PRIMAX
Primax Electronics Ltd.
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TSE: 4915

PRIMAX

Primax Electronics Ltd.

2019
Annual Report

Printed on May 8, 2020.

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

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

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

2. Registered address and telephone of corporate headquarters

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

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

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

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

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

5. Names of the exchanges in foreign countries where the stock of PRIMAX is listed for trading and the means for inquiry of the securities: None

6. Company website:

http:// www.primax.com.tw

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Letter to Shareholders

Dear shareholders,

Looking back on 2019, the global market was filled with an unstable atmosphere. Important events, including Brexit, the China-US trade dispute, the possible recession of the US economy, and global political and social unrest, have made the external environmental an extremely daunting challenge for enterprises to operate. In addition, driven by the accelerated expansion of emerging technologies in the application of various products, various consumer electronic products continued to upgrade and innovate, while bringing more potential business opportunities to enterprises.

PRIMAX fully grasped this market trend in 2019. On the one hand, it maintained robust business operations; on the other, it maintained a stable and deepened customer relationship by focusing on the core competitiveness of research and development of auditory- and visual-related products. In terms of growth and optimization of product mix, its performance was impressive.

As for business operations, benefiting from the strong demand for smart speakers, smart headphones, and true wireless stereo（TWS）headphone products, coupled with high-end clients' need for more technical integration for audio products, TYMPHANY, a subsidiary of PRIMAX, saw its revenue to grow substantially in 2019; in application of optical products, PRIMAX's automotive camera modules were stable in supply and excellent in the yield rate; PRIMAX continued to deepen cooperation with major international car manufacturers and ti assist in the development of components for smart driving so as to diversify the risks in the mobile phone market. In the development of personal computer peripherals, PRIMAX also helped clients launch differentiated e-Sports products on the market through its customized lighting technology and introduction of its applications, contributing to stable revenue and profit.

The year of 2019 was also a very critical year for PRIMAX's manufacturing and production layout. In addition to the continuous promotion of Industry 4.0 to upgrade manufacturing, it strove to promote regional manufacturing to diversify risks; it decided to set up a production base in Thailand outside of mainland China, at which production and shipment would begin in 2020 to contribute to the Group's revenue.

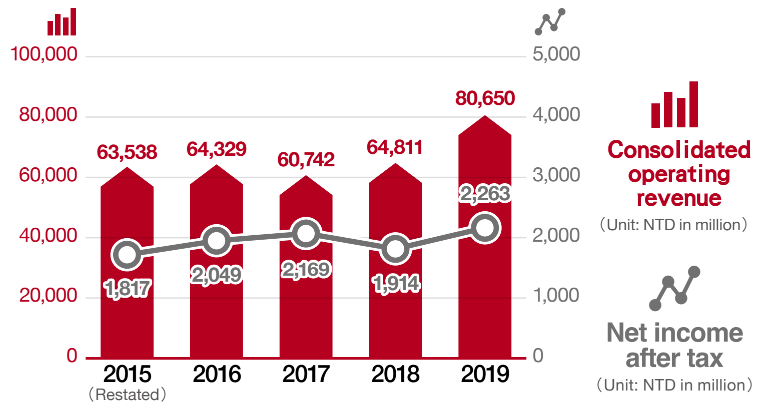
The following is the Company's 2019 business report.

1. Business Operation Performance in 2019

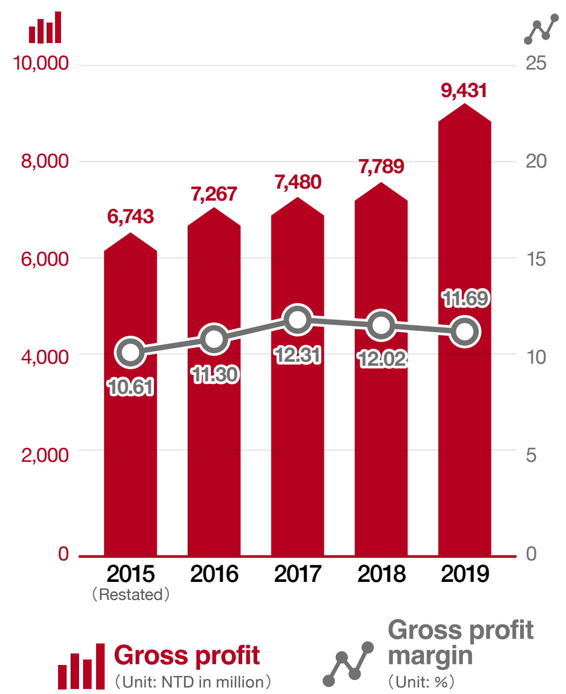
(1) Implementation Results of Business Plan

The Company's net consolidated operating revenue for 2019 was NT$80,649,608 thousand, an increase of 24.4% compared with NT$64,811,408 thousand for 2018. The net consolidated income after tax for 2019 was NT$2,262,919 thousand, an increase of approximately 18.2% compared to the NT$1,913,975 thousand for 2018.

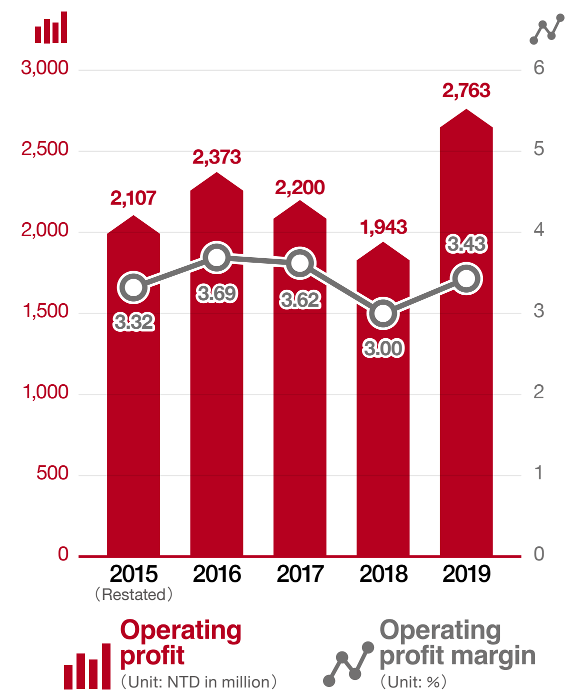
Trend chart of consolidated operating revenue and net income after tax



Trend chart of operating gross profit and gross profit margin



Trend chart of operating profit and operating profit margin



(2) Budget execution status

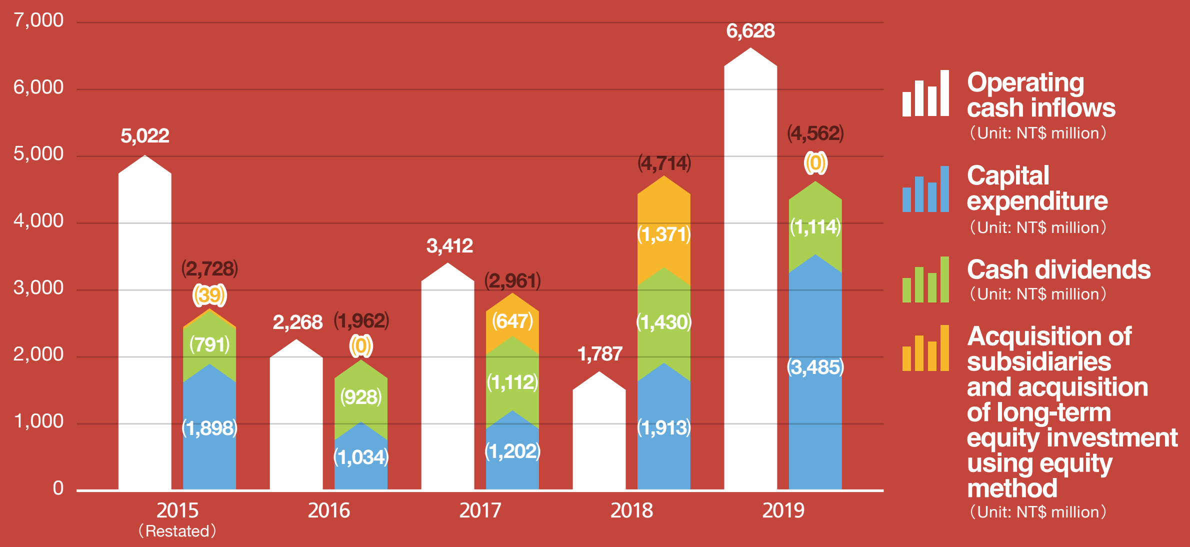
The Company did not disclose financial forecasts in 2019, so it is not applicable.

(3) Cash flow analysis

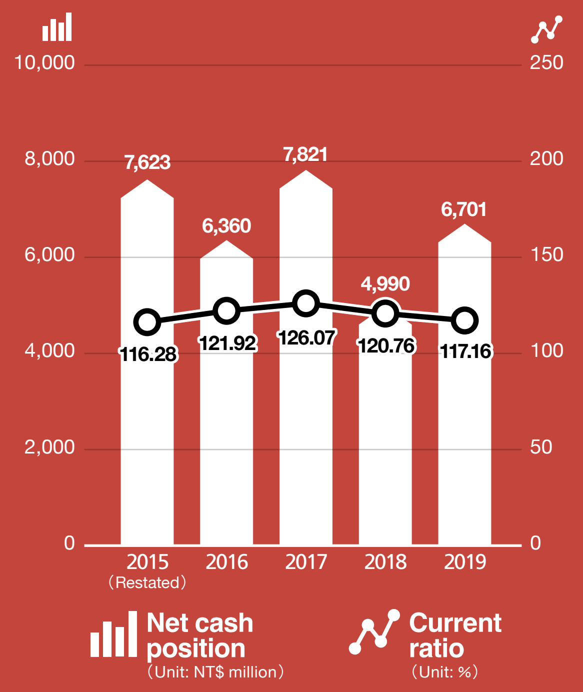
Unit: NT$ thousand

Item	2019	2018	Net change
Net cash inflows from operating activities	6,628,011	1,786,951	4,841,060
Net cash outflows from investing activities	(3,578,919)	(2,917,352)	(661,567)
Net cash outflows from financing activities	(1,098,408)	(1,539,774)	441,366

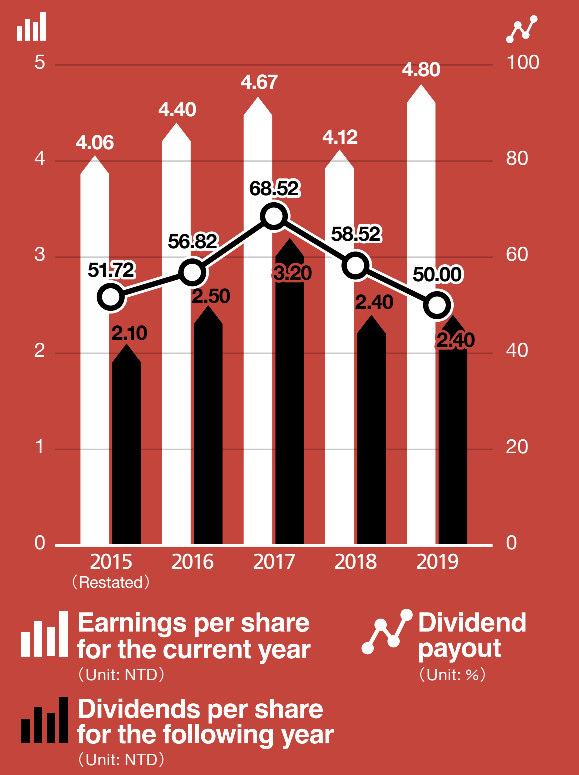
Operating cash and its major purpose distribution diagram



Trend chart of net cash position and current ratio



Trend chart of earnings per share, dividends per share, and dividend payout ratio

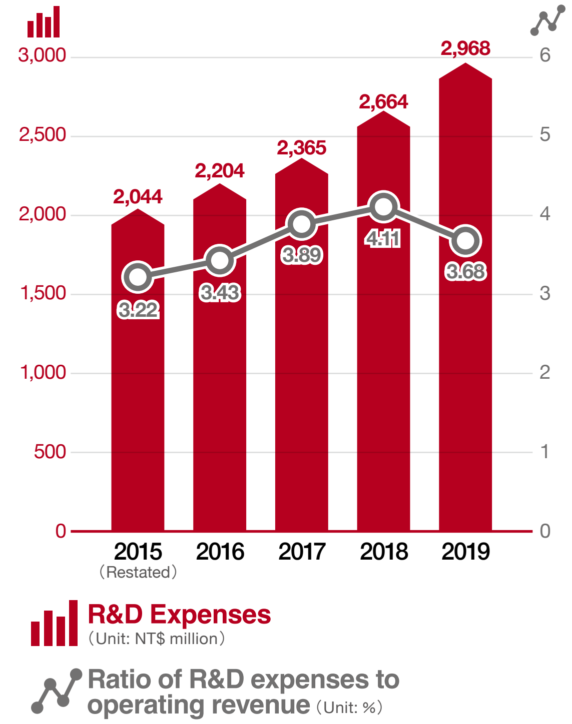


Note: The surplus distribution for 2019 will be handled in accordance with the regulations after the resolution was adopted at the general shareholders' meeting on June 23, 2020.

(4) Profitability analysis

Item	2019	2018
Return on shareholders' equity (%)	15.36	13.69
Ratio of operation profit to paid-in capital (%)	61.59	43.41
Ratio of Income before Tax to Paid-Up Capital (%)	64.96	52.84
Net profit margin (%)	2.81	2.95
Earnings per Share (NT$)	4.80	4.12

Trend of R&D expenses and as percentage of revenues



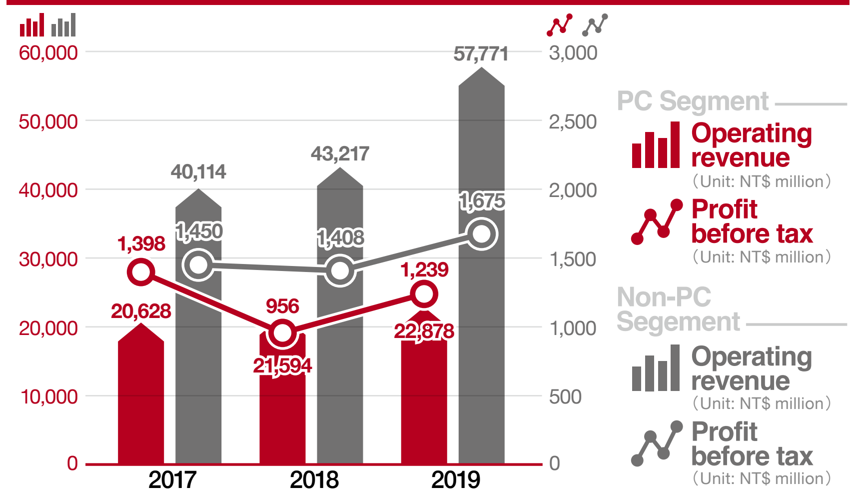
(5) Research and development

In order to continuously strengthen the Company's R&D and technological competitiveness, it invested NT$2,968,221 thousand in R&D in 2019 for the development and design of new products and technologies, as well as the upgrade and improvement of production processes.

2. 2020 Business Plan and Business Development Strategies

Looking into the future, the Group will continue to focus on the steady growth of overall revenue in the development of strategy and product planning and develop with a high-quality product assortment; meanwhile, under the trend of Industry 4.0, it will further enhance its introduction of applications in smart manufacturing while enhancing the core competitiveness of its overall manufacturing capabilities.

Trend chart of PC and non-PC segments



Consolidation of the cornerstones of computer peripherals, expansion of electro-acoustic markets, and entry into automotive electronics markets

In terms of business development, the goal in 2020 is to continue to deepen technology-oriented business development, focus on enhancing the core competitiveness of auditory and visual technologies while continuously developing new product applications related to acoustics, optics, and human-machine interfaces to increase the Company's market share. TYMPHANY's audio products have gradually become the Group's main source of revenue and profit in 2019, and the Company will focus on the improvement of the product quality and performance while continuing the research and development and integration of technologies for new products. Among them, the demand for smart speakers, smart headphones, and TWS headphones is expected to continue to grow in 2020. TYMPHANY will actively strive for the introduction of middle- and high-end products to maintain and increase its leading advantages in the market.

In the development of optical products, the technologies and applications brought by the trend development of mobile devices, digital homes, artificial intelligence, and the Internet of Things have gradually matured, and PRIMAX will actively expand the new application fields for camera module, including biometric applications and smart driving systems, etc, while continuing to develop new functions and processes for the hardware and software of visual imaging products, such as structured-light 3D sensing, active focusing of multiple lenses, and image processing software, so as to engage in intelligent monitoring, smart home, and other related products.

In the business group of PC peripherals based on the human-machine interface, in addition to continuing to maintaining and expanding the revenue and profit in e-Sports-related products in 2020, PRIMAX will be able to respond to new market trends and clients' needs with its accumulated momentum in technology and design while integrating the visual and auditory technological capabilities within the Group, developing smart home-related products, such as door locks and monitoring and security systems, as well as actively assisting brand clients in introducing new products and technologies so as to extend the product field from the computer generation to the Internet of Everything.

Strengthening of the advantages of automated processes and moving toward smart manufacturing and Industry 4.0

On the front of production and manufacturing management, in 2020, the Company will continue to actively upgrade manufacturing capabilities under the guidance of the thinking of smart manufacturing and Industry 4.0 and focus on the introduction of key automated processes while making good use of big data and artificial intelligence to greatly improve the judgment and application of manufacturing information with the aim of reducing the manufacturing cost, improving the manufacturing yield rate, and optimizing capacity utilization. For the manufacturing base in Thailand, production will be accelerated in 2020, and a large-scale production base outside of mainland China will be established while maintaining high standards of product yield and quality.

In the coming year, the global business climate will still be affected by factors, including the China-US trade war and the novel coronavirus pneumonia epidemic. However, the Company focuses on Asia as the main block of the global market and supply chain and will follow the progress of introducing Industry 4.0, along with its development in regional manufacturing; therefore, PRIMAX will create opportunities for the next wave of technology re-development despite severe market challenges.

Chairman and General Manager
Liang, Li-Sheng

Company Profile

1. Date of Incorporation: March 20, 2006

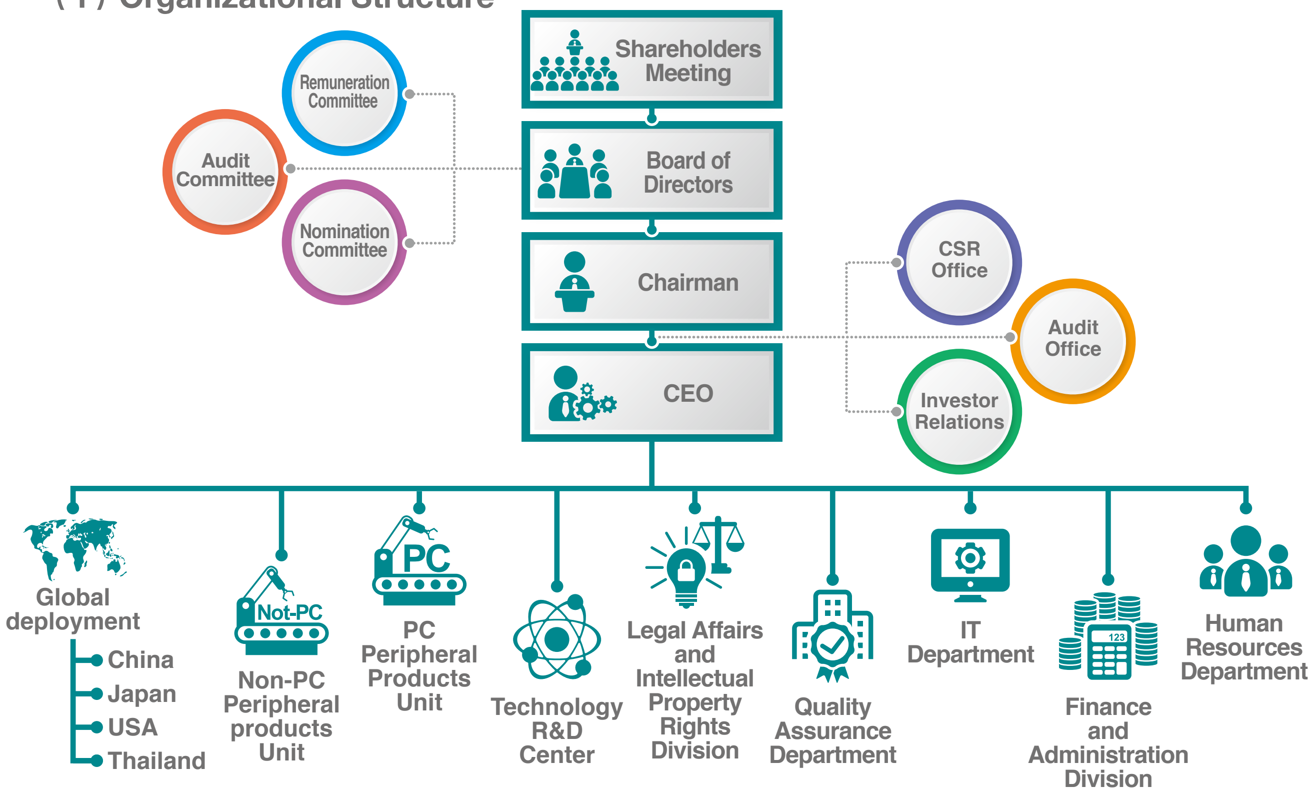
2. Company History

date	
March 2006	The Company was approved to be established on March 20, 2006, formerly known as Primax Electronics Ltd., with a capital of NT$1,000,000.
October 2007	The Company was renamed Primax Electronics Ltd.
December 2007	The Company acquired PRIMAX Technology Co., Ltd.（hereinafter referred to as "former PRIMAX"）. After the acquisition, the Company remains to be the acquirer and former PRIMAX was the acquiree.
February 2008	The Company was renamed PRIMAX Electronics Limited with Mr. Liang, Li-Sheng as the Chairman.
December 2009	IPO of the Company's shares.
December 2009	The Company listed it stock for trading in Taiwan's emerging stock market.
December 2009	The Investment Commission, MOEA, approved PRIMAX to invest in the establishment of Primax Electronics.（KunShan）Co., Ltd. via a third place.
February 2011	The Investment Commission, MOEA, approved PRIMAX to invest in the establishment of Primax Electronics（ChongQing）Co., Ltd. via a third place.
October 2012	The stock was listed for trading on TWSE.
October 2012	New capital of NT$235,290,000 raised through issuing new shares with its registered capital amounting to NT$4,269,698,210.
January 2014	The Company successfully acquired 70% of the equity issued by Tymphany Group, a speaker manufacturer, and registered the shareholding change.
January 2015	The Company successfully acquired 30% of the equity issued by GLOBALTEK, an automobile and aerospace precision machinery manufacturer.
October 2016	The Company disposed 20% of the equity of GLOBALTEK, thus losing its power of control of GLOBALTEK.
June 2017	The Company completed the acquisition of 100% of the equity of Bang & Olufsen s.r.o. through Tymphany Worldwide Enterprise Limited.
November 2017	The Company established Primax AE（Cayman）Holdings Ltd.
January 2018	The Company acquired 37% of the equity of Belfast Limited through Primax AE（Cayman）Holdings Ltd.
August 2019	The Company invested in the establishment of Primax Electronics（Thailand）Co.,Ltd. and through its investment in the establishment of Primax Electronics（SINGAPORE）PTE.LTD.

Corporate Governance Report

1. Organizational System

(1) Organizational Structure



(2) Department Functions

Department	Major responsibilities
Remuneration Committee	1. Formulate policies, systems, standards, and structure of remuneration to Directors (including the Chairman), General Manager, and Vice General Manager and review them as necessary based on factors, including the Company's goals, operational performance, and competitive environment. 2. Periodically assess the performance of the Chairman, General Manager, and Vice General Manager and verify the content and amount of their individual remuneration. 3. Assess and approve the standards of benefits for General Manager, and Vice General Manager.
Audit Committee	1. Supervise the adequate presentation of the Company's financial statements. 2. Supervise the appointment (dismissal) of CPAs and their independence and performance. 3. Supervise the effective implementation of the Company's internal control. 4. Supervise the Company's compliance with relevant laws and regulations. 5. Supervise the Company's control over existing or potential risks. 6. Supervise the performance of the Company's internal audit department.
Nomination Committee	1. Seek the right persons to the seats of Directors and senior managers and propose a list of qualified candidates to the Board. 2. Review the list of candidates recommended by shareholders or the Board, and provide suggestions to the Board to determine if replacement is necessary.
The CSR Office	The CSR Office is established by the Chairman with the authorization by the Board of Directors: 1. Responsible for formulating CSR policies, systems, or relevant management approaches. 2. Assist each department to promot e and implement corporate social responsibility projects in response to the Company's economic, environmental and social issues 3. Learn from the best practices of sustainable operation of benchmarking companies at home and abroad, provide suggestions and guide relevant departments to implement accordingly, in order to continuously strengthen the Company's competitiveness in sustainable operation.
Audit Office	Review and audit the implementation of the internal control system and regularly report it to the Board of Directors and the management, while measuring operational efficiency and providing timely suggestions for improvement, to ensure effective implementation of the internal control system and to improve the effectiveness of the overall organization.
Investor Relations	In charge of a spokesperson system and its operation; hold investor relations events and handle opinions; disclose information and publish information on media while responsible for media communication.
Quality Assurance Department	1. Plan and supervise quality systems 2. Upgrade design quality and technology 3. Improve product quality 4. Handle and improve customer complaints 5. Plan and implement employee quality training
Legal Affairs and Intellectual Property Rights Division	Manage intellectual property rights-related affairs and handle legal affairs
Finance and Administration Division	1. Responsible for accounting, finance, taxation, and shareholder service matters 2. Assist in implementing and promoting projects
Human Resources Department	1. Manage employees and human resource 2. Manage salary and benefits 3. Responsible for education and training and development 4. Offer general affairs services 5. Responsible for health and safety management
Product Business Group	It is divided into two business groups: PC peripheral products and non-PC peripheral products. Each business group is in charge of its own R&D and marketing. · **R&D:** New product research, design, and development New product project assessment, analysis, and planning New product manufacturing technology and document and data transfer · **Marketing:** Product planning, marketing, and market development
Technology R&D Center	Responsible for the research, design, and development of for-ward-looking core technologies in various product areas.
IT Department	1. Coordinate and plan the security, implementation, and system integration of the Company's electronic information. 2. Establish and maintain computerized information management system while analyzing current manual processes and designing future operating processes. 3. Plan and develop new application systems as well as expand and update the functionality of the developed application systems 4. Plan user education and training and operations 5. Plan and execute disaster recovery management 6. Plan and manage equipment 7. Manage computer operations

2. Profiles of the Directors, Supervisors, General Manager, Vice General Manager, Assistant General Manager, Head of Each Department, and Branch Officers

(1) Information on Directors and Supervisors

Information on Directors and Supervisors (1)

April 30, 2020 / Unit: Shares / %

Title	Nationality/ Place of Registration	Name	Gender	Date elected	Term (years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse / Minor Shareholding		Shareholding by Nominees		Education and Work Experiences	Other positions concurrently held at the Company or other companies	Other executives, directors, or supervisors who are spouses or within the second degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and General Manager	Republic of China	Liang, Li-Sheng	Male	2018.5.30	3 years	2009.10.23 (Note 8)	1,500,001	0.34	2,601,001	0.58	0	0	0	0	Business Administration, Tamkang University Chairman of PRIMAX	Note 1	–	–	–	Note 9
Directors	Republic of China	Yang, Chi-Ting	Male	2018.5.30	3 years	2011.3.11	1,926,963	0.43	1,926,963	0.43	1,905,962	0.42	0	0	Master of Business Administration, University of Southern California Internal Audit Officer at Chailease Holding Company Limited	Note 2	–	–	–	–
Directors	Republic of China	Pan, Yung-Chung	Male	2018.5.30	3 years	2014.9.5	7,455,046	1.67	7,455,046	1.66	0	0	0	0	Department of Electronics, Feng Chia University General Manager of Business Department of PRIMAX	Note 3	Director and General Manager of Business Department	Pan, Yung-Tai	Brothers	–
Director and General Manager of Business Department	Republic of China	Pan, Yung-Tai	Male	2018.5.30	3 years	2014.9.5	4,766,599	1.09	4,952,599	1.10	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 4	Directors	Pan, Yung-Chung	Brothers	–
Independent Director	Republic of China	Ku, Tai-Chao	Male	2018.5.30	3 years	2010.3.30	0	0	0	0	0	0	0	0	Bachelor of Law, National Taiwan University Vice President of Taiwan Stock Exchange Corporation	None	–	–	–	–
Independent Director	Republic of China	Cheng, Chih-Kai	Male	2018.5.30	3 years	2015.6.29	0	0	0	0	0	0	0	0	Department of Management Science, National Chiao Tung University Senior Vice President of Synnex USA	Note 5	–	–	–	–
Independent Director	Republic of China	Wu, Chun-Pang	Male	2018.10.25	2.6 years	2018.10.25	0	0	0	0	0	0	0	0	MBA, University of Missouri, U.S.A General Manager, Taiwan Branch, Deutsche Bank	Note 6	–	–	–	–
Independent Director	Republic of China	Wang, Jia-Qi	Female	2019.06.18	2 years	2019.6.18	0	0	0	0	0	0	0	0	MBA, Kellogg School of Management, Northwestern University, USA Managing Director and Director of Zenith Consulting Company limited	Note 7	–	–	–	–

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

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

Note 3: Primax Ind. (HK) Ltd. Director; Primax Tech. (Cayman Holding) Ltd. Director; Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Tymphany HK Ltd. Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Director and General Manager; Dongguan Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager; Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager; Tymphany Acoustic Technology HK Ltd. Director; Tymphany Acoustic Technology Limited Director; Gratus Technology Corp. Director; Tymphany Acoustic Technology (Thailand) Co., Ltd. Director; Primax Electronics (SINGAPORE) PTE. LTD. Director; Primax Electronics (Thailand) Co., Ltd. Director.

Note 4: Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Vice Chairman; Tymphany Acoustic Technology Limited Director; Tymphany Acoustic Technology (Thailand) Co., Ltd. Director; Primax Electronics (SINGAPORE) PTE. LTD. Director; Primax Electronics (Thailand) Co., Ltd. Director.

Note 5: Eureka Therapeutics (California) Director; B Current Impact Investment Inc. Chairman; Social Enterprise Insights Director; H3 Platform Director; B Current Impact Investment Inc. II Chairman; Acorn Pacific Ventures Partner.

Note 6: Far Eastern International Commercial Bank Director.

Note 7: Zenith Consulting Company limited Managing Director and Director; CITIC Capital Holdings Limited Managing Partner.

Note 8: The date of the first election after the base date of merger of former PRIMAX shall prevail.

Note 9: Description of the reasons, reasonableness, necessity, and response measures where the Chairman and the General Manager are same person:

1. Reasons and necessities: In response to rapid changes in the industry, more long-term technology development strategies and investments as well as a global layout are required; thus, it is necessary to maintain this model temporarily.
2. Reasonableness: Mr. Liang, Li-Sheng is the original founder of the Company. He had also served as the General Manager of the Company for a long time.With more than 40 years of experience in the industry, he has a very complete grasp of the industry and the Company.
3. Response measures: (1) More than half of the Directors of the Board of Directors do not serve as employees or managerial officers concurrently, and the number of Independent Directors have been increased to strengthen the structure of the Board of Directors.
   (2) Considering the needs for long-term corporate governance, the Board of Directors has passed a succession plan and is actively training candidates for the succession of the General Manager, and will appoint a candidate as the General Manager at an appropriate time according to actual needs.

Information on Directors and Supervisors (2)

April 30, 2020

Qualification / Name	Meet one of the following professional qualifications, with at least five years of work experience			Independence Status (Note)										Number of other public companies where the individual concurrently serves as an independent director
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10	
Liang, Li-Sheng	–	–	V			V	V	V	V	V	V	V	V	0
Yang, Chi-Ting	–	–	V	V	V	V	V	V	V	V	V	V	V	0
Pan, Yung-Tai	–	–	V					V	V	V		V	V	0
Pan, Yung-Chung	–	–	V					V	V	V		V	V	0
Ku, Tai-Chao	–	–	V	V	V	V	V	V	V	V	V	V	V	0
Cheng, Chih-Kai	–	–	V	V	V	V	V	V	V	V	V	V	V	0
Wu, Chun-Pang	–	–	V	V	V	V	V	V	V	V	V	V	V	0
Wang, Jia-Qi	–	–	V	V	V	V	V	V	V	V	V	V	V	0

Note: For any director or supervisor who fulfills the relevant condition (s) for two fiscal years before being elected to the office or during the term of office, please provide the [V] sign in the field next to the corresponding conditions.

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the company or an affiliated business (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
(3) Not a natural person shareholder who holds more than one percent (1%) of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held.
(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than five percent (5%) of shares of a specified company or institution that has a financial or business relationship with the company.
(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not a spouse or a relative within the second degree of kinship with any director.
(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(2) Profiles of the General Manager, Vice General Manager, Assistant General Manager, Head of Each Department, and Branch Officers

April 30, 2020 / Unit: Shares / %

Title	Nationality	Name	Gender	Date taking office	Shareholding		Spouse/Minor shareholding		Shareholding by Nominees		Education and Work Experiences	Other positions concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and General Manager	Republic of China	Liang, Li-Sheng	Male	2018.10.01	2,601,001	0.58	0	0	0	0	Business Administration, Tamkang University Chairman of PRIMAX	Note 1	–	–	–	Note 10
Director and General Manager of Business Department	Republic of China	Pan, Yung-Tai	Male	2007.12.28 (Note 7)	4,952,599	1.10	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 2	–	–	–	–
General Manager of Operations	Republic of China	Kuo,You-Min	Male	2018.01.15	225,000	0.05	0	0	0	0	MBA, Industrial Marketing, University of North Carolina at Chapel Hill Senior Vice President, Hon Hai Group	Note 3	–	–	–	–
Senior Vice General Manager	Republic of China	Hsiao, Ying-Yee	Male	2016.09.19	245,000	0.05	0	0	0	0	EMBA, Swiss Business School CFO of CMC Magnetics co., Ltd.	Note 4	–	–	–	–
Vice General Manager	Republic of China	Chou, Yen-Chou	Male	2011.01.17	137,000	0.03	0	0	0	0	Doctoral of Industrial Engineering, University of Cincinnati, USA Senior Assistant General Manager of Operations, Hon Hai Group	Note 5	–	–	–	–
Vice General Manager	Republic of China	Chiang, Yan-Ying	Female	2015.04.01	649,106	0.14	0	0	0	0	Department of Labor Relations, Chinese Culture University; EMBA, National Chengchi University Senior Assistant General Manager, PRIMAX	None	–	–	–	–
Vice General Manager	Republic of China	Chang, Ching-Kai	Male	2015.04.01	839,703	0.19	0	0	0	0	Department of Information Engineering, Tamkang University Senior Assistant General Manager, PRIMAX	None	–	–	–	–
Vice General Manager	Republic of China	Chang, Yao-Han	Male	2015.10.07	310,000	0.07	0	0	0	0	Graduate Institute of International Affairs and Strategic Studies, Tamkang University Senior Assistant General Manager, PRIMAX	None	–	–	–	–
Vice General Manager	Republic of China	Wei, Hao-San	Male	2015.10.07	694,732	0.15	0	0	0	0	Electrical Engineering Institute, California State University, Long Beach, USA Senior Assistant General Manager, PRIMAX	Note 6	–	–	–	–
Vice General Manager	Republic of China	Cho, Yu-Shan	Male	2017.01.01	100,000	0.02	0	0	0	0	Institute of Business Administration, National Chengchi University General Manger, Automotive Electronics Division, Quanta Storage Inc.	None	–	–	–	Note 8
Vice General Manager	Republic of China	Chang, Chen-Te	Male	2020.04.15	230,880	0.05	0	0	0	0	Department of Mechanical Engineering, China University of Science and Technology Senior Assistant Vice General Manager in Administration Managemen, Primax	Note 9	–	–	–	–
Assistant Vice General Manager	Republic of China	Chang, Shu-Chuen	Female	2017.11.15	6,000	0.001	0	0	0	0	Institute of Accounting, National Cheng Kung University Assistant General Manager, Finance Department, Lian Hwa Foods Corp.	None	–	–	–	–
Assistant Vice General Manager	Republic of China	Lin, Chun-Hsien	Male	2019.05.14	245,330	0.05	0	0	0	0	MBA (Finance), University of Oregon Executive Assistant to Chairman, PRIMAX	None	–	–	–	–

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

Note 2: Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Tymphany Acoustic Technology Limited Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Vice Chairman, Tymphany Acoustic Technology (Thailand) Co., Ltd. Director, Primax Electronics (SINGAPORE) PTE. LTD. Director, and Primax Electronics (Thailand) Co., Ltd. Director.

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

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

Note 5: Primax Destiny Co., Ltd (Japan) Supervisor.

Note 6: Primax Destiny Co., Ltd (Japan) Director and Beijing Destiny Electronic Technology Corporation Director.

