

**PRIMAX ELECTRONICS LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Review Report  
For the Three Months Ended  
March 31, 2019 and 2018**

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

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## Independent Auditors' Review Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of PRIMAX ELECTRONICS LTD. ("the Company") and its subsidiaries ("the Group") as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to NT\$5,587,896 thousand and NT\$4,752,505 thousand, constituting 13.4% and 15.5% of the consolidated total assets; and the total liabilities amounting to NT\$4,322,405 thousand and NT\$2,644,484 thousand, constituting 16.6% and 15.3% of the consolidated total liabilities as of March 31, 2019 and 2018, respectively; as well as the total comprehensive income amounting to NT\$100,132 thousand and NT\$16,116 thousand, constituting 18.2% and 3.5% of the consolidated comprehensive income for the three months then ended respectively.

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

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of Tymphony Worldwide Enterprises Ltd., a subsidiary of the Group. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Tymphony Worldwide Enterprises Ltd., is based solely on the review report of another auditor. The financial statements of Tymphony Worldwide Enterprises Ltd. reflect the total assets amounting to NT\$11,999,115 thousand and NT\$6,697,259 thousand, constituting 28.9% and 21.8% of the related consolidated total assets as of March 31, 2019 and 2018, respectively; as well as the operating revenue amounting to NT\$5,353,704 thousand and NT\$3,796,226 thousand, constituting 39.2% and 31.9% of the related consolidated operating revenue for the three months then ended respectively.

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

KPMG

Taipei, Taiwan (Republic of China)  
May 14, 2019

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2019 and 2018**

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2019, December 31 and March 31, 2018**

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2019		December 31, 2018		March 31, 2018		March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
<b>Current assets:</b>												
1100 Cash and cash equivalents (note 6(a))	\$ 6,425,821	15	4,990,458	12	4,523,636	15	\$ 5,459,871	13	1,202,565	3	764,953	3
1110 Current financial assets at fair value through profit or loss (note 6(b))	61,955	-	115,608	-	151,443	1	32,606	-	19,980	-	95,711	-
1170 Notes and accounts receivable, net (notes 6(d) and (v))	10,680,611	25	16,382,468	38	8,949,526	29	298	-	299	-	27	-
1180 Accounts receivable from related parties, net (notes 6(d), (v) and 7)	694,030	2	539,820	1	99,125	-	11,580,488	28	18,447,265	43	10,831,851	35
1200 Other receivables (note 6(d))	1,560,014	4	1,040,546	3	612,625	2	116,248	-	94,106	-	-	-
1310 Inventories (note 6(e))	7,524,364	18	7,760,333	18	6,013,255	20	2,949,855	7	3,604,860	8	2,092,312	7
1470 Other current assets (note 8)	671,095	2	642,927	1	420,468	1	511,395	1	1,154,205	3	487,871	2
	27,617,890	66	31,472,160	73	20,770,078	68	234,056	1	-	-	-	-
<b>Non-current assets:</b>							321,744	1	375,158	1	359,865	1
1550 Investments accounted for using equity method (note 6(f))	-	-	-	-	1,430,935	4	67,924	-	67,548	-	55,556	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	258,318	1	268,088	1	388,682	1	1,102,793	3	1,094,833	2	1,003,972	3
1600 Property, plant and equipment (notes 6(i) and 8)	6,209,529	15	5,509,536	13	4,400,026	14	22,377,278	54	26,060,819	60	15,692,118	51
1755 Right-of-use assets (note 6(j))	2,120,846	5	-	-	-	-	207,883	-	239,015	1	55,556	-
1760 Investment property, net (note 6(k))	34,635	-	34,751	-	35,098	-	1,397,502	3	-	-	-	-
1780 Intangible assets (note 6(l))	4,401,791	10	4,463,979	10	2,702,707	9	1,105,859	3	910,800	2	902,385	3
1840 Deferred tax assets	659,435	2	654,310	2	566,273	2	961,906	3	980,749	2	600,651	2
1985 Long-term prepaid rents	-	-	223,064	-	212,971	1	3,673,150	9	2,130,564	5	1,558,592	5
1990 Other non-current assets -- other (note 8)	288,521	1	535,613	1	214,628	1	26,050,428	63	28,191,383	65	17,250,710	56
	13,973,075	34	11,689,341	27	9,951,320	32						
<b>Equity attributable to owners of parent:</b>												
3110 Ordinary shares (note 6(s))							4,468,753	11	4,474,523	10	4,469,163	15
3200 Capital surplus (note 6(s))							1,379,836	3	1,377,077	3	1,304,192	4
3310 Legal reserve							1,187,783	3	1,187,783	3	982,041	3
3320 Special reserve							299,065	1	299,065	1	97,300	-
3350 Unappropriated retained earnings (notes 6(c) and (s))							5,391,612	13	5,038,483	12	5,403,410	18
3400 Other equity interest (note 6(c))							(498,700)	(2)	(751,110)	(2)	(382,716)	(1)
36XX Non-controlling interests (note 6(n))							3,312,188	8	3,344,297	8	1,597,298	5
	15,540,537	37	14,970,118	35								
<b>Total equity</b>	<b>\$ 41,590,965</b>	<b>100</b>	<b>43,161,501</b>	<b>100</b>	<b>30,721,398</b>	<b>100</b>	<b>\$ 41,590,965</b>	<b>100</b>	<b>43,161,501</b>	<b>100</b>	<b>30,721,398</b>	<b>100</b>
<b>Total liabilities and equity</b>												

**Total assets**

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

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2019 and 2018**

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

		For the three months end March 31			
		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(v) and 7)	\$ 13,641,127	100	11,883,748	100
5000	Operating costs (notes 6(e), (q), (w), 7 and 12)	12,027,540	88	10,423,317	88
	Gross profit from operation	1,613,587	12	1,460,431	12
	Operating expenses (notes 6(o), (q), (w) and 12):				
6100	Selling expenses	326,433	2	283,144	2
6200	Administrative expenses	426,115	3	381,850	3
6300	Research and development expenses	637,488	5	551,018	5
6450	Expected credit loss (note 6(d))	2,621	-	12	-
	Total operating expenses	1,392,657	10	1,216,024	10
	Net operating income	220,930	2	244,407	2
	Non-operating income and expenses:				
7010	Other income (note 6(x))	59,627	-	36,137	-
7020	Other gains and losses (note 6(y))	145,530	1	177,590	2
7060	Share of loss of associates accounted for using equity method (note 6(f))	-	-	2,361	-
7050	Finance costs (note 6(o))	(48,674)	-	(7,631)	-
	Total non-operating income and expenses	156,483	1	208,457	2
	Profit before tax	377,413	3	452,864	4
7950	Less: Income tax expenses (note 6(r))	84,540	1	106,934	1
	Profit	292,873	2	345,930	3
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(2,452)	-	(14,315)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(2,452)	-	(14,315)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operation's financial statements	258,454	2	127,969	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		258,454	2	127,969	1
8300	Other comprehensive income after tax	256,002	2	113,654	1
	Comprehensive income	\$ 548,875	4	459,584	4
	Profit attributable to:				
8610	Owners of parent	\$ 355,799	2	352,493	3
8620	Non-controlling interests (note 6(h))	(62,926)	-	(6,563)	-
		\$ 292,873	2	345,930	3
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 582,473	4	459,496	4
8720	Non-controlling interests (note 6(h))	(33,598)	-	88	-
		\$ 548,875	4	459,584	4
	Earnings per share (note 6(u))				
9710	Basic earnings per share (NT dollars)	\$ 0.80		0.80	
9810	Diluted earnings per share (NT dollars)	\$ 0.80		0.79	

See accompanying notes to consolidated financial statements.



