	27,122,769
Equity attributable to shareholders of the parent		9,150,513	10,430,381	10,999,724	11,385,272	11,625,821	12,228,349
Capital stock		4,385,481	4,427,051	4,424,367	4,459,968	4,474,523	4,468,753
Capital surplus		673,543	777,368	791,466	1,232,490	1,377,077	1,379,836
Retained earnings	Before distribution	3,686,641	4,660,556	5,665,353	6,087,685	6,525,331	6,878,460
	After distribution	2,895,534	3,732,623	4,553,467	4,657,617	5,452,990	5,806,119
Other equity		404,848	565,406	118,538	(394,871)	(751,110)	(498,700)
Treasury stock		—	—	—	—	—	—
Non-controlling interests		1,158,234	2,486,204	1,244,734	1,596,530	3,344,297	3,312,188
Total shareholders' equity	Before distribution	10,308,747	12,916,585	12,244,458	12,981,802	14,970,118	15,540,537
	After distribution	9,517,640	11,988,652	11,132,572	11,551,734	13,897,777	14,468,196

Note 1: The information from 2014 to 2018 has been audited.

Note 2: The financial data had been reviewed.

## (2) Condensed Proprietary Balance Sheet - International Financial Report Standards

Unit: NT\$1,000

Item	Year	Financial information for the Past Five Years (Note 1)					As of 03.31.2019
		2014	2015	2016	2017	2018	
Current assets		13,197,595	16,329,746	16,123,543	12,698,756	12,403,266	—
Investee accounted for using equity method		8,596,698	10,088,961	9,317,894	10,287,105	14,166,264	—
Property, plant and equipment		61,287	65,554	68,785	69,036	92,023	—
Intangible assets		37,997	29,514	22,966	18,351	13,738	—
Other assets		659,461	1,182,141	1,551,115	1,055,636	1,010,489	—
Total assets		22,553,038	27,695,916	27,084,303	24,128,884	27,685,780	—
Current liabilities	Before distribution	12,157,266	15,204,972	13,579,780	10,889,520	14,254,636	—
	After distribution	12,948,373	16,132,905	14,691,666	12,319,588	15,326,977	—
Non-current liabilities		1,245,259	2,060,563	2,504,799	1,854,092	1,805,323	—
Total liabilities	Before distribution	13,402,525	17,265,535	16,084,579	12,743,612	16,059,959	—
	After distribution	14,193,632	18,193,468	17,196,465	14,173,680	17,132,300	—
Shareholders' equity		9,150,513	10,430,381	10,999,724	11,385,272	11,625,821	—
Capital stock		4,385,481	4,427,051	4,424,367	4,459,968	4,474,523	—
Capital surplus		673,543	777,368	791,466	1,232,490	1,377,077	—
Retained earnings	Before distribution	3,686,641	4,660,556	5,665,353	6,087,685	6,525,331	—
	After distribution	2,895,534	3,732,623	4,553,467	4,657,617	5,452,990	—
Other equity		404,848	565,406	118,538	(394,871)	(751,110)	—
Treasury stock		—	—	—	—	—	—
Total shareholders' equity	Before distribution	9,150,513	10,430,381	10,999,724	11,385,272	11,625,821	—
	After distribution	8,359,406	9,502,448	9,887,838	9,955,204	10,553,480	—

Note 1: Annual data from 2014 to 2018 have been audited.



## (3) The Condensed Consolidated Statements of Comprehensive Income - International Financial Report Standards

Unit: NT\$1,000

Item	Year	Financial information for the Past Five Years (Note 1)					As of 03.31.2019 (Note2)
		2014	2015 (Restated)	2016	2017	2018	
Operating revenue		52,239,777	63,538,187	64,329,462	60,741,692	64,811,408	13,641,127
Gross profit		6,218,799	6,743,265	7,267,187	7,480,007	7,789,423	1,613,587
Net operating income		1,829,742	2,106,868	2,373,471	2,199,905	1,942,514	220,930
Non-operating income and expenses		217,839	311,034	390,981	647,675	421,688	156,483
Income before income taxes		2,047,581	2,417,902	2,764,452	2,847,580	2,364,202	377,413
Net income from continuing operations		1,608,967	1,786,893	1,986,766	2,168,981	1,913,975	292,873
Loss from discontinued operations		—	30,042	61,896	—	—	—
Net income		1,608,967	1,816,935	2,048,662	2,168,981	1,913,975	292,873
Other comprehensive income (after tax)		342,273	225,310	(547,079)	(445,910)	(327,319)	256,002
Total comprehensive income		1,951,240	2,042,245	1,501,583	1,723,071	1,586,656	548,875
Net income attributable to stockholders of the Parent		1,544,690	1,773,122	1,934,070	2,057,415	1,826,870	355,799
Net income attributable to non-controlling interests		64,277	43,813	114,592	111,566	87,105	(62,926)
Total comprehensive income attributable to stockholders of the Parent		1,871,224	1,987,738	1,432,480	1,606,886	1,504,297	582,473
Total comprehensive income attributable to non-controlling interests		80,016	54,507	69,103	116,185	82,359	(33,598)
Earnings per share (Note 2)		3.57	4.06	4.4	4.67	4.12	0.80

Note 1: Annual data from 2014 to 2018 have been audited.

Note 2: The financial data had been reviewed.

Note 3: Basic earnings per share.

## (4) The Condensed Proprietary Statements of Comprehensive Income - International Financial Report Standards

Unit: NT\$1,000

Item	Year	Financial information for the Past Five Years (Note 1)					As of 03.31.2019
		2014	2015	2016	2017	2018	
Operating revenue		42,356,385	51,638,181	45,739,783	35,023,563	33,984,435	—
Gross profit		2,665,779	2,934,548	3,633,341	2,237,909	2,418,611	—
Net operating income		753,349	926,670	1,549,861	226,352	468,330	—
Non-operating income and expenses		879,985	1,007,253	797,663	1,952,481	1,642,799	—
Income before income taxes		1,633,334	1,933,923	2,347,524	2,178,833	2,111,129	—
Net income from continuing operations		1,544,690	1,773,122	1,934,070	2,057,415	1,826,870	—
Loss from discontinued operations		—	—	—	—	—	—
Net income		1,544,690	1,773,122	1,934,070	2,057,415	1,826,870	—
Other comprehensive income (after tax)		326,534	214,616	(501,590)	(450,529)	(322,573)	—
Total comprehensive income		1,871,224	1,987,738	1,432,480	1,606,886	1,504,297	—
Earnings per share (Note 2)		3.57	4.06	4.4	4.67	4.12	—

Note 1: Annual data from 2014 to 2018 have been audited.

Note 2: Basic earnings per share.

## (5) Auditors' Opinions from 2014 to 2018

Year	Accountancy Firm	Appointed CPA	Audit Opinions
2014	KPMG Taiwan	Wu, Mei-Pin, and Chen, Cheng-Chian	Unqualified-Modified Opinion
2015	KPMG Taiwan	Huang, Yung-Hua, and Yu, Chi-Long	Unqualified-Modified Opinion
2016	KPMG Taiwan	Huang, Yung-Hua, and Yu, Chi-Long	Unqualified Opinion
2017	KPMG Taiwan	Wu, Mei-Pin, and Huang, Yung-Hua	Unqualified Opinion
2018	KPMG Taiwan	Wu, Mei-Pin, and Yu, Chi-Long	Unqualified Opinion



## 2. The financial analysis of the last five years

### (1) Financial Analysis - International Financial Reporting Standards - Consolidated

Analyzed Item	Year	Financial Analysis for the Past Five Years					As of 03.31.2019 (Note1)
		2014	2015 (Restated)	2016	2017	2018	
Financial structure (%)	Debit ratio	66.77	69.05	67.02	65.63	65.32	62.63
	Ratio of long-term fund to property, plant and equipment	299.07	247.88	303.57	330.36	310.38	309.42
Solvency (%)	Current ratio	119.86	116.28	121.92	126.07	120.76	123.42
	Quick ratio	92.42	86.61	90.80	94.40	88.58	86.91
	Times interest earned (times)	31.76	17.52	31.55	88.06	63.21	8.87
Operating performance	Account receivable turnover (times)	5.72	5.11	4.59	4.56	4.41	3.86
	Days sales outstanding	63.81	71.43	79.52	80.04	82.77	94.56
	Inventory turnover days (times)	10.26	9.34	8.14	7.91	7.84	6.30
	Average day in sales	35.58	39.08	44.84	46.14	46.56	57.94
	Account payable turnover (times)	3.99	3.62	3.20	3.20	3.28	3.18
	Days purchase outstanding	91.48	100.83	114.06	114.06	111.28	114.78
	Property, plant and equipment turnover (times)	14.26	12.44	11.69	13.27	13.03	9.31
	Total assets turnover (times)	1.99	1.75	1.63	1.62	1.60	1.29
Profitability	Return on total assets (%)	6.33	5.33	5.39	5.86	4.80	0.78
	Return on shareholders' equity (%)	18.03	15.65	16.28	17.20	13.69	1.92
	Pre-tax income to paid-in capital (%)	46.69	54.62	62.48	63.85	52.84	8.45
	Net margin (%)	3.08	2.86	3.18	3.57	2.95	2.15
	Earnings per share (NT\$)	3.57	4.06	4.40	4.67	4.12	0.80
Cash flow	Cash flow ratio (%)	17.42	19.20	9.95	14.76	6.86	(Note2)
	Cash flow adequacy ratio (%)	179.72	132.27	128.08	131.73	107.76	(Note2)
	Cash reinvestment ratio (%)	21.34	23.31	7.71	12.45	1.79	(Note2)
Leverage	Operating leverage	1.65	1.64	1.66	1.69	1.83	(Note2)
	Financial leverage	1.04	1.07	1.04	1.02	1.02	(Note2)

#### Explain the changes in financial ratios over the last two years. (It is not necessary to analyze the changes for less than 20%)

1. Times interest earned : This ratio move downward in Y2018 mainly because of the increase of interest expenses.
2. Return on shareholders' equity : This ratio move downward in Y018 mianly because of the increase of shareholder's equity.
3. Cash flow ratio: The ratio move downward in Y2018 mainly because of the decrease of net cash inflow from operating activities.
4. Cash flow reinvestment ratio : The ratio moved downward in 2018 mainly because of the decrease of net cash inflow from operating activities,coupled with increase of cash dividend.

Note 1: The financial data had been reviewed.

Note2: The financial ratio is not listed because of only one quarter financial information.

### (2) Financial Analysis - International Financial Reporting Standards - Proprietary

Analyzed Item	Year	Financial Analysis for the Past Five Years					As of 03.31.2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Debit ratio	59.43	62.34	59.39	52.81	58.01	—
	Ratio of long-term fund to property, plant and equipment	16,962.44	19,054.43	19,632.95	19,177.48	14,595.42	—
Solvency (%)	Current ratio	108.56	107.40	118.73	116.61	87.01	—
	Quick ratio	96.38	90.46	101.67	96.86	71.49	—
	Times interest earned (times)	27.92	37.23	74.85	202.37	115.98	—
Operating performance	Account receivable turnover (times)	5.42	5.15	4.76	4.95	4.89	—
	Days sales outstanding	67.34	70.87	76.68	73.74	74.64	—
	Inventory turnover days (times)	24.45	24.29	17.38	14.83	14.64	—



Analyzed Item	Year	Financial Analysis for the Past Five Years					As of 03.31.2019
		2014	2015	2016	2017	2018	
Operating performance	Average day in sales	14.93	15.03	21.00	24.61	24.93	—
	Account payable turnover (times)	5.63	5.03	3.92	3.54	3.35	—
	Days payable outstanding	64.83	72.56	93.11	103.11	108.96	—
	Property, plant and equipment turnover (times)	678.77	814.22	680.96	508.25	422.01	—
	Total assets turnover (times)	2.21	2.06	1.67	1.37	1.31	—
Profitability	Return on total assets (%)	8.33	7.23	7.16	8.07	7.11	—
	Return on shareholders' equity (%)	18.51	18.11	18.05	18.38	15.88	—
	Pre-tax income to paid-in capital (%)	37.24	43.68	53.06	48.85	47.18	—
	Net margin (%)	3.65	3.43	4.23	5.87	5.38	—
Cash flow	Earnings per share (NT\$)	3.57	4.06	4.40	4.67	4.12	—
	Cash flow ratio (%)	12.46	6.82	29.22	4.15	11.29	—
	Cash flow adequacy ratio (%)	192.99	103.65	171.89	151.46	141.60	—
Leverage	Cash reinvestment ratio (%)	11.06	2.03	23.71	(5.05)	1.34	—
	Operating leverage	1.05	1.04	1.02	1.18	5.24	—
	Financial leverage	1.09	1.06	1.02	1.05	1.04	—

#### Explain the changes in financial ratios over the last two years. (It is not necessary to analyze the changes for less than 20%)

1. Ratio of Long-Term Funds to Property, Plant and Equipment: This ratio moved downward in Y2018 because of the increase of Property, Plant and Equipment.
2. Current Ratio: This ratio moved download in Y2018 mainly because of the increased of current liabilities.
3. Quick Ratio: This ratio moved download in Y2018 mainly because of the increase of current liabilities.
4. Times interest earned: This ratio moved downward in Y2018 because of the increase of interest expense.
5. Cash flow ratio: This ratio moved upward in Y0218 mainly because of the increase of net cash inflow from operating activities.
6. Cash reinvestment ratio: This ratio moved upward in Y2018 mainly because of the increase of net cash inflow from operating activities.
7. Operating Leverage: This ratio moved upward in Y2018 mainly because of the decrease of variable operating expenses.

#### 1. Financial structure

(1) Debit ratio = Total liabilities / Total assets

(2) Ratio of Long-term fund to property, plant and equipment = ( Shareholders' equity + long-term liabilities ) / Net property, plant and equipment

#### 2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = ( Current assets - Inventories - Prepaid expenses ) / Current liabilities

(3) Times Interest Earned = Earnings before interest and taxes / Interest expenses

#### 3. Operating Performance

(1) Receivables ( including accounts receivable and notes receivable resulting from business operations ) Turnover = Net sales / Average receivable ( including accounts receivable and notes receivable resulting from business operation ) balance

(2) Days sales outstanding = 365 / Receivables turnover

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Payables ( including accounts payable and notes payable resulting from business operations ) turnover = Cost of goods sold / Average payable ( including accounts payable and notes payable resulting from business operations ) balance

(5) Average day in sales = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net sales/Average net property, plant and equipment

(7) Total assets turnover = Net sales/Average total assets

(8) Days payable outstanding = 365 / Payables turnover



4. Profitability

- (1) Return on total assets = [Net income + Interest expense × (1- tax rate)] / Average total assets
- (2) Return on shareholders' equity = Net income / Average shareholders' equity
- (3) Net margin = Net income / Net sales
- (4) Earnings per share = (Net income- preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flows

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Five-year sum of cash from operating activities / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

- (1) Operating leverage = (Net sales – variable costs) / Net operating income
- (2) Financial leverage = Net operating income / (Net operating income - interest expenses)

### 3. The Audit Committee's review report on the 2018 financial statements

#### The Audit Committee's review report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for distribution of earnings. The CPA firm of KPMG was retained to audit Primax's Financial Statements and has issued an audit report relating to the Financial Statements.

The Business Report, Financial Statements, and proposal for distribution of earnings have been audited and determined by the Audit Committee members of PRIMAX Electronics Limited, and in compliance with the Company Act and other applicable laws and regulations. According to Article 219 of the Company Act, we hereby submit this report.

PRIMAX Electronics Ltd. - Shareholders' Meeting

Convener of the Audit Committee:  
03. 28.2019

4. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the most recent year and as of the printing date of the annual report: **None**

The 2018 consolidated financial statements and notes (A) had been audited by the CPAs



**PRIMAX ELECTRONICS LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended  
December 31, 2018 and 2017**

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

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of PRIMAX ELECTRONICS LTD. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PRIMAX ELECTRONICS LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: PRIMAX ELECTRONICS LTD.  
Chairman: LIANG LI SHENG  
Date: March 28, 2019

## Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2018 and 2017, the assets of these subsidiaries constitute 33% and 30%, respectively, of the consolidated total assets. For the years ended December 31, 2018 and 2017, the operating revenue of these subsidiaries constitute 41% and 34%, respectively, of the consolidated operating revenue.

PRIMAX ELECTRONICS LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion with other matter paragraph.

## Key Audit Matters

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

### 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

### 2. Acquisition of subsidiaries

Please refer to Note 4(j) "Business combination" and Note 6(h) "Business combination".

Description of key audit matter:

In 2018, PRIMAX ELECTRONICS LTD. obtained control over Belfast Limited (renamed as ALT International Co., Ltd. (Cayman) after the acquisition) which became its sub-subsidiary through its subsidiary, Primax AE (Cayman) Holdings Ltd.. This merger is deemed as non-routine and significant transaction for the year 2018 and will influence the users' comprehension on the financial statements. Therefore, the acquisition of subsidiaries is one of our key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the acquisition of subsidiaries includes: determining whether the above transaction is in compliance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the internal control regulations; reading the contracts to obtain a deeper understanding about the counter-party, price and other information; reviewing the payments, registration of shares amendment and other external document; appointing our internal expert to review the purchase price allocation report of shares, and assessing the reasonability of assumptions.

### 3. Impairment assessment of intangible assets

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

Description of key audit matter:

In 2014, PRIMAX ELECTRONICS LTD. acquired Tymphony Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in 2018, PRIMAX ELECTRONICS LTD. obtained control over Belfast Limited (renamed as ALT International Co., Ltd. (Cayman) after the acquisition) through its subsidiary, Primax AE (Cayman) Holdings Ltd.. The merger resulted in PRIMAX ELECTRONICS LTD. to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained estimation uncertainty; therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