Note 7: The date of appointment is based on the base date of merger of former PRIMAX.

Note 8: Resigned on May 1, 2020.

Note 9: Director and General Manager, DongGuan Primax Electronic & Telecommunication Products Ltd.; Director and General Manager, Primax Electronics (KunShan) Corp., Ltd.,; representative of institutional Director and General Manager, Primax Electronics (ChongQing) Corp., and supervisor, Beijing Destiny Electronic Technology Corporation.

Note 10: Description of the reasons, reasonableness, necessity, and response measures where the Chairman and the General Manager are same person:

1. Reasons and necessities: In response to rapid changes in the industry, more long-term technology development strategies and investments as well as a global layout are required; thus, it is necessary to maintain this model temporarily.
2. Reasonableness: Mr. Liang, Li-Sheng is the original founder of the Company. He had also served as the General Manager of the Company for a long time.With more than 40 years of experience in the industry, he has a very complete grasp of the industry and the Company.
3. Response measures: (1) More than half of the Directors of the Board of Directors do not serve as employees or managerial officers concurrently, and the number of Independent Directors have been increased to strengthen the structure of the Board of Directors.
   (2) Considering the needs for long-term corporate governance, the Board of Directors has passed a succession plan and is actively training candidates for the succession of the General Manager, and will appoint a candidate as the General Manager at an appropriate time according to actual needs.

3. Remuneration paid to Directors, Supervisors, General Managers, and Vice General Managers during the most recent year

(1) Remuneration paid to directors in the most recent year (2019)

Unit: NT$1,000 / thousand shares

Title	Name	Remuneration to Directors: Remuneration (A) (Note 4) – The Company	Remuneration (A) (Note 4) – All companies listed in the consolidated financial statements	Pension (B) – The Company	Pension (B) – All companies listed in the consolidated financial statements	Remuneration to Directors (C) (Note 2) (Note 5) – The Company	Remuneration to Directors (C) (Note 2) (Note 5) – All companies listed in the consolidated financial statements	Business Expense (D) (Note 6) – The Company	Business Expense (D) (Note 6) – All companies listed in the consolidated financial statements	Ratio of total remuneration (A+B+C+D) to net income (%) (Note 1) – The Company	Ratio of total remuneration (A+B+C+D) to net income (%) (Note 1) – All companies listed in the consolidated financial statements	Relevant remuneration received by directors who are also employees: Salary, Bonus, and Allowances (E) – The Company	Salary, Bonus, and Allowances (E) – All companies listed in the consolidated financial statements	Pension (F) – The Company	Pension (F) – All companies listed in the consolidated financial statements	Employee Bonus (G) (Note 3) – The Company – Cash	Employee Bonus (G) (Note 3) – The Company – Stock	Employee Bonus (G) (Note 3) – All companies listed in the consolidated financial statements – Cash	Employee Bonus (G) (Note 3) – All companies listed in the consolidated financial statements – Stock	Ratio of total remuneration (A+B+C+D+E+F+G) to net income (%) (Note 1) – The Company	Ratio of total remuneration (A+B+C+D+E+F+G) to net income (%) (Note 1) – All companies listed in the consolidated financial statements	Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company
Chairman and General Manager	Liang, Li-Sheng	20,235	20,235	0	0	4,000	4,000	0	0	1.14	1.14	0	0	0	0	0	0	0	0	1.14	1.14	0
Directors	Yang, Chi-Ting	0	0	0	0	22,430	22,430	863	863	1.09	1.09	16,494	16,494	0	0	0	0	0	0	1.86	1.86	0
Directors	Pan, Yung-Chung																					
Director and General Manager of Business Department	Pan, Yung-Tai																					
Directors	Sunshine Coast Services Limited Representative: Chen, Jie-Chi (Note 7)																					
Independent Director	Ku, Tai-Chao																					
Independent Director	Cheng, Chih-Kai																					
Independent Director	Wu, Chun-Pang																					
Independent Director	Wang, Jia-Qi (Note 8)																					

Note 1: The net income of the Company in 2019 was NT$2,134,870 thousand.

Note 2: Refers to the earnings distribution proposal in the most recent year (2019) resolved by the Board (April 8, 2020); the remuneration distributed to directors amounted to NT$26,430 thousand; the amount to be distributed in the current year is estimated based on the proportion of the amount actually distributed last year.

Note 3: Refers to the earnings distribution proposal in the most recent year (2019) resolved by the Board (April 8, 2020); the remuneration distributed to employees amounted to NT$75,520 thousand; the amount to be distributed in the current year is estimated based on the proportion of the amount actually distributed last year.

Note 4: The remuneration to the Chairman is proposed by the Human Resource Department based on the considerations for the competitive environment and operational risks and in lin with the corporate management policy and bonus plan and then is sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approve the proposal.

Note 5: The net income before the remuneration to employees and directors is deducted in 2019 is NT$2,596,264 thousand, and the proportion of remuneration to directors is 1.02%. After being approved by the Remuneration Committee, the remuneration proposal is submitted to the Board of Directors; then, the remuneration is distributed after the resolution is adopted at the shareholders' meeting.

Note 6: Reimbursement of meals, accommodation, and transportation is based on actual expenses.

Note 7: Resigned on January 7, 2020.

Note 8: Newly elected in a by-election on June 18, 2019.

Range of remuneration paid to directors	Name of Director: Total of (A+B+C+D) – The Company	Total of (A+B+C+D) – All companies listed in the consolidated financial statements	Total of (A+B+C+D+E+F+G) – The Company	Total of (A+B+C+D+E+F+G) – All companies listed in the consolidated financial statements
Less than NT$1,000,000	Chen, Jie-Chi	Chen, Jie-Chi	Chen, Jie-Chi	Chen, Jie-Chi
NT$1,000,000 (inclusive) to 2,000,000 (not inclusive)	Wang, Jia-Qi	Wang, Jia-Qi	Wang, Jia-Qi	Wang, Jia-Qi
NT$2,000,000 (inclusive) to 3,500,000 (not inclusive)	Pan, Yung-Tai Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao Wu, Chun-Pang	Pan, Yung-Tai Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao Wu, Chun-Pang	Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao Wu, Chun-Pang	Pan, Yung-Chung Yang, Chi-Ting Ku, Tai-Chao Wu, Chun-Pang
NT$3,500,000 (inclusive) to 5,000,000 (not inclusive)	Cheng, Chih-Kai	Cheng, Chih-Kai	Cheng, Chih-Kai	Cheng, Chih-Kai
NT$5,000,000 (inclusive) to 10,000,000 (not inclusive)	–	–	–	–
NT$10,000,000 (inclusive) to 15,000,000 (not inclusive)	–	–	–	–
NT$15,000,000 (inclusive) to 30,000,000 (not inclusive)	Liang, Li-Sheng	Liang, Li-Sheng	Liang, Li-Sheng Pan, Yung-Tai	Liang, Li-Sheng Pan, Yung-Tai
NT$30,000,000 (inclusive) to 50,000,000 (not inclusive)	–	–	–	–
NT$50,000,000 (inclusive) to 100,000,000 (not inclusive)	–	–	–	–
More than NT$100,000,000	–	–	–	–
Total	**–**	**–**	**–**	**–**

(2) Remuneration paid to the General Manager and Vice General Managers in the most recent year (2019)

Unit: NT$1,000 / thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing Employee Bonus (D) (Note 1)				Ratio of total remuneration (A+B+C+D) to net income (%) (Note 2)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company
		The Company	All companies listed in the consolidated financial statements	The Company	All companies listed in the consolidated financial statements	The Company	All companies listed in the consolidated financial statements	The Company		All companies listed in the consolidated financial statements		The Company	All companies listed in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman and General Manager	Liang, Li-Sheng	30,094	30,094	0	0	90,792	90,792	0	0	0	0	5.66%	5.66%	None
General Manager of Operations	Kuo, You-Min													
Director and General Manager of Business Department	Pan, Yung-Tai													
Senior Vice General Manager	Hsiao, Ying-Yee													
Vice General Manager	Wei, Hao-San													
Vice General Manager (Note 3)	Cho, Yu-Shan													
Vice General Manager	Chou, Yen-Chou													
Vice General Manager	Chang, Yao-Han													
Vice General Manager	Chiang, Yan-Ying													
Vice General Manager	Chang, Ching-Kai													

Note 1: Refers to the most recent year's (2019's) earnings distribution proposal approved by the Board of Directors (April 8, 2020) to distribute remuneration to employees totaling NT$75,520 thousand. As of the publication date of this report, the remuneration paid to the General Manager and Vice General Managers has not been discussed by the Remuneration Committee; thus, the amount to be distributed in the current year is based on the proportion of the actual amount distributed last year.

Note 2: The net income of the Company for 2019 amounted to NT$2,134,870 thousand.

Note 3: Resigned on May 1, 2020

Range of remuneration paid to the General Manager and Vice General Managers	Name of General Manager and Vice General Managers	
	The Company	All companies listed in the consolidated financial statements
Less than NT$1,000,000	–	–
NT$1,000,000 (inclusive) to 2,000,000 (not inclusive)	–	–
NT$2,000,000 (inclusive) to 3,500,000 (not inclusive)	–	–
NT$3,500,000 (inclusive) to 5,000,000 (not inclusive)	Chang, Yao-Han Cho, Yu-Shan	Chang, Yao-Han Cho, Yu-Shan
NT$5,000,000 (inclusive) to 10,000,000 (not inclusive)	Chiang, Yan-Ying Chang, Ching-Kai	Chiang, Yan-Ying Chang, Ching-Kai
NT$10,000,000 (inclusive) to 15,000,000 (not inclusive)	Pan, Yung-Tai Chou, Yen-Chou Hsiao, Ying-Yee	Pan, Yung-Tai Chou, Yen-Chou Hsiao, Ying-Yee
NT$15,000,000 (inclusive) to 30,000,000 (not inclusive)	Wei, Hao-San Kuo,You-Min Liang, Li-Sheng	Wei, Hao-San Kuo,You-Min Liang, Li-Sheng
NT$30,000,000 (inclusive) to 50,000,000 (not inclusive)	–	–
NT$50,000,000 (inclusive) to 100,000,000 (not inclusive)	–	–
More than NT$100,000,000	–	–
Total	–	–

(3) Names of managerial officers who receive employee remuneration and the distribution condition in the most recent year (2019)

Unit: NT$1,000 / thousand shares

	Title	Name	Value of Shares (Note 1)	Amount of Cash (Note 1)	Total	Total remuneration as a percentage of earnings after tax (%) (Note 2)
Managerial officer	Chairman and General Manager	Liang, Li-Sheng	–	0	0	0%
	General Manager of Business Department	Kuo, You-Min				
	Director and General Manager of Business Department	Pan, Yung-Tai				
	Senior Vice General Manager	Hsiao, Ying-Yee				
	Vice General Manager	Wei, Hao-San				
	Vice General Manager (Note 3)	Cho, Yu-Shan				
	Vice General Manager	Chou, Yen-Chou				
	Vice General Manager	Chang, Yao-Han				
	Vice General Manager	Chiang, Yan-Ying				
	Vice General Manager	Chang, Ching-Kai				
	Assistant Vice General Manager	Chang, Shu-Chuen				

Note 1: Refers to the most recent year's (2019's) earnings distribution proposal approved by the Board of Directors (April 8, 2020) to distribute remuneration to employees totaling NT$75,520 thousand. As of the publication date of this report, the remuneration paid to the General Manager and Vice General Managers has not been discussed by the Remuneration Committee; thus, the amount to be distributed in the current year is based on the proportion of the actual amount distributed last year.

Note 2: The net income of the Company for 2019 amounted to NT$2,134,870 thousand.

Note 3: Resigned on May 1, 2020.

(4) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Companyonly Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, the General Manager, and Vice General Managers, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and its Linkage to Operating Performance and Future Risks

1. Analysis of total remuneration of Directors, Supervisors, General Manager and Vice General Managers as a percentage of net income during the past 2 fiscal years:

Personal Status	Ratio of total remuneration to net income (loss) after tax			
	2018		2019	
	The Company	Consolidated	The Company	Consolidated
Directors	3.56%	3.56%	3.00%	3.00%
Supervisors	N/A	N/A	N/A	N/A
General Manager/Vice General Managers	4.14%	4.19%	5.66%	5.66%

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

（1）The Company's remuneration to Directors includes Directors' compensation and bonuses. The remuneration to Directors is stipulated in the Company's Articles of Association. No more than 2% of profit, if applicable, shall be allocated as remuneration to Directors. After the Remuneration Committee approves the remuneration proposal, it shall be submitted to the Board of Directors for resolution and reported to the shareholders' meeting; Reasonable remuneration shall be given based on the Company's operating results as well as Directors' contribution to the Company's performance and the results of the Board's performance evaluation. The remuneration to the Chairman shall be proposed by the Human Resources Department in view of the competitive environment and operational risks and in line with the corporate management policy and bonus plan, and then is sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approves the proposal. Such performance evaluation and the reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors. The remuneration system is also reviewed constantly based on actual business operations and applicable laws.

（2）The remuneration policy for the General Manager and Vice General Managers of the Company is proposed by the Human Resources Department based on the position held, the operating scale, the competitive environment, the salary standard in the industry, the Company's overall operating performance, and individual performance achievement rate and in line with the corporate management policy and bonus plan; after evaluated and approved by the Remuneration Committee, the proposal is sent to the Board of Directors for resolution. The remuneration consists of fixed salary and variable rewards. The fixed salary is the basic salary of employees, and the variable rewards are mainly linked to the Company's（or various business units'）operational performance and strategic goal achieving status, and there are short-term and long-term incentives, deferred compensation, and peer company comparison mechanisms, to avoid risks caused by managerial officers' excessive pursuit of short-term benefits, to effectively guide long-term business performance, and to increase the Company's value. The main operating performance and strategic objectives covered include but are not limited to:

a. Revenue, gross profit, net income, free cash flow, return on invested capital, productivity, earnings per share（EPS）, and return on shareholders' equity（ROE）.

b. Achieving specific strategic goals for specific important technologies, products, clients, and markets within a set period

c. Other major strategic objectives related to the sustainable development of the Company.

The aforementioned performance evaluation and reasonableness of the remuneration of the General Manager, Vice General Managers, and managerial officers are all reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed at any time according to the actual operating conditions and relevant laws and regulations.

4. Status of Corporate Governance

（1）Operations of Board of Directors

In 2019（7 times）and 2020（5 times）as of the publication date of this Annual Report, the Company's Board of Directors held a total of 12 meetings（A）; the attendance of the Directors and Supervisors is as follows:

Title	Name	Attendance in Person B	By proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Liang, Li-Sheng	12	0	100	—
Directors	Yang, Chi-Ting	12	0	100	—
Directors	Pan, Yung-Tai	11	1	91.7	—
Directors	Pan, Yung-Chung	12	0	100	—
Directors	Sunshine Coast Representative: Chen, Jie-Chi	2	5	28.5	Resigned on January 7, 2020; required number of attendances: 7
Independent Director	Ku, Tai-Chao	12	0	100	—
Independent Director	Cheng, Chih-Kai	11	1	91.7	—
Independent Director	Wu, Chun-Pang	12	0	100	—
Independent Director	Wang, Jia-Qi	9	0	100	Newly appointed on June 18, 2019; required number of attendances: 9

Other matters:

I. With regard to the operation of the Board of Directors, if any of the following circumstances occur, the date, term of the meetings, content of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

（1）The matters listed in Article 14-3 of the Securities and Exchange Act: As of the date of publication of the Annual Report, the resolutions of the Company's Board of Directors were approved by all the directors present.

（2）In addition to the aforementioned matter, other resolutions at the Board meetings about which independent directors expressed objection or reservations, which are recorded on the record or in a written statement: None.

II. For avoidance of any resolution involving a director's conflicts of interest, the director's name, the content of the resolution, the reason for the avoidance of conflicts of interest, and participation in voting shall be specified: The Company's Directors attendance at meetings encountered no problem and participated in voting based on their powers and responsibilities; the following is the implementation of avoidance of proposals involving personal conflicts of interest:

（1）On January 22, 2019, the first proposal discussed by the Board of Directors was on 2018 bonus distribution to the Company's senior managerial officers. Director Pan, Yung-Tai was a party involved in this proposal. Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting; the second proposal was on 2018 bonus to the Chairman of the Company; as the Chairman was the main party discussed, he avoided the proposal and did not participate in the discussion and voting related to his personal conflicts of interest.

（2）On March 28, 2019, for the sixth proposal for 2019 senior management salary adjustment and the seventh proposal for 2019 bonus plan for senior executives and important leaders, Director Pan, Yung-Tai was a party involved in these proposals, Director Pan, Yung-Chung avoided the proposals and did not participate the discussion and voting; for the eighth proposal for 2019 Chairman's remuneration plan and the ninth proposal for 2019 Chairman's performance standards and bonus plan, the Chairman was the main party discussed, so he did not participate in the discussion and voting to avoid conflicts of interest.

（3）On November 12, 2019, for the fourth proposal discussed by the Board of Directors on the Company's first distribution of new restricted employee shares in 2019. Directors Liang, Li-Sheng and Pan, Yung-Tai were parties involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting.

（4）On January 16, 2020, for the first proposal discussed by the Board of Directors on 2019 bonus distribution to the Company's senior managerial officers, Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting; for the second proposal for annual bonus to the Chairman, the Chairman did not participate in the discussion and voting to avoid conflicts of interest.

（5）On March 10, 2020, for the 11th proposal discussed by the Board of Directors on 2020 bonus plan for senior executives and important leaders, Director Pan, Yung-Tai was a party involved in this proposal, and director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting; for the 12th proposal for 2020 Chairman's performance standards and bonus plan, as the Chairman was the main party discussed, he did not participate in the discussion and voting to avoid conflicts of interest.

III. Goals for strengthening the functions of the Board of Directors（such as establishing an Audit Committee and enhancing information transparency）in the current and the most recent fiscal year and assessing implementation thereof

1. Goals for strengthening the functions of the Board of Directors

（1）The Company has established a Remuneration Committee under the Board of Directors on January 12, 2011 upon approval of the Board of Directors and appointed members of the Remuneration Committee in accordance with Article 5 of the Company's Remuneration Committee Charter , and a resolution was adopted on March 10, 2020 to amend the "Remuneration Committee Chartert"so as to strengthen the functions of the Board of Directors through the Remuneration Committee under the Board of Directors.

（2）The Company has set up an Audit Committee on July 7, 2015 upon approval of the Board of Directors and appointed members of the Audit Committee in accordance with Article 4 of the Company's Audit Committee Charter , and a resolution was adopted on March 10, 2020 to amend the "Aduit Committee Chartert"so as to strengthen the functions of the Board of Directors through the Aduit Committee under the Board of Directors.

（3）The Company has established a Nomination Committee under the Board of Directors on March 7, 2017 upon approval of the Board of Directors and appointed members of the Nomination Committee in accordance with Article 4 of the Company's Nomination Committee Charter , and a resolution was adopted on March 28, 2019 to amend the "Nomination Committee Chartert"so as to strengthen the functions of the Board of Directors.

（4）On March 28, 2019, a resolution of the Board of Directors was adopted to formulate the Company's Standard Operating Procedures for Handling Directors' Requests, to assist Directors in performing their duties and enhance the effectiveness of the Board of Directors.

（5）Implementation of corporate governance and improvement of information transparency: The Board of Directors operate in accordance with the Rules of Procedure for Board of Directors Meetings. In order to improve the supervision function and strengthen the management function, the amendments to the Rules of Procedure for Board of Directors Meetings were approved by the Board of Directors on March 10, 2020, based on which the Company's Board of Directors is convened adequately.

（6）Directors' further training: The Company arranges further training sessions for Directors to obtain relevant information in order to maintain their core values and professional advantages and capabilities.

（7）The Company's Board of Directors has passed a resolution on January 25, 2016 to establish the Company's Corporate Governance Best Practice Principles. To protect shareholders' rights and interests. The Board of Directors has passed a resolution to amend the said Principles so as to strengthen the functions of the Board of Directors and to enhance information transparency on May 7, 2020.

2. Assessment of the implementation: The Company upholds the principle of operational transparency and posts important resolutions on the Market Observation Post System（MOPS）right after a Board meeting to protect shareholders' rights.

（2）Operations of the Audit Committee or Supervisors' participation in the operations of Board meetings:

1. The Company's Audit Committee consists of four members. This current term of office is from June 12, 2018 to May 29, 2021.
2. There were five meetings of the Audit Committee in 2019（A）and plus three meeting held as of the publication date of this Annual Report in 2020; the Audit Committee of the Company held a total of eight meetings. The attendance of independent directors is as follows

Title	Name	Attendance in Person (B)	Actual Attendance Rate (%) (B/A)	Remarks
Independent Director	Ku, Tai-Chao	8	100	—
Independent Director	Cheng, Chih-Kai	7	87.5	—
Independent Director	Wu, Chun-Pang	8	100	—
Independent Director	Wang, Jia-Qi	6	100	Newly appointed on June 18, 2019; required number of attendances: 6

Other matters:

I. If the Audit Committee has any of the following circumstances, the date, session, proposal content, the resolution of the Audit Committee and the Company's response toward the Audit Committee's opinions shall be specified.

(1) Matters listed in Article 14-5 of the Securities and Exchange Act: As of the publication date of this Annual Report, the resolutions of the Audit Committee of the Company were approved by all Audit Committee members present.
The following are the Committee's operation and implementation results:

NO.	Highlight of Operation	Actual Operating Situation and Content of Proposal	Resolution
1.	Appropriate expressions of the Company's financial statements	1. Passed quarterly resolution of the financial quarterly report. 2. Reported on matters communicated between CPAs and the governance unit.	Approved by all members present
2.	Appointment (and dismissal), independence, and performance of CPAs.	Adopted a resolution of assessment of the independence of CPAs regularly on November 12, 2019,	Approved by all members present
3.	Effective implementation of the Company's internal control	Passed the resolution of the "Internal Control System Statement" on March 27, 2019.	Approved by all members present
4.	The Company's compliance with relevant laws and rules	1. Passed the resolutions of the amendments to the "Internal Control System," "Procedures for Acquisition or Disposal of Assets," "Procedure for Loaning of Funds to Others," and "Operating Procedures for Endorsements and Guarantees" on March 27, 2019. 2. Passed the resolution of the amendments to the "Operational Procedures for Ethical Management and Guidelines for Conduct" on August 14, 2019 and April 8, 2020, respectively.	Approved by all members present
5.	Management and control of the Company's existing or potential risks	1. Perform internal control every year to self-assess operations and identify risks. 2. Formulate an annual audit plan based on the level of risk, which shall be implemented accordingly, and various 2019 annual audit tasks shall be completed.	Approved by all members present
6.	Performance of the Company's Internal Audit Department	1. The audit officer attends the meeting every quarter to report on the audit operations and the implementation results of the audit plan while bringing up findings of materiality. 2. Passed the resolution of the 2020 annual audit plan on November 12, 2019.	Approved by all members present

(2) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but approved by two-thirds of all Board of Directors members: None.

II. With regard to the recusal of Independent Directors from voting due to conflicts of interest, the name of the Independent Directors, the proposal content, reasons for recusal due to conflicts of interest, and voting outcomes shall be specified: None.

III. The communication between Independent Directors and internal audit officer, and CPAs

(1) The Company's internal audit officer regularly reports at the meeting of the Audit Committee to the Independent Directors the auditing results and its follow-up. It is required that the auditing report for the meeting contain the risk level for identification and that a presentation on internal audit be given at the Audit Committee meeting based on the risk attributes of the operational cycle. The suggestions made by the Independent Directors have been implemented immediately, and the execution of the audit business and results have been fully communicated.

(2) The Company's CPAs report the results of the financial report audit or review and other matters communicated as required by relevant laws and regulations at least once a year at the Audit Committee meeting. Before performing an audit of the 2019 annual financial statements, the CPAs had explained and discussed the key matters to be audited to the Audit Committee. Both the Company's Audit Committee and CPAs have maintained good communication.

(3) In order to facilitate the implementation of the corporate governance mechanism, the Audit Committee reported the situation of the Company's restatement of financial reports on March 10, 2020 and reported it to the Board of Directors on March 10, 2020 as required.

3. Evaluation of the performance of the Board of Directors

Evaluation cycle	Period of evaluation	Scope	Evaluation method	Evaluation Content
Perform an internal evaluation once a year Perform an external evaluation every three years	From January 1, 2019 to December 31, 2019	1. Evaluation of the performance of the Board of Directors 2. Evaluation of the performance of Board members 3. Evaluation of the performance of of the Audit Committee 4. Evaluation of the performance of the Nomination Committee 5. Evaluation of the performance of the Remuneration Committee	Internal evaluation	**The evaluation of the performance of the Board of Directors covers five major aspects:** 1. Degree of participation in the Company's operations 2. Improvement in the quality of decision making of the Board of Directors 3. Composition and structure of the Board of Directors 4. Election and continuous education of Directors 5. Internal control **The evaluation of the performance of directors cover six major aspects:** 1. Control over the Company's goals and tasks 2. Awareness of Directors' duties 3. Degree of participation in the Company's operations 4. Internal relationship management and communication 5. Directors' professional skills and continuing education 6. Internal control **Evaluation of the performance of functional committees covers:** 1. Degree of participation in the Company's operations 2. Awareness of the duties of each functional committee 3. Improvement of the decision making quality of each functional committee. 4. Composition of each functional committee and selection of members 5. Internal control

(3) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item		Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
		Yes	No	Description	
1	Does the Company establish and disclose its Corporate Governance Best Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established the Corporate Governance Best Practice Principles and disclosed them on the official website and MOPS.	No significant difference.
2. Shareholding structure & shareholders' rights	Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations, and does the Company implement these procedures accordingly?	V		The Company has engaged spokespersons and deputy spokespersons. There are share affairs and legal departments set up handling shareholders' suggestions or disputes.	No significant difference.
	Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		The Company has entrusted a professional share affair agency to keep abreast of the shareholding status of directors, mangers, and major shareholders.	
	Has the Company established, and does it execute, a risk management and firewall system between the Company and its affiliated companies?	V		The Company has established relevant guidelines in the internal control system, so as to set up an appropriate risk control mechanism and the firewall.	
	Has the Company established internal rules against insiders using undisclosed information to trade securities with?	V		The Company has established management regulations for prevention of insider trading using undisclosed information to buy and sell securities.	
3. Composition and responsibilities of the Board of Directors	Has the Board developed, and does it implement, a diversity policy for the composition of its members?	V		The Company has formulated the Corporate Governance Best Practice Principles and disclosed the complete information on the Company's website and MOPS. Of them, Article 20 stipulates that the policy of board member diversity shall include but not limited to the following two aspects: **1. Basic requirements and values: Gender, age, nationality, and culture.** **2. Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and experience in the industry.** In addition, to achieve the ideal goal of corporate governance, the entire Board of Directors shall possess the following abilities: **1. Operational judgment capability** **2. Accounting and financial analysis capability.** **3. Business management capability.** **4. Crisis management capability.** **5. Industry knowledge.** **6. An international market perspective.** **7. Leadership.** **8. Decision-making capability.** The Company attaches great importance to the diversity in gender composition and set specific stage-based goals for Board diversity: the ratio of female or foreign Directors shall reach 10% or more (achieved) before 2021, 20% or more during 2024 and 2027, and 30% or more during 2030 and 2033. The Company's implementation of the Board diversity policy is described as follows: The Company's Board of Directors currently has a total of eight Directors, including four independent directors (accounting for 50%), of which two independent directors have served for fewer than three years, another one for four to six years, the remaining one for nine to 12 years. There are seven male Directors (accounting for 87.5%) and one female Director (accounting for 12.5%). Besides, there is one Director at age 71-75 (accounting for 12.5%), another six of the Directors are at age 61-70 (accounting for 75%), and another one at 45-50 (accounting for 12.5%). In terms of the professional background which the Directors are from, all of them (eight in total) have knowledge of the industry and management (accounting for 100%), one of them is specialized in R&D (accounting for 12.5%), another two of them are from the marketing background (accounting for 25%), and another three of them have a specialty in finance (accounting for 37.5%). As for professional knowledge and skills possessed by Directors, all of them (eight in total) have the knowledge and skills to lead decision-making and business management (accounting for 100%), six of them are specialized in risk management (accounting for 75%), three of them in information technology (accounting for 37.5%), five of them in financial accounting (accounting for 62.5%) and two of them possess legal knowledge and skills (accounting for 25%).	No significant difference.

<table>
<thead>
<tr><th colspan="2" rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
</thead>
<tbody>
<tr><td rowspan="2">3. Composition and responsibilities of the Board of Directors</td><td>In addition to the legally required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</td><td>V</td><td></td><td>The Company has established a Nomination Committee on March 7, 2017. In the future, it will also set up other functional committees according to actual needs. For the Nomination Committee Charter of the Company's Nomination Committee, please refer to the Company's website or MOPS.</td><td>No significant difference.</td></tr>
<tr><td>Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</td><td>V</td><td></td><td>The Company has formulated the Rules Governing the Performance Evaluation of the Board of Directors on November 10, 2016 and disclosed it on the Company's website and MOPS. In particular, the Rules stipulate that the Company shall perform an internal performance evaluation of the Board of Directors at least once a year, and at least every three years by an independent external professional agency or a team of external experts and scholars, and the annual performance evaluation shall be performed at the end of the year. The results of the performance evaluation of the Board of Directors shall be completed before the most recent Board meeting held in the following year. The scope of the evaluation includes the performance evaluation of the overall Board of Directors, individual Director, and the functional committee (Audit Committee and Remuneration Committee); the evaluation method includes the internal self-evaluation of the Board of Directors, Directors' self-evaluation, or other appropriate methods. The results of the performance evaluations of the individual directors and functional committees mentioned above shall be used as a reference for reviewing Directors' remuneration as well as selecting and nominating Directors.
The Company's most recent evaluation by an external agency was the 2017 performance evaluations of the Board of Directors, individual Directors, and the functional committees (the Audit Committee and Remuneration Committee), which were conducted by Pao-Chu Lin, CPA at KPMG. The evaluation combined questionnaires, data analysis, and interviews; the evaluation results and the direction of continuous improvement for 2018 were presented at the meeting of the Board of Directors held in January 2018.
The evaluation results were divided into five levels by KMPG on the evaluation report.
<table>
<tr><th>Significant improvement required</th><th>Improvement required</th><th>Fair</th><th>Good</th><th>Excellent</th><th>N/A</th></tr>
<tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>Not included in scoring</td></tr>
</table>
Comprehensive evaluation results:The company's board performance evaluation, board member performance evaluation, audit committee and compensation committee performance evaluation are all between good and excellent.
Level content description:
<table>
<tr><th>Excellent</th><td>In line with best practices at an international standard of corporate governance.</td></tr>
<tr><th>Good</th><td>In line with best practices at a domestic standard of corporate governance.</td></tr>
<tr><th>Fair</th><td>In line with domestic laws or general standards.</td></tr>
<tr><th>Improvement required</th><td>Failure to comply with laws and regulations or general standards, but not at a significance level.</td></tr>
<tr><th>Significant improvement required</th><td>With severe deficiencies.</td></tr>
</table>
The measurement items of the performance evaluation of the Company's Board of Directors include a total of 89 measurement topics in the following nine dimensions. The content of each dimension is as follows:
(1) Establishment of a competent Board.
(2) Effective operation of the Board of Directors.
(3) Professional development and continuing education.
(4) Foresight in corporate management.
(5) Execution of assigned duties.
(6) Administration of the management.
(7) Creation of corporate culture.
(8) Communication with stakeholders.
(9) Performance evaluation.</td><td>No significant difference.</td></tr>
</tbody>
</table>

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<tr><th>Yes</th><th>No</th><th>Description</th></tr>
</thead>
<tbody>
<tr><td>3. Composition and responsibilities of the Board of Directors</td><td>Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</td><td>V</td><td></td><td>The measurement items of the performance evaluation of individual Directors include a total of 27 measurement topics in the following six dimensions. The content of each dimension is as follows:
(1) Management of the goals and missions of the Company.
(2) Awareness of Director's duties.
(3) Professional development and continuing education.
(4) Execution of assigned duties.
(5) Participation in the Company's operations.
(6) Management of internal relationships and communication.
The measurement items of the performance evaluation of the Audit Committee include a total of 88 measurement topics in the following seven dimensions. The content of each dimension is as follows:
(1) Establishment of a competent Audit Committee.
(2) Effective operation of the Audit Committee.
(3) Professional development and continuing education.
(4) Execution of assigned duties.
(5) Establishment of complaint channels.
(6) Relationship with the Board of Directors.
(7) Performance evaluation.
The measurement items of the performance evaluation of the Remuneration Committee include a total of 54 measurement topics in the following six dimensions. The content of each dimension is as follows:
(1) Establishment of a competent Remuneration Committee.
(2) Effective operation of the Remuneration Committee.
(3) Professional development and continuing education.
(4) Execution of assigned duties.
(5) Relationship with the Board of Directors.
(6) Performance evaluation.
Based on the results of the Board's performance evaluation for 2017, there are three suggestions for optimization:
(1) Increasing the number of female directors may be considered.
(2) The succession plan of the directors and the management team can be incorporated into the work plan of the Nomination Committee to meet the talent needs of the Company's mid- and long-term development.
(3) According to the Company's overall needs, further training classes with specific contents can be designed for individual directors to assist the directors in performing their duties.
In response to the above-mentioned suggestions, the Company's subsequent improvement and implementation are as follows:
(1) A by-election of a female Independent Director at the 2019 general shareholders' meeting was planned and completed.
(2) The Board of Directors and Management succession plan was approved by the Board of Directors in November 2018, with the Human Resources Department as the dedicated unit.
(3) The head of corporate governance has been responsible for planning and arranging the annual further training classes for individual/all directors.
The Company plans to have the next evaluation performed by an external agency in 2020.
In addition, the Company's most recent internal self-evaluation of performance by the Board of Directors was completed at the end of 2019. The Shareholder Service Department was responsible for conducting performance self-evaluations of the Board of Directors, individual Directors, the functional committees (including the Audit Committee, Remuneration Committee, and Nomination Committee) are through questionnaires in the form of questionnaires.
The Board of Directors' performance evaluation items cover the following five dimensions:
1. Participation in the Company's operations.
2. Improvement of the quality of the Board's decision-making;
3. Composition and structure of the Board;
4. Election and continuing education of the Directors.
5. Internal control.
The individual Directors' performance evaluation items cover the following six dimensions:
1. Management of the goals and missions of the Company.
2. Awareness of Directors' duties.
3. Participation in the Company's operations.
4. Management of internal relationship and communication.
5. The Director's professionalism and continuing education.
6. Internal control.
The Audit Committee's performance evaluation items cover the following five dimensions:
1. Participation in the Company's operations.
2. Improvement of the decision-making quality of the Audit Committee.
3. The composition and structure of the Audit Committee.
4. Selection and continuing education of members of the Audit Committee.
5. Internal control.</td><td>No significant difference.</td></tr>
</tbody>
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<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td rowspan="2">3. Composition and responsibilities of the Board of Directors</td><td>Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</td><td>V</td><td></td><td>The Remuneration Committee's performance evaluation items cover the following five dimensions:
1. Participation in the Company's operations.
2. Improvement of the decision-making quality of the Remuneration Committee.
3. The composition and structure of the Remuneration Committee.
4. Selection and continuing education of members of the Remuneration Committee.
5. Internal control.
The Nomination Committee's performance evaluation items cover the following five dimensions:
1. Participation in the Company's operations.
2. Improvement of the decision-making quality of the Nomination Committee.
3. The composition and structure of the Nomination Committee.
4. Selection and continuing education of members of the Nomination Committee.
5. Internal control.
The 2019 comprehensive internal evaluation results:
It was completed by the end of 2019, and the evaluation results were presented at the meeting of the Board of Directors held on January 16, 2020. The performance evaluation results of the Board of Directors, individual Directors, Audit Committee, Remuneration Committee, and Nomination Committee during the evaluation period are between five points (extremely excellent) and four points (excellent). The average score of the overall evaluation is 4.95 points, which is still at the excellent level; this indicates that the Directors have a certain degree of understanding of the current operations of the Company's Board of Directors, including the operations of the functional committees.
In addition, for the suggestions made by the Directors when the internal performance evaluation of the Board of Directors was being conducted in 2018: the increase of the number of female directors to achieve the goal of diversification and the increase of the number of independent directors to strengthen the effectiveness of corporate governance, the Company has nominated and elected a female Independent Director in a by election at the 2019 general shareholders' meeting based on the suggestions.</td><td>No significant difference.</td></tr>
<tr><td>Does the Company regularly evaluate the independence of the CPAs?</td><td>V</td><td></td><td>The Company's Audit Committee assesses the independence and performance of CPAs contracted at least once a year in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Audit Committee Charter. The assessment content is as follows:
(1) The CPAs' personal resume and whether the CPAs are involved in any lawsuit or disciplinary actions or penalties imposed by competent authorities are examined.
(2) The CPAs who have not served as a director or supervisor or manager in a company or are not involved in a circumstance, which leads to a significant impact on the job and conflicts of interest.
(3) The CPAs who are not entrusted as auditors for seven consecutive years.
(4) A declaration of independence issued by the CPAs obtained each year.
(5) Service quality and timeliness of audit and taxation services.
(6) Whether the CPAs meet the requirement for continuing education every year.
(7) Scale and reputation of the accounting firm commissioned.
(8) Whether the Company's Chairman, General Manager, and managers in charge of financial or accounting affairs have not worked at the accounting firm to which the current CPAs belong or affiliates of the accounting firm within the most recent year.
The most recent assessment was completed by the Audit Committee on November 12, 2019. After review, the CPAs contracted are in line with the requirements above.</td><td>No significant difference.</td></tr>
<tr><td>4</td><td>Has the Company (list on a stock or OTC market) engaged an appropriate number of qualified corporate governance personnel, and designated the corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders 'meeting according to laws, and taking the minutes of board and shareholders' meetings)?</td><td>V</td><td></td><td>The Company's CSR Office is the unit dedicated to corporate governance, and dedicated personnel are responsible for implementing and promoting corporate governance-related matters. The Company' Board of Directors passed a resolution on May 14, 2019 that Lin, Chun-Hsien, Associate Vice General Manager (former special assistant to the Chairman), would serve as the Company's corporate governance officer on a full-time basis, the highest executive position in charge of matters related to corporate governance, to protect shareholders' rights and strengthen the functions of the Board of Directors; he shall report to the Chairman directly. Lin has been a supervisor in charge of finance and corporate governance in public companies for more than three years, and he is qualified as required by laws. The powers and duties of the corporate governance officer are as follows
(1) Report on the progress of corporate governance and the improvement plans to the Board of Directors regularly (at least once a year)
(2) Proceed with the affairs related to meetings of Board of Directors and shareholders' meetings in compliance with the laws
(3) Produce meeting minutes for the meetings of the Board of Directors and shareholders' meetings
(4) Assist in directors' and supervisors' compliance of laws.
(5) Assist directors in taking office and continuing education.
(6) Provide directors with information required for performing duties.
(7) Corporate communication
(8) Other matters stipulated in the Company's Articles of Association or contracts, such as the evaluation of corporate governance of the TWSE, the trend of better corporate governance practices, and the amendments to the domestic corporate governance laws and regulations.</td><td>No significant difference.</td></tr>
</table>