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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 377,413	452,864
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	511,125	390,115
Losses related to inventories	10,494	37,388
Expected credit loss	2,621	12
Interest expense	47,978	6,650
Interest income	(58,973)	(35,384)
Compensation cost of share-based payment	20,055	29,302
Share of gain of associates accounted for using equity method	-	(2,361)
Loss (gain) on disposal of property, plant and equipment	(1,825)	4,084
<b>Total adjustments to reconcile profit (loss)</b>	<b>531,475</b>	<b>429,806</b>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	53,653	(10,292)
Notes and accounts receivable	5,698,794	4,117,345
Accounts receivable from related parties	(154,210)	6,786
Other receivables	(519,468)	125,062
Inventories	225,475	740,024
Other current assets	(44,318)	111,249
Other operating assets	(9,750)	(39)
<b>Changes in operating assets</b>	<b>5,250,176</b>	<b>5,090,135</b>
Financial liabilities at fair value through profit or loss	12,626	(7,396)
Notes and accounts payable	(6,866,778)	(5,518,300)
Accounts payable to related parties	22,142	-
Salaries payable	(642,810)	(617,282)
Other payables	(514,646)	(716,674)
Refund liabilities	7,960	(106,699)
Other current liabilities	(53,414)	(74,029)
Other operating liabilities	195,208	(137,108)
<b>Changes in operating liabilities</b>	<b>(7,839,712)</b>	<b>(7,177,488)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(2,589,536)</b>	<b>(2,087,353)</b>
<b>Total adjustments</b>	<b>(2,058,061)</b>	<b>(1,657,547)</b>
Cash outflow generated from operations	(1,680,648)	(1,204,683)
Interest received	58,973	35,384
Interest paid	(47,960)	(6,632)
Income taxes paid	(54,819)	(164,159)
<b>Net cash flows used in operating activities</b>	<b>(1,724,454)</b>	<b>(1,340,090)</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(12,012)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	19,330	-
Acquisition of investments accounted for using equity method	-	(1,428,574)
Acquisition of property, plant and equipment	(1,154,076)	(329,393)
Proceeds from disposal of property, plant and equipment	27,699	1,811
Change in non-controlling interest	1,489	-
Acquisition of unamortized expense	(17,942)	(17,587)
Other investing activities	885	40,358
<b>Net cash flows used in investing activities</b>	<b>(1,134,627)</b>	<b>(1,733,385)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	4,257,306	(230,685)
Decrease in long-term borrowings	(30,756)	(107,776)
Increase (decrease) in guarantee deposits received	(8,802)	47,399
Payment of lease liabilities	(66,881)	-
<b>Net cash flows from (used in) financing activities</b>	<b>4,150,867</b>	<b>(291,062)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>143,577</b>	<b>67,162</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,435,363</b>	<b>(3,297,375)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,990,458</b>	<b>7,821,011</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 6,425,821</b>	<b>4,523,636</b>



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
As of March 31, 2019 and 2018 Reviewed only, not audited  
in accordance with the generally accepted auditing standards

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**March 31, 2019 and 2018**

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

**(1) Company history**

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

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

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

The consolidated financial statements of the Company as at and for the year ended March 31, 2019, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and related parts, automobile and electronic control modules, sensors, as well as other electronic components. Please refer to note 14 for further information.

The Company’s common shares were registered with the Financial Supervisory Commission, ROC (“FSC”) on June 22, 2012, and listed on the Taiwan Stock Exchange (“TWSE”) on October 5, 2012.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issuance by the board of directors on May 14, 2019.

(Continued)

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

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019. The related new standards, interpretations and amendments are as follows (In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 “Prepayment features with negative compensation”):

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

- (i) IFRS 16 “Leases”

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

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

- 1) Definition of a lease

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

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

(Continued)

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

2) As a lessee

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

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

- Leases classified as operating leases under IAS 17

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

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

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

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

(Continued)

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

3) As a lessor

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

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

4) Impacts on financial statements

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

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

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

(Continued)

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

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

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
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:**

- (a) Statement of compliance

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

(Continued)

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	100.00 %	(note 5)
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 5)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 5)
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 5)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	100.00 %	
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	100.00 %	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 5)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 5)
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	100.00 %	(note 5)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	(note 5)
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	100.00 %	
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 %	71.43 %	66.44 %	(note 1) (note 2)
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 %	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 %	100.00 %	
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacture, install and repair of audio accessories and their components	100.00 %	100.00 %	100.00 %	(note 5)
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
Primax AE	ALT International Co., LTD (Cayman) (AIC)	Holding company	37.00 %	37.00 %	- %	(note 3) (note 5)
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	100.00 %	100.00 %	- %	(note 3) (note 5)
AIC	Advanced Micro Electronics Co., LTD. (AME)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	100.00 %	100.00 %	- %	(note 3) (note 5)
AIC	Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	99.67 %	99.67 %	- %	(note 3) (note 5)
AIC and ALT (Shanghai)	Advanced Leading Technology Co. (ALT)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	100.00 %	100.00 %	- %	(note 3) (note 4) (note 5)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	100.00 %	100.00 %	- %	(note 3) (note 5)

Note 1: 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 2: 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 3: 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 4: 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 2018; 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.

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

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

(c) Lease (applicable from January 1, 2019)

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
  - the Group has the right to operate the asset and the supplier has no right to change the decision; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) As a lessor

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

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

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

(d) Income taxes

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

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

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

(e) Employee benefits

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

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

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

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

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

**(6) Explanation of significant accounts:**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to note 6 of the 2018 annual consolidated financial statements.

**(a) Cash and cash equivalents**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Cash on hand	\$ 7,288	6,548	3,424
Demand accounts and checking deposits	2,578,537	3,911,783	3,260,142
Time deposits	<u>3,839,996</u>	<u>1,072,127</u>	<u>1,260,070</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u><u>\$ 6,425,821</u></u>	<u><u>4,990,458</u></u>	<u><u>4,523,636</u></u>

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

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

**(i) Details of financial instruments were as follows:**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<b>Mandatorily measured at FVTPL:</b>			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 52,472	115,608	62,346
Foreign exchange swap contracts	9,483	-	86,955
Non-derivative financial assets			
Mutual funds	<u>-</u>	<u>-</u>	<u>2,142</u>
	<u><u>\$ 61,955</u></u>	<u><u>115,608</u></u>	<u><u>151,443</u></u>
<b>Financial liabilities held-for-trading:</b>			
Derivative instrument not used for hedging			
Forward exchange contracts	\$ (29,925)	(19,980)	(91,915)
Foreign exchange swap contracts	<u>(2,681)</u>	<u>-</u>	<u>(3,796)</u>
	<u><u>\$ (32,606)</u></u>	<u><u>(19,980)</u></u>	<u><u>(95,711)</u></u>

(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:

**March 31, 2019**

<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 181,000	April 1, 2019~ August 29, 2019	30.275~30.783
Forward exchange contracts —buy TWD / sell USD	USD 271,000	April 1, 2019~ August 29, 2019	30.516~30.822
Forward exchange contracts —buy CNY/ sell USD	USD 106,500	April 8, 2019~ June 19, 2019	6.6972~6.9805
Foreign exchange swap contracts —swap in USD/ swap out TWD	USD 215,000	April 11, 2019~ September 26, 2019	30.350~30.7685

**December 31, 2018**

<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

**March 31, 2018**

<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 530,000	April 2, 2018~ August 7, 2018	28.755~29.689
Forward exchange contracts —buy TWD / sell USD	USD 109,000	April 2, 2018~ May 30, 2018	29.046~29.337
Forward exchange contracts —buy CNY / sell USD	USD 99,300	April 9, 2018~ July 19, 2018	6.2821~6.6085
Forward exchange swap contracts —swap in TWD / swap out USD	USD 339,000	April 16 2018~ July 11, 2018	28.896~29.708

- (iii) Please refer to note 6(z) 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>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<b>Equity investments at FVOCI</b>			
Stocks listed in domestic markets–Global TEK	\$ 210,859	232,737	360,905
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	1,076	1,076	2,004
Stocks unlisted in domestic markets–Green Rich Technology Co., Ltd.	-	-	2,000
Stocks unlisted in domestic markets–Changing Information Technology Inc.	2,102	2,102	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	39,755	27,660	16,016
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	4,477	4,464	5,606
<b>Total</b>	<b><u>\$ 258,318</u></b>	<b><u>268,088</u></b>	<b><u>388,682</u></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.
- (ii) The Group has sold 440 thousand shares held in Global TEK as a result of enhancing its working capital in the three months ended March 31, 2019. The shares sold had a fair value of \$19,330 resulting in the Group to realize a loss of \$2,670, which has been included in its other equity interest, and later on transferred to retained earnings. No strategic investments were disposed in the three months ended March 31, 2018.
- (iii) The Group acquired the shares from Grove Ventures, L.P amounting to \$12,012 due to its capital increase in January 2019.
- (iv) The Group did not provide any of the aforementioned financial assets as collateral.