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

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 28, 2019

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

## Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 4,990,458	12	7,821,011	21
1110 Current financial assets at fair value through profit or loss (note 6(b))	115,608	-	141,151	-
1170 Notes and accounts receivable, net (notes 6(e) and (v))	16,382,468	38	13,014,207	35
1180 Accounts receivable from related parties, net (notes 6(e), (v) and 7)	539,820	1	105,911	-
1200 Other receivables (note 6(e))	1,040,546	3	737,687	2
1310 Inventories (note 6(f))	7,760,333	18	6,791,093	18
1470 Other current assets (note 8)	642,927	1	530,360	1
	<u>31,472,160</u>	<u>73</u>	<u>29,141,420</u>	<u>77</u>
<b>Non-current assets:</b>				
1550 Investments accounted for using equity method (note 6(g))	-	-	-	-
1523 Non-current available-for-sale financial assets (note 6(d))	-	-	402,997	1
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	268,088	1	-	-
1600 Property, plant and equipment (notes 6(k) and 8)	5,509,536	13	4,437,684	12
1760 Investment property (note 6(l))	34,751	-	35,214	-
1780 Intangible assets (note 6(m))	4,463,979	10	2,730,188	7
1840 Deferred tax assets (note 6(n))	654,310	2	548,995	1
1985 Long-term prepaid rents	223,064	-	217,520	1
1990 Other non-current assets (note 8)	535,613	1	261,125	1
	<u>11,689,341</u>	<u>27</u>	<u>8,633,723</u>	<u>23</u>
<b>Total assets</b>	<u>\$ 43,161,501</u>	<u>100</u>	<u>\$ 37,775,143</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
2100 Short-term borrowings (notes 6(n) and 8)	\$ 1,202,565	3	995,638	3
2120 Current financial liabilities at fair value through profit or loss (note 6(b))	19,980	-	103,107	-
2170 Notes and accounts payable	18,447,564	43	16,350,178	43
2180 Accounts payable to related parties (note 7)	94,106	-	-	-
2200 Other payables (notes 6(h) and 7)	3,604,860	8	3,991,128	11
2201 Salaries payable	1,154,205	3	1,105,153	3
2300 Other current liabilities (note 6(v))	375,158	1	433,894	1
2320 Long-term borrowings, current portion (notes 6(o) and 8)	67,548	-	135,555	-
2365 Current refund liabilities	1,094,833	2	-	-
	<u>26,060,819</u>	<u>60</u>	<u>23,114,653</u>	<u>61</u>
<b>Non-Current liabilities:</b>				
2540 Long-term borrowings (notes 6(o) and 8)	239,015	1	83,333	-
2630 Long-term deferred revenue (note 6(k))	910,800	2	1,039,581	3
2600 Other non-current liabilities (notes 6(g), (q) and (r))	980,749	2	555,774	2
	<u>2,130,564</u>	<u>5</u>	<u>1,678,688</u>	<u>5</u>
<b>Total liabilities</b>	<u>28,191,383</u>	<u>65</u>	<u>24,793,341</u>	<u>66</u>
<b>Equity attributable to owners of parent:</b>				
3110 Ordinary shares (note 6(s))	4,474,523	10	4,456,883	12
3140 Capital collected in advance (note 6(s))	-	-	3,085	-
3200 Capital surplus (notes 6(i), (s) and (t))	1,377,077	3	1,232,490	3
3310 Legal reserve (note 6(s))	1,187,783	3	982,041	3
3320 Special reserve (note 6(s))	299,065	1	97,300	-
3350 Unappropriated retained earnings (notes 6(e), (i) and (s))	5,038,483	12	5,008,344	13
3400 Other equity interest (note 6(e))	(751,110)	(2)	(394,871)	(1)
36XX Non-controlling interests (notes 6(i) and (j))	3,344,297	8	1,596,530	4
	<u>14,970,118</u>	<u>35</u>	<u>12,981,802</u>	<u>34</u>
<b>Total liabilities and equity</b>	<u>\$ 43,161,501</u>	<u>100</u>	<u>\$ 37,775,143</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(v), 6 (w) and 7)	\$ 64,811,408	100	60,741,692	100
5000 Operating costs (notes 6(g), (q), (x), 7 and 12)	<u>57,021,985</u>	<u>88</u>	<u>53,261,685</u>	<u>88</u>
<b>Gross profit from operation</b>	<u>7,789,423</u>	<u>12</u>	<u>7,480,007</u>	<u>12</u>
<b>Operating expenses (notes 6(q), (t), (x) and 12):</b>				
6100 Selling expenses	1,447,730	2	1,460,339	2
6200 Administrative expenses	1,796,927	3	1,454,789	2
6300 Research and development expenses	2,664,477	4	2,364,974	4
6450 Reversal of expected credit loss (note 6(e))	(62,225)	-	-	-
<b>Total operating expenses</b>	<u>5,846,909</u>	<u>9</u>	<u>5,280,102</u>	<u>8</u>
<b>Net operating income</b>	<u>1,942,514</u>	<u>3</u>	<u>2,199,905</u>	<u>4</u>
<b>Non-operating income and expenses:</b>				
7010 Other income (notes 6(c) and (y))	133,045	-	143,367	-
7020 Other gains and losses (notes 6 (d), (g) and (z))	349,320	1	541,030	1
7060 Share of loss of associates accounted for using equity method (note 6(g))	(16,753)	-	-	-
7050 Finance costs	(43,924)	-	(36,722)	-
<b>Total non-operating income and expenses</b>	<u>421,688</u>	<u>1</u>	<u>647,675</u>	<u>1</u>
<b>Profit before income tax</b>	<u>2,364,202</u>	<u>4</u>	<u>2,847,580</u>	<u>5</u>
7950 Less: income tax expenses (note 6(r))	<u>450,227</u>	<u>1</u>	<u>678,599</u>	<u>1</u>
<b>Profit</b>	<u>1,913,975</u>	<u>3</u>	<u>2,168,981</u>	<u>4</u>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311 Losses on remeasurements of defined benefit plans (note 6(q))	(473)	-	(5,909)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(134,472)	-	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<u>(134,945)</u>	<u>-</u>	<u>(5,909)</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss:</b>				
8361 Exchange differences on translation of foreign operation's financial statements	(192,374)	-	(108,024)	-
8362 Unrealized losses on available-for-sale financial assets (notes 6(d) and (aa))	-	-	(331,977)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<u>(192,374)</u>	<u>-</u>	<u>(440,001)</u>	<u>(1)</u>
8300 <b>Other comprehensive loss after tax</b>	<u>(327,319)</u>	<u>-</u>	<u>(445,910)</u>	<u>(1)</u>
<b>Comprehensive income</b>	<u>\$ 1,586,656</u>	<u>3</u>	<u>\$ 1,723,071</u>	<u>3</u>
<b>Profit attributable to:</b>				
8610 Owners of parent	\$ 1,826,870	3	2,057,415	4
8620 Non-controlling interests (note 6(j))	<u>87,105</u>	<u>-</u>	<u>111,566</u>	<u>-</u>
	<u>\$ 1,913,975</u>	<u>3</u>	<u>\$ 2,168,981</u>	<u>4</u>
<b>Comprehensive income attributable to:</b>				
8710 Owners of parent	\$ 1,504,297	3	1,606,886	3
8720 Non-controlling interests (note 6(j))	<u>82,359</u>	<u>-</u>	<u>116,185</u>	<u>-</u>
	<u>\$ 1,586,656</u>	<u>3</u>	<u>\$ 1,723,071</u>	<u>3</u>
<b>Earnings per share (note 6(u))</b>				
9710 <b>Basic earnings per share (NT dollars)</b>	<u>\$ 4.12</u>		<u>\$ 4.67</u>	
9810 <b>Diluted earnings per share (NT dollars)</b>	<u>\$ 4.09</u>		<u>\$ 4.63</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Total equity		
	Share capital			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	Non-controlling interests
	Ordinary shares	Capital advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unappropriated retained earnings	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) on available-for-sale financial assets	Total equity attributable to owners of parent			
<b>Balance at January 1, 2017</b>	\$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	(27,017)	10,999,724	2,057,415	1,244,734	1,244,458	
Profit	-	-	-	-	-	2,057,415	(5,909)	(331,977)	(450,529)	111,566	4,619	2,168,981	
Other comprehensive income	-	-	-	-	-	(5,909)	(112,643)	(331,977)	(450,529)	111,566	4,619	(445,910)	
Comprehensive income	-	-	-	-	-	2,051,506	(112,643)	(331,977)	(450,529)	116,185	-	1,723,071	
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	-	(1,111,886)	-	-	(1,111,886)	-	-	(1,111,886)	
Changes in shares of investment accounted for using equity method	-	-	299,514	-	-	(517,288)	-	-	(217,774)	-	-	(217,774)	
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	79,420	-	-	79,420	
Retirement of restricted stock	(940)	-	(2,881)	-	-	-	-	-	3,821	-	-	-	
Compensation cost of share-based payment	-	-	11,072	-	-	-	-	-	(152,030)	-	-	-	
Issuance of restricted stock	30,000	-	122,030	-	-	-	-	-	-	-	-	-	
Exercise of employee stock options	6,480	-	11,289	-	-	-	-	-	-	-	-	-	
Issuance of ordinary shares for employee stock option and abandonment	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance at December 31, 2017</b>	4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	73,489	11,385,272	(95,806)	1,596,530	233,007	
Effects of retrospective application	-	-	-	-	-	42,573	-	(73,489)	-	-	-	-	
Balance at January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	11,385,272	(95,806)	1,596,530	233,007	
Profit	-	-	-	-	-	1,826,870	(187,628)	(134,472)	1,826,870	87,105	(4,746)	1,913,975	
Other comprehensive income	-	-	-	-	-	(1,826,870)	(187,628)	(134,472)	(1,826,870)	87,105	(4,746)	(327,319)	
Comprehensive income	-	-	-	-	-	-	-	-	-	82,359	-	82,359	
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-	-	-	
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	(1,430,068)	-	-	(1,430,068)	
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-	-	134	81,705	-	230,640	312,345	
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	84,615	-	-	84,615	
Retirement of restricted stock	(3,640)	-	(45,524)	-	-	-	-	-	48,964	-	-	-	
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	(126,535)	-	-	-	
Issuance of ordinary shares for employee stock option	1,280	-	1,805	-	-	(1,256)	-	-	-	-	-	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	
Acquired non-controlling interest from business combination	-	-	-	-	-	-	(560,182)	(102,166)	(88,762)	-	-	-	
<b>Balance at December 31, 2018</b>	\$ 4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	11,625,821	(88,762)	1,434,768	1,434,768	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2018	2017
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 2,364,202	2,847,580
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,614,689	1,513,201
Losses related to inventories	249,385	67,188
Reversal of expected credit loss / Provision (reversal of provision) for bad debt expense and sales returns and discounts	(62,225)	(10,392)
Interest expense	38,001	32,707
Interest income	(112,306)	(110,012)
Compensation cost of share-based payment	122,994	93,096
Share of loss of associates accounted for using equity method	16,753	-
Loss on disposal of property, plant and equipment	11,843	77,548
Gain from disposal of available-for-sale financial assets	-	(330,887)
Loss on disposal of investments accounted for using equity method	(4,950)	-
<b>Total adjustments to reconcile profit (loss)</b>	<b>1,874,184</b>	<b>1,332,449</b>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	25,543	166
Notes and accounts receivable	(2,839,678)	1,002,173
Accounts receivable from related parties	(185,411)	(3,070)
Other receivables	(280,343)	(259,689)
Inventories	(841,284)	224,508
Other current assets	21,876	60
Other operating assets	18,528	1,131
<b>Changes in operating assets</b>	<b>(4,080,769)</b>	<b>965,279</b>
Financial liabilities at fair value through profit or loss	(83,127)	(47,323)
Notes and accounts payable	1,944,724	(856,204)
Salaries payable	26,099	(39,092)
Accounts payable to related parties	(67,661)	-
Other payables	353,358	220,175
Other current liabilities	(60,961)	9,942
Refund liabilities	(15,838)	-
Other operating liabilities	(130,527)	(364,760)
<b>Changes in operating liabilities</b>	<b>1,966,067</b>	<b>(1,077,262)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(2,114,702)</b>	<b>(111,983)</b>
<b>Total adjustments</b>	<b>(240,518)</b>	<b>1,220,466</b>
Cash inflow generated from operations	2,123,684	4,068,046
Interest received	112,306	110,012
Interest paid	(37,931)	(32,639)
Income taxes paid	(411,108)	(733,254)
<b>Net cash flows from operating activities</b>	<b>1,786,951</b>	<b>3,412,165</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(8,880)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,343	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,107	-
Acquisition of subsidiaries (minus cash acquired)	-	(646,638)
Acquisition of available-for-sale financial assets	-	(21,045)
Proceeds from disposal of available-for-sale financial assets	-	497,186
Proceeds from capital reduction of available-for-sale financial assets	-	7,573
Acquisition of investments accounted for using equity method	(1,370,824)	-
Increase in restricted deposits	(57,751)	-
Acquisition of property, plant and equipment	(1,973,862)	(1,226,326)
Proceeds from disposal of property, plant and equipment	60,841	24,358
Decrease (increase) in refundable deposits	48,944	(46,376)
Dividends received	13,437	23,325
Change in non-controlling interest	273,832	25,366
Acquisition of unamortized expense	(37,027)	(89,783)
Aggregation from business combination without consideration transferred	379,844	-
Increase in other non-current assets	(255,356)	-
Other investing activities	-	(34)
<b>Net cash flows used in investing activities</b>	<b>(2,917,352)</b>	<b>(1,452,394)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(16,678)	995,638
Decrease in long-term borrowings	(106,914)	(382,223)
Increase in guarantee deposits received	13,886	30,930
Cash dividends	(1,430,068)	(1,111,886)
Exercise of employee share options	-	15,892
<b>Net cash flows used in financing activities</b>	<b>(1,539,774)</b>	<b>(451,649)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(160,378)</b>	<b>(47,027)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,830,553)</b>	<b>1,461,095</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,821,011</b>	<b>6,359,916</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,990,458</b>	<b>7,821,011</b>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2018 and 2017**

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

**(1) Company history**

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

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

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

The consolidated financial statements of the Company as at and for the year ended December 31, 2018, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and 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 March 28, 2019.

**(3) New standards and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 “Prepayment features with negative compensation”. The related new standards, interpretations and amendments are as follows:

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

- 1) Sales of goods

For the sale of products, revenue was recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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2) Rendering of services

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

3) Impacts on financial statements

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

	December 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15
<b>Impacted line items on the consolidated balance sheet</b>						
Accounts receivable	\$ (45,858)	45,858	-	(52,676)	52,676	-
<b>Impact on assets</b>		<b>\$ 45,858</b>			<b>52,676</b>	
Other payables	\$ (1,048,975)	1,048,975	-	(1,057,995)	1,057,995	-
Refund liabilities	-	(1,094,833)	(1,094,833)	-	(1,110,671)	(1,110,671)
<b>Impact on liabilities</b>		<b>\$ (45,858)</b>			<b>(52,676)</b>	

(ii) IFRS 9 “Financial Instruments”

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

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires its impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

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

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

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

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

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

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

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

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

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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There is no material impact on the Group's basic or diluted earnings per share for the years ended December 31, 2018 and 2017.

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

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

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

1) Determining whether an arrangement contains a lease

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

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

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

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

2) Transition

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

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

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

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

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its land, offices, factory facilities and warehouses. The Group estimated that the right-of-use assets and the lease liabilities to increase by \$2,186,077 thousand and \$1,696,408 thousand respectively, but do not affect retained earnings on January 1, 2019.

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- (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 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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:**

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

- (a) Statement of compliance

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

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

## (b) Basis of preparation

## (i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available for sale financial assets) are measured at fair value;
- 3) The defined benefit liabilities are recognized as the fair value of plan assets, less the present value of the defined benefit obligation.

## (ii) Functional and presentation currency

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

## (c) Basis of consolidation

## (i) Principles of preparation of the consolidated financial statements

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

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

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

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

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

## (ii) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2018	December 31, 2017	
The Company	Primax Industries (Cayman) Holding Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	
The Company	Primax Technology (Cayman) Holding Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	- %	(note 1)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	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 %	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	
Diamond	Tymphony Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	(note 2)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2018	December 31, 2017	
TWEL	Tymphany Acoustic Technology (Huizhou) Co., Ltd (Tymphany Huizhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	71.43 %	66.44 %	(note 3) (note 4) (note 5)
Tymphany Huizhou	Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	Research and development, design, and sale of audio accessories, amplifiers and their components and holdings	100.00 %	100.00 %	
Tymphany Huizhou	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan )	Manufacture, research and development, design and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	(note 6)
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 %	
TYM Acoustic HK	Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacture, install and repair of audio accessories and their components	100.00 %	100.00 %	
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	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 %	
Primax AE	ALT Internationnal Co., LTD (Cayman) (AIC)	Holding company	37.00 %	- %	(note 7)

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2018	December 31, 2017	
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	100.00 %	- %	(note 7)
AIC	Advanced Micro Electronics Co., LTD. (AME)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	100.00 %	- %	(note 7)
AIC	Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	99.67 %	- %	(note 7)
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 %	- %	(note7) (note 8)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	100.00 %	- %	(note 7)

Note 1: The Company was incorporated in January 2018.

Note 2: TWEL was incorporated in October 2013, acquiring all shares of TYM HK by issuing new ordinary shares. The Company acquired 70% of the shares of TWEL by cash through its subsidiary Diamond on January 10, 2014. Therefore, the Company indirectly acquired all shares of subsidiaries through TWEL, and included them in the consolidated financial statements from the same date. Also the Group acquired 5.5% of the shares of TWEL by cash and 24.5% of the shares of TWEL by exchanging the shares of Premium Hui Zhou on October 31, 2017.

Note 3: 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 4: Tymphany Huizhou was originally a 100% owned subsidiary of TYM HK; however, after the restructuring of the TYM group in the third quarter of 2017, Tymphany Huizhou became 100% owned subsidiary of TWEL. TWEL's ownership of Tymphany Huizhou decreased to 66.44% due to the shares exchange and exercise of employee stock option in the fourth quarter of 2017.

Note 5: TWEL owned Tymphany Huizhou increase to 71.43% owing that the company participated in its capital increase amounting to USD45,000 through its subsidiary Diamond and grandson Company TWEL in July 2018.

Note 6: Tymphany Dongguan was originally a 100% owned subsidiary of TYM HK; however, after the restructuring of the Group in the third quarter of 2017, Tymphany Dongguan became 100% owned subsidiary of Tymphany Huizhou.

Note 7: The Company acquired 37% shares of AIC (originally named as Belfast Limited) by participating in its capital increase by cash, and purchasing its outstanding shares, as well as indirectly acquiring all shares of its subsidiaries in January 2018. The Company has control over AIC due to having more than 50% of its board of directors' voting rights based on the resolution of its shareholders meeting held on June 2018. The Company included AIC Group in its consolidated financial statements beginning January 2018. Prior to gaining control over AIC, the shares of profit or loss were accounted by using the equity method.

Note 8: AIC and ALT (Shanghai) owned ALT increase and decrease to 70.55% and 29.45%, respectively due to ALT (Shanghai) participating its capital increase amounting to CNY8,000 in July; AIC's and ATL (Shanghai)'s ownership of ALT increase and decrease to 85.22% and 14.78%, respectively due to AIC participating capital increase of ALT amounted to USD1,000 and USD3,000 in August 2018 and November 2018, respectively.

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

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

(i) Financial assets (Policy applicable from January I, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

(Continued)

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) FVTPL

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

(Continued)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 361 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

(Continued)

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

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

6) Derecognition of financial assets

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

(ii) Financial assets (policy applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

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

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

2) Available-for-sale financial assets

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

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

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

3) Loans and receivables

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(iv) Derivative financial instruments

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

(h) Inventories

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

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

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

(i) Investment in associates

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

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

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

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

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

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

(j) Business combination

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

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

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

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

The consideration resulting from a contingent consideration shall be recognized at the acquisition-date fair value. For the changes in the fair value of contingent consideration that are not measurement period adjustments, the accounting treatments shall depend on the classification of contingent consideration. Other contingent considerations within the scope of IAS 39 shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss in accordance with the regulation of IAS 39. Otherwise, they shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss.

(k) Investment property

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

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

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

- 1) Buildings, leasehold improvement, and additional equipment: 1 ~ 51 years
- 2) Machinery and equipment: 1 ~ 10 years
- 3) Office and other equipment: 1 ~ 5 years

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

(m) Lease

(i) Lessor

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

(ii) Lessee

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

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

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

## (n) Intangible assets

## (i) Goodwill

## 1) Recognition

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

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

## 2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

## (ii) Other intangible assets

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

## (iii) Subsequent expenditure

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

## (iv) Amortization

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

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

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

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

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

## (o) Impairment of non-financial assets

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

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

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

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

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

## (p) Revenue

## (i) Revenue from contracts with customers (policy applicable from January 1, 2018)

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

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

1) Sale of goods

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

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

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

2) Rendering of services

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

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

3) Financing components

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

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

(ii) Revenue (policy applicable before January 1, 2018)

1) Sale of goods

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

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

2) Services

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

(q) Deferred grant revenue

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(Continued)

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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

(s) Share-based payment

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

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

(Continued)

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

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

(t) Income taxes

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

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

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

- (i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on profit or taxable gains (losses) at the time of the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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

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

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

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

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

(u) Earnings per share

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

(v) Operating segments

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

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

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

The management continues to monitor the accounting assumptions, estimates and judgments. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

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

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

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

(a) Valuation of inventories

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

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

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

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

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

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

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

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

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

(Continued)

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

**(6) Explanation of significant accounts:**

## (a) Cash and cash equivalents

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash on hand	\$ 6,548	3,279
Demand accounts and checking deposits	3,911,783	6,022,395
Time deposits	<u>1,072,127</u>	<u>1,795,337</u>
Cash and cash equivalents in the consolidated statements of cash flows	<b><u>\$ 4,990,458</u></b>	<b><u>7,821,011</u></b>

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

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

## (i) Details of financial instruments were as follows:

**Mandatorily measured at FVTPL:**

Derivative instruments not used for hedging

Forward exchange contracts	\$ 115,608	-
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**Financial assets held-for-trading:**

Derivative instruments not used for hedging

Forward exchange contracts	-	125,940
Foreign exchange swap contracts	<u>-</u>	<u>15,211</u>

	<b><u>\$ 115,608</u></b>	<b><u>141,151</u></b>
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	<b>December 31, 2018</b>	<b>December 31, 2017</b>
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**Financial liabilities held-for-trading:**

Derivative instrument not used for hedging

Forward exchange contracts	\$ (19,980)	(69,167)
Foreign exchange swap contracts	<u>-</u>	<u>(33,940)</u>

	<b><u>\$ (19,980)</u></b>	<b><u>(103,107)</u></b>
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(Continued)

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

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

<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>December 31, 2017</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 299,000	January 4, 2018~ June 26, 2018	29.437~30.021
Forward exchange contracts – buy TWD / sell USD	USD 276,500	January 4, 2018~ March 26, 2018	29.792~30.328
Forward exchange contracts – buy USD / sell CNY	USD 75,000	January 19, 2018~ April 19, 2018	6.6085~6.6677
Forward exchange contracts – buy CNY/ sell USD	USD 66,000	January 19, 2018~ April 19, 2018	6.5475~6.6875
Foreign exchange swap contracts – swap in USD/ swap out TWD	USD 103,500	January 12, 2018~ February 9, 2018	30.052~30.232
Foreign exchange swap contracts – swap in TWD / swap out USD	USD 116,000	January 5, 2018~ June 26, 2018	29.583~30.0155

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

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

## (c) Financial assets at FVOCI

	<b>December 31, 2018</b>
<b>Equity investments at FVOCI</b>	
Stocks listed in domestic markets–Global TEK	\$ 232,737
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	1,076
Stocks unlisted in domestic markets–Changing Information Technology Inc.	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49
Equities unlisted in foreign markets–Grove Ventures L.P. (USD 900 thousand)	27,660
Stocks unlisted in foreign markets–WK Global Investment III Ltd. (USD 145 thousand)	4,464
<b>Total</b>	<b>\$ 268,088</b>

- (i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale. These investments were classified as available-for-sale financial assets as of December 31, 2017.
- (ii) During the year ended December 31, 2018, the dividends of \$13,437, related to equity investments at FVOCI held on December 31, 2018, were recognized.
- (iii) The Group has sold 172 thousand shares held in Global TEK as a result of enhancing its working capital. The shares sold had a fair value of \$7,343 resulting in the Group to realize a loss of \$1,256, which has been included in its other equity interest, and later on transferred to retained earnings.
- (iv) WK Technology Fund IV Ltd. refunded the amount of \$691 to the Group due to its capital reduction in June 2018.
- (v) The Group acquired the shares from Grove Ventures, L.P amounting to \$8,880 due to its capital increase in May 2018.
- (vi) WK Global Investment III Ltd. refunded the amount of \$1,416 to the Group due to its capital reduction in June 2018.
- (vii) The Group did not provide any of the aforementioned financial assets as collateral.

## (d) Available-for-sale financial assets

	<b>December 31, 2017</b>
Stocks unlisted in domestic markets	\$ 380,835
Stocks unlisted in foreign markets	22,162
	<b>\$ 402,997</b>

(Continued)

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

- (i) These investments were classified as financial assets at FVOCI as of December 31, 2018. Please refer to note 6(c).
- (ii) The Group invested \$21,045 in the unlisted company–Grove Ventures, L.P, and classified as available-for-sale financial assets-non-current in March 2017.
- (iii) WK Technology Fund IV Ltd. refunded the amount of \$2,816 to the Group due to the capital reduction in July 2017.
- (iv) WK Global Investment III Ltd. refunded the amount of \$4,757 to the Group due to the Capital reduction in July 2017.
- (v) In the fourth quarter of 2017, the Group sold 1,764 thousand shares of Nien Made Enterprise Co., Ltd. for \$497,186. The gain from disposal of which was recognized as other gains and losses, amounted to \$330,887, deducting the cost of \$166,299.
- (vi) The unrealized losses is \$1,090 for the year ended December 31, 2017, and was recognized as unrealized losses on available-for-sale financial assets. The Group reclassified the realized gains for of Nien Made Enterprise amounted to \$330,887 in 2017 as gains from disposal.
- (vii) The Group did not provide any of the aforementioned available-for-sale financial assets as collateral.
- (e) Notes and accounts receivable (including related parties)

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Notes receivable	\$ 288,156	175,324
Accounts receivable	16,139,779	13,019,199
Accounts receivable – related parties	539,820	105,911
Less: allowance for doubtful accounts	(45,467)	(127,640)
allowance for sales returns and discounts	-	(52,676)
<b>Total</b>	<b>\$ 16,922,288</b>	<b>13,120,118</b>

- (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, on December 31, 2018. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis as of December 31, 2018 was as follows:

	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 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
	<u>\$ 16,967,755</u>		<u>45,467</u>

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

	December 31, 2017
0 to 30 days past due	\$ 827,739
31 to 90 days past due	62,006
91 to 180 days past due	9,641
181 to 360 days past due	2,218
More than 361 days past due	91,632
	<u>\$ 993,236</u>

(Continued)

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

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

	2018	2017	
		Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 127,640	-	99,936
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	127,640		
Impairment losses recognized (reversed)	(62,225)	66,591	(31,357)
Acquisition from business combination	7,588	-	-
Amounts written off	(31,580)	-	-
Effect of exchange rate changes	4,044	-	(7,530)
Balance on December 31, 2018 and 2017	<u>\$ 45,467</u>	<u>66,591</u>	<u>61,049</u>

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

December 31, 2018							
Buyer	Amount sold NTS	Credit facilities US\$ (expressed in thousand)	Cash received in advance NTS	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NTS	Amount not received NTS
Mega International Commercial Bank	\$ -	15,000	-	-	US\$ 3,750	-	-
HSBC Bank	-	45,000	-	-	US\$ 13,500	-	-
Bank of Taiwan	-	18,000	-	-	NTS 130,000	-	-
EnTie Bank	152,127	9,000	-	-	-	-	152,127
	<u>\$ 152,127</u>	<u>87,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,127</u>

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

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

(Continued)

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

## (f) Inventories

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ 2,185,662	1,797,211
Semi-finished goods and work in process	1,536,356	1,351,885
Finished goods and merchandise	<u>4,038,315</u>	<u>3,641,997</u>
	<b><u>\$ 7,760,333</u></b>	<b><u>6,791,093</u></b>

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

	<b>2018</b>	<b>2017</b>
Gains and (losses) on inventory valuation	\$ (216,072)	72,997
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(33,379)	(66,035)
Losses on disposal of inventories	(11,121)	(90,243)
Gains on physical inventories	<u>11,187</u>	<u>16,093</u>
	<b><u>\$ (249,385)</u></b>	<b><u>(67,188)</u></b>

## (g) Investments accounted for using equity method

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Carrying amount of individually insignificant associates' equity	\$ (236)	-
Credit balance of long-term investment reclassified as other non-current liabilities	<u>236</u>	<u>-</u>
Total	<b><u>\$ -</u></b>	<b><u>-</u></b>
	<b>2018</b>	<b>2017</b>
Attributable to the Group:		
Loss	\$ (16,753)	-
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<b><u>\$ (16,753)</u></b>	<b><u>-</u></b>

(Continued)

**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(h). The Group discontinued the use of equity method from the date when its investment ceases to be an associate; therefore, recognized the remeasurement of the disposal gain amounting to \$4,950 under other gains and losses. The Gain on disposal includes all the amounts previously recognized in other comprehensive income in relation to that investment.

As of December 31, 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 had ceased its business operation, and is expected to be liquidated in the future.

## (h) Business combination

## (i) TYM Acoustic Europe

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

## 1) Consideration transferred

According to the share purchase agreement, the consideration transferred was EUR\$18,000. As of December 31, 2018, TYM Acoustic HK deposited EUR\$1,500 in Escrow Account based on the share purchase agreement.

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

## 2) Obtaining control

The Company indirectly holds 71.43% of TYM Acoustic Europe's shares through TWEL. The Company has included TYM Acoustic Europe in its consolidated financial statements since the settlement date.

(Continued)

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

- 3) 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:

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

(ii) AIC Group

In order to expand the business scale and strengthen the Group's competitiveness in the market, the Group acquire 37% shares of Belfast Limited (renamed as AIC after 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.

1) Obtaining control

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

(Continued)

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

- 2) 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:

Items	Amount
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>\$ <u>574,604</u></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.

(Continued)

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

3) Simulated operating results

Operating results of AIC and its subsidiaries were merged into the Company's consolidated comprehensive income statement since date the Company obtained control, which had contributed to the operating revenue and the net loss of \$496,169 and \$220,939, respectively. If the acquisition had occurred on January 1, 2018, the simulated operating revenue and net income would have been \$65,279,118 and \$1,865,503, respectively.