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<tr><td>4</td><td>Has the Company (list on a stock or OTC market) engaged an appropriate number of qualified corporate governance personnel, and designated the corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders 'meeting according to laws, and taking the minutes of board and shareholders' meetings)?</td><td>V</td><td></td><td>Implementation status in 2019 is as follows:
• Arranged and planned the timetable for the annual Board meetings and each functional committee, to ensure compliance with relevant laws and regulations
• Arranged regular communication meetings between the independent directors, CPAs, and the head of internal audit.
• Assisted in arranging suitable continuing education classes for directors, to ensure that all directors have completed the number of annual training hours.
• Registered the date of the shareholders' meeting for 2019 in accordance with the laws and prepared the relevant materials for the meeting and the annual report in both Chinese and English.
• Assisted in confirming the relevant qualifications of independent director candidates.
• Reported to the Board of Directors on May 14, 2019 the implementation of corporate governance in the previous year.
• Reported to the Board of Directors on August 14, 2019 that the main implementation goals and strategic planning regarding corporate governance from 2019 to 2020.
• Compiled the contents of the recent amendments to laws and regulations and confirmed that the relevant units were aware of such amendments and had appropriate response measures.
The situation of continuing education of the corporate governance officer: After appointed as the corporate governance officer by the Board of Directors, the officer shall complete 18 hours of continuing education classes within one year after the appointment date on May 14, 2019 in accordance with the laws. The Company's corporate governance officer has completed 18 hours of continuing education classes after newly appointed in accordance with the regulations. The continuing education classes are as follows:
<table>
<tr><th>Training date</th><th>Organizer</th><th>Class title</th><th>Hours</th></tr>
<tr><td>September 10, 2019</td><td>Taiwan Academy of Financial</td><td>Corporate Governance Lecture—Operation of Corporate Governance and Remuneration Committee</td><td>3</td></tr>
<tr><td>October 29, 2019</td><td>Taiwan Academy of Financial</td><td>Corporate Governance Lecture—Analysis of Crisis Management Strategies and Speaking Skills</td><td>3</td></tr>
<tr><td>November 19, 2019</td><td>Taiwan Stock Exchange (TWSE)</td><td>Dissemination Meeting on Effective Operation of Directors' Functions</td><td>3</td></tr>
<tr><td>November 27, 2019</td><td>Taiwan Corporate Governance Association</td><td>15th International Corporate Governance Forum</td><td>6</td></tr>
<tr><td>March 25, 2020</td><td>Securities and Futures Institute</td><td>How Directors and Supervisors of Listed Companies Perform Duties</td><td>3</td></tr>
<tr><td colspan="3">Total</td><td>18</td></tr>
</table></td><td>No significant difference.</td></tr>
<tr><td>5</td><td>Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established on the company's website? Are major Corporate Social Responsibility (CSR) topics about which the stakeholders are concerned addressed appropriately by the company?</td><td>V</td><td></td><td>Through various tools and channels, the Company has managed to accept valuable feedback from all stakeholders; six categories of stakeholders have been identified based on the principles of AA1000 SES 2015, namely from employees, non-profit organizations, shareholders, customers, suppliers, and the government, to communicate key corporate responsibility issues and potential business opportunities. The CSR Office is responsible for collecting and compiling the results of the communication channels for various stakeholders. Each year, a questionnaire survey is issued on the topics of concern for various stakeholders to serve as a reference for identification and prioritization of material topics. The CSR Office reports to the Board of Directors on the communication situation with stakeholders every two years. The latest report to the Board of Directors was on May 14, 2019.
The main concerns and communication channels for the six categories of stakeholders are as follows:
<table>
<tr><th>Stakeholders</th><th>Issues of concern</th><th>Communication channels, point of contact, and frequency</th></tr>
<tr><td rowspan="5">Employee</td><td>Labor-management relations</td><td rowspan="5">Point of contact: Hsu, Chia-Chih Senior Vice General Manager (Tel.: 02-2798-9008 ext.1003)
• Labor-management meeting-quarterly
• Employee performance interview-three times a year
• Employee Welfare Committee meeting-monthly
• Employee opinion survey-from time to time
• Internal awareness-raising channels (e-mail, electronic billboards, posters, and bulletin boards)-real time</td></tr>
<tr><td>Employment and labor relations</td></tr>
<tr><td>Training and education</td></tr>
<tr><td>Occupational safety and health</td></tr>
<tr><td>Employee diversity and equal opportunities</td></tr>
</table></td><td>No significant difference.</td></tr>
</table>

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<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>5 Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established on the company's website? Are major Corporate Social Responsibility (CSR) topics about which the stakeholders are concerned addressed appropriately by the company?</td><td>V</td><td></td><td>
<table>
<tr><th>Stakeholders</th><th>Issues of concern</th><th>Communication channels, point of contact, and frequency</th></tr>
<tr><td rowspan="3">Non-profit Organi-zations</td><td>Environmental compliance</td><td rowspan="3">Point of contact: Chiang, Yan-Ying, Vice General Manager (Tel.: 02-2798-9008 ext.1924)
・Telephone interview-annual
・Face-to-face interview-annual
・Email communication-real time</td></tr>
<tr><td>Effluents and waste Emissions</td></tr>
<tr><td>Indirect economic impacts</td></tr>
<tr><td rowspan="3">Shareholder</td><td>Anti-corruption</td><td rowspan="3">Point of contact: Lin, Chun-Hsien, spokesperson (Tel.: 02-2798-9008 ext.1988)
・Shareholders' meeting-annual
・Operational results explanation/ teleconference-quarterly
・Revenue amount announcement-monthly
・Domestic interview or conference call-monthly
・Domestic and international investment forum-quarterly</td></tr>
<tr><td>Economic performance</td></tr>
<tr><td>Compliance with social and economic regulations</td></tr>
<tr><td rowspan="4">Clients</td><td>Client privacy</td><td rowspan="4">Point of contact: Chiang, Yan-Ying, Vice General Manager (Tel.: 02-2798-9008 ext.1924)
・Auditing of GP, CSR, EICC, and QPA/QSA-annual
・Clients' requirements for environmental protection/GP-annual
・Client satisfaction survey-annual
・Supplier conference-annual
・RFQ of products-project-based</td></tr>
<tr><td>Child labor</td></tr>
<tr><td>Customer health and safety</td></tr>
<tr><td>Forced or compulsory labor</td></tr>
<tr><td rowspan="4">Supplier</td><td>Supplier environmental assessment</td><td rowspan="4">Point of contact: Chiang, Yan-Ying, Vice General Manager (Tel.: 02-2798-9008 ext.1924)
・AVL evaluation/declaration-once per supplier
・PRIMAX's and clients' requirements for environmental protection-from time to time
・Annual audit-annual
・Supplier training (GHG/CFP/GP) -from time to time
・Supplier conference-annual</td></tr>
<tr><td>Environmental compliance</td></tr>
<tr><td>Compliance with social and economic regulations</td></tr>
<tr><td>Effluents and waste</td></tr>
<tr><td rowspan="4">Government</td><td>Compliance with social and economic regulations</td><td rowspan="4">Point of contact: Chiang, Yan-Ying, Vice General Manager (Tel.: 02-2798-9008 ext.1924)
・Correspondence of official documents-real time
・MOPS-real time</td></tr>
<tr><td>Employee diversity and equal opportunities</td></tr>
<tr><td>Anti-corruption</td></tr>
<tr><td>Market presence</td></tr>
</table>
</td><td>No significant difference.</td></tr>
<tr><td>6 Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?</td><td>V</td><td></td><td>The Company commissioned the SinoPac Securities Stock Affairs Agency to handle relevant matters.</td><td>No significant difference.</td></tr>
<tr><td>7. Information disclosure
Has the company established a website to disclose information on financial operations and corporate governance?</td><td>V</td><td></td><td>The Company has set up a website with a section dedicated to "investment," which contains complete information on financial business activities and corporate governance.</td><td rowspan="2">No significant difference.</td></tr>
<tr><td>Does the company have other information disclosure channels (e.g., setting up an English website, appointing designated people to collect and disclose information, creating a spokesperson system, and webcasting investor conferences)?</td><td>V</td><td></td><td>The Company has set up an official website in both Chinese and English languages and has appointed dedicated personnel to disclose material information on MOPS in both Chinese and in English simultaneously, including information on the financial business activities and corporate governance. The Company has also engaged spokesperson and deputy spokesperson, who are responsible for communication with the outside on corporate information and holding investor conferences.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>7. Information disclosure
Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month in advance of the specified deadline?</td><td>V</td><td></td><td>The Company announced the self-closing profit and loss information in advance within 45 days after the end of the 2019 fiscal year and before the end of the following month after the end of each quarter, and published each quarterly financial report one to two days before the prescribed period. The annual financial report was announced in advance on March 10, 2020.The operating situation in each month is announced on average five days earlier than the prescribed period.</td><td>No significant difference.</td></tr>
<tr><td>8 Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of client policies, and participation in liability insurance by directors and supervisors)?</td><td>V</td><td></td><td>1. The Company protects employees' basic rights and interests in accordance with the Labor Standards Act and has established the Employee Welfare Committee in accordance with the Enforcement Rules of the Employee Welfare Fund Act. The current benefit system covers regular health checkups, bonuses (coupons) for birthday and three major holidays, marriage and funeral subsidies, scholarships, domestic and overseas travel subsidies, emergency relief loans, year-end party and luck draw, and club activities.
2. The Company attaches great importance to the harmony of labor-management relations. In order to protect employees' rights and benefits, employees can engage in two-way communication through departmental meetings, employee seminars, labor-management meetings, an employee suggestion box, and other channels to communicate the Company's various systems and work environment issues and to inspect and maintain the safety and health in the work environment regularly so as to ensure employees' safety and health while at work.
3. The Company has established smooth and effective communication channels and designated specific points of contact for employees, non-profit organizations, shareholders, clients, business partners, and the government, to protect their rights and interests.
4. The Company has established client service management procedures, client satisfaction surveys, and client complaints procedures, including identifying client complaints and determining the applicable responsibility for the complaints, while evaluating client satisfaction periodically, to ensure that the best service is provided to clients.
5. The Company has established various internal regulations and internal control systems in accordance with the laws, and conducts various risk management and evaluations, while the internal audit unit engages in both periodical and occasional review of the implementation of internal control systems.
6. For Directors' status of continuing education, please refer to "Directors' Continuing Education in 2019" in this annual report (page 27).
7. The Company has purchased liability insurance for Directors and Supervisors. The current policy is valid until December 31, 2020, and the amount insured is US$20 million.
8. The Company's Chairman and management succession plan has been approved by the Board of Directors in November 2018. The Human Resources Department is the dedicated unit responsible for the planning and execution of the plan, and shall report to the Board of Directors at least once a year. The most recent report on the implementation status to the Board of Directors was on November 12, 2019. In the Company's Chairman and management succession plan, the successors must have excellent work and strategic thinking abilities, whose values must be consistent with the those of the Company, including decency, honesty, humbleness, pragmatism, respect, promise keeping, and sharing. In 2019, the positions for successors in the first stage had been selected according to the needs in the organizational development, and candidates will be been selected in three to five years. The succession training model will be based on "work rotation" and "project assignment" within the Group, to strengthen their strategic thinking and strategy formulation capabilities.</td><td>No significant difference.</td></tr>
<tr><td>9</td><td colspan="4">Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out. (not required if not an assessed company)
The Company's corporate governance evaluation results in 2016 and 2017 were ranked among the top 5%, among 6-20% in 2018, and 11-20% of listed electronic companies with a market value of more than NT$10 billion or more. In 2019, it was ranked top 5%. In 2019, the Company strove to improve the deficiencies identified in the corporate governance evaluation, and the main implementation results are as follows:
1. Diversified the composition and strengthened the structure and independence of the Board of Directors. At the 2019 general shareholders' meeting, a female Independent Director was elected in a by-election, and the number of independent directors was increased to four.
2. Strengthened the disclosure of the operation of each functional committee (the Audit Committee, Remuneration Committee, and Nomination committee).
3. The Board of Directors designated a full-time corporate governance officer in charge of matters related to corporate governance, and its operation and execution were fully disclosed.
4. Implemented and disclosed in detail the performance evaluation of the Board of Directors as planned, and the evaluation results were reasonably linked to the remuneration paid to Directors.
5. Voluntarily prepared the CSR report in both Chinese and English versions, and obtained third-party verification for three consecutive years.</td></tr>
</table>

Directors' Continuing Education in 2019

Title	Name	Training date	Organizer	Class title	Hours of classes	Total hours of classes in 2019
Directors	Liang, Li-Sheng	2019.03.28	Taiwan Corporate Governance Association	Global Anti-Tax Evasion Trends	3	6
		2019.07.26	Corporate Governance Professionals Association	Board Effectiveness and Remuneration Seminar	3	
Directors	Pan, Yung-Tai	2019.03.28	Taiwan Corporate Governance Association	Global Anti-Tax Evasion Trends	3	6
		2019.12.17	Taiwan Corporate Governance Association	Economic Sanctions and Export Control Act as well as China-US Trade War	3	
Directors	Pan, Yung-Chung	2019.03.28	Taiwan Corporate Governance Association	Global Anti-Tax Evasion Trends	3	6
		2019.12.10	Taiwan Corporate Governance Association	Company Strategy: Past, Present, and Future	3	
Directors	Yang, Chi-Ting	2019.03.28	Taiwan Corporate Governance Association	Global Anti-Tax Evasion Trends	3	6
		2019.08.12	Taiwan Corporate Governance Association	AI Changing the Land scape of Corporate Governance	3	
Representative of institutional director	Chen, Jie-Chi	2019.11.05	Taiwan Corporate Governance Association	The Human Resources Strategy for Enterprise Mergers and Acquisitions from the Perspective of Directors and Supervisors	3	6
		2019.12.11	Securities and Futures Institute	Discussion on the Use of Employee Reward Strategies and Tools	3	
Independent Director	Ku, Tai-Chao	2019.03.28	Taiwan Corporate Governance Association	Global Anti-Tax Evasion Trends	3	6
		2019.12.05	Securities and Futures Institute	The Principle and Application of Blockchain	3	
Independent Director	Cheng, Chih-Kai	2019.03.28	Taiwan Corporate Governance Association	Global Anti-Tax Evasion Trends	3	6
		2019.08.13	Taiwan Academy of Financial	Major Reforms of the New Corporate Governance Blueprint and Response	3	
Independent Director	Wu, Chun-Pang	2019.03.28	Taiwan Corporate Governance Association	Global Anti-Tax Evasion Trends	3	6
		2019.05.07	Taiwan Stock Exchange (TWSE)	Climate-related Financial Disclosure Promotion Forum	3	
Independent Director	Wang, Jia-Qi	2019.07.05	Taiwan Corporate Governance Association	Trends of Major Corporate Frauds and Prevention	3	12 (Note)
		2019.08.15	Securities and Futures Institute	Discussion on Corporate Information Security Governance—Legal Practices	3	
		2019.08.15	Securities and Futures Institute	Enterprise Financial Crisis Warning and Type Analysis	3	
		2020.02.14	Taiwan Corporate Governance Association	Key Technologies and Market Applications of 5G and IoT	3	

Note: Director Wang, Jia-Qi should have taken 12 hours of continuing education classes in the first year of her tenure. Because of the temporary adjustment of the time for her to return to Taiwan as she lived overseas, the prescribed period for the number of continuing education classes was extended to February 2020.

(4) The composition, duties, and implementation status of the Company's Remuneration Committee, if applicable:

In order to improve corporate governance and strengthen the functions of the Board of Directors, PRIMAX established the Remuneration Committee in 2011, with the aim of assisting the Board of Directors in assessing and approving the remuneration policies and systems for the Chairman and managerial officers. In accordance with the Company's Remuneration Committee Charter, the Remuneration Committee is composed of three members, who are appointed by the Board of Directors. The Remuneration Committee shall meet at least twice a year, and there have been four meetings in the most recent year. The Company held (three) such meetings in 2019 and another (three) as of the publication date of this annual report in 2020. Thus, the Remuneration Committee held six meetings in total.

1. Information on the members of the Remuneration Committee

Identity	Name	Meet one of the following professional qualifications, with at least five years of work experience: Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of a company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo na-tional examinations and specialized license	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	Independence Status (Note) 1	2	3	4	5	6	7	8	Number of other public companies where the individual concurrently serves as a remuneration committee member	Remarks
Independent Director	Ku, Tai-Chao	—	—	V	V	V	V	V	V	V	V	V	0	—
Independent Director	Cheng, Chih-Kai	—	—	V	V	V	V	V	V	V	V	V	0	—
Others	Yao, Heng-Shan	—	—	V	V	V	V	V	V	V	V	V	0	—

Note: For any committee member who fulfills the relevant condition (s) 2 years before being elected or during the term of office, please provide the [V] sign in the field next to the corresponding condition (s).

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the registered countries.
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, nor a spouse thereof.
(8) No condition defined in Article 30 of the Company Act has appeared.

2. Information on Operation of the Remuneration Committee

(1) The Company's Remuneration Committee is comprised of three members.

(2) Tenure of members: From June 12, 2018 to May 29, 2021. (Three) such meetings were held in 2019 and another (three) as of the publication date of this annual report in 2020. Thus, the Remuneration Committee held six meetings in total (A). The qualifications and attendance of the members are set out as follows:

Title	Name	Number of attendance in person (B)	By proxy	Attendance Rate (%)	Remarks
Convener	Cheng, Chih-Kai	6	0	100%	—
Member	Ku, Tai-Chao	6	0	100%	—
Member	Yao, Heng-Shan	6	0	100%	—

Other matters:

1. If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (e.g., if the salary and remuneration approved by the Board of Directors are better than those proposed by the Remuneration Committee, please specify the differences and the reason): None.
2. For the resolutions of the Remuneration Committee, if any member expresses objections or reservations, which are recorded on the record or in a written statement, the date, meeting session, content of the proposal, the opinions of all members, and the handling of the members' opinions shall be stated:
   (1) The second meeting of the fourth Remuneration Committee was held on January 21, 2019, and a total of two proposals and a report, namely "2018 bonus distribution to the Company's senior managerial officers," "2018 bonus to the Chairman," and "2018 Remuneration Committee year-end report" were put forward. After the managerial officers' performance evaluation results and the reasonableness of bonus distribution were reviewed, the two proposals were adopted by all Remuneration Committee members via resolution.
   (2) The 3rd meeting of the fourth Remuneration Committee was held on March 27, 2019, and a total of seven proposals, namely "2019 senior managerial officer salary survey report and adjustment, "2019 Chairman's remuneration plan," "2019 bonus plan for managerial officers and important leaders," (to review the managerial officers' performance and remuneration policies, plans, and structure), "2018 compensation distribution to Directors and employees," "planned distribution of new restricted employee shares," and "amendments to some provisions of the Remuneration Committee Charter," were all adopted by all Remuneration Committee members via resolution.
   (3) The fourth meeting of the fourth Remuneration Committee was held on November 11, 2019, the proposal for the "first distribution of new restricted employee shares" was put forward and adopted by all Remuneration Committee members via resolution.
   (4) The fifth meeting of the fourth term was held on January 16, 2020, and the proposal for the "2019 bonus distribution to the Company's senior managerial officers," the proposal for "2019 bonus to the Chairman," and the " Year-end Report of Remuneration Committee for 2019"were put forward; there were two proposals and one report, and both proposals were adopted by all Remuneration Committee members via resolution.
   (5) The sixth meeting of the fourth term was held on March 10, 2020, and the proposal "2020 bonus plan for managerial officers and important leaders," the proposal for "2020 Chairman performance standards and bonus plan," the proposal for "planned issuance of new restricted employee shares, " the proposal for the Company's "2020 measures for issuance of new restricted employee shares," and the proposal for "amendments to some provisions of the Remuneration Committee Charter" were put forward and approved by all Remuneration Committee members via resolution.
   (6) The 7th meeting of the fourth term was held on April 8, 2020, the proposal for "amendments to the content of the 'planned distribution of new restricted employee shares,'" the proposal for "amendments of the Company's '2020 measures for issuance of new restricted employee shares,'"and the proposal for "2020 compensation distribution to Directors and employees" were put forward and approved by all Remuneration Committee members via resolution.

(5) CSR implementation: The Company's CSR practices, such as environmental protection, social engagement, social contribution, community service, community welfare, consumer rights, human rights, safety and health, the system and methods used to plan and organize CSR activities and the status of implementation.

<table>
<tr><th rowspan="2">item</th><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>1</td><td>Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established relevant risk management policies or strategies?</td><td>V</td><td></td><td>The Company follows the principle of materiality, and has introduced the enterprise risk management (ERM) in accordance with the ISO31000 enterprise risk management framework, in which is promoted by the CSR office works as as a consultant and the Chief Operating Officer's Office is responsible for implementation and proposing risk response plans to the Chief Operating Officer while reporting to the Board of Directors.
Assessement is conducted according to the procedure above, and relevant risk management policies are formulated as follows:
<table>
<tr><th>Material risk</th><th>Management and Improvement Plan</th></tr>
<tr><td>Information security and client privacy control</td><td>• Introduced ISO 27001: 2013 which has been verified by BSI
• Promoting various effective projects, uphold the plan-do-check-action (PDCA) circular model, to continue to strengthen the Company's information security and client privacy management.</td></tr>
<tr><td>Product and process competitiveness</td><td>• The R&D Technology Center promotes innovative technology R&D projects for products, such as camera systems, automotive electronics, as well as keyboards and mouses
• Investing in R&D teams to develop products in new fields to expand new markets and new clients.
• An industrial 4.0 project is introduced to the process, which can achieve the desired effect on the improvement of production capacity and efficiency.</td></tr>
<tr><td>Workplace fire safety measures</td><td>• Executing fire safety, air pollution, industrial wastewater, mechanical equipment safety inspection and improvement plans.</td></tr>
</table></td><td>No significant difference.</td></tr>
<tr><td>2</td><td>Does the company establish a dedicated (or part-time) unit for promoting CSR? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?</td><td>V</td><td></td><td>The Company's CSR Office is established by the Chairman upon the authorization of the Board of Directors, and full-time personnel are designated to be responsible for proposal, formulation, execution, and review of CSR policies, systems, and relevant management guidelines as well as specific implementation plans, and shall report to the Board of Directors at least once a year. Under the CSR Office, task forces for corporate governance, green operation, and social care, have been established to promote and execute issues covering different aspects of CSR.</td><td>No significant difference.</td></tr>
<tr><td rowspan="4">3. Environmental issues</td><td>Has the company established a suitable Environment Management System (EMS) in line with the nature of its industry?</td><td>V</td><td></td><td>The Company has established a green procurement management system and an energy management system (ISO50001), and controls the process and materials to ensure that the products produced in line with the environmental protection requirements; meanwhile, there are dedicated units in place to maintain the environmental quality of the production plants in mainland China and to strengthen the implementation of energy-saving and carbon reduction measures.</td><td>No significant difference.</td></tr>
<tr><td>Is the company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?</td><td>V</td><td></td><td>When providing products and services, the Company actively implements the concept of environmental protection in green design and green management. The raw materials used in the products meet international environmental standards and clients' requirements. The Company also tacks the water footprint and material flow regularly, and carries out relevant improvement plans to use resources more effectively.</td><td rowspan="3">No significant difference.</td></tr>
<tr><td>Has the company assessed the potential risks and opportunities arising from climate change at present and in the future and taken relevant countermeasures?</td><td>V</td><td></td><td>The Company regards climate change as one of the major risks of business operations, confirms the risk sources of climate change, and evaluates and implements corresponding risk mitigation or adaptation measures against these risks. For details of the assessed risks sources and opportunities of climate change, please refer to the 2019 Corporate Social Responsibility Report.</td></tr>
<tr><td>Has the company the calculated the green-house gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?</td><td>V</td><td></td><td>The company has formulated the Declaration for Greenhouse Gas Inventory and Voluntary Reduction and has been committed to the greenhouse gas inventory, in order to keep abreast of the gas emissions accurately, and will further carry out plans related to voluntary greenhouse gas reduction based on the results of the inventory. Meanwhile, it also conducts an inventory of water consumption and total weight of waste regularly. For detailed statistics, please refer to the 2019 Corporate Social Responsibility Report.</td></tr>
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<tr><th rowspan="2">item</th><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td rowspan="6">4. Social issues</td><td>Has the company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>The "Guidelines for Recruitment" for the Company's personnel are in line with relevant labor laws and internationally recognized basic labor human rights and principles, such as the Responsible Labor Initiatives of Responsible Business Alliance (RBA); the Company reviews and revises its internal regulations related to personnel regularly. The Company also actively protects employees' rights and interests as required by laws, adheres to the principles of equality and non-discrimination in the employment policies, and creates an atmosphere of "friendly workplace" to realize the business philosophy of the "best employer."</td><td rowspan="6">No significant difference.</td></tr>
<tr><td>Has the company established and offered proper employee benefits (including remuneration, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?</td><td>V</td><td></td><td>In addition to general salary, performance bonuses are issued based on the Company's operating performance and individual performance, and no differences occur due to on gender, religion, race, and nationality. The average annual pay raise percentage for employees in 2019 was 3.0% to 4.0%. Furthermore, employee benefit measures are in line with or superior to local laws and regulations, and the items are as follows:
1. Retirement plan
2. Group insurance covering employees' family members
3. Happy and flexible holidays and Primax Holidays
4. Employees' relaxing places, such as coffee shops
5. Various subsidies and cash gifts
6. Employee physical and psychological care measures (including EAP)
7. Large-scale events
8. Group tourism and leisure activities</td></tr>
<tr><td>Has the company provided employees with a safe and healthy work environment as well as conducted regular classes on health and safety?</td><td>V</td><td></td><td>PRIMAX's plants are based in China and Thailand,, and offices and the R&D headquarters are based in Taiwan. In order to provide employees with a safe and healthy work environment, PRIMAX's relevant management measures are as follows:
1. Education and training: This includes first aid, mechanical safety, environment, safety, and health risk identification, occupational health, as well as emergency response. Meanwhile, health education lectures are offered to raise awareness of health promotion.
2. Risk control: Operational exercises, including fire reporting and chemical leakage.
3. Health checkups: In addition to regular health checkups, the factories in China provide specific checkups to people with higher risks, such as serum ALT levels, a hearing test, and an electrocardiogram. For employees involved in the X-ray operation, in particular, precise examination of skin, liver, kidneys, and lymphs is offered additionally.
4. Medical care: PRIMAX has medical rooms/centers set up in the factory areas and office areas with medical personnel stationed on a regular basis, and each department is also equipped with a first-aid box to provide employees with services, including emergency medical assistance, disease prevention, and medical consultation.
5. The Company has obtained occupational safety and health management system certification of ISO45001.</td></tr>
<tr><td>Has the company established effective career and competence development and training plans?</td><td>V</td><td></td><td>The learning and development in the Company is around the core framework of job functions and is closely integrated with the Company's future development strategies and goals. The training system is divided into three major categories: professional function training, leadership training, and general function training.</td></tr>
<tr><td>Has the company complied with relevant laws, regulations and international guidelines for client health and safety, client privacy, and marketing and labeling of its products and services and established relevant client protection policies and grievance procedures?</td><td>V</td><td></td><td>When the Company provides products and services, it incorporates the concept of environmental protection in green design and green management in order to comply with laws and clients' requirements while fulfill the responsibilities as a global citizen. In addition to complying with laws and regulations related to green products (such as RoHS, REACH, and ErP) and clients' requirements, the Company has cultivated employees' ability to cope within the organization and with suppliers and offered relevant training while an information management system (PLM) is integrated to put into practice a green product policy.</td></tr>
<tr><td>Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights and supervised the compliance?</td><td>V</td><td></td><td>Before the Company officially includes a supplier, it will assess the supplier's environment, safety, and health management, including whether environmental monitoring is implemented and whether local labor regulations and RBA regulations are complied with, through rigorous assessment procedures (including review, contract review, two-way communication, and complaint filing mechanisms and channels). Meanwhile, each supplier shall receive on-site assessment, mainly for the management of hazardous substances. The assessment includes the supplier's organizational structure of green product management, personnel education and training, production control, product design, incoming material inspection, and prevention of pollution arising from hazardous substances.</td></tr>
<tr><td>5</td><td>Does the company, following internationally recognized guidelines, prepare and publish reports, such as its Corporate Social Responsibility Report, to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?</td><td>V</td><td></td><td>The 2019 Corporate Social Responsibility Report of the Company was prepared in accordance with the GRI Standards and was certified by SGS in accordance with the AA1000 Type 1 High Assurance standards.</td><td>No significant difference.</td></tr>
</table>

6	If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE / TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: The Company has formulated the "Corporate Social Responsibility Best Practice Principles of PRIMAX," which has been implemented in corporate governance, employee care, community protection, and earth protection in compliance with the Principles without material discrepancy. For corporate governance, please refer to the chapter of "Corporate Governance Report" of this annual report. For details regarding employee care, community protection, and earth protection, please refer to the annual Corporate Social Responsibility Report.
7	Other important information that facilitates understanding of the status of CSR operations. 1. Employees are managed in accordance with the provisions of the Basic Labor Act and other relevant labor laws and regulations, with dedicated personnel to handle various work and matters to protect employees' rights and interests. 2. The Company conducts safety and health work in accordance with the provisions of the Labor Safety and Health Act in relation to OSH organization and personnel; provides employee with safety and health education, training about disaster prevention, and health check-ups, necessary for them to perform their work. 3. The Company regards the protection of consumer rights and product safety as its responsibility and actively solves product problems raised by clients. 4. The Company regards employee health as an important responsibility and actively implements employees' physical and psychological health promotion measures, including vigorous development of a variety of clubs, subsidizing road running and mountaineering among other extreme sports, employee restaurant calorie marking, disease prevention, lectures on emotional stress relief, and providing dedicated line service of the Employee Assistance Program. 5. The operation and implementation of the task forces for corporate governance, green operation, and social care under the CSR Office in 2019 are as follows: **(1) Corporate governance：** • Implemented the Board diversity policy and elected a female (independent) director in a by-election at the general shareholders' meeting. • Strengthened the composition and independence of the Board of Directors and elected a (female) independent director in a by-election at the general shareholders' meeting, which increased the number of independent directors on the Board of Directors to four. • Strengthened the disclosure of the operation of each functional committee (the Audit Committee, Remuneration Committee, and Nomination Committee). • Appointed a full-time corporate governance officer by the Board of Directors to be in charge of matters related to corporate governance and fully disclosed its operation and implementation. • Disclosed the link between directors' remuneration, the Company's operating performance, and Board performance evaluation. • The Company prepared the corporate social responsibility report voluntarily in both Chinese and English versions, and it has has obtained third-party verification for three consecutive years. • Announced financial information, major information releases, relevant information of shareholders' meetings, and content of investor conferences in both Chinese and English versions. **(2) Green operations:** • Greenhouse gas emissions and emission intensity: The total greenhouse gas emissions of the PRIMAX Group in 2019 were 91823.394 tons of CO2e/year, which was 10.87% higher than the 82820.871 tons of CO2e/year in 2018. The emission intensity of greenhouse gases in 2019 was 11.39kg of CO2e/NT$10,000 , which was 10.9% lower than the 12.78kg of CO2e/NT$10,000 in 2018, mainly because of the significant effect of the Group's promotion of energy-saving activities and the increase in revenue. The greenhouse gas emissions above have been verified by SGS, a third-party verification agency. • The total energy consumption of the PRIMAX Group in 2019 was 393,607,743,746 KJ, an increase of 10.29% compared with 356,899,909,325 KJ in 2018; the intensity of energy consumption in 2019 was 48,807.8 KJ/NT$10,000 in revenue, a decrease of 11.37% compared with 55,067.5 KJ/NT$10,000 in revenue in 2018, mainly because of the Group's promotion of energy-saving activities, use of renewable energy, and increased revenue. • The Company has begun to inspect greenhouse gas emissions from employees' flight trips since 2017. Through calculation using the aircraft carbon emission calculator established by the International Civil Aviation Organization (ICAO), the greenhouse gas emissions generated by the Company's employees' (based in Taiwan) flight trips in 2019 were 688.585 tons of CO2e, an increase of 10.06% from 625.637 tons of CO2e in 2018, which has been verified with a third-party verification statement. • In 2019, the headquarters in Taipei/R&D center in Taipei, DongGuan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., Primax Electronics. (KunShan) Co., Ltd., Tymphany Acoustic Technology (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd., and Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. have all obtained the ISO 14046: 2014 certification. • In November 2018, the Company won an excellence award for its low-carbon products from the Environmental Protection Administration as the first electronic company (electronic product) to receive this award. • DongGuan Primax Electronic & Telecommunication Products Ltd., a subsidiary of the Company, was rated as a good environmental enterprise and obtained "blue label" for its environmental protection credit rating in 2018. • In 2019, there were six major expenditure categories of environmental protection expenses, including environmental protection equipment and engineering, management systems, human resources, inspection equipment, energy saving investment, and information management system expenses. The total environmental protection expenses for 2018 were NT$89,605,345, an increase of NT$8,009,655 from 2018. • In terms of suppliers' social responsibility management, the Company completed on-site audits of 12 major suppliers in 2019 and assisted them in improving their deficiencies. The 249 major cooperative suppliers were required to conduct a risk survey on social responsibility management through an online questionnaire, and 12 suppliers with potential risks were identified, and on-site evaluations were carried out for these 12 suppliers by a third party. In addition, seven sessions of supplier social responsibility training were held, to communicate with a total of 556 partners from 325 cooperating suppliers about the promotion of corporate social responsibility management and the implementation of specific requirements to raise their awareness. **(3) Social care task force:** • For the donation plan signed in 2017 and continued in 2019, a donation of NT$2 million was made to House of Dream, Junyi Academy, and the Cheng-Chi Education Foundation, respectively, to flip the digital, character, and leadership education. • The Company has a long term partnership with Hondao Senior Citizen's Welfare Foundation. We worked together in organizing the Mother's Day celebration and the one-day tour for the elderly at a base in Nankang (205 participants in total) in 2019. • The Company worked with House of Dream in organizing an event for soliciting donations of Christmas shoe box gifts and a charity sales market (a total of 142 people participated and NT$54,945 were raised). • The Company has purchased pineapples from the BuLa Ku Social Enterprise in Taoyuan Village, Taitung, for two consecutive years, as gifts for all employees (a total of 742 people participated and NT$59,430 were spent). **(4) The CSR Office amended the "Primax Corporate Social Responsibility Best Practice Principles" in 2020 and was submitted to and approved by the Board of Directors for approval on March 10. It is expected to report to the Board of Directors on the implementation of corporate social responsibility for 2019 and various implementation plans in July, 2020. The latest report to the Board of Directors was on May 14, 2019.**
8	A statement shall be made if the Company's CSR Report has been verified by the relevant accreditation agency: The Company's 2019 Corporate Social Responsibility Report was prepared in accordance with the GRI Standards and was certified by SGS in accordance with the AA1000 Type 1 High Assurance standards.