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Notes receivable	\$ 90,823	288,156	232,125
Accounts receivable	10,638,318	16,139,779	8,841,932
Accounts receivable – related parties	694,030	539,820	99,125
Less: allowance for doubtful accounts	(48,530)	(45,467)	(124,531)
<b>Total</b>	<b><u>\$ 11,374,641</u></b>	<b><u>16,922,288</u></b>	<b><u>9,048,651</u></b>

- (i) The Group did not provide any of the aforementioned notes and accounts receivable (including related parties) as collateral.
- (ii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	<b>March 31, 2019</b>		
	<b>Carrying amounts of notes and accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 10,413,762	0%	-
0 to 30 days past due	778,441	0%~3%	21,129
31 to 60 days past due	30,560	0%~5%	102
61 to 90 days past due	31,892	0%~10%	45
91 to 180 days past due	25,606	0%~25%	297
181 to 360 days past due	107,752	0%~80%	3,637
More than 361 days past due	35,158	0%~100%	23,320
	<b><u>\$ 11,423,171</u></b>		<b><u>48,530</u></b>

(Continued)

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

<b>December 31, 2018</b>			
	<b>Carrying amounts of notes and accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 15,223,848	0%	-
0 to 30 days past due	1,466,038	0%~3%	19,830
31 to 60 days past due	57,440	0%~5%	652
61 to 90 days past due	61,145	0%~10%	198
91 to 180 days past due	106,835	0%~25%	388
181 to 360 days past due	14,245	0%~80%	1,419
More than 361 days past due	38,204	0%~100%	22,980
	<b><u>\$ 16,967,755</u></b>		<b><u>45,467</u></b>
<b>March 31, 2018</b>			
	<b>Carrying amounts of notes and accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 8,474,025	0%	-
0 to 30 days past due	329,782	0%~3%	9,745
31 to 60 days past due	47,111	0%~5%	479
61 to 90 days past due	81,572	0%~10%	7,430
91 to 180 days past due	61,701	0%~25%	9,210
181 to 360 days past due	1,411	0%~80%	17
More than 361 days past due	177,580	0%~100%	97,650
	<b><u>\$ 9,173,182</u></b>		<b><u>124,531</u></b>

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

<b>For the three months ended March 31,</b>		
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 45,467	127,640
Impairment loss recognized	2,621	12
Effect of exchange rate changes	442	(3,121)
Balance at March 31	<b><u>\$ 48,530</u></b>	<b><u>124,531</u></b>

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

- (iv) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. As of March 31, 2019, December 31 and March 31, 2018, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

March 31, 2019							
Buyer	Amount sold NT\$	Credit facilities US\$ (expressed in thousand)	Amount derecognized NT\$	Interest rate	Guarantee (promissory note) expressed in thousands	Cash received in advance NT\$	Amount not received NT\$
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	195,092	9,000	195,092	-	-	-	195,092
	<u>\$ 195,092</u>	<u>87,000</u>	<u>195,092</u>			<u>-</u>	<u>195,092</u>
December 31, 2018							
Buyer	Amount sold NT\$	Credit facilities US\$ (expressed in thousand)	Amount derecognized NT\$	Interest rate	Guarantee (promissory note) expressed in thousands	Cash received in advance NT\$	Amount not received NT\$
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	-	-	-	152,127
	<u>\$ 152,127</u>	<u>87,000</u>	<u>152,127</u>			<u>-</u>	<u>152,127</u>
March 31, 2018							
Buyer	Amount sold NT\$	Credit facilities US\$ (expressed in thousand)	Amount derecognized NT\$	Interest rate	Guarantee (promissory note) expressed in thousands	Cash received in advance NT\$	Amount not received NT\$
Mega International Commercial Bank	\$ -	15,000	-	-	US\$ 3,750	-	-
HSBC Bank	-	45,000	-	-	US\$ 13,500	-	-
Bank of Taiwan	-	29,250	-	-	NT\$ 210,000	-	-
EnTie Bank	129,419	9,000	129,419	-	-	-	129,419
	<u>\$ 129,419</u>	<u>98,250</u>	<u>129,419</u>			<u>-</u>	<u>129,419</u>

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

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

(e) Inventories

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Raw materials	\$ 2,635,776	2,185,662	1,858,368
Semi-finished goods and work in process	1,587,397	1,536,356	1,287,881
Finished goods and merchandise	<u>3,301,191</u>	<u>4,038,315</u>	<u>2,867,006</u>
	<b><u>\$ 7,524,364</u></b>	<b><u>7,760,333</u></b>	<b><u>6,013,255</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>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Losses on inventory valuation	\$ (6,889)	(22,283)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(3,894)	(16,661)
Gains on physical inventories	<u>289</u>	<u>1,556</u>
	<b><u>\$ (10,494)</u></b>	<b><u>(37,388)</u></b>

(f) Investments accounted for using equity method

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Carrying amount of individually insignificant associates' equity	\$ (241)	(236)	1,430,935
Credit balance of long-term investment reclassified as other non-current liabilities	<u>241</u>	<u>236</u>	<u>-</u>
Total	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>1,430,935</u></b>

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

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Attributable to the Group:		
Profit	\$ -	2,361
Other comprehensive income	-	-
Comprehensive income	<u>\$ -</u>	<u>2,361</u>

The Group acquired 37% shares of Belfast Limited (renamed as AIC after the acquisition), a company that engages in the manufacturing of electric power steering system and adaptive front lighting system, with amount of USD\$48,100 by participating in capital increase of Belfast Limited by cash, and purchasing its outstanding shares, and obtain significant influence over Belfast Limited in January 2018. The Group has control over the operating and financial policies of AIC due to having more than 50% of its board of directors' voting rights based on the resolution of its shareholders meeting held in June 2018. The Company included AIC Group in its consolidated financial statements beginning June 2018; please refer to note 6(g).

As of March 31, 2019 and 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.

(g) Business combination

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

(i) Obtaining control

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

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

- (ii) According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date. Therefore, the Group evaluated the fair value and useful lives of intangible assets at the time of acquisition. As of the reporting date, the Group had engaged experts to evaluate the fair value of identifiable net assets, and based on the analysis results, the fair value of consideration transferred, assets acquired, and liabilities assumed at the date of acquisition were as follows:

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>\$ 574,604</u>

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

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

(h) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		March 31, 2019	December 31, 2018	March 31, 2018
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	28.57 %	33.56 %
AIC and its subsidiaries	China and U.S.A./Cayman Is.	63 %	63 %	- %

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

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

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 9,795,174	12,801,027	6,618,907
Non-current assets	5,432,206	4,029,482	3,442,791
Current liabilities	(7,096,307)	(9,594,008)	(5,172,271)
Non-current liabilities	(944,891)	(76,753)	(129,897)
Net assets	<u>\$ 7,186,182</u>	<u>7,159,748</u>	<u>4,759,530</u>
Non-controlling interests	<u>\$ 2,052,941</u>	<u>2,045,390</u>	<u>1,597,298</u>

	For the three months ended March 31	
	2019	2018
Operating revenue	<u>\$ 5,357,357</u>	<u>3,804,004</u>
Loss	(56,548)	(19,557)
Other comprehensive income	77,680	19,818
Comprehensive income	<u>21,132</u>	<u>261</u>
Loss attributable to non-controlling interests	<u>\$ (16,155)</u>	<u>(6,563)</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 6,062</u>	<u>88</u>