(i) Changes in ownership interest in subsidiaries

(i) Acquisitions of NCI

In 2018, the Group participated in the capital increase by cash of Tymphany Huizhou, with an additional interest of 4.99%, which was different from its existing ownership percentage in Tymphany Huizhou. The transaction increased the non-controlling interest and capital reserves of the Group by \$219,006 and \$81,571, respectively.

(ii) Deceasing of partial equity ownership of subsidiaries without losing control

In 2017, the restructuring of TYM group and the participation of the Group in the capital increase by cash of Tymphany Huizhou, with shares different from its existing ownership percentage, resulted in a decrease of 3.56% of the Group's shares in Tymphany Huizhou. The Group increased its non-controlling interest by \$233,007, and its capital reserves by \$299,514, as well as decreased its retained earnings by \$517,288, due to this transaction.

(j) 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	
		December 31, 2018	December 31, 2017
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	33.56 %
AIC and its subsidiaries	China/Cayman Is.	63 %	- %

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

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

(i) Tymphany Huizhou and its subsidiaries:

	December 31, 2018	December 31, 2017
Current assets	\$ 12,801,027	10,455,985
Non-current assets	4,029,482	3,479,864
Current liabilities	(9,594,008)	(9,105,990)
Non-current liabilities	(76,753)	(72,344)
Net assets	<u>\$ 7,159,748</u>	<u>4,757,515</u>
Non-controlling interests	<u>\$ 2,045,390</u>	<u>1,596,530</u>
	<b>2018</b>	<b>2017</b>
Operating revenue	<u>\$ 26,942,400</u>	<u>20,473,852</u>
Profit	798,773	389,297
Other comprehensive income (loss)	(29,993)	122
Comprehensive income	<u>768,780</u>	<u>389,419</u>
Profit attributable to non-controlling interests	<u>\$ 226,787</u>	<u>111,566</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 218,218</u>	<u>116,185</u>
	<b>2018</b>	<b>2017</b>
Cash flows from (used in) operating activities	\$ (375,765)	2,164,634
Cash flows used in investing activities	(919,203)	(1,224,052)
Cash flows from financing activities	730,461	1,106,085
Effect of exchange rate changes	(36,167)	(3,807)
Net increase (decrease) in cash and cash equivalents	<u>\$ (600,674)</u>	<u>2,042,860</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(Continued)

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

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

	<b>December 31, 2018</b>
Current assets	\$ 1,224,400
Non-current assets	2,364,796
Current liabilities	(451,162)
Non-current liabilities	(502,642)
Net assets	<u>\$ 2,635,392</u>
Non-controlling interests	<u>\$ 1,298,907</u>
	<b>For the seven months ended December 31, 2018</b>
Operating revenue	<u>\$ 496,169</u>
Loss	\$ (220,939)
Other comprehensive income	5,617
Other comprehensive loss	<u>\$ (215,322)</u>
Loss attributable to non-controlling interests	<u>\$ (139,682)</u>
Comprehensive loss attributable to non-controlling interests	<u>\$ (135,859)</u>
	<b>For the seven months ended December 31, 2018</b>
Cash flows used in operating activities	\$ (87,515)
Cash flows used in investing activities	(11,277)
Cash flows used in financing activities	(49,964)
Effect of exchange rate changes	(9,917)
Net decrease in cash and cash equivalents	<u>\$ (158,673)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>

(Continued)

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

## (k) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	<u>Land</u>	<u>Buildings, leasehold improvement, and additional equipment</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Government grants</u>	<u>Total</u>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2018	\$ 134,701	3,809,364	6,024,654	597,200	413,789	(2,284)	10,977,424
Additions	-	52,381	607,291	92,950	1,487,720	-	2,240,342
Disposals	-	(52,377)	(346,261)	(23,127)	(10,143)	2,275	(429,633)
Acquisition from business combination	95,100	233,784	53,478	23,149	42,690	-	448,201
Reclassifications	-	366,792	692,991	51,732	(1,355,287)	-	(243,772)
Effect of changes in exchange rate	-	(71,275)	(106,710)	28,139	(12,629)	9	(162,466)
Balance on December 31, 2018	<u>\$ 229,801</u>	<u>4,338,669</u>	<u>6,925,443</u>	<u>770,043</u>	<u>566,140</u>	<u>-</u>	<u>12,830,096</u>
Balance on January 1, 2017	\$ 134,701	3,802,758	5,672,304	510,457	347,678	(16,286)	10,451,612
Additions	-	58,945	473,923	93,159	625,190	-	1,251,217
Disposals	-	(116,139)	(375,911)	(34,088)	-	13,701	(512,437)
Acquisition from business combination	-	25,997	-	12,883	59	-	38,939
Reclassifications	-	98,776	349,984	22,678	(554,871)	-	(83,433)
Effect of changes in exchange rate	-	(60,973)	(95,646)	(7,889)	(4,267)	301	(168,474)
Balance on December 31, 2017	<u>\$ 134,701</u>	<u>3,809,364</u>	<u>6,024,654</u>	<u>597,200</u>	<u>413,789</u>	<u>(2,284)</u>	<u>10,977,424</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2018	\$ -	1,830,962	4,311,178	399,884	-	(2,284)	6,539,740
Depreciation	-	217,604	1,008,872	90,775	-	-	1,317,251
Disposals	-	(52,010)	(284,967)	(22,247)	-	2,275	(356,949)
Reclassifications	-	(1,053)	(91,521)	(4,012)	-	-	(96,586)
Effect of changes in exchange rate	-	(17,616)	(84,182)	18,893	-	9	(82,896)
Balance on December 31, 2018	<u>\$ -</u>	<u>1,977,887</u>	<u>4,859,380</u>	<u>483,293</u>	<u>-</u>	<u>-</u>	<u>7,320,560</u>
Balance on January 1, 2017	\$ -	1,731,111	3,632,382	383,934	-	(13,237)	5,734,190
Depreciation	-	224,238	1,037,844	54,426	-	(2,926)	1,313,582
Disposals	-	(93,204)	(299,809)	(31,219)	-	13,701	(410,531)
Reclassifications	-	(3,797)	(5,477)	(118)	-	-	(9,392)
Effect of changes in exchange rate	-	(27,386)	(53,762)	(7,139)	-	178	(88,109)
Balance on December 31, 2017	<u>\$ -</u>	<u>1,830,962</u>	<u>4,311,178</u>	<u>399,884</u>	<u>-</u>	<u>(2,284)</u>	<u>6,539,740</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2018	<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 December 31, 2017	<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 January 1, 2017	<u>\$ 134,701</u>	<u>2,071,647</u>	<u>2,039,922</u>	<u>126,523</u>	<u>347,678</u>	<u>(3,049)</u>	<u>4,717,422</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$821,213 and \$946,180 as of December 31, 2018, and 2017, respectively.

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

- (ii) The Group identified its property, plant and equipment from the acquisition of AIC and its subsidiaries and TYM Acoustic Europe in June 2018 and June 2017, respectively.
- (iii) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.

(l) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance on January 1, 2018	\$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2018	<u>\$ 50,190</u>	<u>31,735</u>	<u>81,925</u>
Balance on January 1, 2017	\$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2017	<u>\$ 50,190</u>	<u>31,735</u>	<u>81,925</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2018	\$ 33,941	12,770	46,711
Depreciation	-	463	463
Balance on December 31, 2018	<u>\$ 33,941</u>	<u>13,233</u>	<u>47,174</u>
Balance on January 1, 2017	\$ 33,941	12,307	46,248
Depreciation	-	463	463
Balance on December 31, 2017	<u>\$ 33,941</u>	<u>12,770</u>	<u>46,711</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2018	<u>\$ 16,249</u>	<u>18,502</u>	<u>34,751</u>
Balance on December 31, 2017	<u>\$ 16,249</u>	<u>18,965</u>	<u>35,214</u>
Balance on January 1, 2017	<u>\$ 16,249</u>	<u>19,428</u>	<u>35,677</u>
<b>Fair value:</b>			
Balance on December 31, 2018		<u>\$ 80,905</u>	
Balance on December 31, 2017		<u>\$ 81,930</u>	
Balance on January 1, 2017		<u>\$ 84,490</u>	

- (i) The fair value of the investment property is based on the quotation from parties, which is categorized within Level 3.
- (ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(p) for further information.

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

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

(m) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2018 and 2017, were as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
<b>Cost or deemed cost:</b>					
Balance on January 1, 2018	\$ 2,025,495	718,800	419,300	121,986	3,285,581
Acquisition	-	-	-	-	-
Acquisition from business combination	574,604	381,059	956,874	-	1,912,537
Effect of changes in exchange rate	12,362	-	7,023	(189)	19,196
Balance on December 31, 2018	<u>\$ 2,612,461</u>	<u>1,099,859</u>	<u>1,383,197</u>	<u>121,797</u>	<u>5,217,314</u>
Balance on January 1, 2017	\$ 1,850,383	718,800	419,300	122,044	3,110,527
Acquisition	-	-	-	34	34
Acquisition from business combination	178,796	-	-	-	178,796
Effect of changes in exchange rate	(3,684)	-	-	(92)	(3,776)
Balance on December 31, 2017	<u>\$ 2,025,495</u>	<u>718,800</u>	<u>419,300</u>	<u>121,986</u>	<u>3,285,581</u>
<b>Amortization and impairment loss:</b>					
Balance on January 1, 2018	\$ -	285,781	166,706	102,906	555,393
Amortization	-	94,108	98,610	4,770	197,488
Effect of changes in exchange rate	-	-	133	321	454
Balance on December 31, 2018	<u>\$ -</u>	<u>379,889</u>	<u>265,449</u>	<u>107,997</u>	<u>753,335</u>
Balance on January 1, 2017	\$ -	213,901	124,776	98,180	436,857
Amortization	-	71,880	41,930	4,766	118,576
Effect of changes in exchange rate	-	-	-	(40)	(40)
Balance on December 31, 2017	<u>\$ -</u>	<u>285,781</u>	<u>166,706</u>	<u>102,906</u>	<u>555,393</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2018	<u>\$ 2,612,461</u>	<u>719,970</u>	<u>1,117,748</u>	<u>13,800</u>	<u>4,463,979</u>
Balance on December 31, 2017	<u>\$ 2,025,495</u>	<u>433,019</u>	<u>252,594</u>	<u>19,080</u>	<u>2,730,188</u>
Balance on January 1, 2017	<u>\$ 1,850,383</u>	<u>504,899</u>	<u>294,524</u>	<u>23,864</u>	<u>2,673,670</u>

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

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

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

(n) Short-term borrowings

The details were as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 1,137,565	995,638
Secured bank loans	65,000	-
Short-term borrowings	<u>\$ 1,202,565</u>	<u>995,638</u>
Unused credit lines	<u>\$ 21,333,665</u>	<u>17,453,299</u>
Annual interest rates	<u>0.85%~4.02%</u>	<u>0.97%~4.96%</u>

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

(o) Long-term borrowings

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				<u>(67,548)</u>
				<u>\$ 239,015</u>
Unused credit lines				<u>\$ -</u>
December 31, 2017				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.19~1.48%	2018~2020	\$ 218,888
Less: current portion				<u>(135,555)</u>
				<u>\$ 83,333</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.

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

(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) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 305,577	299,316
Between one and five years	800,680	489,361
More than five years	<u>399,066</u>	<u>461,370</u>
	<u>\$ 1,505,323</u>	<u>1,250,047</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.

(ii) Lessor

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

	December 31, 2018	December 31, 2017
Less than one year	\$ 1,758	1,484
Between one and five years	488	-
	<u>\$ 2,246</u>	<u>1,484</u>

(q) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ 156,919	156,494
Fair value of plan assets	<u>89,417</u>	<u>88,082</u>
Deficit in the plan	67,502	68,412
Asset ceiling	-	-
Net defined benefit liability	<u>\$ 67,502</u>	<u>68,412</u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$89,417 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Defined benefit obligation at January 1	\$ 156,494	160,593
Benefits paid	(5,340)	(12,898)
Current service costs and interest cost	2,302	2,707
Remeasurement of net defined liabilities	3,463	6,092
Defined benefit obligation at December 31	<u>\$ 156,919</u>	<u>156,494</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 88,082	96,865
Remeasurement of net defined liabilities	2,990	183
Interest income	590	701
Contribution paid	3,095	3,231
Benefits paid	(5,340)	(12,898)
Fair value of plan assets at December 31	<u>\$ 89,417</u>	<u>88,082</u>

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

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 877	1,153
Net interest of net liabilities for defined benefit	835	853
Expenses	<u>\$ 1,712</u>	<u>2,006</u>

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

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	<u>2018</u>	<u>2017</u>
Balance on January 1	\$ 10,330	4,421
Recognized during the period	473	5,909
Balance on December 31	<u>\$ 10,803</u>	<u>10,330</u>

6) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.125 %	1.250%
Future salary increase rate	3.250 %	3.250%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was \$2,958. The weighted-average duration of the defined benefit plans is 11 years.

7) Sensitivity analysis

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
<b>December 31, 2018</b>		
Discount rate	\$ (3,266)	3,372
Future salary increase rate	\$ 3,215	(3,131)
<b>December 31, 2017</b>		
Discount rate	\$ (3,420)	3,533
Future salary increase rate	\$ 3,374	(3,283)

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

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

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

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

The Group recognized pension costs under the defined contribution method amounting to \$357,104 and \$337,071 for the years ended December 31, 2018 and 2017, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

(r) Income taxes

- (i) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing with 2018.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- (ii) The components of income tax expenses for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Current tax expense	\$ 427,108	591,664
Deferred tax expense	23,119	86,935
Income tax expense	<u>\$ 450,227</u>	<u>678,599</u>

- (iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Profit before income tax	\$ 2,364,202	2,847,580
Income tax calculated based on domestic tax rate of individual entity of the Group	857,150	901,871
Adjustment in tax rate	(19,906)	-
Overseas investment gains recognized under the equity method	(254,283)	(258,578)
Non-taxable income	(2,821)	(142,321)
Prior year's income tax adjustment	56,990	24,801
10% surtax on unappropriated earnings	27,565	62,744
Investment tax credits accrued	(105,843)	(74,012)
Other	(108,625)	164,094
Income tax expense	<u>\$ 450,227</u>	<u>678,599</u>

- (iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 815,410</u>	<u>573,124</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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2) Unrecognized deferred tax assets

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Deductible temporary differences	<u>\$ 160,199</u>	<u>73,400</u>

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

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017, were as follows:

	<b>Investment income recognized under the equity method (overseas)</b>	<b>Unrealized foreign exchange gains</b>	<b>Amortization of appraised value adjustment of intangible assets</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax liabilities:</b>					
Balance on January 1, 2018	\$ 188,057	24,493	63,148	17,773	293,471
Acquisitions of subsidiaries	-	724	308,423	4,074	313,221
Recognized in profit or loss	<u>133,111</u>	<u>(17,112)</u>	<u>(28,475)</u>	<u>11,081</u>	<u>98,605</u>
Balance on December 31, 2018	<u>\$ 321,168</u>	<u>8,105</u>	<u>343,096</u>	<u>32,928</u>	<u>705,297</u>
Balance on January 1, 2017	\$ 136,577	-	73,631	17,538	227,746
Recognized in profit or loss	<u>51,480</u>	<u>24,493</u>	<u>(10,483)</u>	<u>235</u>	<u>65,725</u>
Balance on December 31, 2017	<u>\$ 188,057</u>	<u>24,493</u>	<u>63,148</u>	<u>17,773</u>	<u>293,471</u>

	<b>Bad debt in excess of tax limit</b>	<b>Loss carryforward</b>	<b>Unfunded pension fund contribution</b>	<b>Refund liabilities</b>	<b>Loss on inventory valuation</b>	<b>Deferred granted revenue</b>	<b>Unrealized revenue from disposal of assets</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax assets:</b>									
Balance on January 1, 2018	\$ 47,331	12,755	14,090	100,098	120,433	173,295	-	80,993	548,995
Acquisitions of subsidiaries	1,173	-	-	-	1,104	-	-	27,552	29,829
Recognized in profit or loss	<u>(1,486)</u>	<u>(5,058)</u>	<u>2,210</u>	<u>59,284</u>	<u>(2,563)</u>	<u>12,422</u>	<u>30,386</u>	<u>(19,709)</u>	<u>75,486</u>
Balance on December 31, 2018	<u>\$ 47,018</u>	<u>7,697</u>	<u>16,300</u>	<u>159,382</u>	<u>118,974</u>	<u>185,717</u>	<u>30,386</u>	<u>88,836</u>	<u>654,310</u>
Balance on January 1, 2017	\$ 31,636	-	14,298	57,615	179,573	220,770	-	66,313	570,205
Recognized in profit or loss	<u>15,695</u>	<u>12,755</u>	<u>(208)</u>	<u>42,483</u>	<u>(59,140)</u>	<u>(47,475)</u>	<u>-</u>	<u>14,680</u>	<u>(21,210)</u>
Balance on December 31, 2017	<u>\$ 47,331</u>	<u>12,755</u>	<u>14,090</u>	<u>100,098</u>	<u>120,433</u>	<u>173,295</u>	<u>-</u>	<u>80,993</u>	<u>548,995</u>

(v) The Company's income tax returns have been examined by the tax authority through the years to 2016.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(s) Capital and other equity

As of December 31, 2018 and 2017, the nominal ordinary shares both amounted to 5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized ordinary shares, of which 447,452 thousand and 445,688 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017, were as follows:

	<b>Ordinary shares</b>	
(in thousands of shares)	<b>2018</b>	<b>2017</b>
Balance on January 1	445,688	442,134
Exercise of employee stock options	128	648
Issuance of restricted stock	2,000	3,000
Retirement of restricted stock	<u>(364)</u>	<u>(94)</u>
Balance on December 31	<u><b>447,452</b></u>	<u><b>445,688</b></u>

(i) Ordinary shares

- 1) The Company issued 128 thousand and 648 thousand new shares of ordinary shares for the exercise of employee stock options in 2018 and 2017, respectively. The related registration procedures were also completed.
- 2) Employee stock options exercised without registration procedures were recorded as capital collected in advance as of December 31, 2017. The exercise price and units were as follows:

	<b>December 31, 2017</b>	
	<b>Exercised shares (in thousands)</b>	<b>Exercise price</b>
Exercise price per share: \$24.10	<u><b>128</b></u>	<u><b>\$ 3,085</b></u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Additional paid-in capital	\$ 609,303	545,657
Employee stock options	259,401	233,624
Restricted employee stock options	150,548	150,209
Long-term investment	<u>357,825</u>	<u>303,000</u>
	<u><b>\$ 1,377,077</b></u>	<u><b>1,232,490</b></u>

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

(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the 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 according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for resolution.

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

1) Legal reserve

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the stockholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. As of December 31, 2018 and 2017, the carrying amount of special reserve both amounted to \$97,300.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

On May 30, 2018 and May 25, 2017, the shareholders' meeting resolved to distribute the Company's 2017 and 2016 earnings at a price of NT\$3.2 and NT\$2.5 (dollars) per share amounting to \$1,430,068 and \$1,111,886, respectively.

(t) Share-based payment

(i) Employee stock options and share-based payment

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

a) Exercise period:

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

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

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- 2) Based on the resolution approved in the board of directors' meeting of Primax Holdings held on December 31, 2007, Primax Holdings declared an incentive plan to grant the right to some employees of the Company to participate in the subscription of the non-voting ordinary shares of Primax Holdings. The transaction is a kind of equity-settled share-based payment agreement, and the equity instruments under this agreement were vested at the date of grant. Primax Holdings recognized the compensation cost by using the fair value method. The difference in value between the net value per share of Primax Holdings determined at the grant date and the exercise price per share was recognized as cost of long-term investment in the Company by Primax Holdings in 2007, and was recognized as compensation cost and capital surplus by the Company. Based on the resolution approved in the board of directors' meeting of Primax Holdings held in April 2008, Primax Holdings amended the share-based payment agreement mentioned above, and consequently, the non-voting ordinary shares were replaced by options to purchase them. The amendment had no impact on the accompanying financial statements.
- 3) In addition, Primax Holdings declared an incentive plan to grant stock options to employees of the Company in January, May and November 2008 to participate in the subscription of the non-voting ordinary shares of Primax Holdings. Some of the options are vested at the grant date; the others are vested from two years to five years after the grant date. Primax Holdings recognized the compensation cost by using the fair value method as cost of long-term investment in the Company, and the Company correspondingly recognized it as compensation cost and capital surplus.
- 4) Based on the resolution approved in the board of directors' meetings of Primax Holdings and the Company held in December 2008, the Company issued employee stock options in exchange for part of the unvested or unexercised employee stock options issued by Primax Holdings. Specifically, 2.94 units of employee stock options were issued by the Company in exchange for 1 unit of the employee stock options issued by Primax Holdings. Each unit of the Company's options could be converted into 1 common share of the Company. The exercise price of Primax Holdings' options is USD0.2 per unit; the exercise price of the Company's options is NT\$11.42 (dollars) per unit after the modification. Meanwhile, the Company granted a certain amount of retention bonus to employees at the modification date, and the Company shall pay the retention bonus when the Company's stock options are exercised. The other terms and conditions of the employee stock options are not changed. According to the modification, the Company decreased the capital surplus by \$118,089, and recognized a corresponding increase in retention bonus payable (recorded as salaries payable) on December 30, 2008. The incremental fair value of \$55,308 resulting from the modification will be recognized as compensation cost over the remainder of the vesting period.
- 5) In accordance with the revised employee stock option plan mentioned above, the Company issued 9,545,248 units of employee stock options in November 2009. Each unit could be converted into 1 ordinary share of the Company.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- 6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 ordinary shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to \$11,072 in 2017.
- 7) As of December 31, 2018, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

	Plan 3 (note)			
	Plan 1 (note)	Plan 2 (note)	Issued in November 2011	Issued in October 2012
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	11.42	11.42	16.20	24.10
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~November 11, 2017)	5 years (November 24, 2011~November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

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

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

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

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

Period of stock options	Plan 1	Plan 2
Exercise price of Primax Holdings's stock options (USD)	0.20	0.20
Expected time until expiration (years)	2.37~5	6~8
Stock price per share of Primax Holding (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665%	2.509%~2.538%

(Continued)

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

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

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

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

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

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- 9) There is no compensatory employee stock option plans for the year ended December 31, 2018. The related information on compensatory employee stock option plans for the year ended December 31, 2017 was as follows:

	2017	
	Weighted-average exercise price	Stock options (in thousands)
Outstanding on January 1	22.16	957
Granted during the year	-	-
Forfeited during the year	15.21	(301)
Exercised during the year	24.23	(656)
Expired during the year	-	-
Outstanding on December 31	-	-
Exercisable on December 31	-	-

- 10) As at December 31, 2018, the Group had 2 share-based payment arrangements as follows:

	Employee stock options (note)		Employee stocks ownership plans
	November 2014	July 2015	September 2017
	November 18, 2014	July 1, 2015	September 29, 2017
Grant date			
Exercise price	\$15.74	\$18.82	CNY\$1.1952
Granted units (thousand)	700	2,750	40,310
Service period	5 years	5 years	15 years
Vesting period	3 ~4 years	3 ~5 years	12 months after Tymphany Huizhou listed

Note: The Group has terminated the employee stock option plan in 2017.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The Group measured the fair value of the 2 aforementioned share-based payment. The measurement basis of the fair value were as follows:

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

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

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

(ii) Restricted stock

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

	Plan 1 (note 1)				Plan 2 (note 1)		Plan 3 (note 1)		Plan 4 (note 1)	
	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80	75.40	76.70	46.85
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775	2,450	550	1,100	900
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3 years (note 2 and 3)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)

(Continued)

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

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

Plan 3 –After the shareholders’ meeting on June 20, 2016, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company’s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors’ meeting resolved to issue 2,450 thousand shares and 550 thousand shares on January 23 and August 10, 2017, respectively.