(6) Discrepancies between the implementation of ethical corporate management and the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies, and reasons:

item	Evaluation item	Implementation status			Discrepancies between the implementation and the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
		Yes	No	Description	
1. Establishment of ethical corporate management policies and programs	Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	V		The Company has formulated the ethical corporate management policy approved by the Board of Directors, and published its ethical corporate management policy and approaches in internal regulations and on the Company's website to the public. In addition, the Board of Directors and the senior management have actively implemented the commitments set out in the operating policies and signed a statement on ethical corporate management.	In compliance with the ethical corporate management principles without material differences.
	Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies"?	V		The Company has incorporated ethical management operations to its internal control procedures, and the operation auditing unit will conduct regular risk assessments and report the results of the audit to the Board of Directors.	
	Has the company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	V		In order to prevent unethical conduct, the Company clearly stipulates the operating procedures, behavior guidelines, disciplinary actions for violations, and complaint reporting methods in the internal Code of Conduct,, and the Human Resources Department reviews the internal regulations regularly.	
2. Fulfillment of ethical corporate management	Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	V		In the Company's "Procedures for Ethical Management and Guidelines for Conduct," it has clearly defined the ethical corporate management evaluation procedure before a business relationship is established, regulated the avoidance of transactions with unethical business entities, and required inclusion of ethical corporate management in the contract terms at the time of signing contracts with others.	In compliance with the ethical corporate management principles without material differences.
	Has the company set up a dedicated unit under the Board of Directors to implement ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct as well as the supervision of the execution process?	V		The Company designated the Human Resources Department as the dedicated unit to implement the Company's integrity management and to report the annual implementation status to the Board of Directors at least once a year. If any unethical conduct occurs, the dedicated unit will report the handling method and subsequent review and improvement measures to the Board of Directors.	
	Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V		1. The Company's "Rules of Procedure for Board of Directors Meetings" and "Procedures for Ethical Management and Guidelines for Conduct" have provisions for avoiding directors' conflicts of interest included, that is if the proposals by the Board of Directors are of interest to the directors themselves or the corporates they are representing, and are jeopardizing the Company's interests, those directors can make statements and provide answers but cannot participate in discussion and voting. They shall also avoid discussion and voting and cannot represent other directors to exercise their voting rights. 2. When employees in the Company are performing business, if they encounter conflicts of interest, they shall report to their direct supervisors and the dedicated unit.	
	Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		The Company has established an accounting system and internal control system in accordance with relevant laws and regulations. The Audit Office also inspects the compliance with the accounting system and internal control system and reports to the Board of Directors on a regular basis.	

item	Evaluation item	Implementation status			Discrepancies between the implementation and the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
		Yes	No	Description	
2. Fulfillment of ethical corporate management	Does the Company regularly hold internal and external educational trainings on ethical corporate management?	V		The Company's implementation of ethical corporate management in 2019 is as follows: (1) Held communication meetings to raise employees' and suppliers' awareness of the Company's honest and ethical conduct and whistle-blowing system. (2) Used electronic billboards to play promotion videos on integrity, along with fun games, to convey the value of integrity in an easy-to-understand but deep manner. (3) Established an independent whis-tle-blowing mailbox on the Company's website and intranet to enhance the effectiveness of the whistle-blowing system. (4) Arranged a one-hour session of introduction and explanation of integrity and ethics in the orientation for new employees. (5) In 2019, there were a total of 7,340 new employees, with 7,340 training hours in total and a training rate of 100%. (6) When Tymphany recruits new employees, it will offer one-hour RBA (including safety) basic education and training. A total of 25,987 employees received education and training in 2019, including 2,698 indirect personnel (including along-the-assembly-line personnel) and 23,289 direct personnel, accounting for 10% of all employees, with a total training time of 25,987 hours. (7) The implementation of ethical corporate management for 2019 was reported to the Board of Directors on January 16, 2020.	In compliance with the ethical corporate management principles without material differences.
3. Status of enforcing whistle-blowing systems in the Company	Has the company established both reward and whistle-blowing systems and convenient whis-tle-blowing channels? Are appropriate personnel assigned to the accused party?	V		The Company has specified the norms of rewards and punishments, grievance system, and disciplinary actions in the "Procedures for Ethical Management and Guidelines for Conduct," and has incorporated the ethical corporate management into in the Code of Conduct and human resources policies.	In compliance with the ethical corporate management principles without material differences.
	Has the company established the standard operating procedures for investigating reported mis-conduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms?	V		The company has set up an anonymous whistle-blowing system and established a dedicated unit in charge of handling business secrets as well as formulating and implementing pro-cedures for the management, retention, and confidentiality of the secrets; meanwhile, it shall review the implementation results regularly to ensure the continued effectiveness of the op-erating procedures.	
	Does the company provide protection to whistle-blowers against receiving improper treatment?	V		The Company has updated the relevant regulations in the "Procedures for Ethical Management and Guidelines for Conduct" to ensure that whistle-blowers will not be treated improperly because of whistleblowing.	
4. Enhanced disclosure of corporate social responsibility information	Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		Please visit MOPS (http://newmops.twse.com.tw/) or the Company's website (http://www.primax.com.tw/) for the content of the Company's ethical corporate management best practice principles. For relevant information regarding implementation, please refer to the annual CSR report.	In compliance with the ethical corporate management principles without material differences.
5	If the company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies", please describe any discrepancies between the prescribed best practices and the actual activities taken by the company: No material discrepancy. The Human Resources Department is the dedicated unit responsible for the implementation in this regard. It formulates relevant regulations, including the Ethical Corporate Management Best Practice Principles and the Code of Conduct, to clearly prohibit acceptance of any improper benefits. It also advocates the importance of integrity and the value of ethics through internal training and promotion activities while establishing a whistleblowing system, to ensure the effectiveness of implementation.				
6	Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review of and amendment to the company's Ethical Corporate Management Best Practice Principles): (1) The Company's suppliers and subcontractors are required to sign the "Supplier Declaration." (2) In the Company's "Procedures for Ethical Management and Guidelines for Conduct," it clearly stipulates that employees shall explain the Company's ethical management policies and relevant regulations to the trading partners during business transactions. They must also explicitly refuse any direct or indirect offers, promises, or requests of improper benefits in any form or on anyone's behalf. These include rebates, commissions or facilitation payments, or any other improper benefits provided or received through other means. (3) During the training of new recruits, the importance of promoting integrity and ethics is stressed and promoted.				

(7) Please disclose access to the Company's corporate governance principles and relevant rules and regulations:

Please visit MOPS (http://newmops.twse.com.tw/) or the Company's website (http://www.primax.com.tw/) for the Company's corporate governance best practice principles and relevant rules and regulations.

(8) Other important information that can promote the understanding of the company's corporate governance status shall be disclosed: None

(9) The implementation of the internal control system shall disclose the following items.

1. Statement of Internal Controls

PRIMAX Electronics Ltd.
Statement of Internal Control System

Date: March 10, 2020

The Company's self-evaluation of the internal control system in 2019 is declared as follows:

1. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
2. The internal control system has innate limitations. No matter how robust and effective the internal control system is, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the Company's internal control system has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
3. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, please refer to the Regulations.
4. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over the operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the contents above will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement had been approved by the Board of Directors on March 10, 2020. All eight attending Directors agree with the contents of this Statement in unanimity and make this statement.

PRIMAX Electronics Ltd.

Chairman and General Manager Signature

2. If a CPA has been hired to carry out a special audit of the internal control system, please furnish the CPA audit report: None.

(10) Any legal penalty enacted upon this Company, any penalty imposed to its personnel by the Company for violation of internal control rules, major falacies and status of improvements in the most recent year up to the publication date of this report: None.

(11) For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, major resolutions of the shareholders' meeting and Board meetings

1. Major resolutions at the shareholders' meeting and the implementation

Date	Important Proposal
2019.06.18	1. Passed the proposal for the Company's 2018 Business Report and Financial Statements. **Implementation status:** Resolved as proposed. 2. Passed the proposal for the Company's 2018 earnings distribution plan. **Implementation status:** The base date of distribution was set on July 28, 2019, and the date of release was on August 23, 2019, with the cash dividend per share of NT$2.4, and all payments had been released. 3. Passed the proposal for the amendments to the "Procedures for Acquisition or Disposal of Assets." **Implementation status:** Announcement was made on the Company's website on June 18, 2019 and relevant matters were handled in accordance with the amended procedures. 4. Passed the proposal for the amendments to the Company's "Operational Procedures for Loaning of Funds to Others." **Implementation status:** Announcement was made on the Company's website on June 18, 2019 and relevant matters were handled in accordance with the amended procedures. 5. Passed the proposal for the amendments to the Company's "Procedures for Making of Endorsement/Guarantee." **Implementation status:** Announcement was made on the Company's website on June 18, 2019 and relevant matters were handled in accordance with the amended procedures. 6. Passed the proposal for issuance of new restricted employee shares. **Implementation status:** It was approved by the Financial Supervisory Commission on October 21, 2019 and the said shares were issued within one year after the effective date. 7. Passed the proposal for issuance of common stock (A-shares) in RMB by Tymphany Acoustic Technology (Huizhou) Co., Ltd. via initial public offering (IPO) and application for being listed on the China Securities Regulatory Commission. **Implementation status:** The application documents for the A-share listing had been submitted to the Shenzhen Stock Exchange on December 27, 2019. 8. Election of independent directors. **Implementation status:** Wang, Jia-Qi has been elected as an independent director and registered accordingly upon approval of the Ministry of Economic Affairs on July 24, 2019. 9. Passed the proposal for the removal of non-compete restriction against Directors. **Implementation status:** Non-compete restriction against Directors was removed and announced as a major piece of information on June 18, 2019.

2. Major resolutions of the Board meetings:

Date	Important Proposal
2019.1.22	1. Passed the proposal for the 2018 bonus distribution to the Company's senior managerial officers. 2. Passed the proposal for 2018 bonus to the Chairman. 3. Passed the proposal for the Company's 2019 business plan and budget plan.
2019.3.28	1. Passed the proposal for the Company's 2018 Business Report and Financial Statements. 2. Passed proposal for amendments to the Company's "Internal Control System." 3. Passed the proposal for an independent director election. 4. Passed the proposal for the amendments to the Company's Nomination Committee Charter. 5. Passed the proposal for independent director candidates. 6. Passed the proposal for 2019 senior managerial officer salary adjustment. 7. Passed the proposal for 2019 bonus plan for senior managerial officers and important leaders. 8. Passed the proposal for 2019 Chairman's remuneration plan. 9. Passed the proposal for 2019 Chairman's performance standards and bonus plan. 10. Passed the proposal for the planned issuance of new restricted employee shares. 11. Passed the proposal for 2019 measures for issuance of new restricted employee shares. 12. Passed the proposal for the amendments to some articles of the Company's Remuneration Committee Charter. 13. Passed the proposal for 2018 compensation distribution to employees Directors and Directors. 14. Passed the proposal for 2018 earnings distribution. 15. Passed proposal for amendments to the Company's "Procedures for Acquisition or Disposal of Assets." 16. Passed proposal for amendments to the Company's "Operational Procedures for Loaning of Funds to Others." 17. Passed the proposal for the amendments to the Company's "Procedures for Making of Endorsement/Guarantee." 18. Passed the proposal for issuance of common stock (A-shares) in RMB by Tymphany Acoustic Technology (Huizhou) Co., Ltd., a subsidiary of the Company, via IPO and the application for being listed on the SME Board of the Shenzhen Stock Exchange. 19. Passed the proposal for removal of non-compete restriction against Directors. 20. Passed the proposal for the date, time, place, and main proposals of the Company's 2019 general shareholders' meeting. 21. Passed the proposal for relevant matters related to an independent director election at the 2019 general shareholders' meeting and set out matters related to accepting nominations for independent director candidates. 22. Passed the proposal for formulation of the Company's Standard Operating Procedures for Handling Directors' Requests
2019.5.14	1. Passed the proposal for the consolidated financial report of the first quarter of 2019. 2. Passed the proposal for the plan to dispose of GLOBALTEK's shares. 3. Passed the proposal for engaging a dedicated Corporate Governance Officer.
2019.7.3	1. Passed the proposal for the setting of the ex-dividend base date for distribution of cash dividends from earnings and the release date of 2018.
2019.8.14	1. Passed the proposal for the consolidated financial report of the second quarter of 2019. 3. Passed the proposal for the amendments to the "Operational Procedures for Ethical Management and Guidelines for Conduct." 3. Passed the proposal for the Company's plan to establish a subsidiary of Primax Electronics (Singapore) Pte. Ltd. and to establish a subsidiary of Primax Electronics (Thailand) Co., Ltd. in Thailand through the investment of the former. 4. Passed the proposal for the Company's plan to invest Grove Ventures II, L.P.
2019.10.4	1. Passed the proposal for issuance of common stock (A-shares) in RMB by Tymphany Acoustic Technology (Huizhou) Co., Ltd., a subsidiary of the Company, via IPO and the application for being listed on the SME Board of the Shenzhen Stock Exchange; planned to authorize Mr. Liang, Li-Sheng fully handle the commitments and contracts related to this IPO. 2. Passed the proposal for the plan to purchase land in Thailand by the subsidiary of Primax Electronics (Thailand) Co., Ltd. in Thailand.
2019.11.12	1. Passed the proposal for the consolidated financial report of the third quarter of 2019. 2. Passed the proposal for the Company's 2020 audit plan. 3. Pass the proposal for the Company's regular assessment of CPAs' independence. 4. Passed the proposal for the plan to elect one more member of the second Nomination Committee in a by-election. 5. Passed the proposal for first distribution of new restricted employee shares issued in 2019.
2020.1.16	1. Passed the proposal for the 2019 bonus distribution to the Company's senior managerial officers. 2. Passed the proposal for 2019 bonus to the Chairman. 3. Passed the proposal for the Company's 2020 business plan.
2020.2.18	1. Passed the proposal for second distribution of new restricted employee shares issued in 2019.
2020.3.10	1. Passed the proposal for the Company's Business Report and Financial Statements for 2019. 2. Passed the proposal for the Company's 2019 Internal Control System Statement. 3. Passed the proposal for the amendments to partial provisions of the Company's Corporate Social Responsibility Best Practice Principles. 4. Passed the proposal for the amendments to the Company's Audit Committee Charter. 8. Passed the proposal for the amendments to the Company's Rules of Procedure for Board of Directors Meetings. 6. Passed the proposal for the amendments to the Rules of Procedures for Shareholders' Meetings. 7. Passed the proposal on the amendments to the Company's Remuneration Committee Charter. 8. Passed the proposal for issuance of new restricted employee shares. 9. Passed the proposal for rules of issuance of new restricted employee shares for 2020. 10. Passed the proposal for 2020 bonus plan for the senior managerial officers and important leaders. 11. Passed the proposal for 2020 Chairman's performance standards and bonus plan.
2020. 4. 8	1. Passed the proposal for amendments to the content of the planned issuance of new restricted employee shares. 2. Passed the proposal for 2020 measures for issuance of new restricted employee shares. 3. Passed the proposal for 2019 compensation distribution to employees and Directors. 4. Passed the proposal for the amendments to some articles of the "Operational Procedures for Ethical Management and Guidelines for Conduct." 5. Passed the proposal for 2019 earnings distribution. 6. Passed the proposal for the date, time, place, and main proposals of the Company's 2020 general shareholders' meeting.
2020. 5. 7	1. Passed the proposal for the Company's consolidated financial report of the first quarter of 2020. 2. Passed the proposal for a planned cash capital increase for the subsidiary Primax Electronics (Thailand) Co., Ltd through another subsidiary Primax Electronics (Singapore) Pte. Ltd. 3. Passed the proposal for the amendments to some articles of the Company's Corporate Governance Best Practice Principles.

(12) Major issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors in the most recent year and as of the publication date of of this annual report: None.

(13) A summary of resignations and dismissals of the Company's Chairman, General Manager, CFO, financial manager, chief internal auditor, and research and development officer during the most recent year and up to the publication date of this annual report:

May 8, 2020

Title	Name	Date of assumption of duty	Date of dismissal	Reasons for resignation or dismissal
Vice General Manager	Cho, Yu-Shan	October 13, 2016	April 30, 2020	Resigned

5. Information on CPA professional fees

CPA firm	Name of CPA	Audit period	Remarks
KPMG Taiwan	Wu, Mei-Pin、Yu, Chi-Long	Whole year fo 2019	—

Unit: NT$1,000

Range of fees	Category of fees	Audit fee	Non-audit fee	Total
1	Less than NT$2,000,000	—	—	—
2	NT$2,000,000（inclusive）to NT$4,000,000	—	—	—
3	NT$4,000,000（inclusive）to NT$6,000,000	—	—	—
4	NT$6,000,000（inclusive）to NT$8,000,000	—	—	—
5	NT$8,000,000（inclusive）to NT$10,000,000	—	—	—
6	More than NT$10,000,000（inclusive）	11,695	310	12,005

The Company must disclose the following situations should they have taken place:

（1）When non-audit fees paid to the CPAs, the accounting firm of the CPA, and/or any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Unit: NT$1,000

CPA firm	Name of CPA	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
KPMG Taiwan	Wu, Mei-Pin Yu, Chi-Long	11,695	0	110	0	200	310	Whole year of 2019	Non-audit expenses—others, mainly related to Tax consultation fees.

（2）Where the CPA firm was replaced, and the audit fees in the fiscal year when the replacement was made were less than those in the previous fiscal year before the replacement, the amount of the audit fees paid before/after the replacement and reasons thereof shall be disclosed: None

（3）Where the audit fees paid for the current year was more than 15% less than those paid in the previous year, the amount, proportion, and reasons thereof shall be disclosed: None.

6. Information on Replacement of CPA

（1）Former CPAs:

Item	Explanation
Date of replacement	2018.03.27
Reason and details of the replacement	Internal work adjustment of KPMG
Description of whether the CPA or the Company terminated or rejected the engagement.	None
Opinion and reasons for audit report issued during the two past fiscal years containing an observation other than unqualified ones	None
Any disagreement with the issuer	None
Other items for disclosure（items in Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Regulations shall be disclosed）	None

（2）Regarding the successor CPAs

Item	Explanation
Name of the accounting firm	KPMG Taiwan
Name of CPA	Wu, Mei-Pin and Yu, Chi-Long
Date of engagement	2018.03.27
Accounting treatment or accounting principle for specific transactions as well as consultation items and results on audit assessment on the financial report prior to formal engagement	None
Written views on disagreements between the successors and former CPAs	None

（3）Reply letters on the provisions prescribed in Point 3, Items 1 and 2, Subparagraph 6, Article 10, of the Regulations from the former CPAs: None.

7. Where the Company's Chairman, General Manager, or any managerial officer in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

8. Conditions of Share Transfer and Changes in Equity Pledge from the Directors, Supervisors, Managers, and Shareholders who Hold More than 10% of Shares, from the Past Year up to the Date of Publication of This Annual Report

（1）Conditions of share transfer and changes in equity pledge

Title	Name	2019		As of April 30, 2020	
		Shareholding increase (decrease)	Number of shares pledged	Shareholding increase (decrease)	Number of shares pledged
Chairman and General Manager	Liang, Li-Sheng	300,000	0	200,000	0
Directors	Yang, Chi-Ting	0	0	0	0
Directors	Pan, Yung-Chung	0	400,000	0	0
Director and General Manager of Business Division	Pan, Yung-Tai	160,000	0	（20,000）	0
Directors	Sunshine Coast Services Limited（Note 1）Representative: Chen, Jie-Chi	0	0	—	—
Independent Director	Ku, Tai-Chao	0	0	0	0
Independent Director	Wang, Jia-Qi（Note 2）	0	0	0	0
Independent Director	Cheng, Chih-Kai	0	0	0	0
Independent Director	Wu, Chun-Pang	0	0	0	0
General Manager of Operations	Kuo, You-Min	340,000	0	（115,000）	0
Senior Vice General Manager	Hsiao, Ying-Yee	190,000	0	（5,000）	0
Vice General Manager	Chou, Yen-Chou	130,000	0	（80,000）	0
Vice General Manager	Chiang, Yan-Ying	（12,000）	0	29,000	0
Vice General Manager	Chang, Ching-Kai	15,000	0	20,000	0
Vice General Manager	Chang, Yao-Han	80,000	0	（15,000）	0
Vice General Manager	Wei, Hao-San	140,000	0	60,000	0
Vice General Manager	Cho, Yu-Shan（Note3）	30,000	0	40,000	0
Vice General Manager	Chang, Chen-Te（Note 4）	—	—	0	0
Assistant Vice General Manager	Chang, Shu-Chuen	56,000	0	（50,000）	0
Assistant Vice General Manager	Lin, Chun-Hsien（Note 5）	15,000	0	0	0

Note 1: Resigned on January 7, 2020.
Note 2: Newly elected on June 18, 2019.
Note 3: Resigned on May 1, 2020.
Note 4: Newly elected on April 15, 2020.
Note 5: The corporate governance officer was newly appointed on May 14, 2019.

（2）Shares are transferred to and from related parties: None.

（3）Shares are pledged with related parties: None.

9. Information on Top Ten Substantial Shareholders Who are Related Parties, or Having Spousal Relationship, or Familial Relationship Within the Second Degree of Kinship with Each Other

April 25, 2020 / Unit: Shares

Name	Current shareholding		Spouse/Minor shareholding		Shareholding by nominees		Name and relationship between the Company's 10 largest shareholders, or spouses or relatives within second degrees of kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Alpine Asia Investments Limited（Representative: Liang, Li-Sheng）	25,751,062	5.74%	0	0	0	0	Campbell Technology Corporation	Second degree of kinship	—
CAMPBELL TECHNOLOGY CORPORATION（Representative: Yang, Hai-Hung）	10,204,909	2.27%	0	0	0	0	ALPINE ASIA INVESTMENTS LIMITED	Second degree of kinship	—
Singapore Government Investment Account under custody of CITI	10,195,000	2.27%	0	0	0	0	None	None	—
Franklin Templeton Investment Funds-Templeton Asian Smaller Companies Fund in the custody of Taipei Branch, JPMorgan Chase Bank N.A.	9,583,000	2.14%	0	0	0	0	None	None	—
Schroder International Selection Fund Emerging Asia Investment Account under custody of PMorgan Chase Bank N.A., Taipei Branch	8,999,000	2.01%	0	0	0	0	None	None	—
Franklin Templeton Investment Funds—Templeton Emerging Markets Smaller Companies Fund in the custody of Taipei Branch, JPMorgan Chase Bank N.A.	8,086,100	1.80%	0	0	0	0	None	None	—
Fubon Life Assurance Co.,LTD	7,500,000	1.67%	0	0	0	0	None	None	—
Pan, Yung-Chung	7,455,046	1.66%	0	0	0	0	None	None	—
Yeh, Yu-Fen	7,380,227	1.64%	0	0	0	0	None	None	—
Norges Bank Investment Account under custody of Citibank Taiwan	7,135,000	1.59%	0	0	0	0	None	None	—

10. Shares Held by the Company, its Directors, Supervisors, Managers, and Businesses Either Directly or Indirectly Controlled by the Company as a Result of Investment, and the Ratio of Consolidated Shares Held

March 31, 2020 / Unit：thousand shares / %

Invested company	Investment by PRIMAX		Investment by directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
DongGuan Primax Electronic & Telecommunication Products Ltd.	—（Note 1）	100.00	—	—	—（Note 1）	100.00
Primax Electronics.（KunShan）Co., Ltd.	—（Note 1）	100.00	—	—	—（Note 1）	100.00
Primax Electronics（ChongQing）Co., Ltd.	—（Note 1）	100.00	—	—	—（Note 1）	100.00
Beijing Destiny Electronic Technology Co., Ltd.	—（Note 1）	100.00	—	—	—（Note 1）	100.00
Primax Destiny Co., Ltd（Japan）	0.5	100.00	—	—	0.5	100.00
Polaris Electronics Inc.	1,600	100.00	—	—	1,600	100.00
Primax Industries（Hong Kong）Ltd.	602,817	100.00	—	—	602,817	100.00
Primax Technology（Cayman Holding）Ltd.	285,067	100.00	—	—	285,067	100.00
Primax Industries（Cayman Holding）Ltd.	8,147,636	100.00	—	—	8,147,636	100.00
Destiny Technology Holding Co., Ltd.	1,050	100.00	—	—	1,050	100.00
Diamond (Cayman) Holdings Ltd.	129,050	100.00	—	—	129,050	100.00
Gratus Technology Corp.	300	100.00	—	—	300	100.00
Tymphany Worldwide Enterprises Ltd.	192,251	100.00	—	—	192,251	100.00
TYP Enterprises, Inc. (Note 2)	0.50	71.43	—	—	0.50	71.43
Tymphany HK Ltd. (Note 2)	144,395	71.43	—	—	144,395	71.43
Tymphany Logistics,Inc. (Note 2)	200	71.43	—	—	200	71.43
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Note 2)	408,070	71.43	—	—	408,070	71.43
Dongguan Tymphany Acoustic Technology Co., Ltd. (Note 2)	—（Note 1）	71.43	—	—	—（Note 1）	71.43
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. (Note 2)	—（Note 1）	71.43	—	—	—（Note 1）	71.43
Tymphany Acoustic Technology HK Ltd. (Note 2)	185,536	71.43	—	—	185,536	71.43
Tymphany Acoustic Technology (UK) Ltd. (Note 2)	400	71.43	—	—	400	71.43
Tymphany Acoustic Technology Europe, s.r.o. (Note 2)	187,800	71.43	—	—	187,800	71.43
Tymphany Acoustic Technology Limited (Note 2)	5,000	71.43	—	—	5,000	71.43
Primax AE (Cayman) Holdings Ltd.	48,200	100.00	—	—	48,200	100.00
Tymphany Acoustic Technology (Thailand) Co., Ltd. (Note 2)	1,500	99.99	—	—	1,500	99.99
Primax Electronics（SINGAPORE）PTE.LTD.	10,100	100.00	—	—	10,100	100.00
Primax Electronics（Thailand）Co.,Ltd.	300	99.99	—	—	300	99.99

Note 1: This is a company with limited liability, so no shares are issued.
Note 2: Indirect holding of 71.43% of its shares through Tymphany Worldwide Enterprises Ltd.

Capital Overview

1. Sources of Capital

April 25, 2020 / Unit: Shares

Share type	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	448,580,824	101,419,176	550,000,000	Listed

April 25, 2020 / Unit: NT$ thousands / thousand shares

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2006.03	10	100	1,000	100	1,000	Capital	None	Note 1
2007.06	10	90,000	900,000	85,400	854,000	Capital increase of NT$853,000 thousand in cash	None	Note 2
2007.09	10	400,000	4,000,000	321,500	3,215,000	Capital increase of NT$2,361,000 thousand in cash	None	Note 3
2007.11	10	400,000	4,000,000	379,000	3,790,000	Capital increase of NT$575,000 thousand in cash	None	Note 4
2009.11	10	500,000	5,000,000	379,935	3,799,349	Conversion of employee stock options for NT$9,349 thousand	None	Note 5
2010.04	10	500,000	5,000,000	383,079	3,830,791	Conversion of employee stock options for NT$31,442 thousand	None	Note 6
2010.09	10	500,000	5,000,000	385,336	3,853,364	Conversion of employee stock options for NT$22,573 thousand	None	Note 7
2011.01	10	500,000	5,000,000	386,397	3,863,965	Conversion of employee stock options for NT$10,601 thousand	None	Note 8
2011.03	10	500,000	5,000,000	397,475	3,974,746	Conversion of employee stock options for NT$110,781 thousand	None	Note 9
2011.12	10	500,000	5,000,000	398,439	3,984,399	Conversion of employee stock options for NT$9,653 thousand	None	Note 10
2012.04	10	500,000	5,000,000	401,080	4,010,798	Conversion of employee stock options for NT$26,399 thousand	None	Note 11
2012.05	10	500,000	5,000,000	401,458	4,014,582	Conversion of employee stock options for NT$3,785 thousand	None	Note 12
2012.10	10	500,000	5,000,000	403,441	4,034,408	Conversion of employee stock options for NT$19,826 thousand	None	Note 13
2012.10	10	500,000	5,000,000	426,970	4,269,698	Capital increase of NT$235,290 thousand in cash	None	Note 13
2013.03	10	500,000	5,000,000	428,966	4,289,658	Conversion of employee stock options for NT$19,960 thousand	None	Note 14
2013.05	10	500,000	5,000,000	431,346	4,313,457	Conversion of employee stock options for NT$23,799 thousand	None	Note 15
2013.10	10	500,000	5,000,000	432,796	4,327,957	Issuance of new restricted employee shares as stock dividends: NT$14,500 thousand	None	Note 16
2013.12	10	500,000	5,000,000	433,573	4,335,733	1. Conversion of employee stock options for NT$5,916 thousand 2. Issuance of new restricted employee shares as stock dividends: NT$1,860 thousand	None	Note 17
2014.03	10	500,000	5,000,000	433,981	4,339,813	1. Conversion of employee stock options for NT$2,730 thousand 2. Issuance of new restricted employee shares as stock dividends: NT$1,350 thousand	None	Note 18
2014.06	10	500,000	5,000,000	433,831	4,338,313	1. Conversion of employee stock options for NT$750 thousand 2. Cancellation of new restricted employee shares of NT$2,250 thousand issued	None	Note 19
2014.08	10	500,000	5,000,000	434,051	4,340,513	1. Issuance of new restricted employee shares as stock dividends: NT$2,200 thousand	None	Note 20

Note 1: Letter Fu-Chien-Shang-Zi No. 09574650700 issued on March 20, 2006.
Note 2: Letter Jing-Shou-Shang-Zi No. 09601140030 issued on June 26, 2007.
Note 3: Letter Jing-Shou-Shang-Zi No. 09601235870 issued on September 27, 2007.
Note 4: Letter Jing-Shou-Shang-Zi No. 09601273090 issued on November 07, 2007.
Note 5: Letter Jing-Shou-Shang-Zi No. 09801254590 issued on November 04, 2009.
Note 6: Letter Jing-Shou-Shang-Zi No. 09901076470 issued on April 16, 2010.
Note 7: Letter Jing-Shou-Shang-Zi No. 09901206110 issued on September 13, 2010.
Note 8: Letter Jing-Shou-Shang-Zi No. 10001005610 issued on January 11, 2011.
Note 9: Letter Jing-Shou-Shang-Zi No. 10001060980 issued on March 31, 2011.
Note 10: Letter Jing-Shou-Shang-Zi No. 10001275550 issued on December 05, 2011.
Note 11: Letter Jing-Shou-Shang-Zi No. 10101059950 issued on April 09, 2012.
Note 12: Letter Jing-Shou-Shang-Zi No. 10101091810 issued on May 22, 2012.
Note 13: Letter Jing-Shou-Shang-Zi No. 10101211370 issued on October 12, 2012.
Note 14: Letter Jing-Shou-Shang-Zi No. 10201041250 issued on March 07, 2013.
Note 14: Letter Jing-Shou-Shang-Zi No. 10201096770 issued on May 28, 2013.
Note 16: Letter Jing-Shou-Shang-Zi No. 10201214400 issued on October 22, 2013.
Note 17: Letter Jing-Shou-Shang-Zi No. 10201247440 issued on December 11, 2013.
Note 18: Letter Jing-Shou-Shang-Zi No. 10301032580 issued on December 11, 2013.
Note 19: Letter Jing-Shou-Shang-Zi No. 10301102920 issued on June 12, 2014.
Note 20: Letter Jing-Shou-Shang-Zi No. 10301160910 issued on August 14, 2014.

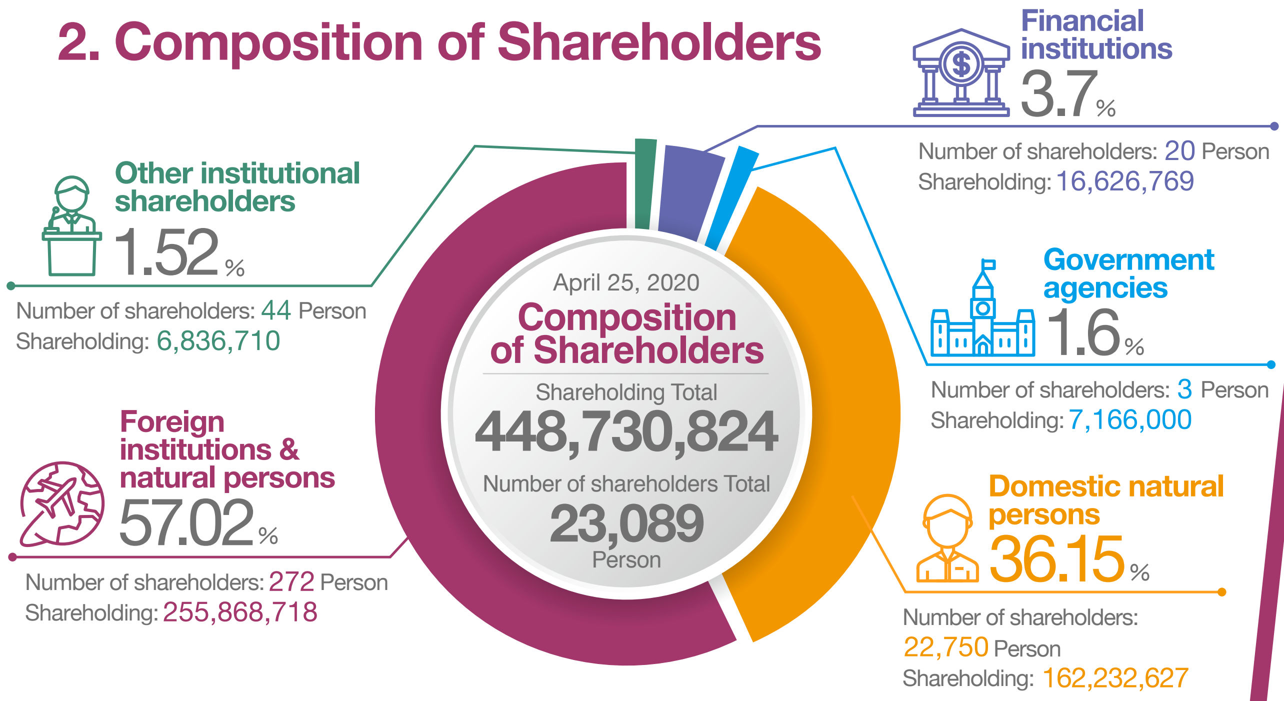
Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2014.12	10	500,000	5,000,000	434,658	4,346,578	1. Conversion of employee stock options for NT$7,015 thousand 2. Cancellation of new restricted employee shares of NT$950 thousand issued	None	Note 21
2015.03	10	500,000	5,000,000	438,649	4,386,487	1. Conversion of employee stock options for NT$27,659 thousand 2. Issuance of new restricted employee shares as stock dividends: NT$12,250 thousand	None	Note 22
2015.06	10	500,000	5,000,000	439,529	4,395,287	1. Conversion of employee stock options for NT$8,800 thousand	None	Note 23
2015.09	10	500,000	5,000,000	441,214	4,412,137	1. Issuance of new restricted employee shares as stock dividends: NT$17,750 thousand 2. Cancellation of new restricted employee shares of NT$900 thousand issued	None	Note 24
2016.01	10	500,000	5,000,000	441,188	4,411,877	1. Conversion of employee stock options for NT$1,640 thousand 2. Cancellation of new restricted employee shares of NT$1,900 thousand issued	None	Note 25
2016.03	10	500,000	5,000,000	441,794	4,417,938	1. Conversion of employee stock options for NT$7,061 thousand 2. Cancellation of new restricted employee shares of NT$1,000 thousand issued	None	Note 26
2016.06	10	500,000	5,000,000	441,903	4,419,028	1. Conversion of employee stock options for NT$2,390 thousand 2. Cancellation of new restricted employee shares of NT$1,300 thousand issued	None	Note 27
2016.09	10	500,000	5,000,000	441,748	4,417,478	Cancellation of new restricted employee shares of NT$1,550 thousand issued	None	Note 28
2016.12	10	500,000	5,000,000	442,134	4,421,343	Conversion of employee stock options for NT$3,865 thousand	None	Note 29
2017.02	10	500,000	5,000,000	444,704	4,447,043	1. Conversion of employee stock options for NT$1,200 thousand 2. Issuance of new restricted employee shares as stock dividends: NT$24,500 thousand	None	Note 30
2017.03	10	500,000	5,000,000	444,754	4,447,543	Conversion of employee stock options for NT$500 thousand	None	Note 31
2017.06	10	500,000	5,000,000	444,779	4,447,793	Conversion of employee stock options for NT$250 thousand	None	Note 32
2017.08	10	500,000	5,000,000	444,697	4,446,973	Cancellation of new restricted employee shares of NT$820 thousand issued	None	Note 33
2017.10	10	500,000	5,000,000	445,247	4,452,473	Issuance of new restricted employee shares as stock dividends: NT$5,500 thousand	None	Note 34

Note 21: Letter Jing-Shou-Shang-Zi No. 10301251420 issued on December 12, 2014.
Note 22: Letter Jing-Shou-Shang-Zi No. 10401045290 issued on March 24, 2015.
Note 23: Letter Jing-Shou-Shang-Zi No. 10401110510 issued on June 29, 2015.
Note 24: Letter Jing-Shou-Shang-Zi No. 10401190870 issued on September 17, 2015.
Note 25: Letter Jing-Shou-Shang-Zi No. 10401282090 issued on January 4, 2016.
Note 26: Letter Jing-Shou-Shang-Zi No. 10501040780 issued on March 8, 2016.
Note 27: Letter Jing-Shou-Shang-Zi No. 10501121270 issued on June 4, 2016.
Note 28: Letter Jing-Shou-Shang-Zi No. 10501222010 issued on September 21, 2016.
Note 29: Letter Jing-Shou-Shang-Zi No. 10501279810 issued on December 02, 2016.
Note 30: Letter Jing-Shou-Shang-Zi No. 10601026170 issued on February 24, 2017.
Note 31: Letter Jing-Shou-Shang-Zi No. 10601038880 issued on March 27, 2017.
Note 32: Letter Jing-Shou-Shang-Zi No. 10601071370 issued on June 3, 2017.
Note 33: Letter Jing-Shou-Shang-Zi No. 10601125590 issued on August 30, 2017.
Note 34: Letter Jing-Shou-Shang-Zi No. 10601143730 issued on October 13, 2017.