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

		<b>For the three months ended March 31</b>	
		<b>2019</b>	<b>2018</b>
	Cash flows used in operating activities	\$ (523,933)	(298,551)
	Cash flows used in investing activities	(489,673)	(43,868)
	Cash flows from (used in) financing activities	1,292,943	(241,039)
	Effect of exchange rate changes	46,827	34,229
	Net increase (decrease) in cash and cash equivalents	<u>\$ 326,164</u>	<u>(549,229)</u>
	Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>
(ii)	AIC and its subsidiaries' collective financial information:		
		<b>March 31, 2019</b>	<b>December 31, 2018</b>
	Current assets	\$ 1,276,939	1,224,400
	Non-current assets	2,338,370	2,364,796
	Current liabilities	(550,669)	(451,162)
	Non-current liabilities	(491,578)	(502,642)
	Net assets	<u>\$ 2,573,062</u>	<u>2,635,392</u>
	Non-controlling interests	<u>\$ 1,259,247</u>	<u>1,298,907</u>
		<b>For the three months ended March 31, 2019</b>	
	Operating revenue	\$ <u>197,916</u>	
	Loss	\$ (74,188)	
	Other comprehensive income	11,265	
	Comprehensive loss	<u>\$ (62,923)</u>	
	Loss attributable to non-controlling interests	<u>\$ (46,771)</u>	
	Comprehensive loss attributable to non-controlling interests	<u>\$ (39,660)</u>	
		<b>For the three months ended March 31, 2019</b>	
	Cash flows used in operating activities	\$ (122,663)	
	Cash flows used in investing activities	(22,986)	
	Cash flows from financing activities	72,713	
	Effect of exchange rate changes	13,951	
	Net decrease in cash and cash equivalents	<u>\$ (58,985)</u>	
	Dividends paid to non-controlling interests	<u>\$ -</u>	

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

(i) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the three months ended March 31, 2019 and 2018, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
<b>Cost or deemed cost:</b>							
Balance on January 1, 2019	\$ 229,801	4,338,669	6,925,443	770,043	566,140	-	12,830,096
Additions	-	21,556	215,295	268,309	465,470	-	970,630
Disposals	-	(440)	(99,207)	(1,087)	(318)	-	(101,052)
Reclassifications	-	19,410	285,091	(3,685)	(309,226)	-	(8,410)
Effect of changes in exchange rate	-	84,022	158,538	14,796	12,891	-	270,247
Balance on March 31, 2019	<u>\$ 229,801</u>	<u>4,463,217</u>	<u>7,485,160</u>	<u>1,048,376</u>	<u>734,957</u>	<u>-</u>	<u>13,961,511</u>
Balance on January 1, 2018	\$ 134,701	3,809,364	6,024,654	597,200	413,789	(2,284)	10,977,424
Additions	-	37,221	36,420	12,027	156,943	-	242,611
Disposals	-	(33,799)	(42,839)	(6,550)	-	-	(83,188)
Reclassifications	-	15,294	39,419	14,858	(75,208)	-	(5,637)
Effect of changes in exchange rate	-	48,313	83,400	7,407	6,080	(32)	145,168
Balance on March 31, 2018	<u>\$ 134,701</u>	<u>3,876,393</u>	<u>6,141,054</u>	<u>624,942</u>	<u>501,604</u>	<u>(2,316)</u>	<u>11,276,378</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2019	\$ -	1,977,887	4,859,380	483,293	-	-	7,320,560
Depreciation	-	64,106	260,092	20,322	-	-	344,520
Disposals	-	(523)	(72,667)	(1,988)	-	-	(75,178)
Reclassifications	-	-	2,260	(2,260)	-	-	-
Effect of changes in exchange rate	-	40,882	111,944	9,254	-	-	162,080
Balance on March 31, 2019	<u>\$ -</u>	<u>2,082,352</u>	<u>5,161,009</u>	<u>508,621</u>	<u>-</u>	<u>-</u>	<u>7,751,982</u>
Balance on January 1, 2018	\$ -	1,830,962	4,311,178	399,884	-	(2,284)	6,539,740
Depreciation	-	54,446	262,019	16,700	-	-	333,165
Disposals	-	(33,799)	(37,053)	(6,441)	-	-	(77,293)
Reclassifications	-	49	(12,923)	3,511	-	-	(9,363)
Effect of changes in exchange rate	-	23,327	61,709	5,099	-	(32)	90,103
Balance on March 31, 2018	<u>\$ -</u>	<u>1,874,985</u>	<u>4,584,930</u>	<u>418,753</u>	<u>-</u>	<u>(2,316)</u>	<u>6,876,352</u>
<b>Carrying amounts:</b>							
Balance on January 1, 2019	\$ 229,801	2,360,782	2,066,063	286,750	566,140	-	5,509,536
Balance on March 31, 2019	<u>\$ 229,801</u>	<u>2,380,865</u>	<u>2,324,151</u>	<u>539,755</u>	<u>734,957</u>	<u>-</u>	<u>6,209,529</u>
Balance on January 1, 2018	\$ 134,701	1,978,402	1,713,476	197,316	413,789	-	4,437,684
Balance on March 31, 2018	<u>\$ 134,701</u>	<u>2,001,408</u>	<u>1,556,124</u>	<u>206,189</u>	<u>501,604</u>	<u>-</u>	<u>4,400,026</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$1,012,759, \$821,213 and \$808,207 as of March 31, 2019, December 31 and March 31, 2018, respectively.

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

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

(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost:</b>				
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application	435,567	1,729,293	9,269	2,174,129
Effect of changes in exchange rates	<u>9,727</u>	<u>15,186</u>	<u>45</u>	<u>24,958</u>
Balance on March 31, 2019	<u>\$ 445,294</u>	<u>1,744,479</u>	<u>9,314</u>	<u>2,199,087</u>
<b>Depreciation:</b>				
Balance on January 1, 2019	\$ -	-	-	-
Depreciation	3,327	73,810	1,064	78,201
Effect of changes in exchange rates	<u>16</u>	<u>23</u>	<u>1</u>	<u>40</u>
Balance on March 31, 2019	<u>\$ 3,343</u>	<u>73,833</u>	<u>1,065</u>	<u>78,241</u>
<b>Carrying amounts:</b>				
Balance on March 31, 2019	<u>\$ 441,951</u>	<u>1,670,646</u>	<u>8,249</u>	<u>2,120,846</u>

(k) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
<b>Carrying amounts:</b>			
Balance on January 1, 2019	<u>\$ 16,249</u>	<u>18,502</u>	<u>34,751</u>
Balance on March 31, 2019	<u>\$ 16,249</u>	<u>18,386</u>	<u>34,635</u>
Balance on January 1, 2018	<u>\$ 16,249</u>	<u>18,965</u>	<u>35,214</u>
Balance on March 31, 2018	<u>\$ 16,249</u>	<u>18,849</u>	<u>35,098</u>

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

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

(l) Intangible assets

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
<b>Carrying amounts:</b>					
Balance on January 1, 2019	\$ <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 March 31, 2019	\$ <u>2,612,618</u>	<u>692,473</u>	<u>1,083,949</u>	<u>12,751</u>	<u>4,401,791</u>
Balance on January 1, 2018	\$ <u>2,025,495</u>	<u>433,019</u>	<u>252,594</u>	<u>19,080</u>	<u>2,730,188</u>
Balance on March 31, 2018	\$ <u>2,027,665</u>	<u>415,049</u>	<u>242,112</u>	<u>17,881</u>	<u>2,702,707</u>

(i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2019 and 2018. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

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

(m) Short-term borrowings

The details were as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Unsecured bank loans	\$ 5,341,679	1,137,565	764,953
Secured bank loans	118,192	65,000	-
Short-term borrowings	<u>\$ 5,459,871</u>	<u>1,202,565</u>	<u>764,953</u>
Unused credit lines	<u>\$ 17,833,900</u>	<u>21,333,665</u>	<u>18,189,297</u>
Annual interest rates	<u>0.60%~4.21%</u>	<u>0.85%~4.02%</u>	<u>1.20%~2.93%</u>

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

(n) Long-term borrowings

<u>March 31, 2019</u>				
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.35%	2020	\$ 55,556
Secured bank loans	TWD	1.67%~2.07%	2022~2035	220,251
Less: current portion				(67,924)
				<u>\$ 207,883</u>
Unused credit lines				<u>\$ -</u>

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

**December 31, 2018**

	<b>Currency</b>	<b>Annual interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.35%~1.48%	2020	\$ 83,333
Secured bank loans	TWD	1.67%~2.12%	2022~2035	223,230
Less: current portion				(67,548)
				<u>\$ 239,015</u>
Unused credit lines				<u>\$ -</u>

**March 31, 2018**

	<b>Currency</b>	<b>Annual interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.35%~1.48%	2020	\$ 111,112
Less: current portion				(55,556)
				<u>\$ 55,556</u>
Unused credit lines				<u>\$ -</u>

- (i) Pursuant to the loan agreements with CTBC Bank, the Group has to maintain the following financial ratios calculated based on the Group's semi-annual audited (reviewed) consolidated financial statements. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) stockholders' equity of not less than \$4,000,000. If the Group violates the financial covenants, the banks have the right to charge a default penalty or to require the Group to improve its financial ratios.