Plan 4 –After the shareholders’ meeting on May 25, 2017, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company’s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors’ meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

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

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

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

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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2) The related information on restricted stock of the Company was as follows:

(Thousand shares)	<u>2018</u>	<u>2017</u>
Outstanding on January 1	3,934	1,771
Granted during the year	2,000	3,000
Vesting during the year	(1,725)	(743)
Expired during the year	(893)	(94)
Outstanding on December 31	<u>3,316</u>	<u>3,934</u>

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

	<u>2018</u>	<u>2017</u>
Expenses attributable to employee stock options	\$ 38,379	13,676
Restricted stock	84,615	79,420
Total	<u>\$ 122,994</u>	<u>93,096</u>

(u) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2018 and 2017, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	<u>2018</u>	<u>2017</u>
Profit attributable to owners of parent	\$ <u>1,826,870</u>	<u>2,057,415</u>
Weighted-average number of ordinary shares (thousand shares)	<u>443,011</u>	<u>440,907</u>
Basic earnings per share (NT dollars)	<u>4.12</u>	<u>4.67</u>

Weighted-average number of ordinary shares (thousand shares)

	<u>2018</u>	<u>2017</u>
Ordinary shares at January 1	441,754	440,363
Exercise of employee stock options	107	152
Vesting of restricted stock	1,150	392
Ordinary shares at December 31	<u>443,011</u>	<u>440,907</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2018 and 2017, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	<u>2018</u>	<u>2017</u>
Profit attributable to owners of parent	\$ <u>1,826,870</u>	<u>2,057,415</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>446,153</u>	<u>444,486</u>
Diluted earnings per share (NT dollars)	<u>4.09</u>	<u>4.63</u>

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

	<u>2018</u>	<u>2017</u>
Weighted-average number of ordinary shares on December 31 (basic)	443,011	440,907
Effect of employee stock options	12	529
Estimated effect of employee stock bonuses	1,650	1,117
Effect of restricted stock	1,480	2,293
Weighted-average number of ordinary shares on December 31 (diluted)	<u>446,153</u>	<u>444,846</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 21,371,675	41,186,680	62,558,355
Service rendered	222,866	2,030,187	2,253,053
	<u>\$ 21,594,541</u>	<u>43,216,867</u>	<u>64,811,408</u>

	<u>2018</u>
Mainland China	\$ 30,476,783
Europe	17,498,442
America	16,752,178
Other	84,005
	<u>\$ 64,811,408</u>

For details on revenue for the year ended December 31, 2017, please refer to note 6(w).

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## (ii) Contract balances

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 16,967,755	13,300,434
Less: allowance for impairment	<u>(45,467)</u>	<u>(127,640)</u>
	<u>\$ 16,922,288</u>	<u>13,172,794</u>
Contract liabilities	<u>\$ 106,018</u>	<u>74,182</u>

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

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$29,211.

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.

## (w) Operating revenue

The details of operating revenue for the year ended December 31, 2017, was as follows:

	<u>2017</u>
Goods sold	\$ 59,409,145
Services rendered	<u>1,332,547</u>
Total	<u>\$ 60,741,692</u>

## (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 years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Employee remuneration	\$ 64,439	68,182
Directors' remuneration	<u>32,219</u>	<u>34,094</u>
	<u>\$ 96,658</u>	<u>102,276</u>

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

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

	<u>2017</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration–Cash	\$ 68,260	68,182	(78)
Director's remuneration	34,000	34,094	94
	<u>2016</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration–Cash	\$ 74,000	74,000	-
Director's remuneration	36,800	36,803	3

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

## (y) Other income

The details of other income were as follows:

	<u>2018</u>	<u>2017</u>
Interest income from bank deposits	\$ 112,306	110,012
Rent income	4,813	8,423
Dividend income	13,437	23,325
Other	<u>2,489</u>	<u>1,607</u>
	<u>\$ 133,045</u>	<u>143,367</u>

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## (z) Other gains and losses

The details of other gains and losses were as follows:

	<u>2018</u>	<u>2017</u>
Net gains (losses) on financial assets/liabilities measured at FVTPL	\$ 124,336	76,196
Foreign currency exchange gains (losses), net	89,636	(20,520)
Net losses on disposal of property, plant and equipment	(11,843)	(77,548)
Net gains on disposal of available-for-sale financial assets	-	330,887
Other	147,191	232,015
	<u>\$ 349,320</u>	<u>541,030</u>

## (aa) Reclassification adjustments of components of other comprehensive income

The reclassification adjustment for other comprehensive income was as follows:

	<u>2018</u>	<u>2017</u>
<b>Unrealized gains or losses of available-for-sale financial assets (after tax)</b>		
Net change in fair value	\$ -	(1,090)
Net change in fair value reclassified to profit or loss	-	(330,887)
Net change in fair value recognized in other comprehensive income	<u>\$ -</u>	<u>(331,977)</u>

## (ab) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

## 2) Concentration of credit risk

For information on the Group's concentration of credit risk, please refer to note 6(ac).

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## (ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</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	36,249	36,069	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>23,483,353</u>	<u>36,069</u>	<u>44,934</u>	<u>79,985</u>	<u>326,341</u>
<b>December 31, 2017</b>							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 995,638	997,078	997,078	-	-	-	-
Notes and accounts payable	16,350,178	16,350,178	16,350,178	-	-	-	-
Other payables	2,858,327	2,858,327	2,858,327	-	-	-	-
Long-term borrowings	218,888	221,752	108,721	28,532	56,677	27,822	-
Guarantee deposits	174,167	174,167	-	-	-	-	174,167
Derivative financial liabilities:	103,107	-	-	-	-	-	-
Outflow	-	3,187,373	3,187,373	-	-	-	-
Inflow	-	(3,089,268)	(3,089,268)	-	-	-	-
	<u>\$ 20,700,305</u>	<u>20,699,607</u>	<u>20,412,409</u>	<u>28,532</u>	<u>56,677</u>	<u>27,822</u>	<u>174,167</u>

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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## (iii) Currency risk

## 1) Exposure to foreign currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>						
<b>Monetary items</b>						
USD:CNY	\$ 693,693	6.8632	21,319,228	529,047	6.5340	15,790,922
USD:HKD	345,578	7.8329	10,620,661	262,270	7.8170	7,828,236
USD:TWD	327,612	30.7330	10,068,493	361,298	29.8480	10,784,026
USD:EUR	-	-	-	20,037	0.8375	598,060
EUR:CZK	26,723	25.8382	939,038	-	-	-
<b>Financial liabilities</b>						
<b>Monetary items</b>						
USD:CNY	458,490	6.8632	14,090,776	412,867	6.5342	12,323,269
USD:HKD	347,734	7.8329	10,686,902	259,738	7.8170	7,752,673
USD:TWD	381,283	30.7330	11,717,967	345,140	29.8480	10,301,737
USD:EUR	-	-	-	7,203	0.8375	214,983
EUR:CZK	12,392	25.8382	435,470	-	-	-

## 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY, HKD and EUR against the USD as well as CZK against the EUR as of December 31, 2018 and 2017, would have increased or decreased the net profit before tax by \$300,815 and \$220,429, 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 years ended December 31, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain \$89,636 and loss \$20,520, respectively.

## (iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the profit before tax would have increased or decreased by \$8,687 and \$16,508 for the years ended December 31, 2018 and 2017, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

## (v) Other price risk:

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

<b>Price of securities at the reporting date</b>	<b>2018</b>	<b>2017</b>
	<b>Other comprehensive income before tax</b>	<b>Other comprehensive income before tax</b>
Increasing 10%	\$ 23,274	-
Decreasing 10%	\$ (23,274)	-

## (vi) Fair value

## 1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2018			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>115,608</u>	-	-	115,608	115,608
Financial assets at FVOCI– non-current	\$ <u>268,088</u>	232,737	-	35,351	268,088

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	December 31, 2018				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
<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	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>				
	December 31, 2017				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL – current</b>	<u>\$ 141,151</u>	-	-	141,151	141,151
<b>Available-for-sale financial assets – non-current</b>	<u>\$ 402,997</u>	-	-	402,997	402,997
<b>Loans and receivables:</b>					
Cash and cash equivalents	\$ 7,821,011				
Notes and accounts receivable (including related parties)	13,120,118				
Other receivables	737,687				
Refundable deposits	<u>90,805</u>				
Total	<u>\$ 21,769,621</u>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 103,107</u>	-	-	103,107	103,107

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	December 31, 2017				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 1,214,526				
Notes and accounts payable	16,350,178				
Other payables	3,991,128				
Salaries payable	1,105,153				
Guarantee deposits	<u>174,167</u>				
Total	<u>\$ 22,835,152</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 (available-for-sale financial assets) are investments in domestic or foreign non-listed stock. The fair value is based on the market approach of comparable business. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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3) Transfers between Level 1 and Level 3

The Group holds an investment in equity shares of Global TEK, which is classified as FVOCI (available-for-sale financial assets), with a fair value of \$232,737 and \$374,680 on December 31, 2018 and 2017, respectively. The fair value of the investment was previously categorized as Level 3 on December 31, 2017. This was because the shares were not based on quoted market price and the fair value was based on the significant unobservable inputs. In February, 2018, Global TEK listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy for the year ended December 31, 2018.

4) Reconciliation of Level 3 fair values

	2018			2017		
	FVTPL	FVOCI (available-for-sale financial assets)	Total	FVTPL	Available for sale financial assets	Total
Balance on January 1	\$ 38,044	402,997	441,041	(9,113)	301,397	292,284
Recognized in profit or loss	95,628	-	95,628	38,044	-	38,044
Recognized in other comprehensive income	-	(13,514)	(13,514)	-	88,128	88,128
Acquisition /disposal	(38,044)	6,773	(31,271)	9,113	13,472	22,585
Transfer out of Level 3	-	(360,905)	(360,905)	-	-	-
<b>Balance on December 31</b>	<b>\$ 95,628</b>	<b>35,351</b>	<b>130,979</b>	<b>38,044</b>	<b>402,997</b>	<b>441,041</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 (available-for-sale financial assets) – equity securities. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets – equity securities not listed on emerging stock market	Guideline Public Company method	Lack-of-Marketability Discount (10% on December 31, 2017)	The Higher the Lack-of-Marketability Discount is, the lower the fair value will be
Financial assets at FVOCI (Available-for-sale financial assets) – equity investment without an active market	(note 1)	(note 1)	(note 1)

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Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
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.

6) Sensitivity analysis for fair values of financial instruments using Level 3 Inputs

The Group fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on net income or loss and other comprehensive income or loss are as follows:

December 31, 2017	Input	Variation	Other comprehensive income	
			Advantageous changes	Disadvantageous changes
Available-for-sale financial assets-equity securities listed on emerging stock market	Discount of lack Marketability	±10%	\$ <u>37,468</u>	<u>(37,468)</u>

(ac) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Cash and cash equivalents

The Group had deposited \$4,314,090 (including restricted deposits) in the Bank of Taiwan and 12 other financial institutions, and \$7,282,716 (including restricted deposits) in HSBC Bank and 16 other financial institutions, representing 10% and 19% of total assets, as of December 31, 2018 and 2017, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Notes and accounts receivable

There were no sales to individual customers constituting over 10%% of total revenue for the years ended December 31, 2018 and 2017. Since the Group has a large customers base, as well as transacts with multiple customer, there is no significant concentration of credit risk in accounts receivable. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables on a regular basis.

3) Derivative instruments

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(iv) Liquidity risk

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

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused bank facilities of \$21,333,665 and \$17,453,299 as of December 31, 2018 and 2017, respectively.

(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

3) Other market price risk

The Group is exposed to equity price risk due to the investments in listed equity securities. Those equity securities are strategic investments and is not held for trading.

(ad) Capital management

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

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

The Group's debt ratio as of December 31, 2018 and 2017, was 65% and 66%, respectively.

**(7) Related-party transactions:**

(a) Names and relationship of the related parties

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

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

(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	
	2018	2017	December 31, 2018	December 31, 2017
Other related parties	\$ 637,008	273,551	539,820	105,911

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

(ii) Purchase

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

	Purchase		Notes and accounts payables	
	2018	2017	December 31, 2018	December 31, 2017
Other related parties	\$ 51,664	-	94,106	-

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.

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

The other payables arising from rent and utilities paid by other related parties in advanced amounted to \$35,062 on December 31, 2018.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 166,050	155,349
Post-employment benefits	5,593	1,111
Share-based payments	35,893	40,783
	<u>\$ 207,536</u>	<u>197,243</u>

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

**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Other current assets – restricted assets	Guarantee letters issued by bank	\$ 16,633	-
Other non-current assets – restricted assets	Guarantee letters issued by bank	\$ 58,311	1,142
Property, plant and equipment	Loan collateral	\$ 271,252	-

**(9) Significant commitments and contingencies:**

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

December 31, 2018	December 31, 2017
\$ 921,990	298,480

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

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

	December 31, 2018	December 31, 2017
Guarantee letters	\$ 224,384	173,837

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

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

	December 31, 2018	December 31, 2017
Sales of accounts receivable	\$ <u>660,144</u>	<u>724,878</u>
Long-term borrowings	\$ <u>433,995</u>	<u>880,000</u>

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

	December 31, 2018	December 31, 2017
Property, plant and equipment	\$ <u>110,620</u>	<u>41,209</u>

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

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

**(11) Subsequent events: None**

**(12) Other:**

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

By item	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	3,569,667	3,246,463	6,816,130	3,431,156	2,805,559	6,236,715
Labor and health insurance	129,290	163,543	292,833	108,800	133,246	242,046
Pension	235,323	123,493	358,816	224,062	115,015	339,077
Others	151,164	196,368	347,532	78,218	166,846	245,064
Depreciation	1,168,409	148,842	1,317,251	1,198,737	114,845	1,313,582
Amortization	20,033	276,942	296,975	17,730	181,426	199,156

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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**(13) Other disclosures:**

- (a) Information on significant transactions:

The following 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	423,944	357,703	357,703	-	Necessary to loan to other parties	-	Operating capital	-	-	-	876,698	876,698
2	TYM HK	TYM Acoustic HK	Other receivables	"	761,124	647,944	647,944	2%	"	-	Investment capital	-	-	-	902,267	902,267
3	AIC	AME	Other receivables	"	139,671	138,611	14,930	-	"	-	Necessary to short-term loan	-	-	-	257,620	515,239
"	"	ALT (Shanghai)	Other receivables	"	339,086	193,937	193,937	-	"	-	"	-	-	-	257,620	515,239
"	"	DAC	Other receivables	"	30,731	-	-	-	"	-	"	-	-	-	257,620	515,239
4	ALT (Shanghai)	ALTI	Other receivables	"	16,103	15,981	15,981	-	"	-	"	-	-	-	36,962	73,925
5	ALTI	AME	Other receivables	"	15,312	-	-	-	"	-	"	-	-	-	-	-

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 either AIC, ALT (Shanghai), ALTI in their latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of either the subsidiaries mentioned above in their 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.	3,487,746	322,676	307,330	337	-	2.64 %	9,300,657	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,613,962	131,912	-	-	-	-	4,303,898	-	-	Y
"	"	PKS1	"	1,613,962	164,890	-	-	-	-	4,303,898	-	-	Y

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.

Note 2: The amount of the guarantee to a company shall not exceed 30% of the PCH2 net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the PCH2 net worth in the latest financial statements.

Note 3: The above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated financial statements.

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

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Shares:									
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	359	3.59	
	WK Technology Fund IV LTD.	-	"	161	1,076	0.38	1,076	230	0.38	
	Changing Information Technology Inc.	-	"	179	2,102	1.62	2,102	179	1.62	
	Formosoft	-	"	11	-	0.41	-	53	0.76	
	International Inc. Syntronix Corp.	-	"	6	49	0.02	49	6	0.02	
	Ricavision	-	"	917	-	2.04	-	917	2.04	
	International Inc. Global TEK	-	"	5,338	232,737	8.09	232,737	5,510	9.18	
	Grove Ventures L.P.	-	"	-	27,660	2.73	27,660	-	2.73	
					<u>263,624</u>					
Primax Tech.	Shares:									
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	400	11.90	
	WK Global Investment III Ltd.	-	"	425	4,464	1.32	4,464	473	1.32	
					<u>4,464</u>					

(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
The Company	Shares: Diamond	Investment accounted for using equity method	Initial Offerings	Subsidiary	84,050	3,089,647	45,000	1,372,500	-	-	-	-	129,050	4,919,879 (note 1)
"	Primax AE	"	"	"	-	-	48,200	1,431,540	-	-	-	-	48,200	1,342,459 (note 1)
Diamond	TWEL	"	"	"	55,001	3,187,565	137,250	1,372,500	-	-	-	-	192,251	5,175,938 (note 1)
Primax AE	AIC	"	"	None	-	-	30	1,356,996	-	-	-	-	30	1,281,726 (note 1)
TWEL	Tymphony Huizhou (note 3)	"	"	Subsidiary	-	1,514,469	-	1,372,500	-	-	-	-	291,493	3,421,676 (note 1)
Tymphony Huizhou	TYM Acoustic HK	"	"	"	5,000	147,011	180,536	670,457	-	-	-	-	185,536	998,681 (note 1)
PCH2	Money market fund of RMB	Financial assets at FVTPL	"	None	-	-	-	3,988,376	-	3,998,966	3,983,786	10,590 (note 2)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	1,690,988	-	1,694,990	1,688,396	4,002 (note 2)	-	-
PKS1	Money market fund of RMB	"	"	"	-	-	-	505,424	-	508,814	506,719	3,390 (note 2)	-	-

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

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
Tymphony Huizhou	Money market fund of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	1,366,243	-	1,368,946	1,366,146	2,703 (note 2)	-	-
Tymphony Dongguan	Money market fund of RMB	"	"	"	-	-	-	684,185	-	684,550	683,808	365 (note 2)	-	-

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

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

Note 3: Premium Loudspeakers (Huizhou) Co., Ltd. was reclassified from "Limited Company" to "Company Limited by Shares". Also, it was renamed to Tymphony Acoustic Technology (Huizhou) Co., Ltd. based on the resolution approved during the special shareholders' meeting held on December 11, 2018.

- (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	Purchase/Sale	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				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	133,071	- %	60 days	Price agreed by both side	The same as general purchasing	(38,677)	-%	note 2
"	PCH2	The subsidiary of Primax HK	Purchase	23,829,269	77 %	"	"	"	(7,023,821)	(67)%	"
"	PKS1	"	Purchase	1,553,080	5 %	"	"	"	(778,471)	(7)%	"
"	PCQ1	"	Purchase	6,334,904	20 %	"	"	"	(2,634,243)	(25)%	"
"	Polaris	The subsidiary of Primax Tech	(Sale)	(2,764,053)	(8) %	90 days	"	The same as general selling	105,221	1%	"
Primax Cayman	The Company	Parent	(Sale)	(133,071)	(100) %	60 days	"	"	38,677	100%	"
"	PCH2	The subsidiary of Primax HK	Purchase	133,071	100 %	"	"	The same as general purchasing	(25,062)	(100)%	"
PCH2	The Company	The parent of Primax Cayman	(Sale)	(23,829,269)	(89) %	"	"	The same as general selling	7,023,821	92%	"
"	Primax Cayman	The parent of Primax HK	(Sale)	(133,071)	- %	"	"	"	25,062	-%	"
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,553,080)	(99) %	"	"	"	778,471 (note 1)	99%	"
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(6,334,904)	(90) %	"	"	"	2,634,243	94%	"
Polaris	The Company	The parent of Primax Tech.	Purchase	2,764,053	100 %	90 days	"	The same as general purchasing	(105,221)	100%	"
Tymphony Huizhou	Tymphony Dongguan	Subsidiary	Purchase	263,903	3 %	60 days	"	The same as general purchasing	(197,332)	(6)%	"
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(9,742,133)	(97) %	"	"	The same as general selling	4,427,801	98%	"
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	550,933	5 %	"	"	The same as general purchasing	(218,622)	(5)%	"
"	Tymphony Huizhou	Parent	(Sale)	(263,903)	(2) %	"	"	The same as general selling	197,332	4%	"

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**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)
Tymphony Dongguan	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(165,619)	(1) %	60 days	Price agreed by both side	The same as general selling	164,903	3%	note 2
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(11,456,347)	(95) %	"	"	"	5,091,729	92%	"
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	200,935	9 %	"	"	The same as general purchasing	(103,139)	(14)%	"
"	TYM HK	"	(Sale)	(2,303,764)	(100) %	"	"	The same as general selling	733,974	100%	"
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,101,989	92 %	90 days	"	The same as general purchasing	(821,495)	(80)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	165,619	7 %	60 days	"	"	(164,903)	(16)%	"
"	TYM Acoustic Europe	Subsidiary	(Sale)	(189,410)	(9) %	"	"	The same as general selling	174,259	22%	"
TYM Acoustic Europe	TYM Acoustic HK	Parent	Purchase	189,410	9 %	"	"	The same as general purchasing	(174,259)	(23)%	"
"	"	Parent	(Sale)	(2,101,989)	(96) %	90 days	"	The same as general selling	821,495	92%	"
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	9,742,133	41 %	60 days	"	The same as general purchasing	(4,427,801)	(43)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	11,456,347	48 %	"	"	"	(5,091,729)	(49)%	"
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,303,764	10 %	"	"	"	(733,974)	(7)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	(Sale)	(550,933)	(2) %	"	"	The same as general selling	218,622	3%	"
"	TYML	Subsidiary	(Sale)	(223,778)	(1) %	90 days	"	"	35,475	-%	"
"	TYDC	The subsidiary of Tymphony Dongguan	(Sale)	(200,935)	(1) %	60 days	"	"	103,139	1%	"
"	Specialty	Other related party	(Sale)	(443,794)	(2) %	90 days	"	"	128,027	2%	"
TYML	TYM HK	Parent	Purchase	223,778	95 %	"	"	The same as general purchasing	(35,475)	(100)%	note 2
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	339,022	80 %	"	"	"	(234,471)	(90)%	"
"	DAT	The subsidiary of AIC	(Sale)	(170,610)	(33) %	"	"	The same as general selling	85,428	12%	"
"	DAC	Other related party	(Sale)	(248,972)	(49) %	120 days	"	"	291,175	40%	"
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(339,022)	(65) %	90 days	"	"	234,471	40%	"
"	ALT	Subsidiary	(Sale)	(134,706)	(26) %	"	"	"	101,621	17%	"
ALT	ALT (Shanghai)	Parent	Purchase	134,706	70 %	"	"	The same as general purchasing	(101,621)	(64)%	"
DAT	AME	The subsidiary of AIC	Purchase	170,610	100 %	"	"	"	(85,428)	100%	"
"	DAC	Other related party	(Sale)	(100,537)	(39) %	"	"	The same as general selling	112,192	100%	"

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

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

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

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	105,221 (note 2)	43.38	-	-	105,221	-
PCH2	The Company	The parent of Primax Cayman	7,023,821 (note 2)	3.62	-	-	7,023,821	-
PKS1	The Company	The parent of Primax Cayman	778,471 (note 2)	2.59	357,703	Reclassify to Long-term payable, and enhance the control of receivables	555,119	-
PCQ1	The Company	The parent of Primax Cayman	2,634,243 (note 2)	2.89	-	-	1,871,395	-
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	4,427,801 (note 2)	3.08	-	-	4,307,859	-
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	5,091,729 (note 2)	2.30	-	-	2,397,968	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	164,903 (note 2)	1.87	-	-	-	-
"	Tymphony Huizhou	Parent	197,332 (note 2)	2.07	-	-	1,232	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	733,974 (note 2)	5.76	-	-	733,974	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	174,259 (note 2)	1.78	-	-	18,010	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	821,495 (note 2)	3.34	-	-	821,495	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	218,622 (note 2)	1.89	-	-	113,246	-
"	TYDC	The subsidiary of Tymphony Dongguan	103,139 (note 2)	1.23	-	-	78,435	-
"	Specialty	Other related party	128,027 (note 2)	3.79	-	-	49,763	-
AMEC	ALT (Shanghai)	The subsidiary of AIC	329,190 (note 2)	0.23	-	-	-	-
"	DAC	Other related party	291,175 (note 2)	0.85	-	-	6,516	-
ALT (Shanghai)	AMEC	The subsidiary of AIC	234,471 (note 2)	1.89	-	-	15,635	-
"	ALT	The subsidiary of AIC	101,621 (note 2)	2.61	-	-	45,642	-
DAT	DAC	Other related party	112,192 (note 2)	1.83	-	-	-	-

Note 1: Amounts were collected as of March 28, 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			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
0	The Company	Primax Cayman	Subsidiary	Purchase	133,071	Price agreed by both sides	0.21 %
"	"	PCH2	The subsidiary of Primax HK	Purchase	23,829,269	Price agreed by both sides	36.77 %
"	"	"	"	Accounts Payable	7,023,821	60 days	16.26 %
"	"	PKS1	"	Purchase	1,553,080	Price agreed by both sides	2.40 %
"	"	"	"	Accounts Payable	778,471	60 days	1.80 %
"	"	PCQ1	"	Purchase	6,334,904	Price agreed by both sides	9.77 %
"	"	"	"	Accounts payable	2,634,243	60 days	6.10 %
"	"	Polaris	The subsidiary of Primax Tech	Sale	2,764,053	Price agreed by both sides	4.26 %
"	"	"	"	Accounts receivable	105,221	90 days	0.24 %
1	Primax Cayman	PCH2	The subsidiary of Primax HK	Purchase	133,071	Price agreed by both sides	0.21 %
2	Tymphony Huizhou	Tymphony Dongguan	Subsidiary	Purchase	263,903	Price agreed by both sides	0.41 %
"	"	"	"	Accounts payable	197,332	60 days	0.46 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	9,742,133	Price agreed by both sides	15.03 %
"	"	"	"	Accounts receivable	4,427,801	60 days	10.25 %
3	Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	550,933	Price agreed by both sides	0.85 %
"	"	"	"	Accounts payable	218,622	60 days	0.51 %
"	"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	Sale	165,619	Price agreed by both sides	0.26 %
"	"	"	"	Accounts receivable	164,903	60 days	0.38 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	11,456,347	Price agreed by both sides	17.68 %
"	"	"	"	Accounts receivable	5,091,729	60 days	11.79 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	200,935	Price agreed by both sides	0.31 %
"	"	"	"	Accounts payable	103,139	60 days	0.24 %
"	"	"	"	Sale	2,303,764	Price agreed by both sides	3.55 %
"	"	"	"	Accounts receivable	733,974	60 days	1.70 %

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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			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,101,989	Price agreed by both sides	3.24 %
"	"	"	"	Accounts payable	821,495	90 days	1.90 %
"	"	"	"	Sale	189,410	Price agreed by both sides	0.29 %
"	"	"	"	Accounts receivable	174,259	60 days	0.40 %
6	TYM HK	TYML	Subsidiary	Sale	223,778	Price agreed by both sides	0.35 %
7	AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	339,022	Price agreed by both sides	0.52 %
"	"	"	"	Accounts payable	234,471	90 days	0.54 %
"	"	"	"	Accounts receivable	329,190	90 days	0.76 %
"	"	DAT	The subsidiary of AIC	Sale	170,610	Price agreed by both sides	0.26 %
8	ALT (Shanghai)	ALT	"	Sale	134,706	Price agreed by both sides	0.21 %
"	"	"	"	Accounts receivable	101,621	90 days	0.24 %

Note 1: Disclosure of the amounts exceeding of NTS100 million.