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2017.12	10	500,000	5,000,000	445,688	4,456,883	1. Conversion of employee stock options for NT$4,530 thousand 2. Cancellation of new restricted employee shares of NT$120 thousand issued	None	Note 35
2018.02	10	500,000	5,000,000	446,788	4,467,883	Issuance of new restricted employee shares as stock dividends: NT$11,000 thousand	None	Note 36
2018.03	10	500,000	5,000,000	446,916	4,469,163	Conversion of employee stock options for NT$1,280 thousand	None	Note 37
2018.05	10	500,000	5,000,000	446,815	4,468,153	Cancellation of new restricted employee shares of NT$1,010 thousand issued	None	Note 38
2018.10	10	500,000	5,000,000	447,715	4,477,153	Issuance of new restricted employee shares as stock dividends: NT$9,000 thousand	None	Note 39
2018.11	10	500,000	5,000,000	447,452	4,474,523	Cancellation of new restricted employee shares of NT$2,630 thousand issued	None	Note 40
2019.02	10	500,000	5,000,000	446,875	4,468,753	Cancellation of new restricted employee shares of NT$5,770 thousand issued	None	Note 41
2019.04	10	500,000	5,000,000	446,809	4,468,088	Cancellation of new restricted employee shares of NT$665 thousand issued	None	Note 42
2019.09	10	550,000	5,500,000	446,761	4,467,608	Cancellation of new restricted employee shares of NT$480 thousand issued	None	Note 43
2019.12	10	550,000	5,500,000	448,581	4,485,808	Issuance of new restricted employee shares as stock dividends: NT$18,200 thousand	None	Note 44
2020.03	10	550,000	5,500,000	448,731	4,487,308	1. Issuance of new restricted employee shares as stock dividends: NT$1,800 thousand 2. Cancellation of new restricted employee shares of NT$300 thousand issued	None	Note 45

Note 35: Letter Jing-Shou-Shang-Zi No. 10601167890 issued on December 19, 2017.
Note 36: Letter Jing-Shou-Shang-Zi No. 10701019540 issued on February 23, 2018.
Note 37: Letter Jing-Shou-Shang-Zi No. 10701024500 issued on March 8, 2018.
Note 38: Letter Jing-Shou-Shang-Zi No. 10701048690 issued on May 15, 2018.
Note 39: Letter Jing-Shou-Shang-Zi No. 10701124480 issued on October 15, 2018.
Note 40: Letter Jing-Shou-Shang-Zi No. 10701140200 issued on November 20, 2018.
Note 41: Letter Jing-Shou-Shang-Zi No. 10801021530 issued on February 27, 2019.
Note 42: Letter Jing-Shou-Shang-Zi No. 10801043240 issued on April 22, 2019.
Note 43: Letter Jing-Shou-Shang-Zi No. 10801126960 issued on September 20, 2019.
Note 44: Letter Jing-Shou-Shang-Zi No. 10801179720 issued on December 20, 2019.
Note 45: Letter Jing-Shou-Shang-Zi No. 10901035740 issued on March 16, 2020.

2. Composition of Shareholders



3. Dispersion of Equity Ownership

April 25, 2020 / Unit: Person / Shares

Shareholding range	Number of shareholders	Shareholding (shares)	Percentage (%)
1 to 999	424	60,799	0.0135%
1,000 to 5,000	18,092	37,199,299	8.2899%
5,001 to 10,000	2,424	19,837,869	4.4209%
10,001 to 15,000	668	8,764,937	1.9533%
15,001 to 20,000	427	8,028,465	1.7891%
20,001 to 30,000	323	8,524,982	1.8998%
30,001 to 50,000	265	10,894,692	2.4279%
50,001 to 100,000	177	12,795,614	2.8515%
100,001 to 200,000	78	11,331,542	2.5253%
200,001 to 400,000	66	18,684,859	4.1639%
400,001 to 600,000	25	12,385,597	2.7601%
600,001 to 800,000	22	15,229,080	3.3938%
800,001 to 1,000,000	24	21,370,234	4.7624%
1,000,001 or more	74	263,622,855	58.7486%
Total	**23,089**	**448,730,824**	**100%**

4. List of Major Shareholders

April 25, 2020 / Unit: Shares

Shares / Name of major shareholder	Shareholding (shares)	Percentage (%)
ALPINE ASIA INVESTMENTS LIMITED	25,751,062	5.74%
CAMPBELL TECHNOLOGY CORPORATION	10,204,909	2.27%
Singapore Government Investment Account under custody of CITI	10,195,000	2.27%
Franklin Templetion Investment Funds-Templetion Asian Smaller Companies Fund in the custody of Taipei Branch, JPMorgan Chase Bank N.A.	9,583,000	2.14%
Schroder International Selection Fund Emerging Asia Investment Account under custody of PMorgan Chase Bank N.A., Taipei Branch	8,999,000	2.01%
Franklin Templeton Investment FundsTempleton Emerging Markets Smaller Companies Fund under custody of JPMorgan Chase Bank N.A., Taipei Branch	8,086,100	1.80%
Fubon Life Assurance Co., LTD	7,500,000	1.67%
Pan,Yung-Chung	7,455,046	1.66%
Yeh, Yu-Fen	7,380,227	1.64%
Norges Bank Investment Account under custody of Citibank Taiwan	7,135,000	1.59%

5. Market Price, Net Value, Earnings Per Share, Dividends, and Relevant Information for the Most Recent Two Fiscal Years

Item	Year		2018	2019	March 31, 2020
Market price per share	Highest		92.9	70.8	65
	Lowest		35.55	42.1	34
	Average (Note 1)		60.43	59.91	49.74
Net worth per share	Before distribution		25.98	27.44	27.78
	After distribution		23.59	25.04 (Note 2)	25.38 (Note 2)
Earnings per share	Weighted average shares		443,011	444,465	445,407
	Earnings per share		4.12	4.8	0.62
Dividends per share	Cash dividend (Note 4)		2.4	2.4 (Note 2)	Not applicable
	Stock dividend	Issuance of profit shares	0	0	Not applicable
		Issuance from capital surplus	0	0	Not applicable
	Cumulative unpaid dividends		0	0	Not applicable
Analysis of return on investment (Note 3)	Price / earnings ratio		14.67	12.48	Not applicable
	Price / dividend ratio		25.18	24.96 (Note 2)	Not applicable
	Cash dividend yield (%)		3.97%	4.01% (Note 2)	Not applicable

Note 1: The average market price of each year is calculated based on the transaction value and volume of each year.
Note 2: The Company's 2019 surplus distribution proposal was approved by the Board of Directors on April 8, 2020 and has not yet been approved at the shareholders' meeting.
Note3: Price/earnings ratio = Average per share closing price for the year/Earnings per share.
Price/dividend ratio = Average closing price per share for the current fiscal year/Cash dividend per share
Cash dividend yield = Cash dividend per share/Average closing price per share for the current year
Note 4: The Company's dividend payment rate of the surplus distribution for 2017 and 2018 was 68.52% and 58.25%, respectively, and the estimated dividend payment rate for the 2019's surplus distribution is 50%.

6. The Company's Dividend Policy and Implementation Status

(1) The dividend policy stipulated in the Company's Articles of Association:

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to cover accumulated losses and allocate 10% of the remaining net earnings as the Company's legal reserve unless and until the accumulated legal reserve reaches the Company's paid-in capital. In addition, after the appropriation or reversal of special capital reserve according to relevant laws and regulations, for the undistributed surplus at the beginning of the same period as the cumulative earnings distributable to shareholders, the Board of Directors shall put forward a surplus distribution proposal and submit it to the shareholders' meeting for resolution.

The Company's dividend policy is formulated by the Board of Directors based on its operating conditions, capital expenditure budget, future capital needs, and long-term financial planning while having the shareholders' interests and the balance of dividends considered. In the current stage of the dividend policy, in the absence of other special circumstances, the principle of not less than 50% of the current year's surplus after tax prevails. If the surplus is distributed as stock dividends or cash dividends, the distribution ratio of cash dividends shall not be less than 10% of the total dividends, but this distribution ratio of cash dividends may be adjusted according to the overall operating conditions of the year.

(2) The proposed dividend distribution of the year:

The Company's 2019 surplus distribution has been adopted by the Board of Directors on April 8, 2020; it was planned to distribute a cash dividend of NT$1,076,875,978 to shareholders (dividend payment rate of around 50%). This proposal will be executed in accordance with relevant regulations after approved at the general shareholders' meeting on June 23, 2020.

7. Impact of Stock Dividends Issuance by the Resolution of the Shareholders on the Company's Business Performance and Earnings per Share: No dividend distribution scheduled.

8. Remuneration to Employees, Directors, and Supervisors

(1) The percentages or ranges with respect to remuneration to employees, directors, and supervisors, as set forth in the Company's Articles of Association:

If there is profit at the end of a fiscal year, the Company shall appropriate 2% to 10% of the profit for the remuneration to employees and no more than 2% for the remuneration to directors. However, if the company has accumulated losses, the amount shall be set aside to cover the deficit, and then distributed to employees and directors in accordance with the aforementioned percentage.

The employee remuneration in the preceding paragraph can be distributed in the form of shares or cash, and the recipients of the said remuneration shall include theCompany's employees who meet specific criteria.

The term "profit for the current year" mentioned in Paragraph 2 refers to earnings of the pre-tax benefit of the current year deducting the remuneration to employees and directors.

The remuneration distributed to employee and directors shall be adopted by the Board of Directors via a resolution with more than two-thirds of the directors present and a majority of the directors' attendance while being reported to the shareholders' meeting.

(2) The estimation of the amount of remuneration to employee, directors, and supervisors, respectively, is based on the calculation of the number of shares paid to employees as remuneration and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The remuneration distributed to employees and directors by the Company in accordance with the Company Act and the Company's Articles of Association is based on the initial estimation of amount of remuneration to employees and directors, during the preparation of mid-term and annual financial statements in accordance with the provisions of the ARDF's Interpretation Letter (2007) Ji-Mi-Zi No. 052 and listed under proper accounting accounts under the operating costs or operating expenses, based on the nature of the remuneration to employees and directors. If there is a discrepancy between the amount for distribution approved at the shareholders' meeting and the amount estimated in financial statements, it is considered as a change of estimate and is listed as profit or loss for the current period.

(3) Information on remuneration distribution approved by the Board of Directors:

1. For the amount of remuneration to employees, directors, and supervisors by cash or stock, if there is any discrepancy between that amount and the estimated figure for the fiscal year when these expenses are recognized, the discrepancy, reason thereof, and the status of treatment shall be disclosed.
   The Company's Board of Directors passed the resolution on April 8, 2020 to distribute employee cash compensation and director compensation in the amounts of NT$75,520,000 and NT$26,430,000, respectively. The difference between the planned distribution amounts and the estimated amounts of NT$75,526,451 and NT$37,763,225 on the account is NT$-6,451 and NT$-11,333,225, respectively. For employee compensation, it is due to differences in accounting estimates while as for director compensation, the planned reduction is to sail through the difficult times together. If the the changes in the amount do not meet the criteria for restatement of the financial statements, the discrepancies will be listed as profit/loss for the following year.
2. The remuneration to employees in the form of shares, the proportion of the said remuneration to the net income after tax, and the total amount of employee remuneration for the current fiscal year:
   The Company did not propose to distribute employee remuneration in shares, so it is not applicable.

(4) Actual distribution of remuneration paid to employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there is any discrepancy between the amount actually distributed and the one recognized, the sum, reason thereof, and treatment of the discrepancy shall be described:

The amount of remuneration to employees and directors was NT$64,430,000and NT$32,200,000, respectively, for 2018 while the estimated amounts were NT$64,438,580 and NT$32,219,290, respectively; thus, the discrepancies between the estimated amount and the actual amount were NT$-8,580 and NT$-19,290, respectively, which was due to the estimated difference in accounting. Because the the changes in the amount did not meet the criteria for restatement of the financial statements, the discrepancies were listed as profit/loss for the following year.

9. The Company's Buying Back of Shares: None.

10. The Handling Situation of Corporate Bonds, Preferred Stocks, and GDR: None.

11. Issuance of Employee Stock Options: None.

12. New Restricted Employee Shares

(1) The new restricted employee shares that have not fully met the vesting conditions, and the impact on the shareholders' equity.

May 8, 2020

Type of new restricted employee shares	The second issue in 2016	The first issue in 2017	The second issue in 2017	The second issue in 2019	The second issue in 2019
Date of effective registration	October 18, 2016	October 31, 2017	October 31, 2017	October 21, 2019	October 21, 2019
Date of issuance	September 7, 2017	February 8, 2018	September 13, 2018	November 21, 2019	February 20, 2020
Number of new restricted employee shares issued (shares)	550,000	1,100,000	900,000	1,820,000	180,000
Issue price	0	0	0	0	0
Ratio of the number of new restricted employee shares issued to the total shares issued (%)	0.12	0.25	0.2	0.41	0.04
Vesting conditions for new restricted employee shares	It must meet the Company's operating results and personal performance as stipulated in the issuance rules.				
Restricted rights for new restricted employee shares	1. Employees granted new restricted employee shares, before fulfilling the vesting conditions, shall not sell, pledge, transfer, or donate them to others or perform any other means of disposal. 2. Employees shall attend, propose, speak, and vote at the shareholders' meeting according to the trust or custody contract. 3. In addition to the aforementioned restrictions, before the vesting conditions are met, employees' other rights after granted new restricted employee shares in accordance with the regulations, including but not limited to: dividends, bonuses, the right for being distributed with capital surplus, the subscription rights for cash capital increase, and voting rights, are the same as the ones bestowed by the Company's ordinary shares issued.				
Custody of new restricted employee shares	In the custody of trust.				
Handling of new restricted employee shares granted or subscribed to when the vesting conditions are not fully met	For new restricted employee shares granted to employees, when the vesting conditions are not fully met, the shares will be fully withdrawn by the Company and canceled without any compensation.				
Number of new restricted employee shares that have been withdrawn or repurchased	175,000	207,500	129,500	30,000	0
Number of restricted shares (shares) with the restrictions lifted	243,000	544,500	250,500	0	0
Number of restricted shares (shares) with the restrictions not yet lifted	132,000	348,000	520,000	1,790,000	180,000
The ratio of the number of new restricted employee shares to the total number of issued shares (%)	0.03	0.08	0.12	0.4	0.04
Impact on shareholders' equity	No significant impact.	No significant impact.	No significant impact.	No significant impact.	No significant impact.

Note: The total number of shares issued as of May 8, 2020 is 448,730,824.

(2) Name and acquisition status of managerial officers having acquired new restricted employee shares and of employees ranking among top 10 in the number of new restricted employee shares acquired:

May 8, 2020

	Title	Name	New restricted employee shares acquired	Ratio of new restricted employee shares issued to the total shares issued	Released: Number of shares no longer restricted	Released: Issue price	Released: Issue Amount	Released: Ratio of shares no longer restricted to the total shares issued	Unreleased: Number of shares no longer restricted	Unreleased: Issue price	Unreleased: Issue Amount	Unreleased: Ratio of shares no longer restricted to the total shares issued
Managerial officer	General Manager	Liang, Li-Sheng										
	General Manager of Business Department	Pan, Yung-Tai										
	General Manager of Operations	Kuo, You-Min										
	Senior Vice General Manager	Hsiao, Ying-Yee										
	Vice General Manager	Chou, Yen-Chou										
	Vice General Manager	Chang, Chen-Te	2,700,000	0.6%	1,288,000	0	0	0.29%	1,412,000	0	0	0.31%
	Vice General Manager	Chiang, Yan-Ying										
	Vice General Manager	Chang, Ching-Ka										
	Vice General Manager	Chang, Yao-Han										
	Vice General Manager	Wei, Hao-San										
	Assistant General Manager	Chang, Shu-Chuen										
	Assistant General Manager	Lin, Chun-Hsien										
Employee	Senior Assistant General Manager	Huang, Jian-Nan										
	Senior Assistant General Manager	Chen, Ying-Shou										
	Senior Assistant General Manager	Chou, Yi-Te										
	Senior Assistant General Manager	Chang, Shih-Peng										
	Senior Assistant General Manager	Hu, Ching-Yuan										
	Senior Assistant General Manager	Hsu, Chia-Chih	1,310,000	0.29%	635,500	0	0	0.14%	674,500	0	0	0.15%
	Senior Assistant General Manager	Lu, Yu-Hung										
	Assistant General Manager	Chi, Chao-His										
	Assistant General Manager	Li, Yi-Ju										
	Assistant General Manager	Su, Yu-Cheng										

Note 1: Total number of shares issued as of May 8, 2020 is 448,730,824.

13. The Handling Situation of Mergers and Acquisitions or the Issuance of New Shares by Other Companies

(1) Completion of mergers and acquisitions or issuance of new shares in connection with any acquisition of shares of another company in the most recent year and up to the publication date of this annual report: None.

(2) Any issuance of new shares in connection with acquisition of shares of another company approved by the Board of Directors in the most recent year up to the date of publishing of this annual report: None.

14. Status of Implementation of Capital Allocation Plans

(1) Description of the Plans

As of the quarter before the publication date of this annual report, previous issuance or private placement of marketable securities that have not been completed, or that have been completed but are yet to record any benefit within the past three fiscal years: Not applicable.

(2) Implementation:

As of the quarter before the publication date of this annual report, regarding the implementation of each plan mentioned in the preceding paragraph, please conduct an item-by-item analysis that compares the status of implementation and expected benefits: Not applicable.

Operational Overview

1. Content of Business

(1) Business scope

1. Main content of the Company's business activities:

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

2. Percentage

Units: Thousand NTD / %

Item \ Year	2019 Amount	2019 Percentage
PC peripherals	22,878,272	28.37
Non-PC peripherals	57,771,336	71.63
Total	**80,649,608**	**100.00**

3. Current products (services)

I. PC Peripherals

A. Computer input devices

- Optical mouses
- Advanced laser mouses
- Wireless RF optical and laser mouses
- Bluetooth mouses
- Wireless bluetooth dual-mode mouses
- Wireless dual-mode e-sports mouses
- Wireless pointers
- Wired keyboards
- Wireless keyboards
- Bluetooth keyboards
- Mechanical keyboards
- Optical keyboards
- Mouses and keyboards for games
- Backlit keyboards
- Laptop keyboards
- Mechanical laptop keyboards
- Optical laptop keyboards
- Ultra-thin tablet keyboards
- Keyboard modules
- Smart TV remote controls
- Wired keyboards made for iPad and iPhone (MFi)
- Bluetooth wireless joysticks for game consoles
- Game console peripherals

B. Laptop touchpads

- Click feedback-based touch modules
- Force-sensing-based touch modules
- Dynamic full-color light-effect modules

C. Docking stations

- Intel Thundelbolt 3 docking stations
- USB-C docking stations
- USB-C travel dock stations
- DisplayLink universal docks

II. Non-PC Peripherals

A. Visual Technology

A-1. Mobile camera modules

- 24 ,48, and 64 megapixel optical stabilization camera modules
- 13 + 13 megapixel dual-camera modules
- 5, 8, and 13 megapixel fixed-focus camera modules (front camera)
- 13, 16, and 20 megapixel closed-loop quick autofocus camera modules
- 13, 16, 20, 24, 48, and 64 megapixel optical image stabilization + autofocus camera modules.
- Phase difference level quick autofocus camera modules
- 13 + 13 megapixel dual-lens camera modules
- 20 + 12 dual megapixel zoom dual-lens modules
- 20 + 12 zoom megapixel zoom dual-lenses
- 8 to 20 megapixel ultra-small camera modules
- 3D/2.5D face recognition modules
- 3D depth sensing modules
- 3D machine vision sensing modules
- Under-screen optical fingerprint modules
- Capacitive fingerprint identification modules
- Ultrasonic fingerprint identification modules

A-2. Smart Vision Technology

- Smart monitoring
- Smart door lock face recognition modules
- Smart door lock fingerprint modules
- Surveillance cameras
- Conference cameras
- Police law enforcement instruments

A-3. Automotive Camera Module

- Reversing auxiliary camera modules
- Camera modules for advanced driving assistance
- L4/L5 Camera modules for autonomous driving
- Camera modules for driving monitoring and in-vehicle detection

B. System Integration

B-1. Business Equipment

① Scanners
- Color flatbed scanners
- High-speed ADF scanners
- ARDF scanners
- DADF scanners
- Office scanner modules
- Software and firmware development for scanner modules

② Printers
- Development of control panels for monochrome and color laser printers
- Software and firmware development for monochrome and color laser printers
- Dot matrix business printers
- Thermal induction printers
- Portable thermal printers

③ Multi-function office printers
- Monochrome and color laser multifunction printers
- Development of control panel for multifunction printers
- Software and firmware development for multifunction printers

④ Fax machines
- Black-and-white fax machines

⑤ Data process devices
- Computer terminals
- Mobile internet-connecting devices
- Point-of-sale (POS) devices
- Cash registers (CR)
- Lottery printers

⑥ Office automation products
- Shredders
- Laminators
- Binders
- Paper cutters
- Card printers

B-2. Smart Home

- Portable wireless network storage devices
- Wireless fast charging and wireless backup storage devices
- Ultra-high frequency radar sensors
- Home automation
- Smart radar doorbells
- Smart door lock

B-3. Wireless Charging

- 10W - 15W large area non-fixed wireless charging solutions, applicable to iPhone fast charging
- 10W - 15W wireless charging modules, applicable to iPhone fast charging
- 10W - 15W wireless charging pads/docks, applicable to iPhone fast charging
- 10W - 15W multi-coil wireless in-car charging modules, applicable to iPhone fast charging
- 10W - 15W wireless charging stands, applicable to iPhone fast charging
- Wireless charging pads and receiving modules for 30W medium-power laptops
- 60W high-power wireless charging devices
- RF wireless chargers

II. Non-PC Peripherals

C. Tymphany Audio

C-1. Speakers

- Smart voice-controlled speakers
- Bluetooth portable amplifiers
- One-piece surround speakers (2.1 and 5.1 channels)
- One-piece surround speakers supporting Dolby stereo specifications
- Professional acoustic equipment and digital mixers for personal performance
- Professional amplifiers for professional performance venues
- Computer/acoustic speakers
- Full-frequency, low-frequency, high-frequency, and various professional speaker drivers

C-2. Headphones

- Wireless earbud headphones
- Headsets
- True wireless bluetooth headphones
- Headphones for games
- Speaker drivers

4. New products (services) under development plans

I. PC Peripherals

- **Computer input device mouses and keyboards**
- **Backlit keyboards**
- **Keyboard modules**
- **Bluetooth and wireless controller and pointers**
- **High-speed e-sports wireless mouses**
- **E-sports professional multifunction mouses**
- **Mouses and keyboards for games**
- **Game console peripherals**
- **Multi-touch panels**
- **Smart TV remote controls**
- **Keyboard and leather cover keyboard for ultra-thin tablets**
- **Mobile phone gaming controllers**
- **Input devices for living room**
- **Thin mechanical keyboards**
- **Thin film keyboards**
- **High speed transmitting expansion ports for laptops**
- **Keyboards with audio function for meetings**
- **Smart writing pads**
- **Digital conversion devices**
- **Intel Thundelbolt 3 docking stations**
- **USB-C docking stations**
- **USB-C travel dock stations**
- **DisplayLink universal docks**

II. Non-PC Peripherals

A. Visual Technology

A-1. Mobile Device Components

- Full-HD camera module for thin laptops
- 360° panorama/sports cameras
- Surveillance cameras
- Mobile phone fingerprint identification modules
- Credit card fingerprint identification module
- Wearable cameras
- VR camera modules

A-2. Smart Vision Technology

- Portable wireless network (wide area network) portable camcorders for police
- Smart doorbells
- Home security surveillance systems
- Smart surveillance systems
- Smart video conference systems
- Smart door lock fingerprint modules

A-3. Automotive Camera Module

- Reversing auxiliary camera modules
- Camera modules for driverless and advanced driver assistance
- Driving and in-car surveillance camera modules
- ADAS triple-camera module for cars
- Dashcams

B. System Integration

B-1. Business Equipment

- Commercial high-speed DADF scanners
- Commercial network scanners
- High-speed multifunction office scanner modules
- Development of control panels for high-speed color laser printers
- Monochrome/color barcode printers
- Development of control panels for multifunction monochrome/color printers
- Mobile internet-connecting devices
- Development of control panels for POS
- Development of interface between portable photo printers and the internet

B-2. Smart Home

- Household network storage devices
- Portable wireless network storage hard drives
- Smart home multimedia servers for audio-visual entertainment
- Application software products for smart home
- Smart light devices
- Home wireless fast charging and wireless backup storage devices
- Ultra-high-frequency radar sensors
- Smart doorbells
- Smart radar doorbells

B-3. Wireless Charging

- 10W - 15W large area non-fixed wireless charging solutions, applicable to iPhone fast charging
- 10W - 15W wireless charging modules, applicable to iPhone fast charging
- 10W - 15W wireless charging pads/docks, applicable to iPhone fast charging
- 10W - 15W multi-coil wireless in-car charging modules, applicable to iPhone fast charging
- 10W - 15W wireless charging stands, applicable to iPhone fast charging
- Wireless charging pads and receiving modules for 30W medium-power laptops
- 60W high-power wireless charging devices
- RF wireless chargers
- Mobile phone backup devices with wireless charging function
- Wireless mobile phone chargers with backup function

C. Tymphany Audio

C-1. Speakers

- Smart home wireless speaker systems
- Voice-controlled speakers
- Portable wireless amplifiers
- Voice-controlled speaker modules

C-2. Headphones

- Active anti-noise headphones
- Sports headphones with physiological measurement function
- Wireless earbud headphones
- Speaker driver through new processes

(2) Overview of the Industry

1. Industry Status and Development

I. PC Peripherals

The personal computer (PC) peripheral products of the Group are mainly keyboards and mouses for desktop computers and laptops. The market change of this product line is closely related to the development of personal computer products. According to the analysis report of IDC and Gartner in early 2019, the global computer market has been sluggish for a long time and has been declining for seven consecutive years. Meanwhile, the shortage of central processing units (CPU) and China-US trade issues. However, the global computer market was surprisingly growing for the first time in 2019, which was not in line with experts' estimation. Despite the reasons above, the top three computer brands have grown faster than the overall market, rising from 60% in 2018 to 63% in 2019. At the end of 2019, the investigation and survey agencies also expected that after the end of support for Microsoft Windows 7, the commercial computer market would trigger a wave of replacements and would last for a whole year. The key to whether the consumer computer market can sustain growth lies in product innovation. For the demand of professional e-sports players and multimedia creators, innovations in computer hardware and peripheral products have continued to emerge. The Group has continued its effort in innovation and R&D to attract and cooperate with world-renowned brands with its industry-leading new technologies. Therefore, it had not been any impacted in the overall computer market and could continue to grow at a high rate in the same year. In recent years, e-sports brands have emerged everywhere, and the PC industry has managed to catch up actively. At present, it is predicted that the hardware industry in the e-sports market is fiercely competitive, and there are signs of prices declining and adjusted. Therefore, the Group has begun to step into the high-end commercial market, targeting the development of high-performance and high-speed transmission expansion ports for thin and light laptops, and has targeted the commercial market demand of the top three computer brands.

II. Non-PC Peripherals

A. Visual Technology

>A-1 Mobile Camera Module:

According to the latest report from the research institute of IDC, the global annual smartphone shipments decreased in the second quarter in 2019 by 2.3% to 333.2 million smartphones. In this field, South Korea's Samsung ranked first, followed closely by China's Huawei, and Apple stood at the third place.

The report showed that the global smartphone shipments experienced a severe single-quarter decline in the China's and US markets. However, the decline in the first half of 2019 in China was not as severe as that in the second half of 2018, indicating that the world's largest single market was recovering. The Asia-Pacific region (excluding Japan and China) continued to maintain the strong trend as in 2018. Benefiting from the growth of the Indian and Southeast Asian markets, this region witnessed a growth rate of more than 3% in the shipments in the second quarter.

Anthony Scarsella, Research Manager at IDC, said "Although the overall market is still in a downturn, the data in the second quarter shows that the market has once again stabilized and demand has begun to pick up." He believed that the key driving factor was the improvement and upgrading of terminal equipment, providing high-quality design and functions, while being more affordable, making it more attractive to consumers as a result.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q2 2019
(shipments in millions)

Company	2Q19 Shipments	2Q19 Market Share	2Q18 Shipments	2Q18 Market Share	Year-Over-Year Change
1. Samsung	75.5	22.7%	71.5	21.0%	5.5%
2. Huawei	58.7	17.6%	54.2	15.9%	8.3%
3. Apple	33.8	10.1%	41.3	12.1%	-18.2%
4. Xiaomi	32.3	97%	32.4	9.5%	-0.2%
5.OPPO	29.5	8.9%	29.4	8.6%	0.3%
Others	103.4	31.0%	112.4	32.9%	-8.0%
Total	**333.2**	**100.0%**	**341.2**	**100.0%**	**-2.3%**

Source: IDC Quarterly Mobile Phone Tracker. Q2 2019, July 31. 2019

Ranking of global smartphone shipments in the second quarter in 2019 (Photo courtesy: IDC)

From the perspective of individual companies, Samsung maintained its market leading position in the second quarter of 2019, with its annual smartphone shipments increasing by 5.5% to 75.5 million smartphones. The Company's A-series devices performed well this quarter, particularly Samsung Galaxy A50 and A70.

Meanwhile, Huawei's shipments grew by 8.3% in the second quarter of 2019, reaching 58.7 million smartphones. Considering the US-China trade tensions and market uncertainty, such performance was better than expected. Huawei's shipments in China hit a record high, accounting for 62% of its overall shipments in the second quarter (36.4 million). Part of the reason for the success in the China's market is that after the ban imposed by the US, Huawei relocated important human resources back to China, focusing on the distribution channel management in China's lower-tier cities. The P30 and P30 Pro sales launched by the company in mid-April benefited from a positive chain effect because of the strong sales of the previous P20 series.

Apple shipped 33.8 million iPhones in the second quarter of 2019, which was a significant decrease compared to the same period last year, with an annual decrease of 18.2%. However, considering the success of the iPhone upgrade program and Apple's ability to sell new iPhones through various channels, the company still has a certain dominant position in the market. Despite a slight decline in market share and sales prices, the number of iPhone users continues to grow.

>A-3 Automotive Camera Module:

The rapid growth of automotive lenses will directly benefit other links in the industry chain. The overall market size of lenses in 2014 was approximately US$20.1 billion, of which modules accounted for roughly US$7.7 billion and complementary metal-oxide-semiconductor (CMOS) around N$7.25 billion, occupying 30% of the lens industry value, respectively.

According to the report of the market research institute of IHS, 83 million automotive lenses will be sold by 2023, five times that of 2015. According to IDC's data, smartphone shipments increased by only 6% in 2019. Lee Hyo-cheol, an engineer at Hyundai Mobis, revealed "We expect that the automotive lens market will achieve an explosive growth."

B. System Integration

>B-1 Business Equipment:

The Group's business equipment includes image scanners, printers, multifunction printers (office devices), fax machines, information processing devices (such as computer terminals and cash registers) and office automation products (such as shredders and laminators). Out of a variety

of products, the main products are scanners and multifunction office printers.

Because scanners, printers, and office devices are all products produced by well-developed technologies, even though the products are still moving toward high resolution and internet connection, prices continue to fall. The global economic downturn has continued and the growth of emerging markets has also slowed down, leading to continued declines in the sales of printers and office devices. According to the 2016 annual report on the research of China's printer market released by IDC, the total number of new printer installed in China's printer market continued to decrease, and the number of new printer installed from all mainstream printer manufacturers continued to fall. In the economic downturn, the procurement from the government and small and medium enterprises has shrunk significantly. Meanwhile, the purchasing habits and needs of individual consumer groups have also changed. Price and advertising promotion are no longer the primary factors affecting consumers' purchase. The cost-effectiveness, reliability, and services of products have gradually become the key to influencing buyers' decision-making. In addition, the popularity of mobile devices (smartphones and tablets) and the digital trend have impacted the printer market, causing the number of prints to continue to decline. However, IDC's report pointed out that the compound annual growth rate (CAGR) was expected to grow at a rate of 2.3% from 2014 to 2019, making people once again pay attention to the management of the printing service market. In addition, with the rapid growth of the smartphone and tablet market, the industry has developed a large number of innovative applications, such as cloud printing and cloud scanners; as such, users can directly send documents via Wi-Fi for printing or directly access documents or image files through mobile devices. These new functional applications have become a must-have for multifunction printers. The demand for these new functions and the expansion of emerging markets have brought new growth momentum to low-end black and white and color A4 printers.

> B-2 Smart Home:

With the popularity of broadband networks and the increase in transmission speeds, the home network environment has become more developed. With the increasing number of wireless network products, smartphones, tablets, and relevant applications, the boundary of the different interfaces and operating systems of network/computer/mobile devices（smart phones/tablets）and TVs/electric appliances has become increasingly blurred. All platforms and devices can be connected to each other（all connected）, creating a seamless audio and video entertainment environment. The user's operation interface is also more intuitive and user-friendly. Smart home-related products and applications have become an inevitable trend. It is also the highlight of consumer electronics and the favorite of major electronic fairs, such as CES, CeBIT, and IFA. With the improvement of wireless network bandwidth（IEEE802.11n MIMO and ac MU-MIMO）, the user experience in audio/video streaming can better meet consumers' expectations and promote the development of relevant products and services.

Leading brands have continued to launch higher-end relevant products recently, from ultra-high-definition 4k LCD TV, various set-top boxes（such as Apple TV, Roku, Google chromecast, and Amazon Fire TV）, network storage devices（such as NAS and DLNA wireless storage）, audio and video entertainment servers（such as Xbox One, PS4）, as well as wireless speaker systems（such as sound bars）. Regardless of whether it is a hardware manufacturer or an Internet service provider, they had worked very hard to improve product specifications and the performance over the past year. Although each enterprise's product lines and technologies are different, the relevant hardware and software applications, including audio and video streaming and cloud computing, have become the focus of smart home growth in the next few years in terms of market applications.

The four-screen and one-cloud environment（TV screen, computer screen, mobile phone screen, tablet screen, and home private cloud）for the living room as the home entertainment center has led to consumers' needs for audiovisual data storage and management（personal cloud）and sharing between devices. Whether on hardware or software, consumers have practical needs for the storage, management, sharing, and streaming of digital videos, photos, music, and document files, which have created many new business opportunities.

>B-3 Wireless Charging:

After wireless charging had experienced specification competitions and technological evolution over the past ten years. In 2018, with the support of major mobile phone suppliers（such as Apple and Samsung）, along with the participation of Xiaomi and Huawei in 2019, At present, the specifications（referred to as Qi）on the market）established by the Wireless Power Consortium（WPC）has been determined as the mainstream specifications on the market, which has driven a new wave of demand. The Company has also been working in this field for more than ten years, with a total of dozens of products and records of millions of products shipped out.

According to data of IHS Markit, with the increase in sales of wireless charging mobile phones and smart watches, the sales of Airpod have increased. Six hundred millions of wireless charging receivers and transmitters had shipped out in 2018, an annual increase of 37%. Among them, mobile phones accounted for around 71% of all wireless charging receiver shipments. IHS Markit predicts that the total global shipments of wireless charging receivers and transmitters will reach 2.1 billion units by 2023.

At present, the most popular ones in the market can be divided into three types. The first one is dedicated to low- to medium-power mobile communication devices, consumer electronics, and wearable devices; the second one is dedicated to medium- to high-power applications, including computers, machine tools, industrial equipment, and home kitchen appliances; the third one is dedicated to ultra-high-power vehicles. At present, the first type of products is the main focus of development, accounting for more than 90% of the market demand, which is also driving the accelerated investment in the second and third types.

For this low- to medium-power wireless charging function, in addition to gradually expansion from high-end mobile phones to mid-end mobile phones（such as the Honor series of Huawei）, it has been rapidly expanded to peripherals, including smart watches, wireless headphones and wearable devices, while applied to various types of smart home devices, audio products, IoT sensors, medical equipment, robots, and drones. This will drive the wireless charging market to continue to grow and penetrate into all consumers' lives and fields of industrial control, medicine, and cars.