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

- (ii) Please refer to note 9 for the details of the outstanding guarantee notes.
- (iii) Please refer to note 8 for further information on assets provided as collateral.

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

(o) Lease liabilities

The details were as follows:

	<b>March 31, 2019</b>		
	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of minimum lease payments</b>
Less than one year	\$ 300,088	66,032	234,056
Between one and five years	970,323	188,320	782,003
More than five years	826,852	211,353	615,499
	<u>\$ 2,097,263</u>	<u>465,705</u>	<u>1,631,558</u>
Current	<u>\$ 300,088</u>	<u>66,032</u>	<u>234,056</u>
Non-current	<u>\$ 1,797,175</u>	<u>399,673</u>	<u>1,397,502</u>

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31, 2019</b>
Interest on lease liabilities	\$ <u>16,044</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>20,859</u>

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

	<b>For the three months ended March 31, 2019</b>
Rental paid in operating activities	\$ (20,859)
Interest on lease liabilities paid in operating activities	(16,044)
Payment made on lease liabilities in financing activities	(66,881)
Total cash outflow for leases	<u>\$ (103,784)</u>

(i) Real estate leases

As of March 31, 2019, the Group leases lands and buildings for its office, factory facilities and warehouses. The leases typically run for a period between two and fifty years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

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

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

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

(p) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable were as follows:

	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Less than one year	\$ 305,577	268,897
Between one and five years	800,680	465,371
More than five years	399,066	457,431
	<b><u>\$ 1,505,323</u></b>	<b><u>1,191,699</u></b>

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Less than one year	\$ 1,402	1,758	1,297
Between one and two years	314	488	275
Total undiscounted lease payments	<b><u>\$ 1,716</u></b>	<b><u>2,246</u></b>	<b><u>1,572</u></b>

(q) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

(ii) Defined contribution plans

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- (iii) The Group recognized its pension costs and recorded them as operating costs and operating expenses.

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Defined benefit plans	\$ 338	428
Defined contribution plans	94,416	87,185
Total	<u><u>\$ 94,754</u></u>	<u><u>87,613</u></u>

(r) Income taxes

- (i) Income tax expense for the period is best estimated by multiplying the profit before tax of the reporting period by the effective annual tax rate as forecasted by the management.
- (ii) The details of the Group's income tax expenses were as follows:

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Income tax expense	<u><u>\$ 84,540</u></u>	<u><u>106,934</u></u>

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

(s) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2019 and 2018. For the related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2018.

(i) Ordinary shares

As of March 31, 2019, December 31 and March 31, 2018, the nominal ordinary shares amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 446,875, 447,452 and 446,916 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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Reconciliation of shares outstanding were as follows:

	<b>Ordinary shares</b> <b>(in thousands of shares)</b> <b>For the three months</b> <b>ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Balance on January 1	447,452	445,688
Exercise of employee stock options	-	128
Issuance of restricted stock	-	1,100
Retirement of restricted stock	(577)	-
Balance on March 31	<b><u>446,875</u></b>	<b><u>446,916</u></b>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>March 31,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>	<b>March 31,</b> <b>2018</b>
Additional paid-in capital	\$ 646,822	609,303	584,584
Employee stock options	259,401	259,401	234,002
Restricted employee stock options	112,000	150,548	182,606
Long-term investment	<u>361,613</u>	<u>357,825</u>	<u>303,000</u>
	<b><u>\$ 1,379,836</u></b>	<b><u>1,377,077</u></b>	<b><u>1,304,192</u></b>

(iii) Retained earnings

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

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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On March 28, 2019, the board of directors' meeting resolved to appropriate the 2018 earnings. On May 30, 2018, the shareholders' meeting resolved to distribute the 2017 earnings. The distributions were NT\$2.4 and \$3.2 (dollars) per share, which amounted to \$1,072,341 and \$1,430,068, respectively.

(t) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2019 and 2018. Please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2018 for further information.

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

Expenses attributable to share-based payment were as follows:

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Expenses attributable to employee stock options	\$ 5,277	2,027
Restricted stock	16,267	27,275
Total	<u><u>\$ 21,544</u></u>	<u><u>29,302</u></u>

(u) Earnings per share

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

(i) Basic earnings per share

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Profit attributable to owners of parent	\$ <u>355,799</u>	<u>352,493</u>
Weighted-average number of ordinary shares (thousand shares)	<u>444,146</u>	<u>442,384</u>
Basic earnings per share (NT dollars)	<u><u>\$ 0.80</u></u>	<u><u>0.80</u></u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(ii) Diluted earnings per share

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Profit attributable to owners of parent	<u>\$ 355,799</u>	<u>352,493</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>446,649</u>	<u>445,183</u>
Diluted earnings per share (NT dollars)	<u>\$ 0.80</u>	<u>0.79</u>

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

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted-average number of ordinary shares on March 31 (basic)	444,146	442,384
Effect of employee stock options	-	59
Estimated effect of employee stock bonuses	1,302	867
Effect of restricted stock	<u>1,201</u>	<u>1,873</u>
Weighted-average number of ordinary shares on March 31 (diluted)	<u>446,649</u>	<u>445,183</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three months ended March 31, 2019</b>		
	<b>Computer Peripherals</b>	<b>Non- computer Peripherals</b>	<b>Total</b>
Goods sold	\$ 5,263,779	7,739,287	13,003,066
Service rendered	<u>81,182</u>	<u>556,879</u>	<u>638,061</u>
	<u>\$ 5,344,961</u>	<u>8,296,166</u>	<u>13,641,127</u>

  

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Mainland China	\$ 5,860,218	6,405,643
Europe	3,847,981	2,545,563
America	2,864,236	1,944,305
Other	1,068,692	988,237
	<u><b>\$ 13,641,127</b></u>	<u><b>11,883,748</b></u>

(ii) Contract balances

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Notes and accounts receivable (including related parties)	\$ 11,423,171	16,967,755	9,173,182
Less: allowance for impairment	(48,530)	(45,467)	(124,531)
	<u><b>\$ 11,374,641</b></u>	<u><b>16,922,288</b></u>	<u><b>9,048,651</b></u>
Contract liabilities	<u><b>\$ 86,081</b></u>	<u><b>106,018</b></u>	<u><b>90,382</b></u>

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

The amount of revenue recognized for the three months ended March 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$53,298 and \$12,682, respectively.

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

(w) Employee's and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 2 to 10 percent of the profit as employee remuneration and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

Details of remuneration to employees and directors for the three months ended March 31, 2019 and 2018, were as follows:

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Employee remuneration	\$ 13,300	12,555
Directors' remuneration	6,665	6,411
	<u><b>\$ 19,965</b></u>	<u><b>18,966</b></u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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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 2018 and 2017 were as follows:

	<b>2018</b>		
	<b>Actual earnings distributed</b>	<b>Accrued in the financial statement</b>	<b>Difference</b>
Employee remuneration–Cash	\$ 64,430	64,439	9
Director's remuneration	32,200	32,219	19

  

	<b>2017</b>		
	<b>Actual earnings distributed</b>	<b>Accrued in the financial statement</b>	<b>Difference</b>
Employee remuneration–Cash	\$ 68,260	68,182	(78)
Director's remuneration	34,000	34,094	94

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

(x) Other income

The details of other income were as follows:

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income from bank deposits	\$ 58,973	35,384
Rent income	308	414
Other	346	339
	<b>\$ 59,627</b>	<b>36,137</b>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(y) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Net gains on financial assets/liabilities measured at FVTPL	\$ 32,429	64,288
Foreign currency exchange gains, net	52,046	34,096
Net gains (losses) on disposal of property, plant and equipment	1,825	(4,084)
Other	59,230	83,290
	<b>\$ 145,530</b>	<b>177,590</b>

(z) Financial instruments

Except for the following paragraph, there were no significant changes in the fair value of the Group's financial instruments and the degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(ab) of the consolidated financial statements for the year ended December 31, 2018 for further information.