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

## (b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands) of ownership	Percentage of ownership	Carrying value	Shares (thousands) of ownership	Percentage of ownership			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,636,655	8,147,636	100.00	529,064	613,089	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,224,779	285,067	100.00	172,257	228,002	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	13,945	1,050	100.00	(214)	(214)	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,539	0.5	100.00	358	358	
"	Diamond	Cayman Islands	Holding company	3,889,798	2,517,298	129,050	100.00	4,919,879	129,050	100.00	581,844	581,844	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	11,008	300	100.00	1,051	1,051	
"	Primax AE	Cayman Islands	Holding company	1,431,540	-	48,200	100.00	1,342,459	48,200	100.00	(91,159)	(91,159)	
	Total			8,806,648	6,002,608			14,166,264			1,193,201	1,332,971	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,764,249	602,817	100.00	529,018	529,018	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	392,566	1,600	100.00	7,883	7,883	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	2,711,450	192,251	100.00	5,175,938	192,251	100.00	662,173	588,057	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	-	30	37.00	1,281,726	30	37.00	(238,124)	(80,790)	

(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 December 31, 2018			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
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	19,497	185,536	100.00	998,681	185,536	100.00	131,524	131,524	
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	902,267	144,395	100.00	342,779	342,779	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	12,777	0.5	100.00	4,238	4,238	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	17,002	400	100.00	926	926	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	744,853	187,800	100.00	24,867	24,867	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	-	5,000	100.00	61,210	5,000	100.00	11,412	11,412	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	6,968	200	100.00	(1,669)	13,588	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	274,733 (note 2)	-	10	100.00	238,289	10	100.00	(37,468)	(37,468)	
"	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	-	30,789	100.00	454,334	30,789	100.00	(9,341)	(9,341)	
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	100.00	2	-	100.00	109	109	

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.  
Note 2: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through AIC.  
Note 3: Related investments have been eliminated during the preparation of the consolidated financial statements.

(Continued)

**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, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,996,871	Indirect investment through Primax Cayman and Primax Tech.	1,636,597	-	-	1,684,161	487,200	100%	100%	487,200	5,379,873	-
Destiny Beijing	Research and development of computer peripheral devices and software	39,557	Indirect investment through Destiny BVI.	31,340	-	-	32,270	(214)	100%	100%	(214)	13,940	-
PKS1	Manufacture of computer, peripherals and keyboards	874,363	Indirect investment through Primax Cayman	656,656	-	-	676,126	27,532	100%	100%	27,532	876,698	-
PCQ1	Manufacture of computer, peripherals and keyboards	561,180	"	596,960	-	-	614,660	176,502	100%	100%	176,502	1,229,771	-
Tymphony Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,822,397	Indirect investment through Diamond	2,507,232	1,372,500	-	3,964,557	906,940	71.43%	71.43%	538,122	3,421,676	-
Tymphony Dongguan	"	153,665	Indirect investment through Diamond	14,924	-	-	15,367	198,659	71.43%	71.43%	151,556	397,777	-
TYDC	"	89,558	"	-	-	-	-	27,853	71.43%	71.43%	18,196	87,785	-
ALT (Shanghai)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	462,532	Indirect investment through Primax AE	-	152,500	-	153,665	(152,409)	36.88%	36.88%	(56,205)	67,931	-
ALT	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	252,435	"	-	214,781	-	215,131	(48,540)	36.98%	36.98%	(17,951)	54,785	-

(Continued)

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Yu-Ke Technology	Development, transfer, consultation and rendering of electronic technology services, as well as the sale of instrumentation, mechanical equipment and components	4,478	Indirect investment through Primax AE	-	-	-	-	-	12.91%	12.91%	-	(236)	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9236 ; USD:TWD 30.733; CNY:TWD 4.4779.

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: Related investments have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,441,230	8,710,881	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, Destiny Beijing, PKS1, PCQ1, ALT (Shanghai), ALT, and Yu-Ke Technology which were based on financial statements audited by the Company's auditors, others were based on the audited results of other 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, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

**(14) Segment information:**

(a) General information

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

(Continued)

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

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

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

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

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

For the years ended December 31, 2018 and 2017, the Group's segment financial information was as follows:

	2018		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 21,594,541	43,216,867	64,811,408
Intra-group revenue	-	-	-
Total segment revenue	\$ <u>21,594,541</u>	<u>43,216,867</u>	<u>64,811,408</u>
Profit before tax from segments reported	\$ <u>956,547</u>	<u>1,407,655</u>	<u>2,364,202</u>
	2017		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 20,628,258	40,113,434	60,741,692
Intra-group revenue	-	-	-
Total segment revenue	\$ <u>20,628,258</u>	<u>40,113,434</u>	<u>60,741,692</u>
Profit before tax from segments reported	\$ <u>1,397,982</u>	<u>1,449,598</u>	<u>2,847,580</u>

(Continued)

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

(c) Geographic information

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

<b><u>Geographic Information</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Revenues from external customers:		
China	\$ 30,476,783	32,911,250
Europe	17,498,442	11,147,632
America	16,752,178	13,508,587
Other	84,005	3,174,223
Total	<b><u>\$ 64,811,408</u></b>	<b><u>60,741,692</u></b>
	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>2018</u></b>	<b><u>2017</u></b>
Non-current assets:		
China	\$ 6,077,001	4,309,012
Taiwan	820,837	358,412
Other	3,726,460	2,904,466
Total	<b><u>\$ 10,624,298</u></b>	<b><u>7,571,890</u></b>

(d) Major customer information

The Group's revenues from a single customer did not exceed 10% of operating revenue in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, so the Group does not disclose any information on major customers.

The 2018 proprietary financial statements and notes (**B**) had been audited by the CPAs

**PRIMAX ELECTRONICS LTD.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2018 and 2017**

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

The independent auditors' report and the accompanying parent company only 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' report and parent company only financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the parent company only financial statements of PRIMAX ELECTRONICS LTD. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of certain investments accounted for using equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the reports of the other auditors. The Company's investment in these companies constituting 13% and 6% of the total assets, as of December 31, 2018 and 2017, respectively. The related share of profit of associates accounted for using the equity method amounted constituting 31% and 17% of the profit before tax, for the years ended December 31, 2018 and 2017, respectively.

### Key Audit Matters

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

#### 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

#### 2. Acquisition of investments accounted for using equity method

Please refer to Note 4(i) "Business combination" and Note 6(h) "Acquisition of subsidiaries".

Description of key audit matter:

In 2018, the Company obtained control over Belfast Limited (renamed as ALT International Co., Ltd (Cayman) after the acquisition) which became its sub-subsidiary through its subsidiary, Primax AE (Cayman) Holdings Ltd. This merger is deemed as a non-routine and significant transaction for the year 2018 and will influence the users' comprehension on the financial statements. Therefore, the acquisition of investments accounted for using equity method is one of the key audit matters for the audit of the parent company only financial statement.

How the matter was addressed in our audit:

The principal audit procedures on the acquisition of investments accounted for using equity method includes: determining whether the above transaction is in compliance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the internal control regulations; reading the contracts to obtain a deeper understanding about the counter-party, price and other information; reviewing the payments, registration of shares amendment and other external document; appointing our internal expert to review the purchase price allocation report of shares, and assessing the reasonability of assumptions.

#### 3. Investments accounted for using equity method

Please refer to Note 4(h) "Investments in subsidiaries", and Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements.

Description of key audit matter:

The Company's investments accounted for using equity method are all subsidiaries of the Company. Based on the scope and nature of their businesses which may influence the outcome of their operations, the net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty. Therefore, the valuation of inventories of the investments accounted for using equity method is one of the key audit matters for our audit.

In 2014, the Company acquired Tymphony Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in 2018, the Company obtained control over Belfast Limited (renamed as ALT International Co., Ltd. (Cayman) after the acquisition) through its subsidiary, Primax AE (Cayman) Holdings Ltd.. The merger resulted in the Company to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained estimation uncertainty; therefore, the assessment of impairment of intangible assets, recognized from the business combination by the subsidiary accounted for using equity method, is one of the key audit matters for our audit.

How the matter was addressed in our audit:

For the principal audit procedures on the valuation of inventories of the investments accounted for using equity method, please refer to key audit matters 1 “Evaluation of inventories”. In addition, the consolidated financial statements of Tymphony Worldwide Enterprises Ltd. and its subsidiaries were audited by other auditors; therefore, we issued audit instructions to their auditors as guidelines to communicate the key audit matters with them and obtained the feedbacks required in the audit instructions.

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

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

#### **Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of the Company.

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

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



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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 28, 2019

### Notes to Readers

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

The independent auditors' report and the accompanying parent company only 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' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD.**

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 2,239,009	8	3,979,290	17
1110 Current financial assets at fair value through profit or loss (note 6(b))	75,081	-	93,095	-
1170 Accounts receivable, net (notes 6(c) and (t))	7,505,903	27	6,256,390	26
1180 Accounts receivable from related parties, net (notes 6(e), (t) and 7)	111,619	1	29,181	-
1200 Other receivables (notes 6(e) and 7)	258,597	1	184,718	1
1310 Inventories (note 6(f))	2,182,893	8	2,128,441	9
1470 Other current assets	30,164	-	27,641	-
	<u>12,403,266</u>	<u>45</u>	<u>12,698,756</u>	<u>53</u>
<b>Non-current assets:</b>				
1523 Non-current available-for-sale financial assets (note 6(d))	-	-	397,252	2
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	263,624	1	-	-
1550 Investments accounted for using equity method (notes 6(g) and 7)	14,166,264	51	10,287,105	43
1600 Property, plant and equipment (note 6(i))	92,023	-	69,036	-
1760 Investment property (note 6(j))	248,028	1	251,589	1
1780 Intangible assets (note 6(k))	13,738	-	18,351	-
1840 Deferred tax assets (note 6(p))	433,179	2	338,330	1
1990 Other non-current assets	65,658	-	68,465	-
	<u>15,282,514</u>	<u>55</u>	<u>11,430,128</u>	<u>47</u>
<b>Total assets</b>	<u>\$ 27,685,780</u>	<u>100</u>	<u>24,128,884</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
2100 Short-term borrowings (note 6(l))	\$ -	-	2100	-
2170 Notes and accounts payable	5,161	-	2170	-
2180 Accounts payable to related parties (note 7)	10,475,212	38	8,339,013	35
2120 Current financial liabilities at fair value through profit or loss (note 6(b))	19,449	-	19,449	-
2200 Other payables (note 7)	1,228,790	4	1,828,968	8
2201 Salaries payable	244,773	1	206,129	1
2300 Other current liabilities	213,283	1	248,553	1
2320 Long-term borrowings, current portion (note 6(m))	55,556	-	55,555	-
2365 Refund liabilities	1,062,412	4	-	-
	<u>14,254,636</u>	<u>51</u>	<u>10,889,520</u>	<u>45</u>
<b>Non-current liabilities:</b>				
2622 Long-term accounts payable to related parties (note 7)	357,703	2	423,944	2
2540 Long-term borrowings (note 6(m))	27,777	-	83,333	-
2630 Long-term deferred revenue (note 6(i))	807,831	3	885,580	4
2600 Other non-current liabilities (notes 6(o) and (p))	612,012	2	461,235	2
	<u>1,805,323</u>	<u>7</u>	<u>1,854,092</u>	<u>8</u>
<b>Total liabilities</b>	<u>16,059,959</u>	<u>58</u>	<u>12,743,612</u>	<u>53</u>
3110 Ordinary shares (note 6(q))	4,474,523	16	4,456,883	18
3140 Capital collected in advance (note 6(q))	-	-	3,085	-
3200 Capital surplus (note 6(q))	1,377,077	5	1,232,490	5
3310 Legal reserve (note 6(q))	1,187,783	5	982,041	4
3320 Special reserve (note 6(q))	299,065	1	97,300	-
3350 Unappropriated retained earnings (notes 6(e) and (q))	5,038,483	18	5,008,344	21
3400 Other equity interest (note 6(c))	(751,110)	(3)	(394,871)	(1)
	<u>11,625,821</u>	<u>42</u>	<u>11,385,272</u>	<u>47</u>
<b>Total liabilities and equity</b>	<u>\$ 27,685,780</u>	<u>100</u>	<u>24,128,884</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(t), (u) and 7)	\$ 33,984,435	100	35,023,563	100
5000 Operating costs (notes 6(f), (o), (v), 7 and 12)	31,565,824	93	32,785,654	94
Gross profit from operations	2,418,611	7	2,237,909	6
Operating expenses (notes 6(o), (r), (v), 7 and 12):				
6100 Selling expenses	530,897	2	605,515	2
6200 Administrative expenses	475,000	1	434,624	1
6300 Research and development expenses	999,294	3	971,418	3
6450 Reversal of expected credit loss (note 6(c))	(54,910)	-	-	-
Total operating expenses	1,950,281	6	2,011,557	6
Net operating income	468,330	1	226,352	-
Non-operating income and expenses:				
7010 Other income (notes 6(c), (w), and 7)	39,800	-	52,076	-
7020 Other gains and losses (notes 6(d), (x) and 7)	288,389	1	619,291	2
7070 Share of profit of subsidiaries accounted for using equity method	1,332,971	4	1,291,934	4
7050 Finance costs	(18,361)	-	(10,820)	-
Total non-operating income and expenses	1,642,799	5	1,952,481	6
Profit before income tax	2,111,129	6	2,178,833	6
7950 Less: Income tax expenses (note 6 (p))	284,259	1	121,418	-
Profit	1,826,870	5	2,057,415	6
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Losses on remeasurements of defined benefit plans (note 6(o))	(473)	-	(5,909)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(134,472)	-	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	(134,945)	-	(5,909)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign operations financial statements	(187,628)	(1)	(112,643)	-
8362 Unrealized losses on available-for-sale financial assets (note 6(y))	-	-	(331,977)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	(187,628)	(1)	(444,620)	(1)
8300 Other comprehensive income (after tax)	(322,573)	(1)	(450,529)	(1)
Comprehensive income	\$ 1,504,297	4	1,606,886	5
Earnings per share (note 6(s))				
9710 Basic earnings per share (NT dollars)	\$ 4.12		4.67	
9810 Diluted earnings per share (NT dollars)	\$ 4.09		4.63	

See accompanying notes to parent company only financial statements.

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(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other equity interest		Total equity		
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets
<b>Balance on January 1, 2017</b>	4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	405,466	(27,017)	10,999,724
Profit	-	-	-	-	-	2,057,415	-	-	-	2,057,415
Other comprehensive income	-	-	-	193,407	-	(193,407)	-	-	-	(1,111,886)
Comprehensive income	-	-	299,514	-	-	(1,111,886)	-	-	-	(217,774)
Appropriation and distribution of retained earnings:										
Appropriated legal reserve	-	-	-	-	-	(5,909)	-	-	-	-
Cash dividends of ordinary share	(940)	-	(2,881)	-	-	(517,288)	-	-	3,821	79,420
Changes in shares of investment accounted for using equity method	-	-	-	-	-	-	-	-	-	-
Retirement of restricted stock	-	-	11,072	-	-	-	-	-	-	11,072
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	15,892
Compensation cost of share-based payment	6,480	-	11,289	-	-	-	-	-	-	1,938
Exercise of employee stock options	30,000	-	122,030	-	-	-	-	-	-	(152,030)
Issuance of ordinary shares for employee stock option and abandonment of restricted stock	4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	73,489	(95,806)	11,385,272
<b>Balance on December 31, 2017</b>	4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	30,916	(73,489)	11,385,272
Effects of retrospective application	-	-	-	-	-	42,573	-	-	-	-
Balance on January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	-	11,385,272
Profit	-	-	-	-	-	1,826,870	-	-	-	1,826,870
Other comprehensive income	-	-	-	205,742	-	(205,742)	-	-	-	-
Comprehensive income	-	-	-	201,765	-	(201,765)	-	-	-	-
Appropriation and distribution of retained earnings:										
Appropriated legal reserve	-	-	-	-	-	(1,430,068)	-	-	-	-
Appropriated special reserve	-	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	81,571	-	-	-	-	134	-	81,705
Changes in shares of investment accounted for using equity method	-	-	-	-	-	-	-	-	-	84,615
Amortization expense of restricted employee stock	-	-	(45,324)	-	-	-	-	-	-	48,964
Retirement of restricted stock	(3,640)	-	106,535	-	-	-	-	-	-	(126,535)
Issuance of restricted stock	20,000	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares for employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(1,256)	-	1,256	-	-
<b>Balance on December 31, 2018</b>	4,474,523	-	1,377,977	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Cash Flows  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 2,111,129	2,178,833
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	40,667	43,534
Losses related to inventories	73,441	112,940
Amortization of long-term deferred revenue	(358,985)	(378,087)
Reversal of expected credit loss / Provision (reversal of provision) for bad debt expense and sales returns and discounts	(54,910)	37,431
Interest expense	12,439	6,804
Interest income	(17,889)	(20,293)
Compensation cost of share-based payment	84,615	79,420
Share of profit of subsidiaries accounted for using equity method	(1,332,971)	(1,291,934)
Gain on disposal of property, plant and equipment	-	(186)
Gain on disposal of available-for-sale financial assets	-	(330,887)
Amortization of unrealized revenue of patents disposed	(2,571)	-
<b>Total adjustments to reconcile profit (loss)</b>	<b>(1,556,164)</b>	<b>(1,741,258)</b>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, including related parties	(1,249,212)	1,530,152
Other receivable	(7,921)	842,880
Inventories	(127,893)	52,038
Other current assets	(2,523)	5,891
Other operating assets	18,014	48,222
<b>Changes in operating assets</b>	<b>(1,369,535)</b>	<b>2,479,183</b>
Notes and accounts payable, including related parties	2,113,165	(1,769,025)
Salaries payable	38,644	(151,212)
Other payables	223,930	(120,371)
Other current liabilities	(35,270)	28,697
Long-term deferred revenue	281,236	104,594
Other operating liabilities	(85,041)	(48,548)
<b>Changes in operating liabilities</b>	<b>2,536,664</b>	<b>(1,955,865)</b>
<b>Total changes in operating assets and liabilities</b>	<b>1,167,129</b>	<b>523,318</b>
<b>Total adjustments</b>	<b>(389,035)</b>	<b>(1,217,940)</b>
Cash inflow generated from operations	1,722,094	960,893
Interest received	17,889	20,293
Interest paid	(12,368)	(6,736)
Income taxes paid	(118,360)	(417,927)
<b>Net cash flows from operating activities</b>	<b>1,609,255</b>	<b>556,523</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(8,880)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,343	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	691	-
Acquisition of available-for-sale financial assets	-	(21,045)
Proceeds from capital reduction of available-for-sale financial assets	-	2,816
Proceeds from disposal of available-for-sale financial assets	-	497,186
Acquisition of investments accounted for using equity method	(2,804,040)	-
Acquisition of property, plant and equipment	(39,909)	(21,309)
Acquisition of unamortized expense	(14,462)	(10,120)
Decrease (increase) in refundable deposits	1,790	(510)
Proceeds from disposal of intangible assets	154,500	-
Dividends received	13,437	23,325
Other investing activities	(90)	1,826
<b>Net cash flows from (used in) investing activities</b>	<b>(2,689,620)</b>	<b>472,169</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	950,000	-
Repayments of long-term borrowings	(135,555)	(382,223)
Decrease in guarantee deposits received	21,948	34,936
Cash dividends paid	(1,430,068)	(1,111,886)
Exercise of employee share options	-	15,892
Decrease in long-term accounts payable to related parties	(66,241)	(357,319)
<b>Net cash flows used in financing activities</b>	<b>(659,916)</b>	<b>(1,800,600)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,740,281)</b>	<b>(771,908)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,979,290</b>	<b>4,751,198</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,239,009</b>	<b>3,979,290</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Notes to the Parent Company Only Financial Statements  
For the years ended December 31, 2018 and 2017

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

**(1) Company history**

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

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

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

The major business activities of the Company were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products and shredders.

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 parent company only financial statements:**

The parent company only financial statements were authorized for issuance by the board of directors on March 28, 2019.

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation". The related new standards, interpretations and amendments are as follows:

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

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

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

1) Sales of goods

For the sale of products, revenue was recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Rendering of services

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

3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company’s parent company only financial statements:

	<u>December 31, 2018</u>			<u>January 1, 2018</u>		
	<u>Balances prior to the adoption of IFRS 15</u>	<u>Impact of changes in accounting policies</u>	<u>Balance upon adoption of IFRS 15</u>	<u>Balances prior to the adoption of IFRS 15</u>	<u>Impact of changes in accounting policies</u>	<u>Balance upon adoption of IFRS 15</u>
<b>Impacted line items on the balance sheet</b>						
Accounts receivable	\$ (45,858)	45,858	-	(27,829)	27,829	-
<b>Impact on assets</b>		<b>\$ 45,858</b>			<b>27,829</b>	
Other payables	\$ (1,016,554)	1,016,554	-	(737,212)	737,212	-
Refund liabilities	-	(1,062,412)	(1,062,412)	-	(765,041)	(765,041)
<b>Impact on liabilities</b>		<b>\$ (45,858)</b>			<b>(27,829)</b>	

(ii) IFRS 9 “Financial Instruments”

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

· The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

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

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables	\$ 3,979,290	Amortized cost	3,979,290
Derivative instruments	Held-for-trading	93,095	Mandatorily at FVTPL	93,095
Investment in equity instruments	Available-for-sale (note 1)	397,252	FVOCI	397,252
Receivables, net	Loans and receivables (note 2)	6,470,289	Amortized cost	6,470,289
Other financial assets (Guarantee deposits paid)	Loans and receivables	26,719	Amortized cost	26,719

Note1: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$397,252 thousand in those assets recognized, and a decrease of \$42,573 thousand in the other equity interest, as well as the increase of \$42,573 thousand in retained earnings were recognized on January 1, 2018.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Note 2: Notes and accounts receivables, lease receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

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

	2017.12.31			2018.1.1	2018.1.1	2018.1.1
	IAS 39 Carrying Amount	Reclassifications	Remeasurements	IFRS 9 Carrying Amount	Adjustments of retained earnings	Adjustments of other equity interest
<b>FVOCI</b>						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 397,252	(397,252)	-	-	-	-
Available-for-sale reclassified to FVOCI	-	397,252	-	-	42,573	(42,573)
Total	<u>\$ 397,252</u>	<u>-</u>	<u>-</u>	<u>397,252</u>	<u>42,573</u>	<u>(42,573)</u>

There is no material impact on the Company's basic or diluted earnings per share for the years ended December 31, 2018 and 2017.