C. Tymphany Audio

Audio products mainly refer to a variety of whole-machine products and parts, including speaker systems, headphones, power amplifiers, speakers, microphones, and answering machines.

Speaker systems mainly include bluetooth speakers, wireless speakers, smart speakers, sound bars, and Hi-Fi systems. In recent years, with the economic growth and the continuous innovation of audio signal technology, consumers' demand for speaker products with good performance and advanced technology has been increasing. Smart speakers can acquire high-quality contents on the Internet; combined with artificial intelligence technology, they have provided consumers with diversified services and a better user experience, broadened the application boundaries of audio products, and promoted the rapid development of the audio industry.

Since the 1980s, with the rapid development of the audiovisual entertainment industry and consumer electronics industry, headphones have been widely used in mobile phones, music players, and computers. In early days, headphones were connected to audio players through wires. In recent years, with economic development and technological innovation, major consumer electronics manufacturers and technology companies have entered the headphones industry, driving the continuous development of the headphones industry in technology, scale, and application fields, to provide consumers with headphones products that are better in sound quality, more portable, a better smart interactive experience.

> C-1 Speakers:

The speakers industry has a long history with a stable competitive environment. The giants in this industry are basically well-developed multinational companies, such as BOSE, Harman, B&O, Apple, and Sennheiser, with a dominant position in the high-end market.

The speakers industry is experiencing "smart" and "wireless" development opportunities. The product structure is changing rapidly; the market size of products, such as radios, answering machines, and CD players is shrinking. However, smart speakers and wireless headphones have become a new driving force behind the development of this industry. These two fields have also attracted companies in the Internet industry, such as Amazon, Google, Apple, Alibaba, Baidu and JD.com, and they have launched smart speakers or true wireless headphones products.

Smart speakers is a popular product in electronic consumption in recent years. Since Amazon launched the first speaker—first generation of Echo— in 2014, smart speakers shipments have grown exponentially, and the global shipments surged from 2.55 million units in 2015 to 86.2 million units in 2018, with the compound annual growth rate of around 223%. The global smart speakers shipments exceeded 56.2 million units in the first half of 2019.

For smart speaker system, after the explosive group of smart home applications, international large manufacturers have joined the market. The key to enhancing the competitiveness of smart speaker manufacturers' products is to understand users' needs and innovate and improve accordingly. Portability is an important condition for the hardware of smart mobile products in the era of the mobile network. However, in order to maintain high quality of sound with a slightly large number of speakers, some smart speakers are equipped with batteries to maintain a long functioning time, making the volume bigger. After putting aside the inherent conditions, such as sound quality, the volume of smart speakers needs to be smaller, and after the battery is put in, smart speakers need to work normally even when they are not plugged in.

The latest trend of smart speakers in 2016 was to have the voice assistant function, so that they could become the control center of smart home.

The voice assistant function has begun to be valued by all parties after the launch of the Siri function on iPhones. Although mobile phones feature portability, there are still inherent limitations in the context of use and application in daily life, that is, a mobile phone must be taken out to use. However, after the advent of a smart speaker with the voice assistant function, the using habit has started to change. Consumers only need to speak to get an immediate response, which makes it possible for voice assistants to be part of daily-life application. It also brings the smart speaker market up a notch and open up new markets.

The year of 2017 was a year of great success for smart speakers. Smart speakers incorporated many functions and smart devices, which has been more involved in people's lives. Either in shopping, education, security, home control, practical and feasible business models have emerged. Amazon, the leading manufacturer, has sold millions of such speakers, and is open to all speaker manufacturers to incorporate its services into their own products. Google's smart speakers have also been catching up with an average of one speaker sold per minute. This demonstrated that we were investing in the right products and moving forward at a high speed.

In 2018, smart speakers took a step further and entered the commercial field as the most direct service assistant for hotel guests in hotel rooms. In addition, in the newly-built property, the smart speaker also begun to be pre-installed directly on the wall, to provide smart home management functions.

Since 2018, the smart voice assistant has entered the field of headphones. Wireless headphones can activate the voice assistant of the mobile phone through voice control, allowing the smart voice function to break through the restrictions of the place.

According to IDC's forecast, the market size of smart speakers will increase from US$4.4 billion in 2017 to US$17.4 billion by 2022, with an annual compound growth rate of 32%, which is the fastest growing segment of smart home devices.

With the development of communication technology and the popularization of smart phones, the pan-entertainment industry represented by music streaming, online video, live broadcast, short video, online reading, and online karaoke has developed rapidly, enabling consumers to access high-quality pan-entertainment contents. This has broken the geographical limitations of accessing entertainment content in the past, thereby further promoting consumer demand for audio products with high convenience, high restoration capability, and high noise reduction capability. In particular, high-end audio products with excellent sound quality, stylish appearance, and high portability will usher in further growth.

The development of 5G communications will extend the application scenarios of audio products, and these products will have broad space for development in new fields, such as smart cars and smart medical care.

> C-2 Headphones:

Since 2000, the headphones industry has experienced three waves of development, namely digitalization, wirelessization, and intellectualization. According to Futuresource, the global annual sales of the overall headphones market in 2018 were close to US$20 billion, an increase of approximately 16.7% compared with 2017; during the ten years from 2008 to 2018, the global headphones market grew from nearly US$4 billion to around US$18 billion, with a compound growth rate of roughly 16%.

Compared with traditional headphones, smart headphones can be mainly divided into true wireless, voice assistant, smart translation, hearing enhancement, sports, and noise reduction. True wireless is the mainstream trend of smart headphones.

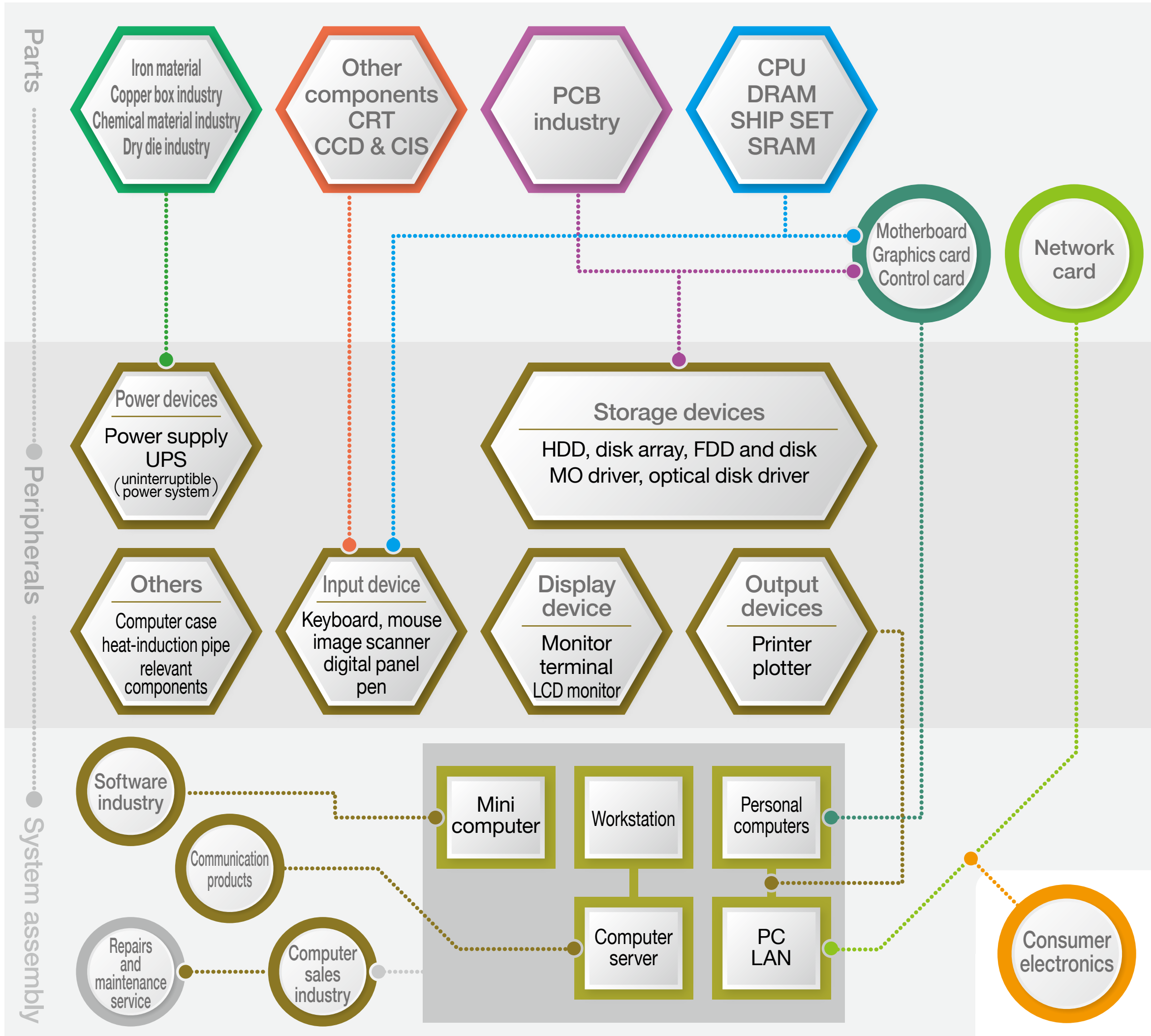
According to GFK's data, the size of the global true wireless headphones market was about US$2 billion in 2017, and it is expected that the market size will reach US$11 billion by 2020, with an annual compound growth rate of 76%.

According to the forecast of Intelligence Research Group, global shipments of true wireless headphones would reach 65 million, 100 million, and 150 million units from 2018 to 2020, respectively, with a compound annual growth rate of 51.90%. It is expected that as the sound quality and functions of true wireless headphones continue to improve, the penetration rate of true wireless headphones will continue to increase in the future.

In the future, the development of headphones will continue to advance in the direction of miniaturization, true wireless, anti-noise, environmental sound integration, and health promotion.

2. Links between the upstream, midstream, and downstream segments of the industry

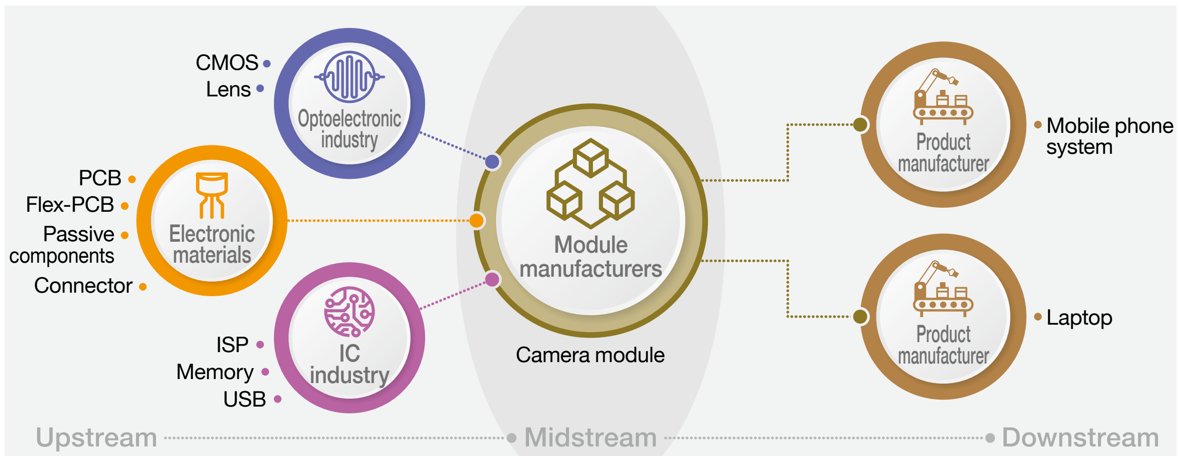
I. PC peripherals:



II. Non-PC Peripherals:

A. Visual Technology

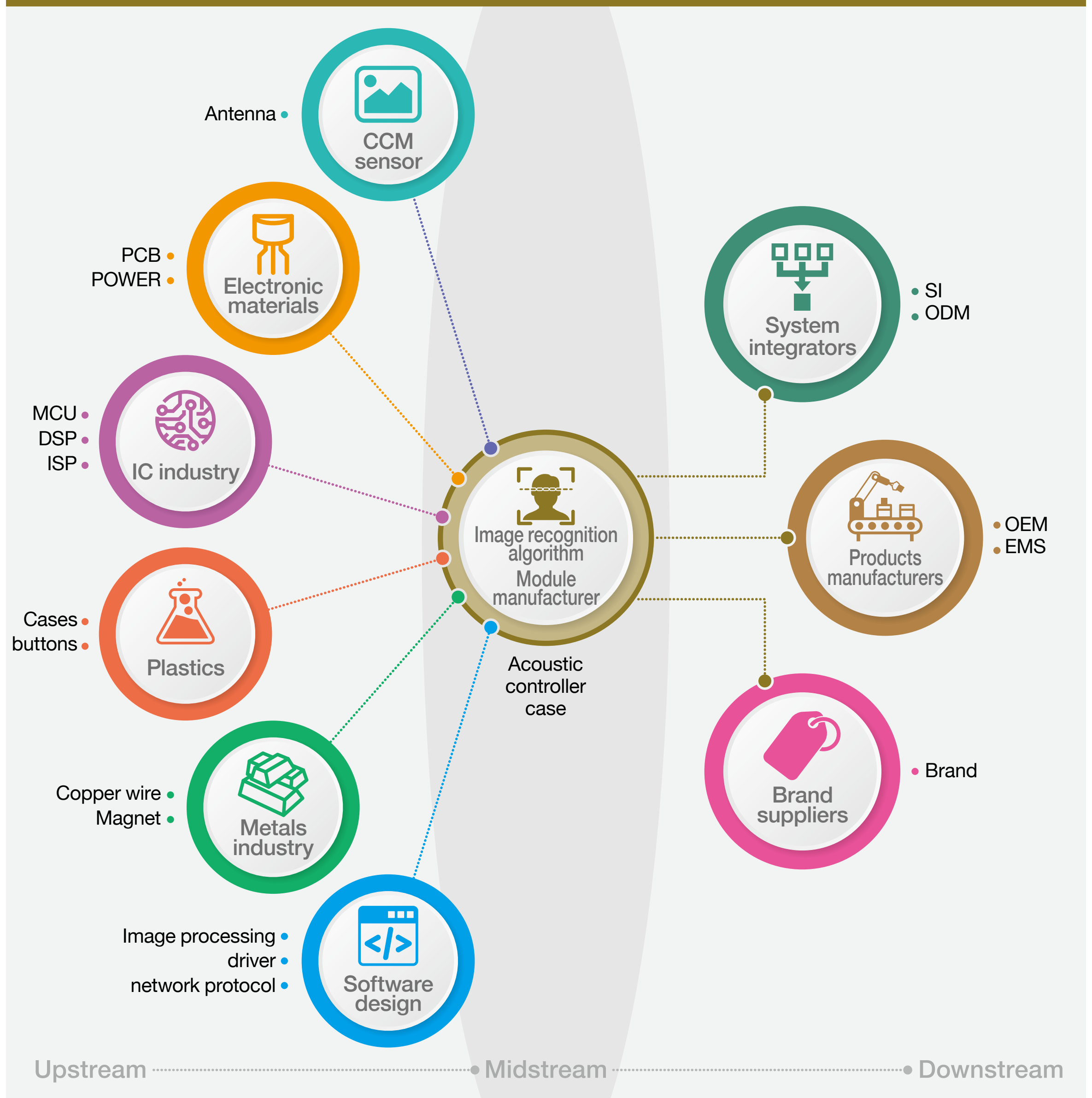
>A-1 Mobile Camera Module:



> A-2 Smart Vision Technology:

In the category of smart vision technology, the Group provides design and manufacturing services for various types of digital image products, such as CCM modules, wireless networks, image systems, and smart image recognition systems.

Smart vision technology product supply chain



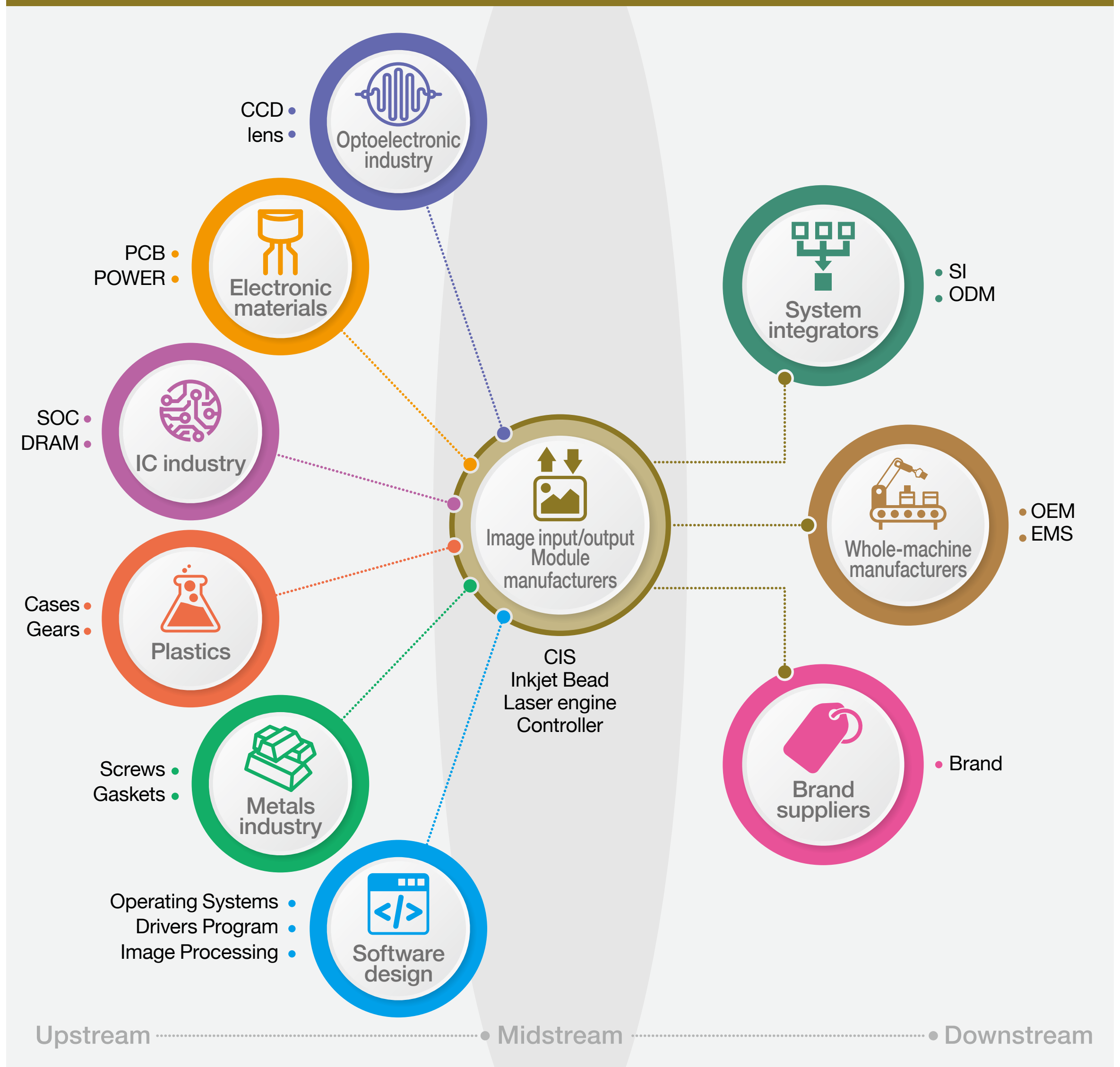
> A-3 Automotive Camera Module:

It is an inevitable trend for future cars to achieve automated driving and unmanned driving through the advanced driver assistance system（ADAS）. In particular, machine vision has become one of the standard perception methods for future automobiles. Major manufacturers, including SONY, On-Semi, OmniVision, and ST, have invested a great deal of resources to develop automotive image sensor solutions. It is estimated that by 2020, automotive electronics will account for more than 50% of the cost of automobiles, and the global market will reach US$500 billion. With the development of self-driving cars, ADAS is moving toward close integration of vehicle-mounted information communication products to achieve the safety function of active control. For the optical camera lens（camera module）that plays a perception role in ADAS products, the global turnover was estimated to be US$5.5 billion in 2018. In the following five years, it will grow at a compound annual growth rate of 23.6%. The future demand for automotive camera modules is huge, which is also one of the markets that the automotive electronics department of the Group focuses on.

B. System Integration

> B-1 Business Equipment:

Smart vision technology product supply chain



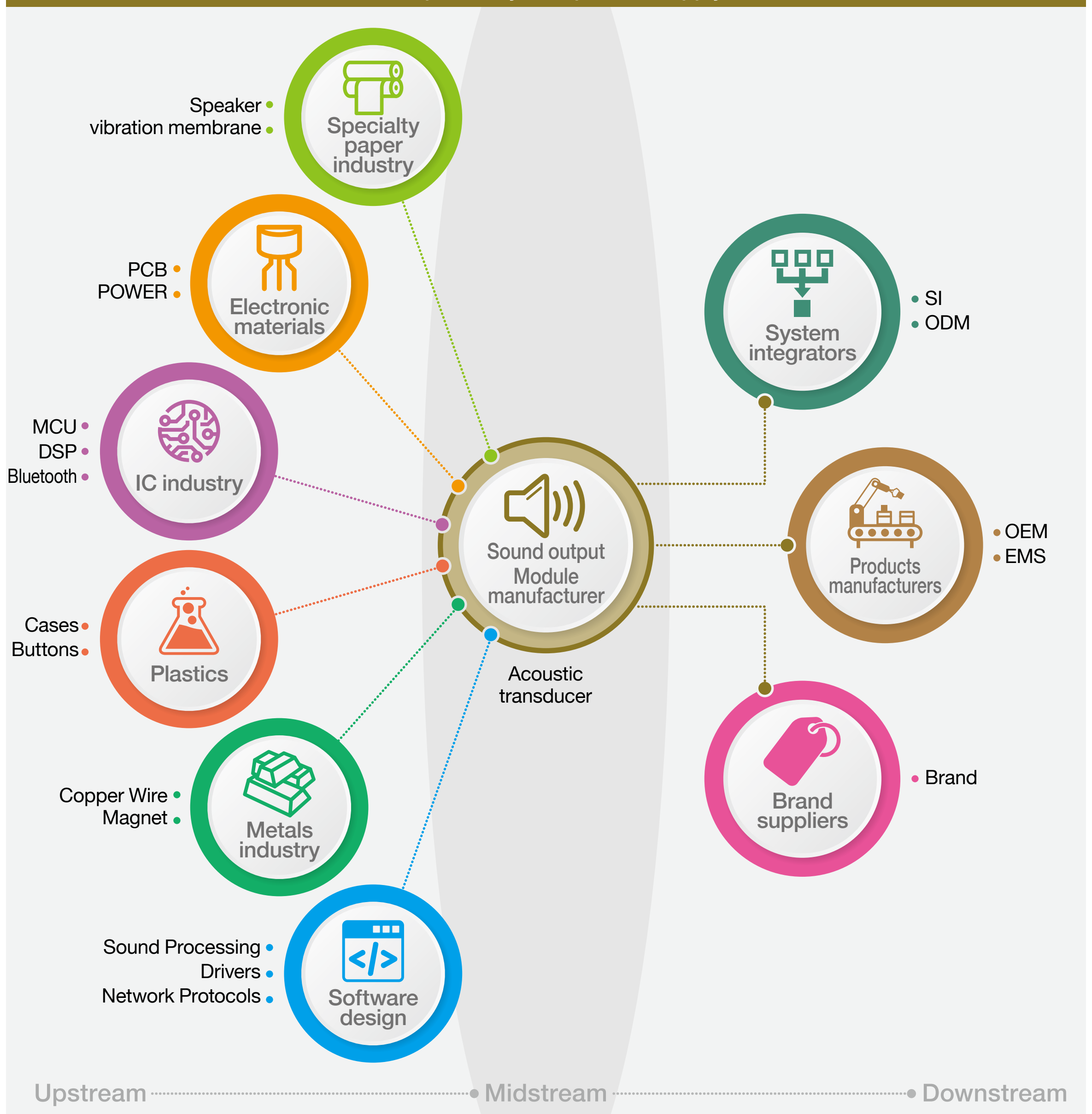
The multifunction printer（MFP）is composed of several important modules, namely the document scanner, printer（printing head）, control panel, operating panel, automatic document feeder（ADF）, and input（output）tray. The key component of the document scanner is the image sensor. There are two main technologies: charge-coupled device（CCD）and complementary metal-oxide-semiconductor（CMOS）, which are mostly controlled by Japanese manufacturers. The main suppliers are Sony and Toshiba. Midstream suppliers provide image scanning modules, including sensors, mirrors, and lamps. Downstream system suppliers provide complete scanners, including image scanning modules, motor control, image capture control circuits, data transmission control circuits, cases, and software. System suppliers will also provide ADF, combining the function of continuous scanning for scanners.

The upstream suppliers of the Group are all well-known global manufacturers, and great and stable long-term partnership has been established. Therefore, there are no cases of shortages, interruptions, or delays in the supply of raw materials in terms of supply quality and delivery. Therefore, the Group's operational risk for upstream changes is very low. The Group has actively developed modules dedicated to high-speed multifunction printers and strengthened firmware and software application and system integration technologies, to reduce manufacturing costs and improve product quality. In addition, in order to respond to clients' product strategies in emerging markets, the Group has developed a variety of low-end black and white laser printers and multifunction printers, with very competitive quality and cost.

> B-2 Smart Home:

In terms of smart home products, the Group provides design and manufacturing services for various products, including camera-based video devices. there are personal storage devices products, including wireless flash drives and Wi-Fi hard drives. Meanwhile, there are in-depth studies on digital imaging, surveillance, and radar sensors.

Wireless speaker system product supply chain

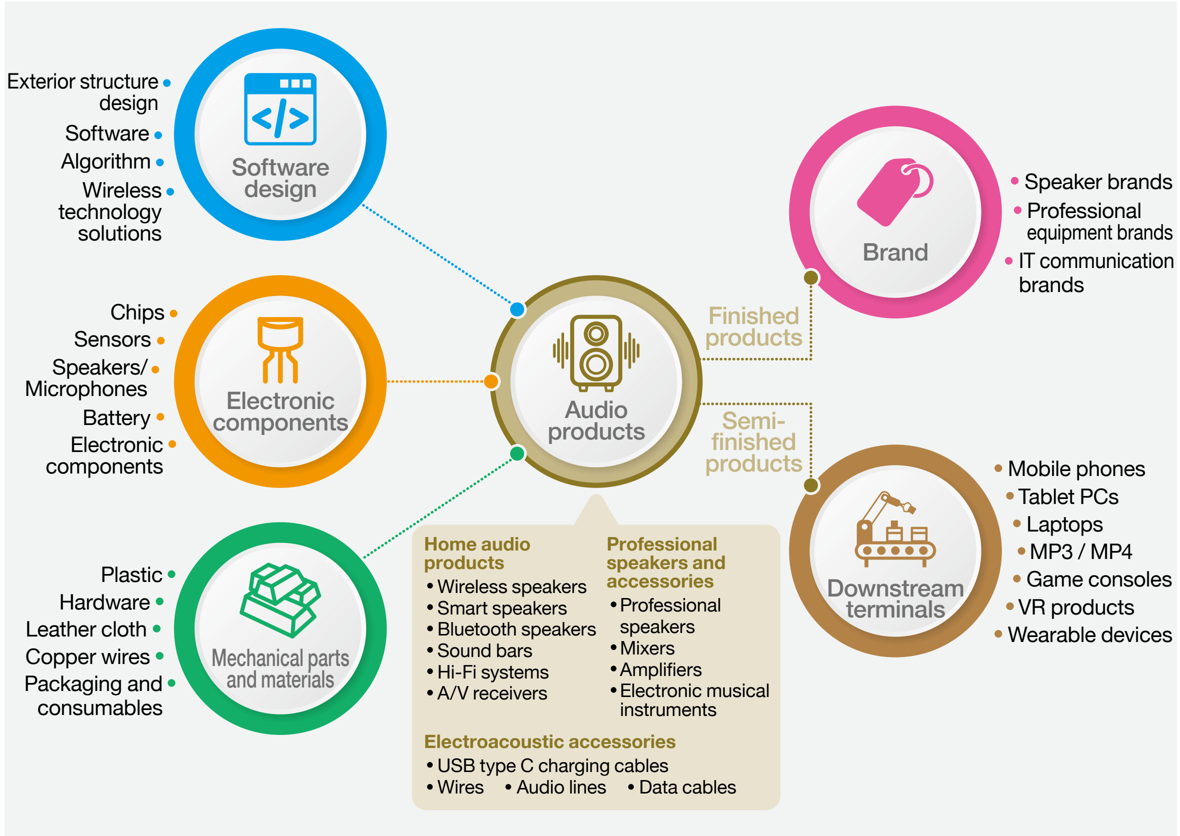


> B-3 Wireless Charging:

In the design of wireless charging devices, the Group focuses on the development, design, and assembly of modules and finished products. The service scope ranges from the selection of MCU or SoC chip platform, circuit board design, coil design, heat dissipation material design to module design. In addition, the Group further provides whole-machine design and manufacturing, calibration, and testing for the commercialization of various products; thus, it provides complete design, manufacturing, and services, while performing wireless charging certification, including Qi, resonance, and even RF, for clients. Furthermore, it optimizes efficiency and adjusts product customization, and has established strategic partnerships with key upstream component suppliers and downstream key brand clients in the industry. Therefore, it provides complete and forward-looking product service solutions to major clients and future potential markets.

C. Tymphany Audio

> C-1 Speakers



> C-2 Headphones

3. Various Product Trends

I. PC Peripherals

The computer peripherals of the Group are mainly used in information products, such as desktop computers, laptops, and personal digital devices. With the concentration of computer brands, competition in the computer peripheral market has become even more fierce. In line with the development trend of application products in the downstream segment, keyboard and mouse manufacturers will turn to an approach of diversification to meet the needs of the market, such as peripherals of e-sports devices, multimedia peripherals for creators, thin and lightweight laptops with high-speed transmission and connection devices, future smart home products, peripherals of mobile devices, information appliances (IA), Internet of Things products, wearable products, as well as peripheral input devices continuously developed in line with Internet TV, entertainment computers, game consoles, and mobile devices to meet current consumers' need for personalized and user-friendly products, to increase the added value of products. This will widen the technological gap with competitors; the development of new products with high added value will be the development trend of the industry in the future.

II. Non-PC peripherals

A. Visual Technology

>A-1 Mobile Device Components:

The camera modules of the Group are mainly used in high-end models of smartphones. In recent years, the trend of mobile phones is moving toward "high screen ratio," which refers to the large screen or full screen, like the one of iPhone X. Therefore, there is no room for the exposed fingerprint identification module, so the under-display fingerprint identification module must be adopted, or it should be replaced by face identification (face ID). The space where the camera module was originally placed is also compressed. The Group's patented packaging technology of holder on chip (HoC) can significantly reduce the size of the camera module while maintaining the optical function of the camera.

The optical fingerprint recognition module is the trend in under-display fingerprint identification. The space under the display that can accommodate the optical fingerprint recognition module is very small, and the requirements for holder precision are very high. The Group has the most sophisticated packaging technology in the industry and is one of the very few companies that can provide the under-display optical fingerprint recognition module.

For the packaging of miniature camera modules, a peer in the industry has launched the molding on chip (MoC) process; although the size of the camera module is effectively reduced, its high price, long delivery time, low yield rate, and high equipment investment are completely unsuitable for the mobile phone industry. The Group's patented HoC packaging technology uses existing equipment to achieve the same size as that in MoC and features the price, delivery time, and yield rate that are close to those in traditional packaging as the mainstream packaging technology for ultra-small camera modules in the future.

>A-2 Smart Vision Technology:

In the past, it was easy to cause a misjudgment or trigger an alarm because of the visual detection error in the plane using a single lens; nowadays with the continuous breakthrough of key AI technologies, face recognition technology and advanced algorithms are used to build invisible three-dimensional fence, which can accurately determine the actual moving position and size of the detected object, greatly reducing the occurrence of false alarms or missed alarms. Meanwhile, the access and storage of images and data of surveillance system software are increasing. How to effectively use these videos and data to deeply explore their potential value has become the focus of smart home growth in the following few years. In the past, experts needed to manually select features for image recognition. With the assistance of deep learning technology and hardware computing resources, automated feature learning through a large amount of data is already available, greatly lowering the threshold for developing image recognition applications.

Many image recognition applications require a great deal of manpower to execute, such as medical image recognition for symptoms, customer group and flow analysis through videos in malls, public area/home security surveillance, and defect identification in production line detection Through assistance of smart image systems, the industry can improve the image recognition accuracy, reduce manual interpretation time, and further develop innovative services through integration of other systems.

>A-3 Automotive Camera Module:

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

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

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

B. System Integration

>B-1 Business Equipment:

With the rapid increase in sales of smartphones and tablets, consumers can take photos and print them immediately via Wi-Fi connection, print documents directly from mobile devices (such as Apple AirPrint®), or save scanned document images directly to mobile phones or tablets. New features, such as cloud printing (such as HP ePrint, Google Cloud Print) and scan-to-cloud, are further derived, while the needs for family life, entertainment, and work are met. In order to meet the printing needs (convenience, user-friendliness, compatibility, and consistent print quality) of many brands and mobile devices users on different platforms, the leading multifunction printer manufacturers, namely HP, Canon, Xerox, and Samsung, have jointly established the Mopria Alliance to jointly develop mobile printing standards and formulate a standard mobile printing agreement. They initially focus on Android mobile devices. At present, there are 20 members in the Alliance, including the major US and Japan multifunction printer manufacturers, control board chip design companies, and application software development companies.

It is undeniable that smart phones and tablets have already caused a quite big impact on the printer industry, particularly the inkjet printers. In order to improve revenue and profitability, major brands have proposed a managed print solution to help companies reduce hardware equipment expense and printing costs. The tier one manufacturers have also proposed a complete office document digitization process solution, and are developing toward a service-led business model. In addition, they have proposed customized system solutions and services based on the characteristics of different industries. The most obvious example is Xerox, among other tier one brands, including HP, Canon, Lexmark, and Ricoh. Focusing on the development of low-end laser A4 MFP and mobile device support as it will have significant requirements for the hardware in the future.

>B-2 Smart Home

With the popularity of broadband networks and the increase in transmission speeds, coupled with the increasing number of wireless network products, smartphones, tablets, and relevant application products, consumers' demand for storage management and sharing of digital information, and synchronized connection solutions for digital products has grown rapidly, which has driven the demand for personal cloud or home cloud technologies and products. In addition, smart home related products and functions have been further extended to various personal mobile devices, such as Apple AirPlay and iTunes, and cloud digital program services, including Apple TV, Google Chromecast, Roku, Amazon Fire TV among other set-top boxes, as well as companies that provide digital content services, including Netflix, Hulu, HBO, cable TV stations, and sports channels. The continuous improvement of wireless network bandwidth (5G WiFi and IEEE802.11ac) will accelerate the development of industries related to smart home. Product categories include network storage devices, portable mobile wireless hard drives, home digital audio and video multimedia servers, home control and security surveillance.

>B-3 Wireless Charging:

The wireless charging function will be expanded from high-end mobile phones to mid-end mobile phones, and will also be extended to peripheral smart watches, wireless headphones, and wearable devices, and can be applied to smart home devices, Internet of things sensors, medical equipment, as well as robots and drones, which will drive the continuous growth of the wireless charging market. According to the statistics of IHS Markit, with the growth of sales of wireless charging mobile phones, the total global shipments of wireless charging receivers and transmitters reached 600 million units in 2018, an annual increase of 37%; among them, mobile phones account for about 71% of all wireless charging receiver shipments. IHS Markit predicts that the total global shipments of wireless charging receivers and transmitters will reach 2.1 billion units in 2023.

In addition to these mainstream wireless charging products and technologies, the Group is committed to developing unique large-area charging, mobile charging, and mid-range RF wireless charging products to facilitate the popularization of wireless charging in daily life so as to develop the Group's mid- to long-term competitive advantage.

C. Tymphany Audio

Audio products contain professional fields, including electronics, electromagnetics, machining, electroacoustics, and industrial design. With the rapid development of information technology and communication technology as well as the transformation of the electronics industry from analog to digital technology, the new generation of smart terminals is developing toward being digital, wireless, smart, and portable, driving the acoustic industry to continue to carry out iterative operation of products. This applies to speaker products and headphones.

>（1）Development trend of speaker technology

- Miniaturization is the main development trend of speaker technology：The speaker is the core component of the audio product, which determines the audio quality of the audio product. With the emergence of smart devices, such as smartphones, and the emergence of new application scenarios, speakers will continue to be developed toward featuring miniaturization, low distortion, high sensitivity, large dynamic range, wide frequency band, and good transient response, stylish appearance, high portability, and excellent sound quality, which are essential elements for future audio products. Speakers used in laptops, smartphones, LCD TVs, smart speakers, wireless headphones, and various smart devices create powerful momentum toward the rapid development of miniature speakers.
- High performance is still the goal that speaker products need to continue to pursue：Speaker products will be developed toward the direction of long stroke, high power, high sensitivity, wide directivity, and low distortion.