(i) Liquidity risk

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

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1~2 years</b>	<b>2~5 years</b>	<b>Over 5 years</b>
<b>March 31, 2019</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 5,459,871	5,487,688	5,487,688	-	-	-
Notes and accounts payable	11,580,786	11,580,786	11,580,786	-	-	-
Accounts payable to related parties	116,248	116,248	116,248	-	-	-
Other payables	1,971,600	1,971,600	1,971,600	-	-	-
Lease liabilities	1,631,558	2,097,263	300,088	278,546	691,777	826,852
Refund liabilities	1,102,793	1,102,793	1,102,793	-	-	-
Long-term borrowings	275,807	303,326	72,221	17,105	79,492	134,508
Guarantee deposits	179,251	179,251	-	-	-	179,251
Derivative financial liabilities:	32,606	-	-	-	-	-
Outflow	-	4,408,346	4,408,346	-	-	-
Inflow	-	(4,389,470)	(4,389,470)	-	-	-
	<b>\$ 22,350,520</b>	<b>22,857,831</b>	<b>20,650,300</b>	<b>295,651</b>	<b>771,269</b>	<b>1,140,611</b>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
<b>December 31, 2018</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 1,202,565	1,205,383	1,205,383	-	-	-
Notes and accounts payable	18,447,564	18,447,564	18,447,564	-	-	-
Accounts payable to related parties	94,106	94,106	94,106	-	-	-
Other payables	2,587,626	2,587,626	2,587,626	-	-	-
Refund liabilities	1,094,833	1,094,833	1,094,833	-	-	-
Long-term borrowings	306,563	335,525	72,318	44,934	79,985	138,288
Guarantee deposits	188,053	188,053	-	-	-	188,053
Derivative financial liabilities:	19,980	-	-	-	-	-
Outflow	-	1,183,951	1,183,951	-	-	-
Inflow	-	(1,166,359)	(1,166,359)	-	-	-
	<u>\$ 23,941,290</u>	<u>23,970,682</u>	<u>23,519,422</u>	<u>44,934</u>	<u>79,985</u>	<u>326,341</u>
<b>March 31, 2018</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 764,953	765,388	765,388	-	-	-
Notes and accounts payable	10,831,878	10,831,878	10,831,878	-	-	-
Other payables	1,121,121	1,121,121	1,121,121	-	-	-
Refund liabilities	977,239	977,239	977,239	-	-	-
Long-term borrowings	111,112	112,784	56,766	56,018	-	-
Guarantee deposits	221,566	221,566	-	-	-	221,566
Derivative financial liabilities:	95,711	-	-	-	-	-
Outflow	-	2,042,816	2,042,816	-	-	-
Inflow	-	(1,941,466)	(1,941,466)	-	-	-
	<u>\$ 14,123,580</u>	<u>14,131,326</u>	<u>13,853,742</u>	<u>56,018</u>	<u>-</u>	<u>221,566</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2019			December 31, 2018			March 31, 2018			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<b><u>Financial assets</u></b>										
<b><u>Monetary items</u></b>										
USD:CNY	\$	423,506	6.7335	13,054,575	693,693	6.8632	21,319,228	392,740	6.2881	11,436,579
USD:HKD		197,139	7.8498	6,076,817	345,578	7.8329	10,620,661	145,842	7.8484	4,246,931
USD:TWD		266,311	30.8250	8,209,036	327,612	30.7330	10,068,493	234,544	29.1200	6,829,928
USD:EUR	-	-	-	-	-	-	31,698	0.8127	923,046	-
EUR:CZK		26,198	25.8284	906,717	26,723	25.8382	939,038	-	-	-

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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	March 31, 2019			December 31, 2018			March 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b><u>Financial liabilities</u></b>									
<b><u>Monetary items</u></b>									
USD:CNY	339,484	6.7335	10,464,604	458,490	6.8632	14,090,776	279,196	6.2881	8,130,193
USD:HKD	209,870	7.8498	6,469,258	347,734	7.8329	10,686,902	152,369	7.8484	4,436,991
USD:TWD	322,713	30.8250	9,947,630	381,283	30.7330	11,717,967	281,588	29.1200	8,199,855
USD:EUR	-	-	-	-	-	-	7,035	0.8127	204,859
EUR:CZK	21,090	25.8284	729,940	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 March 31, 2019 and 2018, would have increased or decreased the net profit before tax by \$31,786 and \$123,227, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to gain \$52,046 and gain \$34,096, respectively.

(iii) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the profit before tax would have increased or decreased by \$479 and \$2,278 for the three months ended March 31, 2019 and 2018, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

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(iv) 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>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Other comprehensive income before tax</b>	<b>Other comprehensive income before tax</b>
<b>Price of securities at the reporting date</b>		
Increasing 10%	\$ 21,086	36,091
Decreasing 10%	\$ (21,086)	(36,091)

(v) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	March 31, 2019				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ 61,955	-	-	61,955	61,955
Financial assets at FVOCI– non-current	\$ 258,318	210,859	-	47,459	258,318
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 6,425,821				
Notes and accounts receivable (including related parties)	11,374,641				
Other receivables	1,560,014				
Refundable deposits	60,536				
Total	\$ 19,421,012				
Financial liabilities at FVTPL– current	\$ 32,606	-	-	32,606	32,606

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		March 31, 2019			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 5,735,678				
Notes and accounts payable (including related parties)	11,697,034				
Other payables	2,949,855				
Salaries payable	511,395				
Lease liabilities	1,631,558				
Refund liabilities	1,102,793				
Guarantee deposits	<u>179,251</u>				
Total	<u>\$ 23,807,564</u>				
		December 31, 2018			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL—current</b>	<u>\$ 115,608</u>	-	-	115,608	115,608
<b>Financial assets at FVOCI— non-current</b>	<u>\$ 268,088</u>	232,737	-	35,351	268,088
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 4,990,458				
Notes and accounts receivable (including related parties)	16,922,288				
Other receivables	1,040,546				
Refundable deposits	<u>61,932</u>				
Total	<u>\$ 23,015,224</u>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 19,980</u>	-	-	19,980	19,980
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 1,509,128				
Notes and accounts payable (including related parties)	18,541,670				
Other payables	3,604,860				
Salaries payable	1,154,205				
Refund liabilities	1,094,833				
Guarantee deposits	<u>188,053</u>				
Total	<u>\$ 26,092,749</u>				

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March 31, 2018					
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ <u>151,443</u></b>	-	-	151,443	151,443
<b>Financial assets at FVOCI – non-current</b>	<b>\$ <u>388,682</u></b>	360,905	-	27,777	388,682
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 4,523,636				
Notes and accounts receivable (including related parties)	9,048,651				
Other receivables	612,625				
Refundable deposits	<u>50,447</u>				
Total	<b>\$ <u>14,235,359</u></b>				
<b>Financial liabilities at FVTPL – current</b>	<b>\$ <u>95,711</u></b>	-	-	95,711	95,711
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 876,065				
Notes and accounts payable	10,831,851				
Other payables	2,092,312				
Salaries payable	487,871				
Refund liabilities	977,239				
Guarantee deposits	<u>221,566</u>				
Total	<b>\$ <u>15,486,904</u></b>				

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.

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

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

3) Transfers between Level 1 and Level 3

The Group holds an investment in equity shares of Global TEK, which is classified as FVOCI, with a fair value of \$210,859, \$232,737 and \$360,905 on March 31, 2019, December 31 and March 31, 2018, respectively. In February, 2018, Global TEK listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy for the three months ended March 31, 2018.