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only 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".

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

1) Determining whether an arrangement contains a lease

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

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

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

2) Transition

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

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

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

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

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

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- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, factory facilities, and warehouses. The Company estimated that its right-of-use assets and lease liabilities to increase by \$438,717 thousand, while not affecting its retained earnings on January 1, 2019.

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

- (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 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to the Company are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

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**(4) Summary of significant accounting policies:**

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

(a) Statement of compliance

These annual parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- 3) The defined benefit liabilities are recognized as the fair value of plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company's parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

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

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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**PRIMAX ELECTRONICS LTD.**

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

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

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

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

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

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

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

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

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

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

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

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**PRIMAX ELECTRONICS LTD.**

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 361 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

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6) Derecognition of financial assets

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

(ii) Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories: available-for-sale financial assets, and loans and receivables.

1) Available-for-sale financial assets

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

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

2) Loans and receivables

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

3) Impairment of financial assets

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

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**PRIMAX ELECTRONICS LTD.****Notes to the Parent Company Only Financial Statements**

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

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

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

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

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

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

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

Impairment loss recognized (reversed) on accounts receivable is included in operating expense; impairment loss recognized (reversed) on other financial assets is included in other gains and losses under non-operating income and expenses.

(Continued)

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## 4) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the assets to another party.

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

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

## (ii) Financial liabilities and equity instruments

## 1) Classification of debt or equity

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

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

## 2) Other financial liabilities

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

## 3) Derecognition of financial liabilities

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

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4) Offsetting of financial assets and liabilities

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

(ii) Derivative financial instruments

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

(g) Inventories

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

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

(h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's parent company only financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Company loses control over its subsidiaries, the Company derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(i) Business combination

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

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

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**PRIMAX ELECTRONICS LTD.**  
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The Company shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

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

The consideration resulting from a contingent consideration shall be recognized at the acquisition-date fair value. For the changes in the fair value of contingent consideration that are not measurement period adjustments, the accounting treatments shall depend on the classification of contingent consideration. Other contingent considerations within the scope of IAS 39 shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss in accordance with the regulation of IAS 39. Otherwise, they shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss.

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

(Continued)

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

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

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

- 1) Buildings and additional equipment: 1 ~ 51 years
- 2) Machinery and equipment: 1 ~4 years
- 3) Other equipment: 1 ~5 years

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

(l) Lease

(i) Lessor

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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(ii) Lessee

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

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

(m) Intangible assets

Intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

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

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

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

- (i) Trademarks 10 years
- (ii) Patents 2.5~10 years
- (iii) Copyrights 15 years

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

(n) Impairment of non-financial assets

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

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

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

(o) Revenue recognition

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

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

1) Sale of goods

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

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

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

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**PRIMAX ELECTRONICS LTD.**  
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2) Rendering of services

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

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

3) Financing components

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

(ii) Revenue (policy applicable before January 1, 2018)

1) Sale of goods

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

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

2) Services

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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

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(q) Share-based payment

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

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

(r) Income taxes

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

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

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

- (i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on profit or taxable gains (losses) at the time of the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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

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

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year during the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

(s) Earnings per share

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

(t) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2018 and 2017, for further details.

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

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of the changes in accounting estimates in the next period.

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

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

(a) Valuation of inventories

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(b) Valuation of inventories and assessment of impairment of intangible assets of investments accounted for using equity method

Please refer to note 5(a) for inventories valuation. The Company's investments accounted for using equity method include intangible assets from premium investment. The assessment of impairment of intangible assets required the Company to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

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

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

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash on hand	\$ 432	451
Checking accounts and demand deposits	1,637,234	2,600,847
Time deposits	<u>601,343</u>	<u>1,377,992</u>
	<b><u>\$ 2,239,009</u></b>	<b><u>3,979,290</u></b>

Please refer to note 6(z) for the currency risk and the interest rate risk of the Company's cash and cash equivalents.

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

(i) The derivative financial instruments were as follows:

	December 31, 2018	December 31, 2017
<b>Mandatorily measured at FVTPL:</b>		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 75,081	-
<b>Financial assets held-for-trading:</b>		
Derivative instruments not used for hedging		
Forward exchange contracts	-	77,884
Foreign exchange swap contracts	-	15,211
	<u>\$ 75,081</u>	<u>93,095</u>
<b>Financial liabilities held-for-trading:</b>		
Derivative instrument not used for hedging		
Forward exchange contracts	\$ (19,449)	(69,167)
Foreign exchange swap contracts	-	(33,940)
	<u>\$ (19,449)</u>	<u>(103,107)</u>

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

December 31, 2018				
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate	
Forward exchange contracts – buy USD / sell TWD	USD 167,000	January 7, 2019~ May 17, 2019	29.94~30.687	
Forward exchange contracts – buy TWD / sell USD	USD 40,000	January 7, 2019~ January 18, 2019	30.525~30.7315	
Forward exchange contracts – buy CNY/ sell USD	USD 129,500	January 7, 2019~ March 18, 2019	6.8744~6.986	

(Continued)

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December 31, 2017

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD 299,000	January 4, 2018~ June 26, 2018	29.437~30.021
Forward exchange contracts – buy TWD / sell USD	USD 276,500	January 4, 2018~ March 26, 2018	29.792~30.328
Forward exchange contracts – buy CNY / sell USD	USD 6,000	February 26, 2018	6.6875
Forward exchange swap contracts – swap in USD/ swap out TWD	USD 103,500	January 12, 2018~ February 9, 2018	30.052~30.232
Forward exchange swap contracts – swap in TWD/ swap out USD	USD 116,000	January 5, 2018~ June 26, 2018	29.583~30.0155

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

(c) Financial assets at FVOCI

	December 31, 2018
<b>Equity investments at FVOCI</b>	
Stocks listed in domestic markets–Global TEK	\$ 232,737
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	1,076
Stocks unlisted in domestic markets–Changing Information Technology Inc.	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49
Equities unlisted in foreign markets–Grove Ventures L.P. (USD 900 thousand)	27,660
<b>Total</b>	<u>\$ 263,624</u>

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

(ii) During the year ended December 31, 2018, the dividends of \$13,437, related to equity investments at FVOCI held on December 31, 2018, were recognized.

(iii) The Company has sold 172 thousand shares of Global TEK as a result of enhancing its working capital. The shares sold had a fair value of \$7,343 thousand, resulting in the Company to realize a loss of \$1,256, which had been included in its other equity interest, and later on, transferred to retained earnings.

(iv) WK Technology Fund IV Ltd. refunded the amount of \$691 to the Company due to its capital reduction in June 2018.

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**PRIMAX ELECTRONICS LTD.**  
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- (v) The Company acquired the shares from Grove Ventures, L.P amounting to \$8,880 due to its capital increase in May 2018.
- (vi) The Company did not provide any of the aforementioned financial assets as collateral.
- (d) Available-for-sale financial assets – non-current

	<b>December 31, 2017</b>
Stocks unlisted in domestic markets	\$ 380,835
Stocks unlisted in foreign markets	16,417
	<u>\$ 397,252</u>

- (i) These investments were classified as financial assets at FVOCI as of December 31, 2018. Please refer to note 6(c).
- (ii) The Company invested \$21,045 in the unlisted company – Grove Ventures, L.P, and classified as available-for-sale financial assets in March 2017.
- (iii) WK Technology Fund IV Ltd. refunded \$2,816 to the Company due to capital reduction in July 2017.
- (iv) In the fourth quarter of 2017, the Company sold 1,764 thousand shares of Nien Made Enterprise Co., Ltd. for \$497,186. The gain from disposal of which was recognized as other gains and losses, amounted to \$330,887, deducting the cost of \$166,299.
- (v) The unrealized gains were \$2,288 for the year ended December 31, 2017, and were recognized as unrealized gains on available-for-sale financial assets. The Company reclassified the realized gains of Nien Made Enterprise amounted to \$330,887 in 2017 as gains from disposal.
- (vi) The Company did not provide any of the aforementioned available-for-sale financial assets as collateral.
- (e) Accounts receivable (including related parties)

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Accounts receivable	\$ 7,524,624	6,385,246
Accounts receivable – related parties	111,619	29,181
Less: allowance for doubtful accounts	(18,721)	(101,027)
allowance for sales returns and discounts	-	(27,829)
Total	<u>\$ 7,617,522</u>	<u>6,285,571</u>

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

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- (ii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all accounts receivables, on December 31, 2018. To measure the ECL, 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 as of December 31, 2018 was as follows:

	<b>Carrying amounts of accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 6,911,722	0%	-
0 to 30 days past due	706,544	0%~3%	17,626
31 to 60 days past due	7,510	0%~5%	376
61 to 90 days past due	151	0%~10%	15
91 to 180 days past due	165	0%~25%	41
181 to 360 days past due	6,403	0%~80%	640
More than 361 days past due	3,748	0%~100%	23
	<u>\$ 7,636,243</u>		<u>18,721</u>

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

	<b>December 31, 2017</b>
0 to 30 days past due	\$ 365,148
31 to 90 days past due	14,794
91 to 180 days past due	7,381
181 to 360 days past due	473
More than 361 days past due	88,597
	<u>\$ 476,393</u>

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**PRIMAX ELECTRONICS LTD.**  
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(iv) The movement in the allowance for accounts receivable was as follows:

	2018	2017	
		Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 101,027	-	76,977
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	101,027		
Impairment losses recognized (reversed)	(54,910)	66,591	(36,495)
Amounts written off	(31,580)	-	-
Effect of exchange rate changes	4,184	-	(6,046)
Balance on December 31, 2018 and 2017	<u>\$ 18,721</u>	<u>66,591</u>	<u>34,436</u>

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

December 31, 2018							
Buyer	Amount sold	Credit facilities	Cash received in advance	Interest rate	Guarantee (promissory note)	Amount derecognized	Amount not received
	NTS	US\$ (expressed in thousand)	NTS		expressed in thousands	NTS	NTS
Mega International Commercial Bank	\$ -	15,000	-	-	US 3,750	-	-
HSBC Bank	-	45,000	-	-	US 13,500	-	-
Bank of Taiwan	-	18,000	-	-	NT 130,000	-	-
EnTie Bank	152,127	9,000	-	-	-	-	152,127
	<u>\$ 152,127</u>	<u>87,000</u>	<u>-</u>			<u>-</u>	<u>152,127</u>

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

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

(f) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 7,297	9,896
Finished goods and merchandise	2,175,596	2,118,545
	<u>\$ 2,182,893</u>	<u>2,128,441</u>

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

	2018	2017
Losses on inventory valuation	\$ (60,502)	(23,422)
Losses on disposal of inventories	(11,121)	(90,243)
Gains (losses) on physical inventories, net	(1,818)	725
	<u>\$ (73,441)</u>	<u>(112,940)</u>

(g) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	<u>\$ 14,166,264</u>	<u>10,287,105</u>

(i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2018, for details of subsidiaries.

(ii) The Company did not provide investments accounted for using the equity method as collateral.

(h) Acquisition of subsidiaries

The Company acquired 37% shares of Belfast Limited (renamed as ALT International Co., Ltd (Cayman) after the acquisition, AIC), a company that engages in the manufacturing of electric power steering system and adaptive front lighting system, through its subsidiary, Primax AE (Cayman) Holding Ltd., 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 Company has control over the relevant activities and compensation 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. There were no considerations transferred during this transaction. Please refer to note 6(h) in the Company's consolidated financial statements for the year ended December 31, 2018.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date, and the information was as follows:

Items	Amount
Fair value of shares in company	\$ 1,359,015
Contingent consideration	57,751
Fair value of non-controlling interest	<u>1,433,951</u>
Fair value of acquisition of subsidiaries	2,850,717
Less: fair value of identifiable net assets of acquisition of subsidiaries	<u>2,276,113</u>
Goodwill within investments accounted for using equity method	<u><u>\$ 574,604</u></u>

(i) Property, plant and equipment

The cost, and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings and additional equipment	Machinery and equipment	Other equipment	Testing equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2018	\$ 22,879	141,673	78,057	57,333	1,196	301,138
Additions	-	-	5,965	3,363	30,581	39,909
Disposals	-	-	(19,432)	(742)	-	(20,174)
Reclassifications	-	-	4,040	418	(5,120)	(662)
Balance on December 31, 2018	<u>\$ 22,879</u>	<u>141,673</u>	<u>68,630</u>	<u>60,372</u>	<u>26,657</u>	<u>320,211</u>
Balance on January 1, 2017	\$ 22,879	141,789	71,514	46,264	4,646	287,092
Additions	-	-	6,149	3,596	11,564	21,309
Disposals	-	(116)	(2,593)	(663)	-	(3,372)
Reclassifications	-	-	2,987	8,136	(15,014)	(3,891)
Balance on December 31, 2017	<u>\$ 22,879</u>	<u>141,673</u>	<u>78,057</u>	<u>57,333</u>	<u>1,196</u>	<u>301,138</u>
<b>Depreciation:</b>						
Balance on January 1, 2018	\$ -	132,172	57,205	42,725	-	232,102
Depreciation	-	347	9,962	5,951	-	16,260
Disposals	-	-	(19,432)	(742)	-	(20,174)
Balance on December 31, 2018	<u>\$ -</u>	<u>132,519</u>	<u>47,735</u>	<u>47,934</u>	<u>-</u>	<u>228,188</u>
Balance on January 1, 2017	\$ -	131,935	48,516	37,856	-	218,307
Depreciation	-	353	10,788	5,496	-	16,637
Disposals	-	(116)	(2,099)	(627)	-	(2,842)
Balance on December 31, 2017	<u>\$ -</u>	<u>132,172</u>	<u>57,205</u>	<u>42,725</u>	<u>-</u>	<u>232,102</u>
<b>Carrying amounts:</b>						
Balance on December 31, 2018	<u>\$ 22,879</u>	<u>9,154</u>	<u>20,895</u>	<u>12,438</u>	<u>26,657</u>	<u>92,023</u>
Balance on December 31, 2017	<u>\$ 22,879</u>	<u>9,501</u>	<u>20,852</u>	<u>14,608</u>	<u>1,196</u>	<u>69,036</u>
Balance on January 1, 2017	<u>\$ 22,879</u>	<u>9,854</u>	<u>22,998</u>	<u>8,408</u>	<u>4,646</u>	<u>68,785</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$807,831 and \$885,580 as of December 31, 2018 and 2017, respectively.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) The Company did not provide property, plant and equipment as collateral.

(j) Investment property

	Land	Buildings and other equipment	Total
<b>Cost or deemed cost:</b>			
Balance on January 1, 2018	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2018	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>
Balance on January 1, 2017	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2017	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2018	\$ 33,941	48,649	82,590
Depreciation	-	3,561	3,561
Balance on December 31, 2018	<u>\$ 33,941</u>	<u>52,210</u>	<u>86,151</u>
Balance on January 1, 2017	\$ 33,941	45,089	79,030
Depreciation	-	3,560	3,560
Balance on December 31, 2017	<u>\$ 33,941</u>	<u>48,649</u>	<u>82,590</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2018	<u>\$ 128,071</u>	<u>119,957</u>	<u>248,028</u>
Balance on December 31, 2017	<u>\$ 128,071</u>	<u>123,518</u>	<u>251,589</u>
Balance on January 1, 2017	<u>\$ 128,071</u>	<u>127,078</u>	<u>255,149</u>
<b>Fair value:</b>			
Balance on December 31, 2018			<u>\$ 590,010</u>
Balance on December 31, 2017			<u>\$ 555,061</u>
Balance on January 1, 2017			<u>\$ 629,690</u>

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

(ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 15 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information.

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (k) Intangible assets

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>Trademarks</u>	<u>Patents</u>	<u>Copyrights</u>	<u>Total</u>
<b>Cost:</b>				
Balance on January 1, 2018	\$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2018	<u>\$ 25,584</u>	<u>64,271</u>	<u>30,832</u>	<u>120,687</u>
Balance on January 1, 2017	\$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2017	<u>\$ 25,584</u>	<u>64,271</u>	<u>30,832</u>	<u>120,687</u>
<b>Amortization:</b>				
Balance on January 1, 2018	\$ 21,107	64,271	16,958	102,336
Amortization	2,558	-	2,055	4,613
Balance on December 31, 2018	<u>\$ 23,665</u>	<u>64,271</u>	<u>19,013</u>	<u>106,949</u>
Balance on January 1, 2017	\$ 18,548	64,271	14,902	97,721
Amortization	2,559	-	2,056	4,615
Balance on December 31, 2017	<u>\$ 21,107</u>	<u>64,271</u>	<u>16,958</u>	<u>102,336</u>
<b>Carrying amount:</b>				
Balance on December 31, 2018	<u>\$ 1,919</u>	<u>-</u>	<u>11,819</u>	<u>13,738</u>
Balance on December 31, 2017	<u>\$ 4,477</u>	<u>-</u>	<u>13,874</u>	<u>18,351</u>
Balance on January 1, 2017	<u>\$ 7,036</u>	<u>-</u>	<u>15,930</u>	<u>22,966</u>

The Company did not provide any of the aforementioned intangible assets as collateral.

## (l) Short-term borrowings

The details were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured bank loans	<u>\$ 950,000</u>	<u>-</u>
Unused credit lines	<u>\$ 9,019,906</u>	<u>8,966,896</u>
Annual interest rates	<u>0.85%~2.94%</u>	<u>0.97%~1.84%</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (m) Long-term borrowings

<u>December 31, 2018</u>			
<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.35%~1.48%	2020
Less: current portion			\$ 83,333
			<u>(55,556)</u>
			<u>\$ 27,777</u>
Unused credit lines			<u>\$ -</u>
<u>December 31, 2017</u>			
<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.19%~1.48%	2018~2020
Less: current portion			\$ 218,888
			<u>(135,555)</u>
			<u>\$ 83,333</u>
Unused credit lines			<u>\$ -</u>

- (i) Pursuant to the loan agreements with CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) stockholders' equity of not less than \$4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.

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

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

## (n) Operating lease

- (i) Lessee

Non-cancellable operating lease rentals are payable as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 92,642	93,430
Between one and five years	358,554	-
	<u>\$ 451,196</u>	<u>93,430</u>

The Company leases a number of offices under operating leases. The lease terms are 15 years.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (ii) Lessor

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 11,655	11,381
between one and five years	40,076	37,135
More than five years	<u>70,930</u>	<u>75,600</u>
	<u><u>\$ 122,661</u></u>	<u><u>124,116</u></u>

## (o) Employee benefits

## (i) Defined benefit plans

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 156,919	156,494
Fair value of plan assets	<u>89,417</u>	<u>88,082</u>
Deficit in the plan	67,502	68,412
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability	<u><u>\$ 67,502</u></u>	<u><u>68,412</u></u>

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

## 1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$89,417 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## 2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Defined benefit obligation on January 1	\$ 156,494	160,593
Business combinations		
Benefits paid	(5,340)	(12,898)
Current service costs and interest cost	2,302	2,707
Remeasurement of net defined benefit liabilities	<u>3,463</u>	<u>6,092</u>
Defined benefit obligation on December 31	<u><u>\$ 156,919</u></u>	<u><u>156,494</u></u>

## 3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets on January 1	\$ 88,082	96,865
Interest income	590	701
Remeasurement of net defined liabilities	2,990	183
Contributions paid	3,095	3,231
Benefits paid	<u>(5,340)</u>	<u>(12,898)</u>
Fair value of plan assets on December 31	<u><u>\$ 89,417</u></u>	<u><u>88,082</u></u>

## 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 877	1,153
Net interest of net liabilities for defined benefit	<u>835</u>	<u>853</u>
Expenses	<u><u>\$ 1,712</u></u>	<u><u>2,006</u></u>

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

- 5) Remeasurement of net defined liability (asset) recognized in other comprehensive income

The Company's remeasurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	<u>2018</u>	<u>2017</u>
Balance on January 1	\$ 10,330	4,421
Recognized during the period	473	5,909
Balance on December 31	<u>\$ 10,803</u>	<u>10,330</u>

- 6) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.125 %	1.250 %
Future salary increase rate	3.250 %	3.250 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date was \$2,958. The weighted-average lifetime of the defined benefit plans is 11 years.

- 7) Sensitivity analysis

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

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

	<b>Influences of defined benefit obligations</b>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
<b>December 31, 2018</b>		
Discount rate	\$ (3,266)	3,372
Future salary increase rate	\$ 3,215	(3,131)
<b>December 31, 2017</b>		
Discount rate	\$ (3,420)	3,533
Future salary increase rate	\$ 3,374	(3,283)

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

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

There were no change in the method and assumptions used in the preparation of the sensitivity analysis for 2018 and 2017.

- (ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounting to \$46,407 and \$43,315 for the years ended December 31, 2018 and 2017, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

- (p) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing with 2018.

- (i) The components of income tax expenses for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense	\$ 249,440	35,506
Deferred tax expense	34,819	85,912
Income tax expense	<u>\$ 284,259</u>	<u>121,418</u>

- (ii) The Company had no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2018 and 2017.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

- (iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Profit before tax	\$ 2,111,129	2,178,833
Income tax calculated based on the Company's domestic tax rate	422,226	370,401
Adjustment in tax rate	(19,199)	-
Overseas investment gains recognized under the equity method	(166,670)	(168,149)
Investment tax credits accrued	(64,897)	(51,586)
Prior year's income tax adjustment	160,804	5,620
10% surtax on unappropriated earnings	21,393	62,744
Gains on disposal of stocks	-	(56,251)
Others	(69,398)	(41,361)
Income taxes expense	<u>\$ 284,259</u>	<u>121,418</u>

- (iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 815,410</u>	<u>573,124</u>

2) Unrecognized deferred tax assets

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deductible temporary differences	<u>\$ 104,700</u>	<u>73,400</u>

The deductible temporary differences cannot be realized. Therefore, they were not recognized as deferred tax assets.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

- 3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017, were as follows:

	<u>Investment income recognized under the equity method (overseas)</u>	<u>Unrealized foreign exchange gains</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities:</b>				
Balance on January 1, 2018	\$ 188,057	24,493	16,984	229,534
Recognized in profit or loss	133,110	(17,566)	14,124	129,668
Balance on December 31, 2018	<u>\$ 321,167</u>	<u>6,927</u>	<u>31,108</u>	<u>359,202</u>
Balance on January 1, 2017	\$ 136,577	-	16,984	153,561
Recognized in profit or loss	51,480	24,493	-	75,973
Balance on December 31, 2017	<u>\$ 188,057</u>	<u>24,493</u>	<u>16,984</u>	<u>229,534</u>

	<u>Bad debt in excess of tax limit</u>	<u>Unfunded pension fund contribution</u>	<u>Refund liabilities</u>	<u>Loss on inventory valuation</u>	<u>Deferred granted revenue</u>	<u>Unrealized revenue from disposal of assets</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>								
Balance on January 1, 2018	\$ 47,272	14,090	100,098	7,351	150,549	-	18,970	338,330
Recognized in profit or loss	(314)	2,210	59,284	9,745	11,017	30,386	(17,479)	94,849
Balance on December 31, 2018	<u>\$ 46,958</u>	<u>16,300</u>	<u>159,382</u>	<u>17,096</u>	<u>161,566</u>	<u>30,386</u>	<u>1,491</u>	<u>433,179</u>
Balance on January 1, 2017	\$ 25,454	14,298	57,615	4,570	197,042	-	49,290	348,269
Recognized in profit or loss	21,818	(208)	42,483	2,781	(46,493)	-	(30,320)	(9,939)
Balance on December 31, 2017	<u>\$ 47,272</u>	<u>14,090</u>	<u>100,098</u>	<u>7,351</u>	<u>150,549</u>	<u>-</u>	<u>18,970</u>	<u>338,330</u>

- (v) The Company's income tax returns have been examined by the tax authority through the years to 2016.