>（2）Development trend of cabinet design technology

The speaker cabinet is mainly to eliminate the acoustic short circuit, increase the bass sound pressure level and uniformity, thereby improving the sound characteristics in the low frequency of the speaker, but the cabinet also brings some negative effects, such as enhanced formant as well as mid-high frequency reflection and diffraction, causing acoustic coloring in high and low pitches.

The overall technology of cabinet appearance design is relatively well-developed in the speaker industry. The cabinet design conforms to the principles of acoustics, industrial design; the overall consideration is comprehensive and complete and the completeness of details is high. At present, the development trend of cabinet design and manufacturing technology mainly focuses on:

- Improve the directivity of the cabinet, reduce product diffraction, and achieve 360-degree radiation of sound through acoustic radiation design and acoustic structure;
- Improve the immersion of sound. Through the current codec technology, combined with a single cabinet design, the sound emitted from the multi-channel speaker can achieve a better sound immersion;
- Realize the miniaturization of professional speaker cabinet. On the premise of ensuring the indicators of sound output, the high-, medium-, and low-frequency speakers required by professional speakers are integrated into a smaller cabinet, to get rid of the restrictions on the place where they are used because of the large occupation area of traditional professional speakers, which further increases consumers' demand for professional speakers.

>（3）Development trend of power management

With the development of audio products, such as wireless headphones and portable wireless speakers, power management of audio products is becoming more and more important. The longer the limited battery capacity for playing and standby time for audio products, the better the user experience. The current power management of mobile phones has been developed for many years and is relatively well-developed. The power management of audio products is still in the early stage of development. The main trends of product

power management are mainly concentrated on three levels:

- Optimization at the component level: To optimize the components to reduce the power consumption of individual components, thereby reducing the power consumption of the overall system, so as to extend the power supply time;
- Optimization at the system level: To monitor the overall power consumption requirements of the system in real time and adjust and match the voltage and current, thereby improving the efficiency of power supply and extending the battery life;
- Optimization at the content level: To load and analyze the content played in advance through cloud computing and big data technology, and optimize the system power consumption according to the content played in advance, so as to achieve the purpose of reducing power consumption under the premise of ensuring quality of playing.

>（4）Development trend of digital signal processing:

Digital signal processing is to use a computer or special processing device to digitally collect, convert, filter, estimate, enhance, compress, and identify signals to obtain a signal form that meets people's needs. Compared with analog signal processing, digital signal processing based on general-purpose DSP chip has high precision, strong anti-interference ability, and great stability; its programming is convenient, complex algorithms are easy to be executed, and programmable control is available. when the function and performance of the system changes, it does not require design, assembly, and debugging again; the interface is simple, the electrical characteristics of the system are simple, and the data flow is in compliance with the standard agreement; the integration is convenient; it can also be used for signals in very low frequency.

At present, the main applications and development trends of digital signal processing for audio products are:

- Active noise control: The traditional passive sound insulation method is to simply use noise insulation materials to block noise, without the ability to block noise generated from mid- and low-frequency noise sources. Therefore, heavy insulation materials must be used for effective sound insulation. Active noise control is a method of electronic closed-loop control, which generates sound opposite to the original noise to counteract the original noise.
- Echo suppression: In long-distance communications and communications while moving, it is often troubled by echoes. Either linear echoes or acoustic echoes, when the delay exceeds 0.5 seconds, the echo will be clearly captured at the receiving end. In response to the two phenomena above, the echo suppression algorithm is mainly adopted to control and eliminate the echoes. At present, the DSP-based echo suppression algorithm is stable, concise, with a fast response speed, and can maintain great performance for double-talk, near-end-speech, and the mute state.
- Sound effect processing: The popularity of digital music has brought not only more durable and cheaper storage media and more diverse reception channels, but also more amazing audio-visual effects. However, due to the processing and conversion of digital signals, distortion will inevitably occur. Therefore, if we want to obtain a sound effect comparable to the original audio and video signal source in the human ear, the cost is high and the effectiveness is poor. In order to achieve the surround sound effect, currently the regulations on various digital music have

been relaxed, including Dobly Atmos, Dolby Surround, Dolby ProLogic, AC-3, and THX. However, the weakest link in the whole process is in the section from the speaker system to the human ear. The transfer function in this section changes randomly due to different listeners and different listening environments. Therefore, how to automatically detect the environment and adjust the sound effect arrangement to improve the sound delivery range and delivery rate in the entire environment and how to improve the directivity of sound delivery based on the feedback from the live audience are the core issues in current sound processing.

> （5）Development trend of audio product system design:

- Wireless connection technology: Wireless is one of the most obvious trends in audio products in recent years. Commonly used wireless technologies are Bluetooth and Wi-Fi. Bluetooth technology is generally used in headphones and speakers, and Wi-Fi technology is generally used in speakers. In particular, the bluetooth 5.0 technology standard released in 2016 has laid the foundation for the popularity of true wireless headphones. Compared with the previous generation technology, bluetooth 5.0 has lower power consumption; the radius of coverage reaches 300 meters, which is four times that of bluetooth 4.2; the transmission speed is up to 24Mbps, which is twice that of bluetooth 4.2; it can be used for indoor positioning in conjunction with Wi-Fi.

  Bluetooth 5.0 technology improves the stability of the device connection and reduces the delay, and its low power consumption feature can also extend the use time of the device. According to statistics, since the second half of 2017, mainstream mobile phone brands have launched more than 50 flagship models that support bluetooth 5.0 transmission. The adaptation of smartphones to support bluetooth 5.0 has laid a foundation in hardware for headphones using bluetooth 5.0 technology.
- Smart voice technology: Smart voice refers to the intelligent system that processes data, including sound collection, voice recognition, and semantic understanding through machine perception technology, to achieve a complete set of calculation processes of human-machine dialogue as well as intelligent analysis and decision-making. This covers multiple interdisciplinary fields, such as speech collection, voiceprint recognition, speech recognition, semantic recognition, and speech output. Smart voice products enhances the user experience in voice recognition, voice processing, deep learning, and voice generation involved in interaction with human beings. With major breakthroughs in a series of core technologies represented by smart speech recognition technology, smart audio products have become one of the most important development directions in the audio industry.

4. Competition of products

I. PC Peripherals

Keyboards and mouse products are input devices for PC. Although there are other input methods, such as voice input and motion sensing input, currently available, they are unable to replace the mainstream role of keyboard input devices in terms of input recognition, input efficiency, and terminal usage scenarios. At present, information and electronic products are light, thin, short and portable. In order to enable consumers to receive or transmit information easily, the application of touch panels is rising. Currently, touch panels are mainly used in portable electronic products, and the existing keyboard is still adopted as the main input method for desktop computers and laptops. Furthermore, after market tests and feedback, long-term use of touch panels would lead tp a considerable degree of inconvenience, such as typing sensitivity and the problem of sore hands caused by users' long-term use, so the touch panel is mainly used for the input device of portable electronic products, while there is currently no alternative for the input device of desktop computers and laptops.

II. Non-PC Products

A. Visual Technology

> A-1 Mobile Camera Module:

The mobile phone industry is in the unit of billion, so there are naturally many competitors and 70 camera module suppliers in the world, but currently there are no more than 20 suppliers that can provide more than one million units per month with a comprehensive camera product line. Because of the very large market size, new competitors are entering this field constantly. Particularly, the vertical integrators of the upstream and downstream segments in related industries and the horizontal integrators brought by other product line manufacturers of handheld devices pose the most daunting challenges. After 2015, the gross profit of this industry has dropped significantly. In addition, the huge investment in the production capacity of high-end models has enabled big module manufacturers to become bigger. However, as manufacturers competed to expand their factories, resulting in excess capacity. Since 2016, irrational price-undercutting to win more orders has resulted in a certain degree of reshuffling of module manufacturers; some small module manufacturers withdrew from the industry or gradually moved to emerging markets or niche markets. The fingerprint module technology threshold is lower, and the competition is even more irrational. The Group formulates its strategy depending on the degree of competition.

> A-2 Smart Vision Technology:

In addition to striving for stable development of existing product lines, the Group is actively planning to develop new product lines with the most market potential. At this stage, applications related to smart vision technology are taken as the focus of development. The product categories include smart doorbells and portable security video devices, home digital audio and video smart surveillance system, digital smart video conference system, smart access control system, and smart monitoring system.

Meanwhile, the rise of smart homes has brought new impacts and business opportunities to the market. The most representative one is Amazon's Echo. With its powerful advantage in e-commerce channels and strong cloud-based computer processing capabilities, Amazon's Echo becomes instantly popular with the market after its launch. For more than a year after the released to the market, one million units have been sold. This is a huge breakthrough in the smart home field as it has been talked about without any action taken for more than 20 years. It also prompted Google to launch Google Home at the end of 2017, which is also a smart home system. The strengths they promote are the strong network connection and cloud computing capabilities behind the companies, which will inevitably bring significant changes to the market.

In such a competitive environment, businesses who master key image processing engineering capabilities and have high-quality mass production capabilities will stand out from the competition.

> A-3 Automotive Camera Module:

Compared with the lenses used in consumer electronics, lenses for cars have higher requirements for shockproof, stability, continuous focusing, thermal compensation, and resistance against interference of stray and strong light. Therefore, the module assembly is complex and the technology required is relatively advanced. From the perspective of the global lens supply market, currently international companies, such as Panasonic, Valeo, Fuji, Continental, and Magna, occupy a large share of the market. The top five manufacturers have a total market share of about 59%; the concentration is relatively high.

The rest of the market is shared by manufacturers in China/South Korea/Taiwan. Because the manufacturers in China occupies a larger share because of home advantage, while Taiwanese/South Korean manufacturers focus on the niche markets.

At present, the original equipment, or OE（referring to car manufacturers）, market of automotive lens shipments is still controlled by the tier 1 suppliers. It is because of the fact that automotive camera module used by OE is a standard product that cannot be purchased or used separately. The relevant specifications and requirements need be match the system controlled by the tier 1 suppliers. Therefore, for OE suppliers, currently Autoliv, Continental, Mcnex, Bosch, and Delphi are the main suppliers. Because automotive lenses require high precision and stability, the use of the active alignment（AA）process is a trend in the industry. The Group has more than 10 years of experience in the AA processes for consumer camera modules, building on which the business has been extended into the

automotive field, which currently is where a large portion of the niche is located.

Not all tier one suppliers car makes lenses by themselves. At present, a considerable number of well-developed products are purchased from tier two suppliers. Such suppliers include Panasonic, Truly, Jabil, Liteon, LGIT, and SMK.

B. System Integration

> B-1 Business Equipment:

The sales volume of inkjet printer models still accounts for the largest proportion in the market (about 60%), while low-priced black and white laser printers and multifunction printers are rising rapidly in emerging markets, and the competition is very fierce. In terms of the product category, the future growth of multifunction printers will be greater than general printers. In summary, the future prospect of the laser multifunction printer is optimistic. Considering its advantages of fast and automatic scanning and double-sided copying functions, wireless network function that continues to cater to consumers' needs, as well as the the digital application that is continuously improved, there is no major risk of substitution for this product. However, the price, environmental protection, electricity conservation, printing cost, wireless network printing, and localized design are the keys to standing out in the fierce competition.

> B-2 Smart Home:

In addition to striving for stable development of existing product lines, the Group is actively planning to develop new product lines with the most market potential. At this stage, applications related to smart vision technology are taken as the focus of development. The product categories include network storage devices (NAS), portable wireless hard drives, home digital audio and video multimedia servers, personal mobile wireless speakers, and high-frequency radar sensors, smart doorbells.

The market for home network storage devices is still in the preliminary stage, and the household penetration rate is not high, mainly because consumers are not very familiar with the product functions. In addition, manufacturers must pay more attention to publicity and communication of information with consumers, while continuing to innovate research and development and improve the user interface. In addition to traditional household network storage devices, another new opportunity is wireless portable hard drives. Due to the explosive growth of smartphones and tablets, the storage capacity and standby battery life of these mobile devices are very limited. The wireless portable hard drive can not only increase the data storage capacity but can be used as a backup power supply when a mobile device is out of power. The design is very user-friendly and practical.

Furthermore, the market of technology consumer products has been booming with the rise of smartphones, which in turn has driven many individuals' demand for wireless personal multimedia entertainment. The Group has worked hard for a long time in the field of image processing and wireless bluetooth communication technology. Since 2012, it has been engaged in research projects on wireless audio and video data transmission and sharing, focusing on wireless storage devices. The high-resolution screen and a powerful processor have enabled the smartphone to play high-resolution videos; however, the biggest problem of the smartphone is that the internal storage space is small and expensive, and it cannot be connected to external hardware like a computer; therefore, the wireless storage device becomes the best solution.

> B-3 Wireless Charging:

As early as since 2007, the Group has invested in research and development of relevant products and successively provided design, manufacturing, and OEM services for wireless charging products to the world's leading mobile phones, consumer electronics, computers, peripherals, and even sportswear brands and manufacturers. So far, it has accumulated millions of units in mass production, and continues to break through the development and promotion of various key new technologies, such as the15W wireless charging device, applicable to Samsung fast charging, in 2017, 30W medium- and high-power wireless charging device for computers, the world's first mass-produced Qi wireless charging mouse/mouse pad in 2018, as well as the 15W wireless charging device, applicable to iPhone fast charging. The first 10W wireless in-car charger mount that is launched in the Apple Store and the 15W large-area wireless charging solution without fixed charging range that will be mass produced in 2020.

In the future, based on the past ten years' accumulated experience and technology capabilities, the Group will design more efficient, low-heat, miniaturized, and high-power wireless charging devices according to the major clients' various wireless charging needs and the development of relevant new technologies, enabling wireless charging to be part of the modern life and to further change people's charging habits.

C. Tymphany Audio

> C-1 Speakers:

Speakers and speaker systems have been developed for nearly 100 years, and the original environment in this sector has been stabilized. However, in recent years, with the vigorous development of mobile phones, the development of wireless technology, the replacement of traditional physical distribution of music with online videos and music and streaming music, the speaker industry has undergo significant changes. Many companies that were not involved in the speaker sector have had incredible performance on audio products in recent years, such as Apple, Amazon, and Google, which has greatly subverted the original ecology in this sector. Meanwhile, the original speaker businesses are not defeated; instead, they change the direction of product design from the original function orientational to the design orientation. The speaker products have become more stylish. There are many personalized products, either in terms of home products or personal styles.

Speakers with the bluetooth connectivity function are today's mainstream products. The price of such products in the market varies greatly, ranging from $10 for low-priced, unknown brand products of to nearly $1,000 for high-end products. This kind of wireless speaker product has broken through the framework in the past; it is no longer a high-end product that only people with high and stable income over the age of 30 or 40 can buy; instead, it becomes the product that young people can also afford. Lowering the threshold for the purchase of the product also means a great deal of investment from competitors. Moreover, it has prompted traditional speaker brands that were mainly focused on high-end models to launch entry-level products with the aim of cultivating consumers' brand loyalty when they are young. Such market changes have prompted traditional speaker brands to release more outsourcing OEM orders, which has also brought more business opportunities to PRIMAX.

Meanwhile, the rise of smart speakers with voice assistants has created brought new impacts and business opportunities to the market. The most representative one is Amazon's Echo. With its powerful advantage in e-commerce channels and strong cloud-based computer processing capabilities, Amazon's Echo becomes instantly popular with the market after its launch. For more than a year after the released to the market, one million units have been sold, which is a huge success in the speaker-related products. It also prompted Google to launch Google Home at the end of 2017, which is also a smart home system. For the e-commerce giant and network heavyweight to launch the speaker products as non-traditional speaker manufacturers. The strengths they promote are the strong network connection and cloud computing capabilities behind the companies, which will inevitably bring significant changes to the market.

In such a competitive environment, businesses who master key image processing engineering capabilities and have high-quality mass production capabilities will stand out from the competition.

The Company incorporates Tymphany's 90 years of experience in traditional audio products and the parent company's considerable experience and technology capabilities in the ICT industry to meet the two mainstream clients' needs in a timely manner, giving us a great advantage in the introduction of new products.

> C-2 Headphones:

The market development situation for headphone products is similar to that encountered by speaker systems. It is also the wave of new technologies that which has made the market boom and led to many emerging leaders on the market. As a relative latecomer in the field of headphones, our strategy is not to catch up with the existing products, but to invest greatly in research and development of emerging true wireless headphones based on the trend of future headphone products in the scenario of wearable applications, such as health detection, hearing aids, and smart applications, to put the Company's advantages in this field to good use to obtain market leadership.

(3) Overview of Technologies and Recent R&D Efforts

1. Overview of invested R&D expenses

Unit: NT$1,000

Year	R&D expenses	Ratio to operating revenue (%)
2019	2,968,221	3.68%
2020 Q1	600,730	4.44%

2. R&D accomplishments in the most recent fiscal year and as of the publication date of the annual report

Year	R&D results
2018	Design and development of matrix microphones with multiple microphone combinations
	Design and development of array speakers
	Design and development of structural optical facial recognition module
	Design and development of depth recognition module
	Design and development of ultra-compact camera module for packaging
	Design and development of the three-phase camera focusing module
	Design and development of in-car three-phase camera module
	Design and development of a new generation of A3 DADF scanners
	Design and development of Mini LED multi-color backlight module for keyboard
	Design and development of composite mechanical keyboard
	Design and development of a new generation of high-speed wireless signal input design, development of 15W Qi-certified wireless fast charging pads for Samsung and iPhone.
	Design and development of 1W - 15W wireless charging sets for headphones, wearable devices, and smart shoes
	Design and development of 15W wireless charging module, applicable to iPhone fast charging
	Design and development of 15W wireless charging pad and stand, applicable to iPhone fast charging
	Design and development of 15W in-car wireless charger mount, applicable to iPhone fast charging
	Design and development of 15W in-car wireless smart charger mount, applicable to iPhone fast charging
	Design and development of 60W - 120W high-power wireless charging device
2019	Design and development of 1W - 15W wireless charging sets for headphones, wearable devices, and smart shoes
	Design and development of 10W - 15W large-area wireless charging solution, applicable to iPhone fast charging
	Design and development of 15W - 30W wireless charging module with iPhone fast charging function
	Design and development of 15W - 30W wireless charging pad and stand, applicable to iPhone fast charging
	Design and development of 15W in-car wireless smart charger mount, applicable to iPhone fast charging
	Design and development of 15W in-car multi-coil wireless charging module, applicable to iPhone fast charging
	Design and development of 60W - 120W high-power wireless charging device
	Design and development of 1 - 5W RF wireless charging products
	Design and development of high-speed wireless mechanical keyboard for gaming
	Design and development of high-speed wireless mouse for gaming
	Design and development of home game console controller
	Design and development of high-speed transmission docking station
	Design and development of upright binding machine
	Design and development of A3 ARDF
	Design and develop wearable positioning sensing device
	Design and production of credit card color printing equipment
	Design and development of bluetooth portable printer
	Design and development of paper size detection technology
	Design and development of bluetooth mini camera product
	Design and development of police recorders, supporting LTE, bluetooth, and Wi-Fi
	Design and development of wireless charging and mobile phone backup device
	Design and development of smart doorbell
	Design and development of smart access control system
	Design and development of home security surveillance system
	Design and development of smart surveillance system
	Design and development of smart video conference system
	Design and development of 2M/3M/5M/8M-pixel in-car camera module
	Design and development of 4800-pixel single/multi-lens mobile phone camera module
	Design and development of camera module with multiple functions of ranging and depth plus face recognition.
	Design and development of camera module with multiple functions of structured light 3D modeling and face recognition
	Design and development of wide-angle sports camera module
	Design and development of a new generation of optical fingerprint identification module
	Design and development of a new generation of ultrasonic smart door lock fingerprint identification module
	Design and development of headphone speaker driver
	Design and development of true wireless headphone
	Design and development of Dolby Atmos sound bar
	Design and development of digital mixer
2020	Design and development of mechanical low-power wireless e-sports keyboard
	Design and development of mute mouse for business purpose
	Design and development of mute keyboard for business purpose
	Design and development of high-fidelity vibration controller for home game console
	Design and development of 15W - 45W wireless charging module, applicable to iPhone fast charging
	Design and development of 15W - 45W wireless charging pad and stand, applicable to iPhone fast charging
	Design and development of 15W - 45W wireless charging smart in-car charger mount, applicable to iPhone fast charging
	Design and development of 15W - 45W in-car multi-coil wireless charging module, applicable to iPhone fast charging
	Design and development of 15W - 45W innovative mobile charging product, applicable to iPhone fast charging
	Design and development of 60W - 200W medium-power wireless charging device
	Design and development of 1W - 15W RF wireless charging product
	Design and development of a new generation of A4 DADF scanner
	Design and development of a new generation of barcode printer
	Design and development of a new generation of Sheetfeed scanner
	Design and development of a new generation of high-speed CIS image scanning module
	Design and development of a new generation of ultrasonic paper sensor module
	Design and development of camera module for autonomous driving and assisted driving
	Design and development of driving monitoring and in-car detection camera modules
	Design and development of ultra-thin flat speaker driver
	Design and development of integrally formed speaker driver
	Design and development of integrated module for high-performance speaker and amplifier
	Design and development of high-performance mobile speaker power management system
	Design and development of anti-noise true wireless headphones
	Design and development of camera module for autonomous driving and assisted driving
	Design and development of driving monitoring and in-car detection camera modules

(4) Long- and short-term business development plans

1. Short-term business development plans

I. PC peripherals

a. Keep abreast of the development trend of technologies related to mouses, keyboards, multi-color backlit keyboard modules, peripherals of e-sports input devices, and smart remote control, and continue to develop new products to facilitate business promotion.

b. Establish a key component supply chain and establish a VMI/JIT system to effectively reduce inventory pressure and the problem of material shortages.

c. Improve factory production efficiency, reduce costs, and continue to strengthen OEM/EMS business so as to increase turnover steadily and increase gross profit margin. Keep abreast of the trend of mobile applications and relevant technology development.

II. Non-PC Peripherals:

A. Visual Technology

>A-1 Mobile Camera Module

Having been certified by the major European and US brands, PRIMAX has built on this to work hard to manage the China's market. With the successful strategic positioning in the past, all four major Chinese mobile phone brands have become its clients. The main short-term strategy will be based on the existing client relationships to optimize the layout of the entire group. Regarding the camera module, PRIMAX will do our utmost to introduce dual lenses to regain our leading edge in technology; in terms of fingerprint modules, it will continue to meet the clients' needs. In response to the fierce competition and even irrational competition, the Company also strives for the advancement of high value-added models and strengthens the partnership strategy with suppliers to ensure the continued advantage.

In terms of client management, existing clients' gross margin improvement is the most important indicator; apart from emerging markets, our strategy has always been to focus on strategic clients to expand the business in-depth. In addition to increasing the market share of the existing product lines, PRIMAX works to introduce the relevant new product lines of mobile phones.

In production, more advanced and fully automated production, ultra-high-speed high-end processes, and higher-standard clean management are the focus of this year. Moreover, in response to the growth of orders, the expansion of the high-end product capacity is a task of continuous development.

＞A-2 Smart Vision Technology:

In addition to continuing to enhance the business of the existing product lines, PRIMAX actively explores new product lines, with a view to taking a leading position in the new digital wave, both in product design capabilities and mastering of key technologies. Smart home-related products that are currently under active development are expected to bring new momentum of profit and create profit margins. At this stage, in addition to keeping abreast of the development trend of technologies related to smart home multimedia streaming, PRIMAX continues to develop new platforms and software to facilitate business promotion and actively establish a supply chain of key components. In terms of internal R&D plans, PRIMAX will continue to strengthen our software development capabilities and establish long-term cooperative relationships with software solution providers to stay up to date with the trends of relevant technology development. In terms of the client base, PRIMAX will continue to deepen and broaden the current relationships with our major clients and product items. At present, all major clients are leaders on the market, which is in line with PRIMAX's growth strategy, and PRIMAX will further expand its market share and enhance the leading position.

Meanwhile, PRIMAX will expand the business and enter the professional field of surveillance products, that is PRIMAX will continue to expand our business under the condition that the existing clients are also leading brands on the market.

＞A-3 Automotive Camera Module:

Based on the existing clients, PRIMAX will deepen and expand the business by laying a foundation for future growth through the existing new energy car manufacturers/China's tier-1 suppliers.

B. System Integration

＞B-1 Business Equipment:

PRIMAX actively develops high-speed and low-cost scanner modules, which have been successfully mass produced. High-end business scanners and module products are also about to enter the stage of mass production so as to expand the global business actively. In the design and manufacturing of laser printers and multifunction printers, in addition to consolidating the existing clients, PRIMAX will continue to develop more competitive platforms and actively strive for new product development projects from US and Japanese clients. At present, a number of projects are in progress and will enter the stage of mass production one after another this year. The label barcode printer is another new product line. The first generation of the product has been mass-produced and has been well received by the market. This year, PRIMAX will invest in the development of a new generation of desktop products. The business of OEM manufacturing of image modules and business products continues to grow steadily, and PRIMAX will actively strive for the business from new clients and new products. In terms of office automation products, with the continuous improvement of its own technologies, PRIMAX has successively obtained many important patents. The development of new clients has been very smooth. PRIMAX has successfully transformed its business model into an ODM-based one and actively cooperates with clients to develop new products.

＞B-2 Smart Home Products:

In addition to continuing to enhance the business of the existing product lines, PRIMAX actively explores new product lines, with a view to taking a leading position in the new digital wave, both in product design capabilities and mastering of key technologies. Smart home-related products that are currently under active development are expected to bring new momentum of profit and create profit margins. At this stage, in addition to keeping abreast of the development trend of network storage devices and technologies related to smart home multimedia streaming, PRIMAX continues to develop new platforms and software to facilitate business promotion while establishing a supply chain of key components actively. In terms of internal R&D plans, PRIMAX will continue to strengthen our software development capabilities and establish long-term cooperative relationships with software solution providers to stay up to date with the trends of relevant technology development. In terms of the client base, PRIMAX will continue to deepen and broaden the current relationships with our major clients and product items. At present, all major clients are leaders on the market, which is in line with PRIMAX's growth strategy, and PRIMAX will further expand its market share and enhance the leading position.

＞B-3 Wireless Charging Products:

In the short term, PRIMAX will continue to consolidate its leading position in the category of retail clients and ensure the leading advantages of scale and technical specifications, while the same approach will be adopted in the forward-looking field of wireless charging products for before-market electric vehicles that the Group entered in 2019.

This year, it is planned to expand its business to the tie-in sale of mobile phone brands, before-market Tier-1 suppliers and car manufacturers, and the field of special wireless chargers, to demonstrate the leading position in the technology and service as well as high-value services.

C. Tymphany Audio

＞C-1 Speakers:

Smart speakers are still the mainstream in the current market. In addition to consolidating the existing mainstream clients in the market, PRIMAX will focus on the development of markets outside Europe and the US. Smart speakers are mainly based on voice, and the existing mainstream client may not be able to enjoy an advantage in non-English-speaking countries because of characteristics of each language; thus, there is still a great deal of room for growth in the market. The Company has also worked hard in the China's market for a long time, which will have a greater space for growth in the future.

In addition, breakthroughs of flat-panel LCD TVs have been made in size and pixels, and the price is becoming accepted by the wider public, which also makes market attention re-paid to sound bar products. When consumers are pursuing the enhanced image quality, they are also pursuing the improved sound quality. The latest Dolby Atmos has stepped out of the cinema and entered the family; thus, this is also one of the key products that the Company will focus on in the future.

Meanwhile, in view of the market potential and high profitability of professional-grade commercial speakers, PRIMAX has developed its business in this market for past two years. As the products in this market are durable with high unit prices and high power, it is of great help to further increase the Company's profitability and long-term stable sources of revenue in this market.

＞C-2 Headphones:

PRIMAX's current major client in headsets are market leading brands. It will continue to deepen the cooperation with these clients and expand the scope of services to other types of headphone products in this field.

Meanwhile, PRIMAX will increase its efforts to develop true wireless headphone products and its mainstream clients. PRIMAX has also achieved considerable results. New products in this field will be released to the market one after another this year. It will continue to introduce new technologies and develop new clients to obtain market leadership.

2. Long-term business development plans

I. PC Peripherals

PRIMAX will continue to strengthen its production automation capabilities, reduce labor costs and pressure for shortage of workers, and implements a lean production model. In addition, it will develop new product lines (such as home gaming console peripherals and mobile device gaming peripherals) to expand new business and increase turnover.

II. Non-PC Peripherals

A. Visual Technology

＞A-1 Mobile Camera Module:

In the long-term strategy, with a large customer base as the foundation, PRIMAX will strive to form effective strategic cooperation with upstream suppliers of key components of camera modules/fingerprint modules targeted (such as image chips, optical lenses, motors, infrared-free glass, and ceramic chips), to ensure cost competitiveness, technological advantages, and supply guarantee through closer partnership. In addition, for existing clients, PRIMAX will (1) deeply expand the business with clients' entire product lines of camera modules/fingerprint modules and will fully support the strategic clients' needs for lenses and extend to modules containing similar technologies for all physical platforms defined by clients, including TVs, wearable devices, tablets, mobile phones, and even automotive devices; (2) broaden clients' other product lines, and ensure continued competitive advantage through bundle price negotiation.

In terms of management of clients, PRIMAX has invested in and developed clients in the fields of non-mobile applications that are about to flourish, which is expected to have significant results next year.

＞A-2 Smart Vision Technology:

In terms of long-term business development plans for new product development, PRIMAX will continue to develop and expand the technologies and business of wireless network storage devices and smart digital imaging products, and will also work closely with key clients to develop new products that meet the market needs, to create a win-win situation. In terms of the client base, it will expand from the Company's existing client base and start with market leading brands, including cooperation with major European and US consumer electronics manufacturers and Japanese leading manufacturers, to lead the market in energy conservation, system integration, and user-friendliness design, so as to grow together with key clients selected. In addition to hardware product development, in response to emerging cloud computing applications, PRIMAX will continue to enhance the ability to develop, integrate, and apply relevant software technology. With its solid design, research, development, application, management and execution capabilities, PRIMAX will surely be able to successfully expand the business of such products and services.

> A-3 Automotive Camera Module:

PRIMAX will move toward the development of smart subsystems and formulate business strategies for systems and products in cooperation with software suppliers, such as driver monitoring/ in-car monitoring system.

B. System Integration

> B-1 Business Equipment:

PRIMAX will continue to expand the technology and business of scanners and multifunction printers and become the world's first professional ODM design company. Moreover, in response to the huge market demand for wireless broadband and mobile multimedia devices, PRIMAX has actively enhanced the development, integration, and application of relevant technologies for mobile device scanning and printing. PRIMAX has accumulated solid capabilities and experience in the design of high-end scanners, automatic feeders, automatic binding machines, and control panels. With more than 20 years of experience in the development and manufacturing of imaging products and embedded devices, PRIMAX will certainly be able to expand the business of such products successfully. In terms of office automation products, it continues to invest in the development of its own technologies, to lead the market in energy conservation, system integration, and user-friendliness design while growing together with key clients selected.

> B-2 Smart Home:

In terms of long-term business development plans for new product development, PRIMAX will continue to develop and expand the technologies and business of wireless network storage devices and smart home products, and will also work closely with key clients to develop new products that meet the market needs, to create a win-win situation. In terms of the client base, it will expand from the Company's existing client base and start with market leading brands, including cooperation with major European and US consumer electronics manufacturers and Japanese leading manufacturers, to lead the market in energy conservation, system integration, and user-friendliness design, so as to grow together with key clients selected. In addition to hardware product development, in response to emerging cloud computing applications, PRIMAX will continue to enhance the ability to develop, integrate, and apply relevant software technology. With its solid design, research, development, application, management and execution capabilities, PRIMAX will surely be able to successfully expand the business of such products and services.

> B-3 Wireless Charging Products:

In addition to continuing to consolidate the existing retail channels as well as the fields of mobile phones and automotive products, PRIMAX will move toward wider application of medium- and high-power products and expand relevant markets and services in the new fields of home (Ki), PC, industrial control, medicine, acoustics, and even external wireless charging for electric vehicles.

C. Tymphany Audio

> C-1 Speakers:

In terms of long-term strategic development of audio products, PRIMAX will work to increase the sales of speaker drivers. In addition to the promotion of the use of PRIMAX's own speaker drivers to the existing clients in the system business, the sales of independent drivers will be strengthened. This aims to not only enhance the growth of business but also to promote the visibility and reputation of the Company's efforts in the quality of speaker drivers, thereby enabling this field to be a boost for the system development business and vice versa.

The development of new markets is to strengthen development of clients in China and Europe. China is a big market for emerging speaker products and also an emerging market for smart voice assistant speakers in the future. In Europe, there are many traditional speaker manufacturers striving for transformation into a business model featuring a wide variety of products in a small quantity, highly customized, and high added value; PRIMAX can contribute to the transformation using its strengths.

> C-2 Headphones:

As wireless and smaller headphones are becoming popular, a new development direction in the future is to combine headphones and wearable devices as a new generation of health and fitness products. In addition to smart functions, there are various new functions, such as physical state detection, environmental sound monitoring, and hearing assistance. These functions will be likely to once again subvert the ecology of the existing market and new brands may emerge as a result. Therefore, PRIMAX will continue to invest in new technologies in this field and develop new clients, to ensure leadership in the market and creation of new markets.

2. Overview of the Market as well as Production and Marketing Situation

(1) Market analysis

1. Sales area of main products

Geographic Distribution / Year	2018		2019	
	Amount (NT$1,000)	%	Amount (NT$1,000)	%
Mainland China	30,476,783	47.02	31,841,538	39.48
Europe	17,498,442	27.00	23,267,214	28.85
USA	16,752,178	25.85	23,186,378	28.75
Other	84,005	0.13	2,354,478	2.92
Total	**64,811,408**	**100.00**	**80,649,608**	**100.00**

2. Market share

PRIMAX is a manufacturer of professional computer peripheral products, mobile device components, business devices, and smart home-related products, with a high rating in the industry. As PRIMAX's wide variety of products covering a wide range of areas can be widely used in products, such as mouses, keyboards, touch panels, laptops, mobile phones, headphones, charging docks, printers, scanners, audio products. Since 2015, it has gradually entered the automotive electronics market. Because of the great differences in the final products to which these products are applied, there has not yet been complete and objective market share statistics for reference.

3. Supply and demand in the market and growth in the future

I. PC peripherals

The peripheral products produced by PRIMAX include keyboards, mouses, e-sports, and gaming device peripherals, which are mainly used in desktop computers, laptops, and e-sports computers. Among them, the keyboards and mouses are the main sale items.

The overall PC market was flat in 2018. Although estimation of the overall PC market is not optimistic, the global e-sports market is quite thriving, which is driving the demand for high-end PC markets. According to JPR analysis, the market of e-sports peripherals is worth US$5 billion, and the annual growth rate of 13% is expected to continue in 2020. PRIMAX has already formulated its business strategies as early as in 2015 and has developed partnership with the world's top e-sports brands, which has also witnessed good results. Relatively speaking, the higher unit price of e-sports products has not only made up for the gap of the original peripherals of computers and tablets but also increased the growth of revenue.

II. Non-PC Peripherals

A. Visual Technology

> A-1 Mobile Device Components:

PRIMAX's mobile device component products include camera modules, fingerprint recognition modules, bluetooth headphones, charging docks, and wireless charging in communications peripherals; of them, camera modules occupy the largest portion. The components are mainly used in information, communications, and consumer electronic products, such as laptops, smart phones, and tablets; thus, the changes in demand in the future are closely related to the shipments of laptops, smart phones, and tablets.

As for laptops, since the shipment of laptops surpassed the mark of 200 million units in 2010, the shipment of laptops has stagnated in recent years, with the shipment of around 250 million units per year. Since the built-in camera module of laptops has become the standard device of laptops, the shipment volume of the built-in camera module for laptops will also be stable with the shipment volume of laptops. Tablets experienced a glorious period from 2012 to 2013, but in 2014, the shipment began to decrease (except for the steady growth of Apple); thus, the growth was estimated to be flat in 2018. The growth of the number of mobile phones has slowed down, but mobile phones equipped with multiple camera modules have become a trend (front camera, dual main cameras, and facial recognition), so the demand for mobile phone cameras is still expected to grow. In terms of smartphones, with the growth of global mobile phone shipments and the increase in the percentage of mobile phone camera modules and video lenses, the annual mobile phone camera module shipments have grown year by year, and with the increasing popularity of 3G, 4G and the upcoming 5G mobile networks, the proportion of the sub-camera module (video camera) built in mobile phones has increased year by year, which has led to a continuous rise in the global smartphone shipments. More than 70% of mobile phones have a front lens and a rear one. In terms of brands, the global rankings have been reshuffled. The businesses in China have occupied six places in the top 10 brands. In addition, several businesses in India are moving up and down the list of the top 10 brands, which shows the huge growth momentum of emerging markets.