4) Reconciliation of Level 3 fair values

	For the three months ended March 31, 2019			For the three months ended March 31, 2018		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
Balance on January 1	\$ 95,628	35,351	130,979	38,044	402,997	441,041
Recognized in profit or loss	32,429	-	32,429	64,288	-	64,288
Recognized in other comprehensive income	-	96	96	-	(14,315)	(14,315)
Acquisition /disposal	(98,708)	12,012	(86,696)	(46,600)	-	(46,600)
Transfer out of Level 3	-	-	-	-	(360,905)	(360,905)
Balance on March 31	<u>\$ 29,349</u>	<u>47,459</u>	<u>76,808</u>	<u>55,732</u>	<u>27,777</u>	<u>83,509</u>

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

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationships between significant unobservable inputs and fair value</b>
Financial assets at FVOCI – equity investment without an active market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL	(note 2)	(note 2)	(note 2)

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

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

(aa) Financial risk management

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

(ab) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to note 6(ad) of the consolidated financial statements for the year ended December 31, 2018 for further details.

(ac) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>March 31, 2019</b>
Short-term borrowings	\$ 1,202,565	4,257,306	-	5,459,871
Long-term borrowings	306,563	(30,756)	-	275,807
Lease liabilities	1,684,460	(66,881)	13,979	1,631,558
Total liabilities from financing activities	<u>\$ 3,193,588</u>	<u>4,159,669</u>	<u>13,979</u>	<u>7,367,236</u>

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	January 1, 2018	Cash flows	Non-cash changes	March 31, 2018
Short-term borrowings	\$ 995,638	(230,685)	-	764,953
Long-term borrowings	218,888	(107,776)	-	111,112
Total liabilities from financing activities	<u>\$ 1,214,526</u>	<u>(338,461)</u>	<u>-</u>	<u>876,065</u>

**(7) Related-party transactions:**

**(a) Names and relationship of the related parties**

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

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		
	For the three months ended March 31				
	2019	2018	March 31, 2019	December 31, 2018	March 31, 2018
Other related parties	\$ 199,449	78,445	694,030	539,820	99,125

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

**(ii) Purchase**

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

	Purchase		Notes and accounts payables		
	For the three months ended March 31				
	2019	2018	March 31, 2019	December 31, 2018	March 31, 2018
Other related parties	\$ 29,318	-	116,248	94,106	-

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

(iii) Receivables and payables on behalf of related parties

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

	<b>Other payables</b>		
	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other related parties	<u>\$ 66,672</u>	<u>35,062</u>	<u>-</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 54,512	49,367
Post-employment benefits	1,296	2,887
Share-based payments	7,693	13,859
	<u>\$ 63,501</u>	<u>66,113</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:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other current assets – restricted assets	Guarantee letters issued by bank	<u>\$ 25,453</u>	<u>16,633</u>	<u>-</u>
Other non-current assets – restricted assets	Guarantee letters issued by bank	<u>\$ 58,324</u>	<u>58,311</u>	<u>1,158</u>
Property, plant and equipment	Loan collateral	<u>\$ 270,316</u>	<u>271,252</u>	<u>-</u>

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**(9) Significant commitments and contingencies:**

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

<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<b>\$ <u>1,690,790</u></b>	<b><u>921,990</u></b>	<b><u>291,200</u></b>

- (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.

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Guarantee letters	<b>\$ <u>242,340</u></b>	<b><u>224,384</u></b>	<b><u>249,645</u></b>

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Sales of accounts receivable	<b>\$ <u>661,731</u></b>	<b><u>660,144</u></b>	<b><u>712,320</u></b>
Long-term borrowings	<b>\$ <u>433,995</u></b>	<b><u>433,995</u></b>	<b><u>400,000</u></b>

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Property, plant and equipment	<b>\$ <u>284,428</u></b>	<b><u>110,620</u></b>	<b><u>98,591</u></b>

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

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

**(11) Subsequent events: None**

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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**(12) Other:**

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

By item	By function	For the three months ended March 31, 2019			For the three months ended March 31, 2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total	
Employee benefits							
Salaries	807,150	759,224	1,566,374	768,781	645,378	1,414,159	
Labor and health insurance	28,870	52,147	81,017	29,764	40,009	69,773	
Pension	58,711	36,043	94,754	55,514	32,099	87,613	
Others	44,271	42,446	86,717	26,142	44,262	70,404	
Depreciation	361,576	61,261	422,837	297,665	35,500	333,165	
Amortization	856	87,432	88,288	4,704	52,130	56,834	

**(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	358,774	358,774	358,774	-	Necessary to loan to other parties	-	Operating capital	-	-	-	876,698	876,698
2	TYM HK	TYM Acoustic HK	Other receivables	"	649,883	649,883	649,883	2%	"	-	Investment capital	-	-	-	815,706	815,706
3	AIC	AME	Other receivables	"	139,026	139,026	14,172	-	"	-	Necessary to short-term loan	-	-	-	257,620	515,239
"	"	ALT (Shanghai)	Other receivables	"	194,518	194,518	194,518	-	"	-	"	-	-	-	257,620	515,239
4	ALT (Shanghai)	ALTI	Other receivables	"	16,029	16,029	16,029	-	"	-	"	-	-	-	36,962	73,925

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), 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.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(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.	3,668,505	308,250	308,250	728	-	2.52 %	9,782,679	Y	-	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 above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated financial statements.

(iii) Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Shares: Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	WK Technology Fund IV LTD.	-	"	161	1,076	0.38	1,076	
	Changing Information Technology Inc.	-	"	179	2,102	1.62	2,102	
	Formosoft	-	"	11	-	0.41	-	
	International Inc.	-	"	6	49	0.02	49	
	Syntronix Corp.	-	"	917	-	2.04	-	
	Ricavision	-	"	4,898	210,859	7.42	210,859	
	International Inc.	-	"	-	39,755	3.80	39,755	
	Grove Ventures L.P.	-	"	-	<u>253,841</u>			
Primax Tech.	Shares: Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	425	4,477	1.32	4,477	
					<u>4,477</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
PCH2	Money market fund of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	487,637	-	493,104	491,797	5,467 (note 1)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	414,802	-	416,573	417,566	1,771 (note 1)	-	-
Tymphony Huizhou	Money market fund of RMB	"	"	"	-	-	-	411,952	-	413,920	413,590	1,968 (note 1)	-	-

Note 1: Gains on disposal include valuation and exchange differences on translation.

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- (v) Acquisition of individual real estate with amount exceeding the lower of TWD\$300 million or 20% of the Company's issued capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD\$300 million or 20% of the Company's issued capital: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD\$100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PCH2	The subsidiary of Primax HK	Purchase	4,781,614	72 %	60 days	Price agreed by both side	The same as general purchasing	(1,975,698)	(48)%	note 2
"	PKS1	"	Purchase	361,321	5 %	"	"	"	(552,794)	(13)%	"
"	PCQ1	"	Purchase	1,487,379	22 %	"	"	"	(1,549,697)	(37)%	"
"	Polaris	The subsidiary of Primax Tech	(Sale)	(681,162)	(9) %	90 days	"	The same as general selling	77,352	1%	"
PCH2	The Company	The parent of Primax Cayman	(Sale)	(4,781,614)	(92) %	60 days	"	"	1,975,698	78%	"
PKS1	The Company	The parent of Primax Cayman	(Sale)	(361,321)	(100) %	"	"	"	552,794 (note 1)	100%	"
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(1,487,379)	(88) %	"	"	"	1,549,697	92%	"
Polaris	The Company	The parent of Primax Tech.	Purchase	681,162	100 %	90 days	"	The same as general purchasing	(77,352)	100%	"
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,661,615)	(85) %	60 days	"	The same as general selling	1,874,419	96%	"
Tymphony Dongguan	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(109,795)	(5) %	"	"	"	275,419	10%	"
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(2,045,500)	(92) %	"	"	"	2,284,298	81%	"
TYDC	TYM HK	"	(Sale)	(534,226)	(100) %	"	"	"	407,409	100%	"
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	722,898	84 %	90 days	"	The same as general purchasing	(640,184)	(66)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	109,795	13 %	60 days	"	"	(275,419)	(29)%	"
"	TYM Acoustic Europe	Subsidiary	(Sale)	(123,758)	(14) %	"	"	The same as general selling	268,886	32%	"
TYM Acoustic Europe	TYM Acoustic HK	Parent	Purchase	123,758	21 %	"	"	The same as general purchasing	(268,886)	(31)%	"
"	"	Parent	(Sale)	(722,898)	(96) %	90 days	"	The same as general selling	640,184	96%	"
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	1,661,615	40 %	60 days	"	The same as general purchasing	(1,874,419)	(40)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	2,045,500	49 %	"	"	"	(2,284,298)	(49)%	"
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	534,226	13 %	"	"	"	(407,409)	(9)%	"