- (q) Capital and other equity

As of December 31, 2018 and 2017, the nominal ordinary shares both amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized ordinary shares, of which 447,452 thousand and 445,688 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017, were as follows:

	<b>Ordinary shares (in thousands of shares)</b>	
	<b>2018</b>	<b>2017</b>
Balance on January 1	445,688	442,134
Exercise of employee stock options	128	648
Issuance of restricted stock	2,000	3,000
Retirement of restricted stock	(364)	(94)
Balance on December 31	<u>447,452</u>	<u>445,688</u>

(i) Ordinary shares

- 1) The Company issued 128 thousand and 648 thousand new shares of ordinary shares for the exercise of employee stock options in 2018 and 2017, respectively. The related registration procedures were also completed.
- 2) Employee stock options exercised without registration procedures were recorded as capital collected in advance as of December 31, 2017. The exercise price and units were as follows:

	<b>December 31, 2017</b>	
	<b>Exercised shares (in thousands)</b>	<b>Exercise price</b>
Exercise price per share: \$24.10	<u>128</u>	<u>\$ 3,085</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Additional paid-in capital	\$ 609,303	545,657
Employee stock options	259,401	233,624
Restricted employee stock options	150,548	150,209
Long-term stock investment	357,825	303,000
	<u>\$ 1,377,077</u>	<u>1,232,490</u>

(Continued)

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

(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the 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 according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for resolution.

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

1) Legal reserve

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2018 and 2017, the carrying amount of special reserve both amounted to \$97,300.

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**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

On May 30, 2018, and May 25, 2017, the stockholders' meeting resolved the distribution of earnings for 2017 and 2016, respectively. The distribution were NT\$3.2 and NT\$2.5 (dollars) per share, which amounted to \$1,430,068 and \$1,111,886, respectively.

(r) Share-based payment

(i) Employee stock options and share-based payment

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

a) Exercise period:

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

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

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

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

- 2) Based on the resolution approved in the board of directors' meeting of Primax Holdings held on December 31, 2007, Primax Holdings declared an incentive plan to grant the right to some employees of the Company to participate in the subscription of the non-voting ordinary shares of Primax Holdings. The transaction is a kind of equity-settled share-based payment agreement, and the equity instruments under this agreement were vested at the date of grant. Primax Holdings recognized the compensation cost by using the fair value method. The difference in value between the net value per share of Primax Holdings determined at the grant date and the exercise price per share was recognized as cost of long-term investment in the Company by Primax Holdings in 2007, and was recognized as compensation cost and capital surplus by the Company. Based on the resolution approved in the board of directors' meeting of Primax Holdings held in April 2008, Primax Holdings amended the share-based payment agreement mentioned above, and consequently, the non-voting ordinary shares were replaced by options to purchase them. The amendment had no impact on the accompanying financial statements.
- 3) In addition, Primax Holdings declared an incentive plan to grant stock options to employees of the Company in January, May and November 2008 to participate in the subscription of the non-voting ordinary shares of Primax Holdings. Some of the options are vested at the grant date; the others are vested from two years to five years after the grant date. Primax Holdings recognized the compensation cost by using the fair value method as cost of long-term investment in the Company, and the Company correspondingly recognized it as compensation cost and capital surplus.
- 4) Based on the resolution approved in the board of directors' meetings of Primax Holdings and the Company held in December 2008, the Company issued employee stock options in exchange for part of the unvested or unexercised employee stock options issued by Primax Holdings. Specifically, 2.94 units of employee stock options were issued by the Company in exchange for 1 unit of the employee stock options issued by Primax Holdings. Each unit of the Company's options could be converted into 1 common share of the Company. The exercise price of Primax Holdings' options is USD0.2 per unit; the exercise price of the Company's options is NT\$11.42 (dollars) per unit after the modification. Meanwhile, the Company granted a certain amount of retention bonus to employees at the modification date, and the Company shall pay the retention bonus when the Company's stock options are exercised. The other terms and conditions of the employee stock options are not changed. According to the modification, the Company decreased the capital surplus by \$118,089, and recognized a corresponding increase in retention bonus payable (recorded as salaries payable) on December 30, 2008. The incremental fair value of \$55,308 resulting from the modification will be recognized as compensation cost over the remainder of the vesting period.
- 5) In accordance with the revised employee stock option plan mentioned above, the Company issued 9,545,248 units of employee stock options in November 2009. Each unit could be converted into 1 ordinary share of the Company.

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

- 6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 ordinary shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to \$11,072 in 2017.
- 7) As of December 31, 2018, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

	Plan 1 (note)	Plan 2 (note)	Plan 3 (note)	
			Issued in November 2011	Issued in October 2012
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	11.42	11.42	16.20	24.10
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~ November 11, 2017)	5 years (November 24, 2011~ November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

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

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

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

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

Period of stock options	Plan 1	Plan 2
Exercise price of Primax Holdings's stock options (USD)	0.2	0.2
Expected time until expiration (years)	2.37~5	6~8
Stock price per share of Primax Holdings (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665%	2.509%~2.538%

(Continued)

**PRIMAX ELECTRONICS LTD.**

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

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

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

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

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

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

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

- 9) There is no compensatory employee stock option plans for the year ended December 31, 2018. The related information on compensatory employee stock option plans for the year ended December 31, 2017 was as follows:

	2017	
	Weighted- average exercise price	Stock options (in thousands)
Outstanding on January 1	22.16	957
Granted during the year	-	-
Forfeited during the year	15.21	(301)
Exercised during the year	24.23	(656)
Expired during the year	-	-
Outstanding on December 31	-	-
Exercisable on December 31	-	-

(ii) Restricted stock

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

	Plan 1 (note 1)				Plan 2 (note 1)		Plan 3 (note 1)		Plan 4 (note 1)	
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80	72.40	76.70	46.85
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775	2,450	550	1,100	900
Vesting period	1-3 years (notes 2 and 3)	1-2 years (notes 3 and 4)	1-2 years (notes 3 and 4)	1-2 years (note 3)	1-3 years (notes 2 and 3)	1-3 years (note 2)	1-3 years (note 2)	1-3 years (note 2)	1-3 years (note 2)	1-3 years (note 2)

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

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

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**PRIMAX ELECTRONICS LTD.**

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Plan 3 – After the shareholders’ meeting on June 20, 2016, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company’s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors’ meeting resolved to issue 2,450 thousand shares and 550 thousand shares on January 23 and August 10, 2017, respectively.

Plan 4 – After the shareholders’ meeting on May 25, 2017, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company’s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors’ meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

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

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

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

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

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

(Thousand shares)	2018	2017
Outstanding on January 1	3,934	1,771
Granted during the year	2,000	3,000
Vesting during the year	(1,725)	(743)
Expired during the year	(893)	(94)
Outstanding on December 31	<u>3,316</u>	<u>3,934</u>

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

	2018	2017
Restricted stock	<u>\$ 84,615</u>	<u>79,420</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (s) Earnings per share

## (i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2018 and 2017, based on the profit and the weighted-average number of ordinary shares outstanding was as follows:

	<u>2018</u>	<u>2017</u>
Profit of the Company for the year	\$ <u>1,826,870</u>	<u>2,057,415</u>
Weighted-average number of ordinary shares (thousand shares)	<u>443,011</u>	<u>440,907</u>
Basic earnings per share (NT dollars)	<u>4.12</u>	<u>4.67</u>
Weighted-average number of ordinary shares (thousand shares)		
	<u>2018</u>	<u>2017</u>
Ordinary shares on January 1	441,754	440,363
Exercise of employee stock options	107	152
Vesting of restricted stock	1,150	392
Ordinary shares on December 31	<u>443,011</u>	<u>440,907</u>

## (ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2018 and 2017, based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	<u>2018</u>	<u>2017</u>
Profit of the Company for the year	\$ <u>1,826,870</u>	<u>2,057,415</u>
Weighted-average number of ordinary shares (diluted / thousand shares)	<u>446,153</u>	<u>444,846</u>
Diluted earnings per share (NT dollars)	<u>4.09</u>	<u>4.63</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)		
	<u>2018</u>	<u>2017</u>
Weighted-average number of ordinary shares on December 31 (basic)	443,011	440,907
Effect of employee stock options	12	529
Estimated effect of employee stock bonuses	1,650	1,117
Effect of restricted stock	1,480	2,293
Weighted-average number of ordinary shares on December 31 (diluted)	<u>446,153</u>	<u>444,846</u>

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (t) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>2018</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 20,591,107	12,325,519	32,916,626
Service rendered	203,056	864,753	1,067,809
	<u>\$ 20,794,163</u>	<u>13,190,272</u>	<u>33,984,435</u>

	<u>2018</u>
Mainland China	\$ 24,583,802
America	2,014,556
Other	7,386,077
	<u>\$ 33,984,435</u>

For details on revenue for the year ended December 31, 2017, please refer to note 6(u).

## (ii) Contract balances

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 7,636,243	6,414,427
Less: allowance for impairment	(18,721)	(101,027)
	<u>\$ 7,617,522</u>	<u>6,313,400</u>
Contract liabilities	<u>\$ 53,366</u>	<u>71,057</u>

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

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$26,086.

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.

## (u) Operating revenue

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

	<u>2017</u>
Goods sold	\$ 34,135,266
Services rendered	888,297
Total	<u>\$ 35,023,563</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (v) Employee's, directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 2 to 10 percent of the profit as employee remuneration and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

Details of remuneration to employees and directors for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Employee remuneration	\$ 64,439	68,182
Directors' remuneration	<u>32,219</u>	<u>34,094</u>
	<u>\$ 96,658</u>	<u>102,276</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 estimates and recognized as profit or loss in the distribution year.

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

	<u>2017</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statements</u>	<u>Difference</u>
Employee remuneration – Cash	\$ 68,260	68,182	(78)
Directors' remuneration	34,000	34,094	94
	<u>2016</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statements</u>	<u>Difference</u>
Employee remuneration – Cash	\$ 74,000	74,000	-
Directors' remuneration	36,800	36,803	3

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

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (w) Other income

The details of other income for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Interest income from bank deposits	\$ 17,889	20,293
Rent income	8,474	8,458
Cash dividend income	<u>13,437</u>	<u>23,325</u>
	<u>\$ 39,800</u>	<u>52,076</u>

## (x) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Net gains (losses) on financial assets/liabilities measured at FVTPL	\$ 55,632	(10,012)
Foreign currency exchange gains, net	112,155	57,284
Gains on disposal of available-for-sale financial assets	-	330,887
Other	<u>120,602</u>	<u>241,132</u>
	<u>\$ 288,389</u>	<u>619,291</u>

## (y) Reclassification adjustments of components of other comprehensive income

The reclassification adjustment of other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
<b>Unrealized gains or losses of available-for-sale financial assets (after tax):</b>		
Net changes in fair value	\$ -	(1,090)
Net changes in fair value reclassified to profit or loss	<u>-</u>	<u>(330,887)</u>
Net changes in fair value recognized in other comprehensive income	<u>\$ -</u>	<u>(331,977)</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (z) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

## 2) Concentration of credit risk

For information on the Company's concentration of credit risk, please refer to note 6(aa).

## (ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
<b>December 31, 2018</b>							
Non-derivative financial liabilities:							
Short-term borrowings	\$ 950,000	951,195	951,195	-	-	-	-
Notes and accounts payable	5,161	5,161	5,161	-	-	-	-
Accounts payable to related parties	10,475,212	10,475,212	10,475,212	-	-	-	-
Other payables	605,126	605,126	605,126	-	-	-	-
Long-term accounts payable to related parties	357,703	357,703	-	-	-	357,703	-
Refund liabilities	1,062,412	1,062,412	1,062,412	-	-	-	-
Long-term borrowings	83,333	84,311	28,334	28,155	27,822	-	-
Guarantee deposits	182,587	182,587	-	-	-	-	182,587
Derivative financial liabilities:	19,449	-	-	-	-	-	-
Outflow	-	1,030,286	1,030,286	-	-	-	-
Inflow	-	(1,011,726)	(1,011,726)	-	-	-	-
	<b>\$ 13,740,983</b>	<b>13,742,267</b>	<b>13,146,000</b>	<b>28,155</b>	<b>27,822</b>	<b>357,703</b>	<b>182,587</b>
<b>December 31, 2017</b>							
Non-derivative financial liabilities:							
Notes and accounts payable	\$ 28,195	28,195	28,195	-	-	-	-
Accounts payable to related parties	8,339,013	8,339,013	8,339,013	-	-	-	-
Other payables	1,334,403	1,334,403	1,334,403	-	-	-	-
Long-term accounts payable to related parties	423,944	423,944	-	-	-	423,944	-
Long-term borrowings	218,888	221,752	108,721	28,532	56,677	27,822	-
Guarantee deposits	160,639	160,639	-	-	-	-	160,639
Derivative financial liabilities:	103,107	-	-	-	-	-	-
Outflow	-	3,187,373	3,187,373	-	-	-	-
Inflow	-	(3,089,268)	(3,089,268)	-	-	-	-
	<b>\$ 10,608,189</b>	<b>10,606,051</b>	<b>9,908,437</b>	<b>28,532</b>	<b>56,677</b>	<b>451,766</b>	<b>160,639</b>

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

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**PRIMAX ELECTRONICS LTD.**  
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## (iii) Currency risk

## 1) Exposure to foreign currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>						
<b>Monetary items</b>						
USD:TWD	\$ 307,518	30.733	9,450,940	348,026	29.848	10,387,878
<b>Financial liabilities</b>						
<b>Monetary items</b>						
USD:TWD	374,516	30.733	11,510,008	339,620	29.848	10,136,980

## 2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables (including related parties), loans and borrowings, notes and accounts payable (including related parties), and other payables (including related parties) that are denominated in foreign currency.

A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2018 and 2017, would have decreased or increased and increased or decreased the net profit before tax by \$102,953 and \$12,545, respectively. The analysis is performed on the same basis for both periods.

## 3) Exchange gains and losses on monetary items

The Company's exchange gains and losses on monetary items (including realized and unrealized) translated to the Company's functional currency were as follows:

	2018		2017	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
TWD	\$ 112,155	1	57,284	1

## (iv) Interest rate analysis

Please refer to note 6(aa) for the interest rate exposure of financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount 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 Company management's assessment of the reasonably possible interest rate change.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the net profit before tax would have increased or decreased by \$3,013 and by \$9,400 for the years ended December 31, 2018 and 2017, respectively. This is mainly due to bank savings and borrowings with variable interest rates.

(v) Other price risk

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

Prices of securities at the reporting date	2018	2017
	Other comprehensive income after tax	Other comprehensive income after tax
Increasing 10%	\$ 23,274	-
Decreasing 10%	\$ (23,274)	-

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<u>\$ 75,081</u>	-	-	75,081	75,081
<b>Financial assets at FVOCI</b>	<u>\$ 263,624</u>	232,737	-	30,887	263,624
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 2,239,009				
Notes and accounts receivable (including related parties)	7,617,522				
Other receivables	258,597				
Refundable deposits	24,929				
Total	<u>\$ 10,140,057</u>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 19,449</u>	-	-	19,449	19,449

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

	Carrying amounts	December 31, 2018			
		Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 1,033,333				
Notes and accounts payable (including related parties)	10,480,373				
Other payables	1,228,790				
Long-term accounts payable to related parties	357,703				
Salaries payable	244,773				
Refund liabilities	1,062,412				
Guarantee deposits	182,587				
Total	<u>\$ 14,589,971</u>				
		December 31, 2017			
		Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<u>\$ 93,095</u>	-	-	93,095	93,095
<b>Available-for-sale financial assets – non-current</b>	<u>\$ 397,252</u>	-	-	397,252	397,252
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 3,979,290				
Notes and accounts receivable (including related parties)	6,285,571				
Other receivables	184,718				
Refundable deposits	26,719				
Total	<u>\$ 10,476,298</u>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 103,107</u>	-	-	103,107	103,107
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 218,888				
Notes and accounts payable (including related parties)	8,367,208				
Other payables	1,828,968				
Long-term accounts payable to related parties	423,944				
Salaries payable	206,129				
Guarantee deposits	160,639				
Total	<u>\$ 11,205,776</u>				

(Continued)



**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

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 Company 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 (available-for-sale financial assets) are investments in domestic or foreign non-listed stock. The fair value is based on the market approach of comparable business. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are available, the fair value is estimated on the basis of unadjusted prior trade prices.

3) Transfers between Level 1 and Level 3

The Company holds an investment in equity shares of Global TEK, which is classified as FVOCI (available-for-sale financial assets), with a fair value of \$232,737 and \$374,680 on December 31, 2018, and 2017, respectively. The fair value of the investment was previously categorized as Level 3 on December 31, 2017. This was because the shares were not based on quoted market price and the fair value was based on the significant unobservable inputs. In February, 2018, Global TEK listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy for the year ended December 31, 2018.

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**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

4) Reconciliation of Level 3 fair values

	2018			2017		
	FVTPL	FVOCI (available- for sale financial assets)	Total	FVTPL	Available for sale financial assets	Total
<b>Balance on January 1</b>	\$ (10,012)	397,252	387,240	(9,113)	287,517	278,404
Recognized in profit or loss	55,632	-	55,632	(10,012)	-	(10,012)
Recognized in other comprehensive income	-	(13,649)	(13,649)	-	91,506	91,506
Acquisition / disposal	10,012	8,189	18,201	9,113	18,229	27,342
Transfer out of Level 3	-	(360,905)	(360,905)	-	-	-
<b>Balance on December 31</b>	<u>\$ 55,632</u>	<u>30,887</u>	<u>86,519</u>	<u>(10,012)</u>	<u>397,252</u>	<u>387,240</u>

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

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

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets – equity securities not listed on emerging stock market	Guideline Public Company method	Lack-of-Marketability Discount (10% on December 31, 2017)	The Higher the Lack-of-Marketability Discount is, the lower the fair value will be
Financial assets at FVOCI (Available - for- sale financial assets) – equity investment without an active market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL	(note 2)	(note 2)	(note 2)

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

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

6) Sensitivity analysis for fair values of financial instruments using Level 3 Inputs

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on net income or loss and other comprehensive income or loss are as follows:

	Input	Variation	Other comprehensive income	
			Advantageous changes	Disadvantageous changes
<b>December 31, 2017</b>				
Available-for-sale financial assets-equity securities listed on emerging stock market	Discount of lack Marketability	±10%	\$ <u>37,468</u>	<u>(37,468)</u>

(aa) Financial risk management

(i) Overview

The Company has exposure to the following risks from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

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

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, accounts receivables (including related parties), and derivative instruments.

1) Cash and cash equivalents

The Company had deposited \$2,102,453 (including restricted deposits) in HSBC Bank and 5 other financial institutions, and \$3,935,028 (including restricted deposits) in HSBC Bank and 9 other financial institutions, representing 8% and 16% of total assets, as of December 31, 2018 and 2017, respectively. The Company believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Accounts receivable

Sales to individual customers (including related parties) constituting over 10% of total revenue for the years ended December 31, 2018 and 2017, totaled 21% and 15%, respectively. As of December 31, 2018 and 2017, 21% and 10%, respectively, of the ending balance of accounts receivable (including related parties) was accounted for by those customers. In order to reduce credit risk, the Company assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Company did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

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

(iv) Liquidity risk

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

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused credit line were amounted to \$9,019,906 and \$8,966,896 as of December 31, 2018 and 2017, respectively.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (v) Market risk

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

## 1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currency. These transactions are denominated in USD.

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

## 2) Interest rate risk

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

## 3) Other market price risk

The Company is exposed to equity price risk due to the investments in listed equity securities. Those equity securities are strategic investments and is not held for trading.

## (ab) Capital management

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

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

The Company's debt ratio as of December 31, 2018 and 2017, were 58% and 53%, respectively.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (7) Related-party transactions:

## (a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	A subsidiary
Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	A subsidiary
Destiny Technology Holding Co., Ltd. (Destiny BVI.)	A subsidiary
Primax Destiny Co., Ltd. (Destiny Japan)	A subsidiary
Diamond (Cayman) Holdings Ltd. (Diamond)	A subsidiary
Gratus Technology Corp. (Gratus Tech.)	A subsidiary
Primax AE (Cayman) Holdings Ltd. (Primax AE)	A subsidiary
Primax Industries (Hong Kong) Ltd. (Primax HK)	A subsidiary
Polaris Electronics Inc.(Polaris)	A subsidiary
Destiny Electronic Corp. (Destiny Beijing)	A subsidiary
Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	A subsidiary
Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	A subsidiary
Primax Electronics (KS) Corp., Ltd. (PKS1)	A subsidiary
Tymphany Worldwide Enterprises Ltd. (TWEL)	A subsidiary
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Tymphany Huizhou)	A subsidiary (Note)
Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	A subsidiary
Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	A subsidiary
TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	A subsidiary
Tymphany Acoustic Technology Europe, s.r.o. (TYM Acoustic Europe)	A subsidiary
Tymphany HK Ltd.(TYM HK)	A subsidiary
TYP Enterprises, Inc.(TYP)	A subsidiary
Tymphany Acoustic Technology Limited (TYM Acoustic)	A subsidiary
Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	A subsidiary
TYMPHANY LOGISTICS, INC (TYML)	A subsidiary
ALT International Co., Ltd. (Cayman) (AIC)	A subsidiary

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of related party	Relationship with the Group
De Amertek Technology Inc. (US) (DAT)	A subsidiary
Advanced Micro Electronics Co.,LTD. (AME)	A subsidiary
Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	A subsidiary
Advanced Leading Technology Co. (ALT)	A subsidiary
ALT Investment Limited (BVI) (ALTI)	A subsidiary

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

(b) Significant transactions with related-party

(i) Sales

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

	Sales		Accounts receivable – related parties	
	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries	\$ 2,787,873	3,089,818	111,619	29,181

There were no significant differences in the selling prices offered to related parties and those of other customers. The trading terms to other customers are within 90 days, can be lengthened for related parties.

(ii) Purchases

The amounts of purchases by the Company from related parties and the outstanding balances were as follows:

	Purchases		Accounts payable – related parties	
	2018	2017	December 31, 2018	December 31, 2017
PCH2	\$ 23,829,269	26,362,084	7,023,821	6,137,747
PCQ1	6,334,904	5,278,105	2,634,243	1,748,395
Others (note)	1,686,151	1,224,274	817,148	452,871
	<u>\$ 31,850,324</u>	<u>32,864,463</u>	<u>10,475,212</u>	<u>8,339,013</u>

Note: Individual amount not exceeding 10%.

The prices of purchases were determined based on the cost plus a reasonable profit margin. The payment terms of related parties and other vendors are 60 days to 360 days and 20 days to 120 days, respectively.

Accounts payable to subsidiaries over normal payment terms agreed by both sides was reclassified to long-term payable. On December 31, 2018 and 2017, long-term accounts payable to related parties were \$357,703 and \$423,944, respectively.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(iii) Purchase of service

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

	Purchase of service		Other payables	
	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries	\$ 49,516	40,733	2,966	3,242

(iv) Receivable and payable on behalf of related parties

The other payables arising from receiving the equipment subsidy on behalf of subsidiaries amounted to \$0 and \$16,322 for the years ended December 31, 2018 and 2017.

The other receivables arising from the materials purchased on behalf of the subsidiaries amounted to \$20,525 and \$94,599 for the years ended December 31, 2018 and 2017.

(v) Property transactions-transactions of patents

In 2018, the Company sold its patents to TYM HK, with a disposal price of \$154,500 thousands. The patents are amortized over the estimated useful lives, therefore, the gain on disposal would be deferred and recognized as the deduction of investment accounted for using equity method. During amortization period, the gain on disposal would be reclassified as other income. There were no outstanding balance for the disposal price on December 31, 2018.

(vi) Guarantees and endorsements

The amounts of guarantee the Company provided to subsidiaries were as follows:

	December 31, 2018	December 31, 2017
Purchasing of raw materials	\$ 307,330	313,404

(vii) Lease

The Company leased out its investment properties to its subsidiaries as office buildings and entered into 15-years lease contract by reference of the rental price of the nearby offices. The rental income in 2018 and 2017 both amounted to \$9,914 and there were no receivables on December 31, 2018 and 2017. Please refer to note 6(n) for non-cancellable receivable.

(c) Key management personnel compensation

	2018	2017
Short-term employee benefits	\$ 94,029	122,978
Post-employment benefits	3,679	1,111
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	35,893	40,783
	<u>\$ 133,601</u>	<u>164,872</u>

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

**(8) Pledged assets: None**

**(9) Significant commitments and contingencies:**

- (a) For the detail of the Company's guarantees provided to subsidiaries, please refer to notes 7 and 13.
- (b) The following are savings accounts provided by the Company to the banks in order for the bank to issue a guarantee letter to customs as guarantee deposits.

	December 31, 2018	December 31, 2017
Guarantee letters	\$ 3,500	6,000

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

	December 31, 2018	December 31, 2017
Sales of accounts receivable	\$ 660,144	724,878
Long-term borrowings	\$ 400,000	880,000

- (d) The Company entered into lease agreements for its office. Please refer to note 6(n) for future rent payables.

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

**(11) Subsequent events: None**

**(12) Other:**

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

By item	By function	2018			2017		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		123,950	1,179,751	1,303,701	102,796	1,086,277	
Labor and health insurance		6,517	78,761	85,278	6,619	73,508	
Pension		3,341	44,778	48,119	3,463	41,858	
Remuneration of directors		-	43,199	43,199	-	49,248	
Others		3,183	60,311	63,494	4,226	52,820	
Depreciation		22	16,238	16,260	7	16,630	
Amortization		-	20,846	20,846	-	23,337	

The average number of the Company's employees for the years ended December 31, 2018 and 2017 were 847 and 811, respectively, including 7 and 6 directors, respectively, who were not adjunct employees.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(13) Other disclosures:**

- (a) Information on significant transactions:

The following were the information on significant transactions required by the Regulations for the Company:

- (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	423,944	357,703	357,703	-	Necessary to loan to other parties	-	Operating capital	-	-	-	876,698	876,698
2	TYM HK	TYM Acoustic HK	Other receivables	"	761,124	647,944	647,944	2%	"	-	Investment capital	-	-	-	902,267	902,267
3	AIC	AME	Other receivables	"	139,671	138,611	14,930	-	"	-	Necessary to short-term loan	-	-	-	257,620	515,239
"	"	ALT (Shanghai)	Other receivables	"	339,086	193,937	193,937	-	"	-	"	-	-	-	257,620	515,239
"	"	DAC	Other receivables	"	30,731	-	-	-	"	-	"	-	-	-	257,620	515,239
4	ALT (Shanghai)	ALTI	Other receivables	"	16,103	15,981	15,981	-	"	-	"	-	-	-	36,962	73,925
5	ALTI	AME	Other receivables	"	15,312	-	-	-	"	-	"	-	-	-	-	-

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 either AIC, ALT (Shanghai), ALTI in their latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of either the subsidiaries mentioned above in their latest 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.	3,487,746	322,676	307,330	337	-	2.64 %	9,300,657	Y	-	Y
1	"	PCH2	PCQ1	The same parent company	1,613,962	131,912	-	-	- %	4,303,898	-	-	Y
"	"	PKS1	"	"	1,613,962	164,890	-	-	- %	4,303,898	-	-	Y

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.

Note 2: The amount of the guarantee to a company shall not exceed 30% of the PCH2 net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the PCH2 net worth in the latest financial statements.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(iii) Securities held as of December 31, 2018 (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.	-	"	179	2,102	1.62	2,102	
	Formosoft International Inc.	-	"	11	-	0.41	-	
	Syntronix Corp.	-	"	6	49	0.02	49	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Global TEK	-	"	5,338	232,737	8.09	232,737	
	Grove Ventures L.P.	-	"	-	27,660	2.73	27,660	
				<u>263,624</u>				
Primax Tech.	Shares:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	425	4,464	1.32	4,464	
					<u>4,464</u>			

(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
The Company	Shares:													
	Diamond	Investment accounted for using equity method	Initial Offerings	Subsidiary	84,050	3,089,647	45,000	1,372,500	-	-	-	-	129,050	4,919,879 (note 1)
"	Primax AE	"	"	"	-	-	48,200	1,431,540	-	-	-	-	48,200	1,342,459 (note 1)
Diamond	TWEL	"	"	"	55,001	3,187,565	137,250	1,372,500	-	-	-	-	192,251	5,175,938 (note 1)
Primax AE	AIC	"	"	None	-	-	30	1,356,996	-	-	-	-	30	1,281,726 (note 1)
TWEL	Tymphony Huizhou (note 3)	"	"	Subsidiary	-	1,514,469	-	1,372,500	-	-	-	-	291,493	3,421,676 (note 1)
Tymphony Huizhou	TYM Acoustic HK	"	"	"	5,000	147,011	180,536	670,457	-	-	-	-	185,536	998,681 (note 1)
PCH2	Money market fund of RMB	Financial assets at FVTPL	"	None	-	-	-	3,988,376	-	3,998,966	3,983,786	10,590 (note 2)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	1,690,988	-	1,694,990	1,688,396	4,002 (note 2)	-	-
PKS1	Money market fund of RMB	"	"	"	-	-	-	505,424	-	508,814	506,719	3,390 (note 2)	-	-

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

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
Tymphony Huizhou	Money market fund of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	1,366,243	-	1,368,946	1,366,146	2,703 (note 2)	-	-
Tymphony Dongguan	Money market fund of RMB	"	"	"	-	-	-	684,185	-	684,550	683,808	365 (note 2)	-	-

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

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

Note 3: Premium Loudspeakers (Huizhou) Co., Ltd. was reclassified from "Limited Company" to "Company Limited by Shares". Also, it was renamed to Tymphony Acoustic Technology (Huizhou) Co., Ltd. based on the resolution approved during the special shareholders' meeting held on December 11, 2018.

- (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	Purchase/Sale	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				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	133,071	- %	60 days	Price agreed by both side	The same as general purchasing	(38,677)	-%	
"	PCH2	The subsidiary of Primax HK	Purchase	23,829,269	77 %	"	"	"	(7,023,821)	(67)%	
"	PKS1	"	Purchase	1,553,080	5 %	"	"	"	(778,471)	(7)%	
"	PCQ1	"	Purchase	6,334,904	20 %	"	"	"	(2,634,243)	(25)%	
"	Polaris	The subsidiary of Primax Tech	(Sale)	(2,764,053)	(8) %	90 days	"	The same as general selling	105,221	1%	
Primax Cayman	The Company	Parent	(Sale)	(133,071)	(100) %	60 days	"	"	38,677	100%	
"	PCH2	The subsidiary of Primax HK	Purchase	133,071	100 %	"	"	The same as general purchasing	(25,062)	(100)%	
PCH2	The Company	The parent of Primax Cayman	(Sale)	(23,829,269)	(89) %	"	"	The same as general selling	7,023,821	92%	
"	Primax Cayman	The parent of Primax HK	(Sale)	(133,071)	- %	"	"	"	25,062	-%	
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,553,080)	(99) %	"	"	"	778,471 (note 1)	99%	
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(6,334,904)	(90) %	"	"	"	2,634,243	94%	
Polaris	The Company	The parent of Primax Tech.	Purchase	2,764,053	100 %	90 days	"	The same as general purchasing	(105,221)	100%	
Tymphony Huizhou	Tymphony Dongguan	Subsidiary	Purchase	263,903	3 %	60 days	"	The same as general purchasing	(197,332)	(6)%	
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(9,742,133)	(97) %	"	"	The same as general selling	4,427,801	98%	
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	550,933	5 %	"	"	The same as general purchasing	(218,622)	(5)%	
"	Tymphony Huizhou	Parent	(Sale)	(263,903)	(2) %	"	"	The same as general selling	197,332	4%	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only 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	
Tymphony Dongguan	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(165,619)	(1) %	60 days	Price agreed by both side	The same as general selling	164,903	3%
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(11,456,347)	(95) %	"	"	"	5,091,729	92%
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	200,935	9 %	"	"	The same as general purchasing	(103,139)	(14)%
"	TYM HK	"	(Sale)	(2,303,764)	(100) %	"	"	The same as general selling	733,974	100%
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,101,989	92 %	90 days	"	The same as general purchasing	(821,495)	(80)%
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	165,619	7 %	60 days	"	"	(164,903)	(16)%
"	TYM Acoustic Europe	Subsidiary	(Sale)	(189,410)	(9) %	"	"	The same as general selling	174,259	22%
TYM Acoustic Europe	TYM Acoustic HK	Parent	Purchase	189,410	9 %	"	"	The same as general purchasing	(174,259)	(23)%
"	"	Parent	(Sale)	(2,101,989)	(96) %	90 days	"	The same as general selling	821,495	92%
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	9,742,133	41 %	60 days	"	The same as general purchasing	(4,427,801)	(43)%
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	11,456,347	48 %	"	"	"	(5,091,729)	(49)%
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,303,764	10 %	"	"	"	(733,974)	(7)%
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	(Sale)	(550,933)	(2) %	"	"	The same as general selling	218,622	3%
"	TYML	Subsidiary	(Sale)	(223,778)	(1) %	90 days	"	"	35,475	-%
"	TYDC	The subsidiary of Tymphony Dongguan	(Sale)	(200,935)	(1) %	60 days	"	"	103,139	1%
"	Specialty	Other related party	(Sale)	(443,794)	(2) %	90 days	"	"	128,027	2%
TYML	TYM HK	Parent	Purchase	223,778	95 %	"	"	The same as general purchasing	(35,475)	(100)%
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	339,022	80 %	"	"	"	(234,471)	(90)%
"	DAT	The subsidiary of AIC	(Sale)	(170,610)	(33) %	"	"	The same as general selling	85,428	12%
"	DAC	Other related party	(Sale)	(248,972)	(49) %	120 days	"	"	291,175	40%
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(339,022)	(65) %	90 days	"	"	234,471	40%
"	ALT	Subsidiary	(Sale)	(134,706)	(26) %	"	"	"	101,621	17%
ALT	ALT (Shanghai)	Parent	Purchase	134,706	70 %	"	"	The same as general purchasing	(101,621)	(64)%
DAT	AME	The subsidiary of AIC	Purchase	170,610	100 %	"	"	"	(85,428)	100%
"	DAC	Other related party	(Sale)	(100,537)	(39) %	"	"	The same as general selling	112,192	100%

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	105,221	43.38	-	-	105,221	-
PCH2	The Company	The parent of Primax Cayman	7,023,821	3.62	-	-	7,023,821	-
PKS1	The Company	The parent of Primax Cayman	778,471	2.59	357,703	Reclassify to Long-term payable, and enhance the control of receivables	551,119	-
PCQ1	The Company	The parent of Primax Cayman	2,634,243	2.89	-	-	1,871,395	-
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	4,427,801	3.08	-	-	4,307,859	-
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	5,091,729	2.30	-	-	2,397,968	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	164,903	1.87	-	-	-	-
"	Tymphony Huizhou	Parent	197,332	2.07	-	-	1,232	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	733,974	5.76	-	-	733,974	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	174,259	1.78	-	-	18,010	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	821,495	3.34	-	-	821,495	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	218,622	1.89	-	-	113,246	-
"	TYDC	The subsidiary of Tymphony Dongguan	103,139	1.23	-	-	78,435	-
"	Specialty	Other related party	128,027	3.79	-	-	49,763	-
AMEC	ALT (Shanghai)	The subsidiary of AIC	329,190	0.23	-	-	-	-
"	DAC	Other related party	291,175	0.85	-	-	6,516	-
ALT (Shanghai)	AMEC	The subsidiary of AIC	234,471	1.89	-	-	15,635	-
"	ALT	The subsidiary of AIC	101,621	2.61	-	-	45,642	-
DAT	DAC	Other related party	112,192	1.83	-	-	-	-

Note 1: Amounts were collected as of March 28, 2019.

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,636,655	529,064	613,089	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,224,779	172,257	228,002	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	13,945	(214)	(214)	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,539	358	358	
"	Diamond	Cayman Islands	Holding company	3,889,798	2,517,298	129,050	100.00	4,919,879	581,844	581,844	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	11,008	1,051	1,051	
"	Primax AE	Cayman Islands	Holding company	1,431,540	-	48,200	100.00	1,342,459	(91,159)	(91,159)	
	Total			8,806,648	6,002,608			14,166,264	1,193,201	1,332,971	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,764,249	529,018	529,018	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	392,566	7,883	7,883	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	2,711,450	192,251	100.00	5,175,938	662,173	588,057	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	-	30	37.00	1,281,726	(238,124)	(80,790)	
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	19,497	185,536	100.00	998,681	131,524	131,524	
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	902,267	342,779	342,779	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	12,777	4,238	4,238	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	17,002	926	926	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	744,853	24,867	24,867	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	-	5,000	100.00	61,210	11,412	11,412	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	6,968	(1,669)	13,588	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	274,733 (note 2)	-	10	100.00	238,289	(37,468)	(37,468)	
"	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	-	30,789	100.00	454,334	(9,341)	(9,341)	
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	100.00	2	109	109	

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.

## (c) Information on investments in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,996,871	Indirect investment through Primax Cayman and Primax Tech.	1,636,597	-	-	1,684,161	487,200	100%	487,200	5,379,873	-
Destiny Beijing	Research and development of computer peripheral devices and software	39,557	Indirect investment through Destiny BVI.	31,340	-	-	32,270	(214)	100%	(214)	13,940	-
PKS1	Manufacture of computer, peripherals and keyboards	874,363	Indirect investment through Primax Cayman	656,656	-	-	676,126	27,532	100%	27,532	876,698	-
PCQ1	Manufacture of computer, peripherals and keyboards	561,180	"	596,960	-	-	614,660	176,502	100%	176,502	1,229,771	-
Tymphony Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,822,397	Indirect investment through Diamond	2,507,232	1,372,500	-	3,964,557	906,940	71.43%	538,122	3,421,676	-
Tymphony Dongguan	"	153,665	Indirect investment through Diamond	14,924	-	-	15,367	198,659	71.43%	151,556	397,777	-
TYDC	"	89,558	"	-	-	-	-	27,853	71.43%	18,196	87,785	-

(Continued)



**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
ALT (Shanghai)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	462,532	Indirect investment through Primax AE	-	152,500	-	153,665	(152,409)	36.88%	(56,205)	67,931	-
ALT	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	252,435	Indirect investment through Primax AE	-	214,781	-	215,131	(48,540)	36.98%	(17,951)	54,785	-
Yu-Ke Technology	Development, transfer, consultation and rendering of electronic technology services, as well as the sale of instrumentation, mechanical equipment and components	4,478	"	-	-	-	-	-	12.91%	-	(236)	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9236; USD:TWD 30.733; CNY:TWD 4.4779.

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.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,441,230	8,710,881	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, Destiny Beijing, PKS1, PCQ1, ALT (Shanghai), ALT, and Yu-Ke Technology which were based on financial statements audited by the Company's auditors, others were based on the audited results of other 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, are disclosed in "Information on significant transactions".

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2018, for details.

**PRIMAX ELECTRONICS LTD.**  
**Statement of cash and cash equivalents**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Cash on hand		\$ 432
Checking accounts and demand deposits		1,637,234
Time deposits of foreign currency—USD USD3,500 thousand ; Exchange rate30.733		107,565
Time deposits of foreign currency—CNY CNY110,270 thousand ; Exchange rate4.4779		493,778
		<u>\$ 2,239,009</u>

**Statement of accounts receivable**

Item	Description	Amount
Accounts receivable:		
Corporation P	Operating revenue	\$ 1,201,532
Corporation V	"	850,802
Corporation A	"	418,734
Other (individual amount not exceeding 5%)	"	5,053,556
Total		7,524,624
Less: Allowance for doubtful accounts		(18,721)
Net accounts receivable		<u>\$ 7,505,903</u>

**PRIMAX ELECTRONICS LTD.**  
**Statement of other receivables**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Receivables due to sale of accounts receivable	Remaining receivables due to sale of accounts receivable	\$ 152,127
Income tax refund	Receivable of business income tax refund	79,395
Other receivables—related parties	Payable on behalf of related parties	20,525
Other (individual amount not exceeding 5%)		6,550
Total		<u>\$ 258,597</u>

**Statement of inventories**

Item	Cost	Net realizable value
Finished goods and merchandises	\$ 2,297,524	2,426,091
Less: Provision for finished goods and merchandises	(121,928)	
Subtotal	2,175,596	
Raw material	7,349	7,356
Less: Provision for raw material	(52)	
Subtotal	7,297	\$ 2,433,447
Net amount	<u>\$ 2,182,893</u>	

## PRIMAX ELECTRONICS LTD.

## Statement of changes in financial assets measure at fair value through other comprehensive income — non-current

From January 1 to December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance (Note 1)		Additions		Disposal		Other adjustments (Note 2)		Ending Balance		Pledged or guaranteed None
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Green Rich Technology Co., Ltd.	359	\$ 2,000	-	-	-	-	(2,000)	359	-	-	"
WK Technology Fund IV Ltd.	230	2,004	-	-	-	-	(928)	161	1,076	1,076	"
Changing Information Technology Inc.	179	2,102	-	-	-	-	-	179	2,102	2,102	"
Formosoft International Inc.	53	-	-	-	-	-	(42)	11	-	-	"
Syntronix Corp.	6	49	-	-	-	-	-	6	49	49	"
Global TEK Co., Ltd.	5,510	374,680	-	-	172	(8,600)	(133,343)	5,338	232,737	232,737	"
Ricavision International Inc.	917	-	-	-	-	-	-	917	-	-	"
Grove Ventures, L.P	-	16,417	-	8,880	-	-	2,363	-	27,660	27,660	"
		<u>\$ 397,252</u>		<u>8,880</u>		<u>(8,600)</u>		<u>(133,908)</u>		<u>263,624</u>	

Note 1: Originally classified as available-for-sale financial asset — non-current.

Note 2: Other adjustments comprise capital reduction to refund, capital reduction to offset losses and unrealized gains or losses on financial assets at fair value through other comprehensive income.

## PRIMAX ELECTRONICS LTD.

## Statement of changes in investment accounted for using equity method

From January 1 to December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments		Ending Balance		Market value or book value	Pledged of guaranteed None
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage of holding shares	Number of shares	Amount		
Primax Industries (Cayman Holding) Ltd.	8,147,636	\$ 5,135,159	-	-	-	-	501,496	100.00 %	8,147,636	5,636,655	5,773,755	"
Primax Technology (Cayman Holding) Ltd.	285,067	2,021,715	-	-	-	-	203,064	100.00 %	285,067	2,224,779	2,252,519	"
Destiny Technology Holding Co., Ltd	1,050	14,551	-	-	-	(606)	(606)	100.00 %	1,050	13,945	13,945	"
Primax Destiny Co., Ltd.	0.5	16,386	-	-	-	1,153	1,153	100.00 %	0.5	17,539	17,539	"
Diamond (Cayman) Holdings Ltd.	84,050	3,089,647	45,000	1,372,500	-	-	457,732	100.00 %	129,050	4,919,879	4,919,879	"
Gratus Technology Corp.	300	9,647	-	-	-	-	1,361	100.00 %	300	11,008	11,008	"
Primax AE (Cayman) Holdings Ltd.	-	-	48,200	1,431,540	-	-	(89,081)	100.00 %	48,200	1,342,459	1,342,459	"
		<u>\$ 10,287,105</u>		<u>2,804,040</u>		<u>-</u>	<u>1,075,119</u>		<u>14,166,264</u>	<u>14,331,104</u>		

Note 1: Adjustments under equity method valuation.

**PRIMAX ELECTRONICS LTD.**  
**Statement of changes in property, plant and  
equipment**  
**From January 1 to December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(i) for Property, plant and equipment.

**Statement of changes in investment property**

Please refer to note 6(j) for Investment property.

**PRIMAX ELECTRONICS LTD.**  
**Statement of short-term borrowings**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Bank</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of interest rate</u>	<u>Credit Line</u>	<u>Pledged on guaranteed</u>
Mega International Commercial Bank	Unsecured bank loans	\$ 200,000	3 months	0.94%	600,000	None
HSBC Bank	"	100,000	1 month	0.93%	1,075,655	"
DBS Bank	"	150,000	2 months	1.08%	921,990	"
Bank of China	"	<u>500,000</u>	1 month	0.88%	614,660	"
		<u>\$ 950,000</u>				

**Statement of other payables**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Expense payables	Research and development expense for projects and inspection	\$ 502,965
	Taxes related to income and tariff	342,643
	Employee and director remuneration	258,709
Others (note)	Accounts payable for labor and health insurance, employee benefits and freight expense	124,473
Total		<u>\$ 1,228,790</u>

Note : individual amount not exceeding 5%

**PRIMAX ELECTRONICS LTD.**  
**Statement of other current liabilities**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Remedy received in advance		\$ 152,811
Contract liabilities	Advance sales receipts— non-related parties	53,366
Other (note)		<u>7,106</u>
Total		<u><u>\$ 213,283</u></u>

Note : individual amount not exceeding 5%

**Statement of other non-current liabilities**

Item	Amount
Deferred tax liabilities— non-current	\$ 359,202
Guarantee deposits	182,587
Accrued pension liabilities	67,502
Other (note)	<u>2,721</u>
	<u><u>\$ 612,012</u></u>

Note : individual amount not exceeding 5%

**PRIMAX ELECTRONICS LTD.**  
**Statement of long-term borrowings**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Creditor	Description	Amount	Term of contract	Interest rate	Pledged on guaranteed
The Export-Import Bank of the Republic of China	Long-term borrowings	\$ 83,333	2015.2~2020.2	Note	None
	Less: Current portion	<u>(55,556)</u>			
Total		<u><u>\$ 27,777</u></u>			

Note: Interest rate is calculated by TAIBOR plus 0.48% per annum.

**Statement of operating revenue**  
**From January 1 to December 31, 2018**

Item	Quantity (in thousands)	Amount
Operating revenue:		
Computer peripherals	67,299	\$ 21,464,609
Non-Computer peripherals	38,436	<u>12,481,966</u>
		33,946,575
Less: Sales returns		(75,542)
Sales discounts		<u>(954,407)</u>
		32,916,626
Net service revenue		<u>1,067,809</u>
Net operating revenue		<u><u>\$ 33,984,435</u></u>

## PRIMAX ELECTRONICS LTD.

## Statement of operating costs

From January 1 to December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Raw material On January 1, 2018	\$ 9,948
Add: Purchases	4,984
Less: Raw material on December 31, 2018	(7,349)
Sales of raw material	<u>(7,583)</u>
Raw material used	-
Manufacturing overhead	<u>145,233</u>
Manufacturing cost	145,233
Add: Finished goods and merchandises on January 1, 2018	2,179,971
Purchases from triangular trade	31,132,699
Less: Finished goods and merchandises on December 31, 2018	(2,297,524)
Losses on physical finished goods and merchandises	(1,818)
Loss on disposal of inventories	<u>(11,121)</u>
Cost of finished goods and merchandises	31,147,440
Service costs	337,360
Sales of raw material	7,583
Loss on inventory valuation, obsolescence and physical inventories	62,320
Loss on disposal of inventories	<u>11,121</u>
Operating costs	<u><u>\$ 31,565,824</u></u>

## PRIMAX ELECTRONICS LTD.

## Statement of selling, administrative, research and development expenses

From January 1 to December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Salaries	\$ 257,098	301,204	664,648
Rent expense	16,415	22,124	50,610
Travel allowance	28,063	10,164	45,265
Service expense	42,924	56,328	11,156
Insurance expenses	43,808	16,743	48,640
Storage fee	41,689	-	-
Freight expense	27,544	48	863
Other expense (note)	<u>73,356</u>	<u>68,389</u>	<u>178,112</u>
Total	<u><u>\$ 530,897</u></u>	<u><u>475,000</u></u>	<u><u>999,294</u></u>

Note : individual amount not exceeding 5%





**PRIMAX**

  
**Primax Electronics Ltd.**

Chairman & CEO  Liang, Li-Sheng