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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	116,687	90 %	90 days	Price agreed by both side	The same as general purchasing	(336,187)	(94)%	note 2
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(116,687)	(66) %	"	"	The same as general selling	336,187	47%	"

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

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

(viii) Receivables from related parties with amounts exceeding the lower of 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		
PCH2	The Company	The parent of Primax Cayman	1,975,698 (note 2)	4.25	-	-	864,215	-
PKS1	The Company	The parent of Primax Cayman	552,794 (note 2)	2.17	358,774	Reclassify to Long-term payable, and enhance the control of receivables	108,825	-
PCQ1	The Company	The parent of Primax Cayman	1,549,697 (note 2)	2.84	-	-	308,967	-
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	1,874,419 (note 2)	2.11	-	-	399,956	-
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	2,284,298 (note 2)	2.22	-	-	1,081,675	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	275,419 (note 2)	1.99	-	-	-	-
"	Tymphony Huizhou	Parent	215,228 (note 2)	0.45	-	-	110,809	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	407,409 (note 2)	3.74	-	-	267,339	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	268,886 (note 2)	2.23	-	-	2,683	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	640,184 (note 2)	3.96	-	-	332,080	-
TYM HK	Specialty	Other related party	129,461	1.88	-	-	61,985	-
AME	ALT (Shanghai)	The subsidiary of AIC	332,119 (note 2)	0.02	-	-	-	-
"	DAT	"	167,406 (note 2)	2.58	-	-	15,378	-
"	DAC	Other related party	330,385	0.58	-	-	15,879	-
ALT (Shanghai)	AME	The subsidiary of AIC	336,187 (note 2)	1.64	-	-	-	-
"	ALT	"	124,536 (note 2)	0.84	-	-	-	-
ALT	ALT (Shanghai)	"	103,662 (note 2)	3.36	-	-	20,681	-
DAT	DAC	Other related party	225,734	2.17	-	-	15,459	-

Note 1: Amounts were collected as of May 3, 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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(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	PCH2	The subsidiary of Primax HK	Purchase	4,781,614	Price agreed by both sides	35.05 %
"	"	"	"	Accounts Payable	1,975,698	60 days	4.75 %
"	"	PKS1	"	Purchase	361,321	Price agreed by both sides	2.65 %
"	"	"	"	Accounts Payable	552,794	60 days	1.33 %
"	"	PCQ1	"	Purchase	1,487,379	Price agreed by both sides	10.90 %
"	"	"	"	Accounts payable	1,549,697	60 days	3.73 %
"	"	Polaris	The subsidiary of Primax Tech	Sale	681,162	Price agreed by both sides	4.99 %
1	Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	1,661,615	Price agreed by both sides	12.18 %
"	"	"	"	Accounts receivable	1,874,419	60 days	4.51 %
2	Tymphony Dongguan	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	Sale	109,795	Price agreed by both sides	0.80 %
"	"	"	"	Accounts receivable	275,419	60 days	0.66 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	2,045,500	Price agreed by both sides	15.00 %
"	"	"	"	Accounts receivable	2,284,298	60 days	5.49 %
"	"	Tymphony Huizhou	Parent	Accounts receivable	215,228	60 days	0.52 %
3	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	534,226	Price agreed by both sides	3.92 %
"	"	"	"	Accounts receivable	407,409	60 days	0.98 %
4	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	722,898	Price agreed by both sides	5.30 %
"	"	"	"	Accounts payable	640,184	90 days	1.54 %
"	"	"	"	Sale	123,758	Price agreed by both sides	0.91 %
"	"	"	"	Accounts receivable	268,886	60 days	0.65 %
5	AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	116,687	Price agreed by both sides	0.86 %
"	"	"	"	Accounts payable	336,187	90 days	0.81 %
"	"	"	"	Accounts receivable	332,119	90 days	0.80 %
"	"	DAT	"	Accounts receivable	167,406	90 days	0.40 %

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**Notes to the Consolidated Financial Statements**

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
6	ALT (Shanghai)	ALT	The subsidiary of AIC	Accounts receivable	124,536	90 days	0.30 %
"	"	"	"	Accounts payable	103,662	90 days	0.25 %

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

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,744,598	(33,269)	(19,568)	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,236,278	(29,825)	(28,974)	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	13,273	(936)	(936)	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,726	86	86	
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	4,946,452	(38,836)	(38,836)	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	11,389	348	348	
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	1,316,714	(29,983)	(29,983)	
	Total			8,806,648	8,806,648			14,286,430	(132,415)	(117,863)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,858,662	(33,098)	(33,098)	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	408,145	14,387	14,387	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,198,891	(18,816)	(37,351)	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	1,256,063	(53,674)	(27,528)	
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	689,954	689,954	185,536	100.00	945,288	(45,496)	(45,496)	
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	815,706	(87,312)	(87,312)	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	14,718	1,901	1,901	

(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 March 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
TYM Acoustic HK	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	20,129	2,521	2,521	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	777,722	41,648	41,648	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	64,497	3,287	3,287	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	5,629	(1,363)	(1,363)	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	274,733 (note 2)	274,733 (note 2)	10	100.00	231,515	(7,480)	(7,480)	
"	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	15,210 (note 2)	30,789	100.00	432,871	(21,463)	(21,463)	
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	100.00	2	-	-	

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.

(c) Information on investments in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	2,041,465	Indirect investment through Primax Cayman and Primax Tech.	1,684,161	-	-	1,688,177	(136,755)	100%	(136,755)	5,362,742	-
Destiny Beijing	Research and development of computer peripheral devices and software	40,440	Indirect investment through Destiny BVI.	32,270	-	-	32,366	(936)	100%	(936)	13,269	-

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**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, 2019 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PKS1	Manufacture of computer, peripherals and keyboards	893,889	Indirect investment through Primax Cayman	676,126	-	-	678,150	(3,743)	100%	(3,743)	892,486	-
PCQ1	Manufacture of computer, peripherals and keyboards	573,712	"	614,660	-	-	616,500	62,406	100%	62,406	1,319,857	-
Tymphony Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,868,104	Indirect investment through Diamond	3,964,557	-	-	3,976,425	(30,599)	71.43%	(17,811)	3,462,282	-
Tymphony Dongguan	"	154,125	"	15,367	-	-	15,413	(48,049)	71.43%	(39,073)	373,935	-
TYDC	"	91,558	"	-	-	-	-	5,733	71.43%	(1,594)	93,862	-
ALT (Shanghai)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	463,916	Indirect investment through Primax AE	153,665	-	-	154,125	(10,002)	36.88%	(3,689)	65,974	-
ALT	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	253,190	"	215,131	-	-	215,775	(15,324)	36.98%	(5,667)	69,140	-
Yu-Ke Technology	Development, transfer, consultation and rendering of electronic technology services, as well as the sale of instrumentation, mechanical equipment and components	4,578	"	-	-	-	-	-	12.91%	-	(241)	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9269 ; USD:TWD 30.825; CNY:TWD 4.5779.

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 (except for Yu-Ke Technology) have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,462,480	8,735,931	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.

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

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the three months ended March 31, 2019, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

**(14) Segment information:**

For the three months ended March 31, 2019 and 2018, the Group's segment information has no significant change. Please refer to note 14 of the consolidated financial statements for the year ended December 31, 2018 for further information.

The Group's segment financial information was as follows:

	<b>For the three months ended March 31, 2019</b>		
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Revenue			
External revenue	\$ 5,344,961	8,296,166	13,641,127
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,344,961</u>	<u>8,296,166</u>	<u>13,641,127</u>
Profit before tax from segments reported	<u>\$ 278,912</u>	<u>98,501</u>	<u>377,413</u>
	<b>For the three months ended March 31, 2018</b>		
	<b>Computer Peripherals</b>	<b>Non-computer Peripherals</b>	<b>Total</b>
Revenue			
External revenue	\$ 4,856,864	7,026,884	11,883,748
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 4,856,864</u>	<u>7,026,884</u>	<u>11,883,748</u>
Profit before tax from segments reported	<u>\$ 313,915</u>	<u>138,949</u>	<u>452,864</u>