>A-2 Smart Vision Technology:

The price of full-high-definition (FHD) digital TVs continues to decrease, ultra-high-definition (UHD) 4K TV continues to grow; personal mobile devices, multimedia games, audio and video streaming boxes, as well as cable network bandwidth continues to improve (10/100Gb); wireless broadband technologies (IEEE802.11ax and 5G) continue to advance; the cloud video and audio streaming services are popularized and diversified, and the contents of high-quality multimedia become more diversified. The smart home products are diverse, and various innovative devices, applications, and services are constantly being introduced; thus, the future growth is ensured.

With the vigorous development of the voice assistant speaker market, coupled with the rapid development of artificial intelligence over the past two years, smart speakers with network connections, voice assistant, and cloud artificial intelligence capabilities, and even new products incorporating smart speaker modules will increase in the foreseeable future. It is expected to bring a new wave of opportunities for tremendous growth to the smart home industry.

>A-3 Automotive Camera Module:

The barrier to automotive lenses is higher, and once certification is obtained, long-term profit will be ensured. The technological and technical difficulty of automotive lenses is relatively considerable, mainly because of its high requirements for reliability. Unlike ordinary lenses, the continuous working time of automotive lenses is long, and the environment they are in is often subject to larger vibration. Once they fail, they will cause a fatal threat to users' life and safety. Therefore, strict requirements are imposed on modules and packaging. Automotive lens testing requires several days of soaking in water and a temperature test of more than 1000 hours, as well as a rapid switch from minus 40 degrees to minus 80 degrees. In addition, automotive lenses need to have a night vision function to ensure normal use at night. In summary, the requirements for the manufacture of automotive camera modules are relatively high. OEMs have more trust in lens manufacturers with scale and stronger manufacturing capabilities. This makes it easier for powerful lens manufacturers to win the competition in the current automotive lens market.

B. System Integration

>B-1 Business machine products:

Due to fierce market competition, the end price of multifunction printers (MFP) has been declining, particularly inkjet and black and white laser models. Due to the stagnation of the global economy, the shipment of consumer inkjet models will continue to decline in the next few years. However, the laser models focused on by PRIMAX will continue to grow slightly, and the demand for multifunction printers in emerging countries will continue to grow. The demand for color multifunction printers in the well-developed markets of Europe, America, and Japan will continue to increase, mainly because of the switch from the black and white printers to color multifunction ones. Although the impact of mobile devices and digital trends will continue, the demand for printers and multifunction printers will continue. Through improving performance, combining digital process management, deepening the customization in vertical industries, and innovative applications that integrate cloud services, PRIMAX will focus on the applications of A4 low-end laser MFP and communications products, which is expected to lead to another wave of growth momentum.

>B-3 Wireless Charging Products:

With the popularity of smart phones, tablets, and wearable devices, wireless products have become an indispensable electronic product in people's daily lives. With the introduction of Samsung's flagship models and the introduction of all Apple's models in 2017, the growth momentum of wireless charging is even more unstoppable. Major mobile phone manufacturers are also closely preparing for the introduction. In the current preliminary stage, high-price flagship models are still the main products to be introduced.

In addition, other consumer electronic product and computer product providers hope to add as many functions useful to consumers as possible. Wireless charging has thus become the function that is useful to consumers and is differentiated with the value-added effect. Therefore, the major manufacturers have also followed Apple's step and are preparing to introduce wireless charging into some of their products.

IHS expects that the demand will reach 2 billion units in 2022. This huge business opportunity mainly comes from the built-in wireless charging function of mobile phones. Therefore, it can be estimated that the current wireless charging models will be gradually decentralized from the high-end flagship level to the mid-level or even low-level market, bringing business opportunities as what has been brought by the camera modules, bluetooth, Wi-Fi, touch function, and fingerprint recognition, as another important component and peripheral in electronic products.

C. Tymphany Audio

>C-1 Speakers:

Smart speakers are the major product in electronic consumption in recent years. Since Amazon launched the first generation of smart speaker Echo in 2014, smart speaker shipments have grown at a very high speed; global shipments had surged from 2.55 million units in 2015 to 86.2 million units in 2018, with the compound annual growth rate of approximately 223%. The global smart speaker shipments exceeded 56.2 million units in the first half of 2019.

According to IDC's forecast, the market size of smart speaker will increase from US$4.4 billion in 2017 to US$17.4 billion in 2022, with an annual compound growth rate of 32%, which is the fastest growing segment of smart home devices.

>C-2 Headphones:

Since 2000, the headphone industry has experienced three waves of changes, namely digitalization, wirelessization, and intellectualization. According to Futuresource, the global annual sales of the overall headphone market in 2018 were close to US$20 billion, an increase of around 16.7% compared with 2017. From 2008 through 2018, the global headphone market had grown from nearly US$4 billion to around US$18 billion, with a compound growth rate of around 16%.

Compared with traditional headphones, smart headphones are mainly divided into the six application categories, namely true wireless, voice assistant, smart translation, hearing enhancement, sports, and noise reduction. True wireless is the mainstream trend of smart headphones.

According to GFK's data, the global true wireless headphone market size was around US$2 billion in 2017, and it is expected that the market size will reach US$11 billion by 2020, with an annual compound growth rate of 76%.

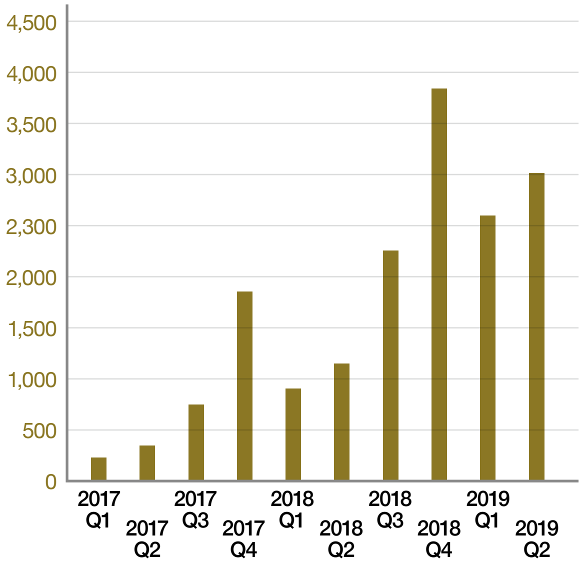
According to the forecast of Intelligence Research Group, the global shipments of true wireless headphones will reach 65 million units, 100 million units, and 150 million units from 2018 to 2020, respectively, with a compound annual growth rate of 51.90%. It is expected that as the sound quality and functions of true wireless headphones continue to improve, the penetration rate of true wireless headphones will continue to increase in the future.

4. Competitive niches

A. Sufficient production capacity and economies of scale

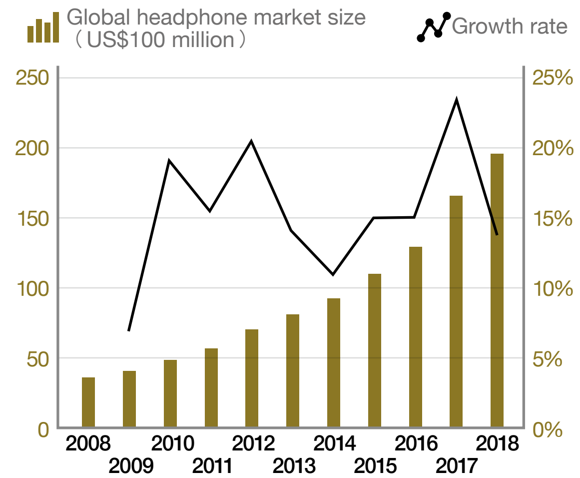
With the increasingly shortened life cycle of consumer electronics products, various manufacturers are all focusing on new product development and cost reduction. Therefore, under the consideration of cost reduction and rapid mass production, OEM is the mainstream trend in the market. Under this trend, manufacturers with relevant product production experience and sufficient production capacity have become the large international manufacturers' first choice for outsourcing. PRIMAX has decades of experience in the development, design, and manufacturing of imaging products and embedded devices, with a strong technological development team and strict manufacturing and quality management processes. Backed by its strong R&D team, PRIMAX can immediately adjust the production process according to clients' needs and assist them in optimizing

Global shipments of smart speakers
(unit: 10,000 units)



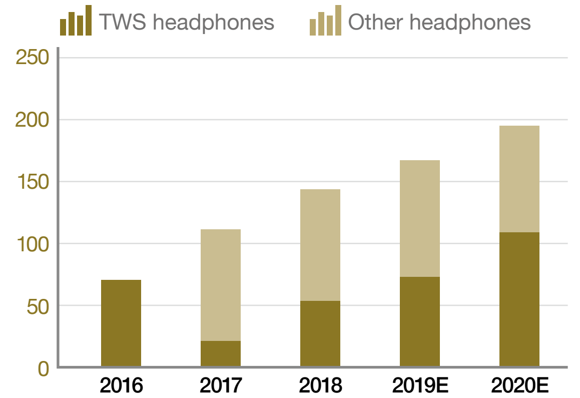
Sources: All View Cloud and Strategy Analytics

Global headphone market size and growth rate



Source: Futuresource

The global true wireless headphone market is growing rapidly
(Unit: US$100 million)



Sources: GFK and Guosheng Securities

their existing products while responding to their needs in real time. PRIMAX has successively set up production bases in Dongguan, Kunshan, Chongqing, and Huizhou in China, to continues to increase the production capacity, while having production capacity with the effect of "economies of scale" and capacity allocation flexibility. Such economies of scale, capacity allocation flexibility, and professional process technology have made the entry into this field for new competitors relatively more difficult, and such diverse production resources have also become an important competitive advantage for the Group in obtaining OEM orders from large international manufacturers.

B. Global logistics-based production

PRIMAX provides services to clients in a global logistics-based model. In addition to providing excellent products to clients, the Group also provides logistics support services to them. PRIMAX's process management capabilities are excellent, production flexibility is high, as well as its production and sales layouts in Dongguan, Kunshan, Chongqing, and Huizhou are great, while providing clients with services from the nearest base to stay close to the market and shortening the product delivery time through the global instant supply warehouse（such as the US, the Netherlands, and China）, so as to provide clients with a stable and fast supply and enable them to have minimum inventory and reduce capital backlog; therefore, the logistics support capability is one of the competitive niche of the Group.

C. Maintain deep cooperation with international manufacturers

Since its establishment, PRIMAX has continued to focus on the research and development of computer peripheral products, mobile device components, business devices, smart homes, and electro-acoustic-related products. The product quality and stability have been deeply recognized by clients, and the Group continues to receive clients' orders for purchases. PRIMAX's main clients are all internationally renowned manufacturers. When establishing specifications and undergoing technological innovations in the preliminary stage of validation with clients, the Group can make full use of client relationships to obtain the latest market information to keep abreast of the market trend. PRIMAX has established great cooperative relations with upstream and downstream industries for many years. In the future, it will also be an important partner for close cooperation with major manufacturers when developing new products.

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

PRIMAX has an experienced and well-qualified software R&D team with the R&D capabilities of human-machine interface software and hardware. It can not only actively help clients improve product operation interfaces but also develop highly user-friendly software and convert it to consumer electronic products widely accepted by the general consumers, such as personal network servers and wireless hard drives. These new applications that are integrated and developed from the existing technologies will be a big niche for future development.

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

Wireless charging involves the wireless and magnetoelectric principles; there have not yet been standards of the industrial specifications and scale advantages and there are no major specifications or leaders on the market, so it attracts many small and medium manufacturers to join. However, because of major brands' requirements for diversified product designs and their expectations of larger-scale developers with design capabilities equivalent to those of other key components in terms of design mastery and optimization, even the final product certification, and mass production capabilities, PRIMAX stands out particularly on this front.

PRIMAX has been favored by major mobile phone and consumer electronics brands from ten years ago and has continued to incorporate wireless charging into major brands' products, including various receiving devices（mobile phone cases, smart speakers, laptops, headphones, and mouses）, the transmitting devices（charging pads, charging docks, in-car charger mounts, charging docks for wearable devices, and mouse pads）. The requirements for design, manufacturing, testing, and quality assurance are in line with the international standards, which are unmatched by other wireless charging competitors in the short term. Therefore, the Group's products continue to receive major brands' attention and inquiries about its release of wireless charging products and cooperation.

5. Favorable and unfavorable factors of development prospect and response strategies

Favorable factors:

A. International manufacturers continue to outsource its business to OEM to reduce costs

International brand manufacturers have recently continued to manage their brands and maintain the control of their R&D technologies; they have successively outsourced their business to professional OEM factories for production to reduce production costs and to focus on their own design, sales, and R&D work so as to simplify the complexity of management and improve operational efficiency, while streamlining the organizational structure, concentrating resources, reducing production costs, strengthening brand value, and increasing the market share. Under the situation where the global division of labor in the electronics industry is becoming more and more obvious, such a business model has become necessary for all major international brands, and as a result, it has led to huge outsourcing business opportunities.

PRIMAX has established production bases in Thailand, Dongguan, Kunshan, Chongqing, and Huizhou in China in order to serve the nearest clients, strive for OEM business, and reduce production costs. In recent years, PRIMAX has gained clients' recognition in product development technological capabilities as well as has provided clients with diverse production resources as the production backbone and the most complete services in a timely manner; therefore, it has cooperated with well-known international manufacturers in the US and Japan while successfully obtaining their OEM business. With PRIMAX's professional development technological capabilities and great production management model, it can effectively reduce the production cost and expand business opportunities in the competitive OEM market.

B. The terminal application market still has great room for growth

> I. PC Peripherals

PRIMAX's computer peripheral products include mouses, keyboards, keyboard modules for laptops, and high-speed transmission docks. In current trend, as the major computer brands are becoming bigger, although the growth trend of the computer market in the future will slow down, the Group will still occupy a favorable position because of the appropriate client strategy. Meanwhile, the increase in demand comes from the gradual development of the e-sports industry, and relevant keyboards, mouses, and game controllers are produced accordingly.

> II. Non-PC Peripherals

>>a Visual Technology

>>>a-1 Mobile device camera module:

PRIMAX's mobile device components mainly include built-in camera modules and fingerprint recognition modules for laptops, smartphones, and tablets, as well as bluetooth headphones and charging docks for peripheral communications devices. As consumers are accustomed to using the mobile phone cameras to take photos or share videos with friends and family at any time, smartphone and tablet manufacturers continue to launch high-pixel smartphones and tablets with built-in camera modules. In addition, with the popularity of the Internet and the increase in bandwidth, the built-in camera modules for laptops have become the standard device of laptops, showing that the market of built-in camera modules still has great room for growth. Moreover, the mobile payment market is in full swing and the demand for fingerprint recognition is growing fiercely and rapidly, which is the one of the fastest-growing areas in these two years. With the advancement of mobile phone functions, the power consumption has also increased significantly. It is no longer the case that mobile phones can stand by for more than a week as in the past; instead, the demand for various portable chargers, USB charging cables, and in-car charging cables has increased dramatically. Driven by the Internet phone and the portable device industries, the demand for bluetooth headphones will continue to rise, which will surely drive the Group's revenue growth.

>>>a-2 Smart Vision Technology:

As the image AI environment is more developed, the Wi-Fi network penetration rate at home increases year by year, and wireless transmission-related applications are booming, which will drive the sales of home security surveillance. The explosive growth of mobile devices, including the popularization of smartphones and tablets and the increasing demand for wireless smart surveillance in the market, will motivate consumers to purchase smart doorbells, smart access control systems, and smart surveillance systems to extend the application of mobile devices.

PRIMAX also possesses profound knowledge and development capabilities in imaging optics, as well as development and manufacturing capabilities system integration, along with its overall manufacturing and procurement capabilities, the Group has great competitive advantages.

In addition, smart imaging requires new human-machine interfaces and the wireless networking function, which are also part of PRIMAX's core competitiveness, so that we are in a good condition when facing external competition.

>>>a-3 Automotive Camera Module:

從 From simple reversing imaging systems to panoramic display systems, the number of automotive lenses used per car has grown from one in the past to at least four, that is one on the front, rear, and both sides, respectively. In addition, in order to solve the problems of fog during the day and insufficient light at night, night vision lenses are produced accordingly. The driver monitoring lens installed in the car has also become a new function of automotive lenses. Statistics showed that the global demand for automotive lenses in the first half of 2019 was 120 million units. With the increase in the popularity of the ADAS system and the use of technologies, including face recognition, in-car monitoring, and rearview lenses, will be more widely used, and automotive lenses will usher in a truly smart era.

>>b. System Integration

>>>b-1 Business Equipment:

PRIMAX's business equipment products include laser printers, multifunction printers, and scanners. With the increasing popularity of wireless network technology, the trend of printers and business devices using wireless technology for printing and transmission is becoming more and more obvious. With the increase in sales of smartphones and tablets and the advancement of their functions, consumers' demand for printing is increasing day by day. With the advent of wireless business equipment and printers, it will be able to meet the printing needs of handheld devices, such as mobile phones and tablets, and will increase the Group's product sales indirectly. Moreover, the demand for black and white laser multifunction printers in emerging markets continues to grow, which will also directly contribute to the growth of PRIMAX's product sales.

> > >b-2 Smart home:

As the broadband network environment is more developed, the penetration rate of home Wi-Fi wireless network increases year by year, and wireless transmission-related applications are booming. Consumers have real demand for home entertainment and video streaming services, which will drive the sales of home network storage devices and home entertainment audio and video servers. The explosive growth of mobile devices, such as the popularity of smart phones and tablets, the market's demand for wireless audio and video storage devices has increased, which will motivate consumers to purchase portable wireless hard drives to expand the capacity of mobile devices.

> > >c Tymphany Audio:

PRIMAX also possesses profound acoustic knowledge and development capabilities, as well as the development and manufacturing capabilities of the key parts, that is the speaker driver, along with the its overall manufacturing and procurement capabilities; therefore, the Group has great competitive advantages.

Furthermore, smart speakers require new human-machine interfaces and wireless networking capabilities, which are also part of PRIMAX's core competitiveness; thus, we are in a good condition when facing external competition.

Unfavorable factors:

A. Shortened product life cycle

Information, communications, and consumer electronics products are changing rapidly, and product life cycles are shortening, which leads to increased management risks. In addition to the pressure of the inventory that is unable to be consumed and the backlog of capital, the shorter product development design and mass production time have tested PRIMAX's professional technology and management ability.

>Response measure:

PRIMAX actively develops new technologies to enhance its R&D capabilities and continues to train R&D personnel to improve the production efficiency and the yield rate to shorten the product development cycle. In addition, the Group has established long-term positive cooperative relations with many well-known domestic and foreign manufacturers. During product development, it cooperates and communicates with clients to fully understand their needs and market trends to ensure rapid development and mass production of products in line with market needs. Moreover, it strictly controls the raw materials with special specifications and actively reduces inventory and the loss of sluggish sales, which can effectively reduce costs and enhance market competitiveness.

B. Fierce price competition undermines profit margin

In recent years, the vigorous development of electronic products has driven the market demand for relevant components for computer peripheral products, mobile devices, and business equipment products. As a result, market competition is fierce and product price pressures increase, resulting in a trend toward lower prices for electronic products and undermining the profit margin.

>Response measure:

PRIMAX focuses on improving its core competitiveness, strengthening product R&D technologies as well as manufacturing and mass production capabilities, improving product processes continuously through product design to reduce material consumption, and introducing advanced production equipment to improve production efficiency. Meanwhile, its continues to expand high-end products with higher gross profit margins, to seek product differentiation and increase the added value of products so as to create market segmentation in the industry, while maintaining close cooperative relations with existing clients to consolidate the existing market.

C. Labor shortages and rising labor costs in China

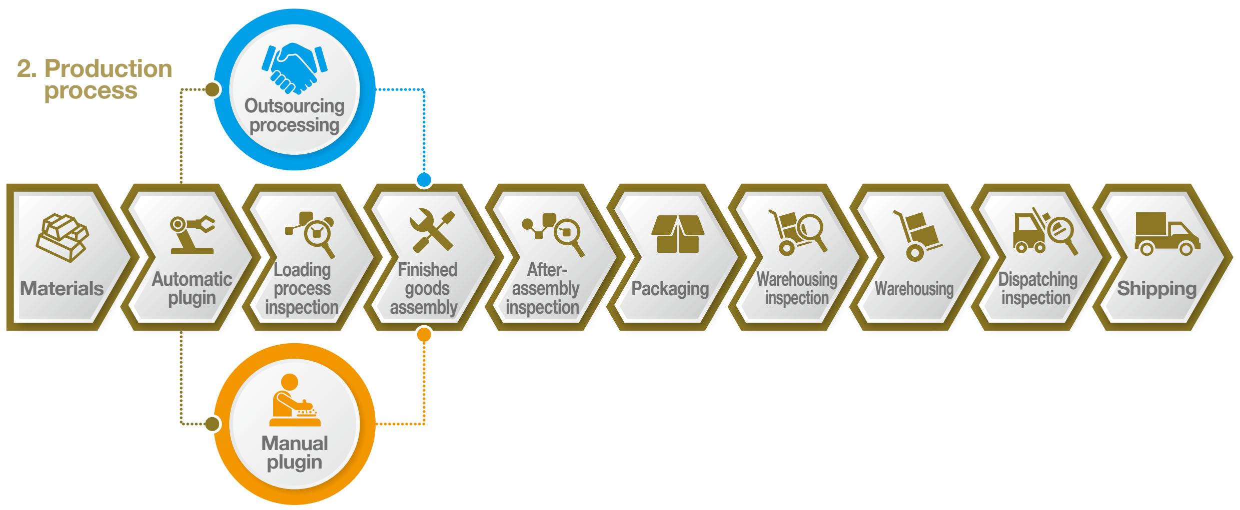
In recent years, the labor department in various provinces in China have increased wages to protect labor rights. In addition, China's inland economy has developed rapidly, and the annual economic growth rate has grown in double digits, resulting in a reduction in the working population's willingness to continue to stay in the coastal areas. Therefore, the continuous labor shortages and increase in the labor costs have caused an increase in the business operating costs.

>Response measure:

In order to fundamentally improve labor problems and reduce the labor costs, PRIMAX actively introduces modular automated production equipment and processes to increase the production efficiency and reduce the labor costs. In the meantime, PRIMAX spares no effort to improve its production process, process streamlining, and automated testing, while setting up a dedicated unit responsible for the design and manufacturing of precision molds and automated assembly equipment as well as introduction of mass production so as to keep abreast of the production process and control product quality. Moreover, it has continued to develop highly automated production and inspection equipment along the production lines in recent years, to improve the production efficiency and reduce the production costs.

(2) Important uses and production process of main products

1. Important uses of main products



(3) Supply of main raw materials

PRIMAX's products are mainly divided into PC peripheral products and non-PC peripheral products. These products are mainly purchased by DongGuan Primax Electronic & Telecommunication Products Ltd., Primax Electronics.(KunShan) Co., Ltd., and Primax Electronics (ChongQing) Co., Ltd. As they are the Company's subsidiaries and sub-subsidiaries, the delivery date and the supply sources can be fully controlled, and there is no shortage of supply sources. As for the main raw materials of the products for the subsidiaries and sub-subsidiaries, to ensure stable sources of supply and stable quality, the materials are supplied by through long-term cooperation suppliers, and the number of suppliers of main raw materials is maintained at least two. There should be no risk of interruption of the Company's business due to disruption of the supply.

(4) Names of the clients contributed to more than 10% percent of the total purchase (sale) amount in either of the most recent two years, the amount of purchase (sale) from (to) them, and the ratio thereof, and explanation of the reason for changes in these figures.

1. Information on suppliers accounting for 10% or more of the total purchase amount in either of the 2 most recent years:
   There was no supplier accounting for more than 10% of the total purchase amount in any of the last two years.
2. The information on clients accounting for more than 10% of the total sale amount in any of the last two years.
   There were no clients accounting for more than 10% of the total sale amount in any of the last two years.

(5) Table of production volume and value in the most recent two years:

Unit: NT$1,000 / 1000 pcs

Production volume / Year / Major products	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PC peripherals	139,478	71,481	19,691,875	163,133	77,721	20,897,132.55
Non-PC peripherals	2,109,800	202,409	38,970,385	2,385,535	154,712	68,266,739.61
Total	**2,249,278**	**273,890**	**58,662,260**	**2,548,667**	**232,433**	**89,163,872**

(6) Sales volume and value in the most recent two years:

Unit: NT$1,000 / 1000 pcs

Sales volume / Year / Major products	2018				2019			
	Internal sales		External sales		Internal sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC peripherals	457	148,156	114,599	21,223,519	942	185,596	240,345	22,460,580
Non-PC peripherals	1,000	164,958	137,805	41,021,722	2,120	41,637	243,689	54,827,510
Services revenue	0	0	0	2,253,053	0	0	0	3,134,285
Total	**1,457**	**313,114**	**252,404**	**64,498,294**	**3,061**	**227,232**	**484,033**	**80,422,376**

3. The number, average service time, average age, and educational background of the employees in the most recent two years as of the publication date of the annual report.

Year		2018	2019	January 1, 2020 to May 8, 2020
Number of employees	Technician (Engineering)	3,354	3,244	2,883
	Management and business personnel	2,441	1,630	1,555
	Total	**5,795**	**4,874**	**4,438**
Average age		34.8	36.5	36.9
Average year of services		4.7	5.6	5.9
Education Percentage (%)	PhD	0.3	0.3%	0.3%
	Master	8.8	11.7%	12.8%
	University	54.0	64.2%	67.6%
	Senior high school	16.1	15.5%	14.6%
	Below high school	20.8	15.5%	4.8%

4. Information on Environmental Protection Expenditures

The disclosure of total amount of losses (including compensation paid), penalties paid by the company for environmental pollution, its future response measures (including improvement measures), and possible expenditures (including the estimated amount of losses, penalties, and compensation that may occur if the countermeasures are not taken. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated) in the most recent year and as of the publication date of the annual report: None.

The following is the statistical table of environmental protection expenditures of each plant of the Group in 2019.

Unit: NT$

Classification of environmental protection costs	Description	Expenditures
1. Direct cost of reducing environmental impact		
(1) Cost of pollution prevention	Including air pollution control costs, water pollution control costs, other pollution control costs	9,023,891
(2) Resource conservation cost	The cost of conserving resources (such as water resources)	11,635,835
(3) Business waste and general office waste disposal and recycling cost	The cost of business waste disposal (including reuse, incineration, and landfill)	4,377,570
2. Indirect cost of reducing environmental impact (management expenses related to environmental protection)	Including (1) employee environmental protection education expenditure; (2) environmental management system architecture and certification acquisition costs; (3) monitoring environmental impact cost; (4) increased cost of purchasing eco-friendly products; (5) relevant personnel cost from the organization dedicated to environmental protection	64,568,049
3. Other environmental costs	(1) Expenses for soil remediation and natural environment remediation; (2) environmental pollution damage insurance premiums and environmental taxes and fees imposed by the government; (3) costs of reconciliation of environmental issues, compensation, fines, and litigation	0
Total		**89,605,345**

5. Labor management Relations

(1) The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor-management agreement and measures for safeguarding employees' rights and interests

1. Employee benefits and implementation status

The Company has set up an Employee Welfare Committee in accordance with the Employee Welfare Act to handle the appropriation and distribution of welfare fund. The current welfare system includes labor insurance and national health insurance, group insurance, annual health checkup, birthday gift certificates, Labor Day/Dragon Boat Festival/Moon Festival cash gifts, employees' and their dependents' wedding and funeral subsidies, employees and their dependents' scholarships, employee hospitalization condolence money, domestic and international travel allowances, emergency assistance loans to employees, the year-end party and lucky-draw activity, club activities, employee group travel, physical and mental health promotion measures, and employees' leisure space.

2. Continuing education, training, and the status of its implementation

In order to continuously enhance the competitiveness, develop important technologies, and cultivate management talents, the Company has established a variety of learning and development channels to enable employees to have reinforced learning effects through various methods.

- **On-the-job training:** On-the-job learning and development are launched, so employees strengthen their job experience through participation in work meetings, project (task) assignment, and job rotation.
- **Internal training:** Internal training is divided into three major categories: supervisor training, professional training, and general training, including basic new employee classes, classes for supervisor at various levels, professional technical classes, quality classes, general lectures, and English classes.
- **External professional training:** In order to motivate employees to continue to improve their professional abilities or to develop the second professional skills related to work for the purpose of career development, the Company subsidizes the full cost of the external professional training.
- **Overseas training:** Employees with excellent performance and development potential are selected and dispatched to participate in short-term overseas professional training or conferences to give them a wider international perspective.
- **Online learning and knowledge community platforms:** General and basic professional knowledge as well as English learning classes are provided on the digital LMS learning system, so that learning is no limited by time and space; employees can also exchange, share, and discuss knowledge in the discussion area on the community platform and the dedicated section on the blog.
- **Self-learning:** Employees are motivated to learning continuously work-related knowledge and skills and can apply for flexible working hours for on-the-job training. In addition, to respond to the Company's international business model, English learning subsidies are provided to motivate employees to strengthen their language skills. Furthermore, the Company updates the list of books recommended regularly and provides book purchase subsidies to motivate employees to develop a reading habit.

3. Retirement system and its implementation

PRIMAX (formerly known as "Hung Chuan Investment Co., Ltd.") was established on March 20, 2006 and had merged the original PRIMAX, with the original employees' relevant rights and benefits effective unconditionally on December 28, 2007. The pension system of the original PRIMAX has also remained unchanged. The payment requirements for and standards of labor pension are processed in accordance with the Labor Standards Act (hereinafter referred to as "the old system") and the Labor Pension Act (hereinafter referred to as "the new system").

For employees who have chosen the old system or the new system but with seniority accumulated under the old system, PRIMAX has established a retirement plan in accordance with the Labor Standards Act and deposits a monthly retirement reserve fund in the special account with the Bank of Taiwan for the payment of future pension. In addition, for employees who are entitled to the new system, PRIMAX appropriates an amount equivalent to 6% of the monthly salary as a labor pension reserve fund in accordance with the Labor Pension Act to the personal pension account with the Bureau of Labor Insurance.

4. Labor-management agreement and measures for safeguarding employees' rights and interests

PRIMAX's labor-management relationship is harmonious and positive. Employees can communicate with the Company on issues related to various systems and the work environment through departmental communication meetings to maintain positive interaction between the employer and the employees. In addition, PRIMAX's Employee Welfare Committee is in charge of handling various employee welfare matters and holding events and activities occasionally to enhance the harmonious work atmosphere between the Company and employees and to build coherence. The details are specified below:

(1) Hold departmental meetings regularly to communicate the Company's and departments' business plans, overview of business activities, and market conditions with employees

(2) Establish employee complaint and opinion mailboxes for employees to make suggestions on various measures or expose violations of moral integrity, unreasonable treatment, sexual harassment, or other acts that harm the Company's interest.

(3) Formulate sexual harassment prevention, complaints, and disciplinary measures to maintain positive working relationships and interaction principles between the genders and to avoid gender discrimination and harassment.

(4) Establish labor-management meetings and hold labor-management meetings regularly for communication and negotiation, to promote the harmonious labor-management relations.

(5) Establish the Employee Welfare Committee to regularly organize group activities and handle welfare matters.

(6) Establish a flexible working hour system to balance employees' work and life.

(7) Provide education and training programs and subsidies, provide employees with functional training, and motivate them to develop the second skill.

(8) Provide group insurance in addition to the basic protection of labor and health insurances, which further safeguards employees' life safety, medical care, and family.

(9) Hold employee health checkup and organize safety and health inspections regularly to ensure employees' physical and mental health and a safe work environment.

(2) The loss arising from labor disputes in the most recent fiscal year up to the date of publication of the annual report: None.

(3) The estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, please specify the reasons.

Since its establishment, PRIMAX has maintained an honest and responsible attitude and is committed to employees' well-being and the labor-management harmony, to work together for the Company's growth, making the Company's performance grow increasingly. Therefore, the labor-management relation has always been harmonious, and it is expected that there will be no labor disputes in the future.

6. Important contracts

Nature of contract	Counterparty	Commencement and expiration date	Major contents	Restrictions
OEM product	Client E	August 1, 2014 - end of project	OEM camera modules and mouses	Confidential
OEM product	Client G	February 20, 2006 - end of project	OEM consumer electronic products	Confidential
OEM product	Client B	May 22, 2007 - end of project	OEM multifunction printers	Confidential
OEM product	Client U	August 2007 - end of project	OEM mouses	Confidential
OEM product	Client T	February 20, 2008 - end of project	OEM consumer electronic products	Confidential
OEM product	Client H	June 1, 2008 - end of project	OEM multifunction printers	Confidential
OEM product	Client O	January 2006 - end of project	OEM consumer electronic products	Confidential
Trading and lease	Shin Kong Life Insurance	December 2008 - December 2023	Sale and lease of a Primax building	None
Loan and credit contract	The Export–Import Bank of the Republic of China	February 12, 2015 - February 12, 2020	Mid- and long-term bank loan	None

Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

1. Financial Position

Unit: NT$1,000

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	39,323,212	31,472,160	7,851,052	24.95%
Property, plant, and equipment	7,363,740	5,509,536	1,854,204	33.65%
Intangible assets	2,501,156	4,463,979	（1,962,823）	43.97%
Other assets	3,957,846	1,715,826	2,242,020	130.67%
Total asset	53,145,954	43,161,501	9,984,453	23.13%
Current liabilities	33,562,806	26,060,819	7,501,987	28.79%
Non-current liabilities	5,079,508	2,130,564	2,948,944	138.41%

Unit: NT$1,000

Item \ Year	2019	2018	Difference	
			Amount	%
Total liabilities	38,642,314	28,191,383	10,450,931	37.07%
Share capital	4,485,808	4,474,523	11,285	0.25%
Capital surplus	1,483,045	1,377,077	105,968	7.70%
Retained earnings	7,533,016	6,525,331	1,007,685	15.44%
Other equity interest	（1,193,867）	（751,110）	（442,757）	58.95%
Non-controlling interests	2,195,638	3,344,297	（1,148,659）	（34.35%）
Total shareholder equity	14,503,640	14,970,118	（466,478）	（3.12%）

Explanation of material changes in financial ratios:

（1）Current assets increased from last year: The main reason is that cash, receivables, and inventory increased.

（2）Property, plant, and equipment increased from last year: It is caused by the established the new plant in Thailand that needed to increase new plants, machinery and equipment.

（3）Intangible assets decreased from last year: The main reason is that AIC canceled the merger and removed relevant goodwill and customer relations.

（4）Other assets increased from last year: The main reason is that the right-of-use assets increased because of the application of new version of IFRS; the merged subsidiary was demerged and converted to investment using equity method.

（5）Total assets increased from last year: The main reason is that the right-of-use assets increased because of the application of new version of IFRS; the merged subsidiary was demerged and converted to investment using equity method.

（6）Current liabilities increased from last year: The main reason is that the application of new version of IFRS; refund liabilities increased.

（7）Non-current liabilities increased from last year: It is caused by the capital requirements from the new plant in Thailand.

（8）Total liabilities increased from last year: The main reason is that the application of new version of IFRS; the loans taken out from financial institutions and payables increased.

（9）Other equity interest decreased from last year: The main reason is that foreign currency translation adjustment.

（10）Non-controlling interests decreased from last year: The main reason is that the controlling power of AIC was removed.

Overall, the operating conditions of the Company this year are better than the previous year. With the growth in both revenue and profit, stable cash inflows have made the Company's financial structure more sound.

2. Financial Performance

（1）Financial performance analysis for the last two years

Unit: NT$1,000

Item \ Year	2019	2018	Increase/Decrease	(%)
Net operating revenue	80,649,608	64,811,408	15,838,200	24.44%
Operating costs	71,218,592	57,021,985	14,196,607	24.90%
Gross profit	9,431,016	7,789,423	1,641,593	21.07%
Operating expenses	6,668,389	5,846,909	821,480	14.05%
Operating income	2,762,627	1,942,514	820,113	42.22%
Non-operating income and expenses	151,274	421,688	（270,414）	（64.13%）
Continuing business department pre-tax net profit	2,913,901	2,364,202	549,699	23.25%
Income tax expense（gains）	650,982	450,227	200,755	44.59%
Net income for the period（including post-tax profit or loss from discontinued operation）	2,262,919	1,913,975	348,944	18.23%

Explanation of material changes in financial ratios（when the change is more than 20% compared with the last period, and the amount of the change reaches NT$10 million）:

1. Net operating revenue increased compared with previous year: The main reason is that the Non-PC Peripherals revenue increased last year.
2. The Operating costs increased compared with previous year: The main reason is that the Net operating revenue increased last year.
3. The Gross profit increased compared with the previous year: The main reason is that the overall operating income grew and the operating gross profit increased simultaneously.
4. The operating income increased compared with the previous year: The main reason is that the overall operating income grew and the operating revenue increased simultaneously.
5. Non-operating income and expenses decreased compared with the previous year: The main reason is that the control over the subsidiary was lost and that fair value remeasurement was conducted to recognize the loss.
6. The net income before tax from the continuing operations compared with the previous year: The main reason is that the operating revenue grew, and the net income before tax from the continuing operations increased simultaneously.
7. Income tax expense（gain）increased compared with the previous year: The main reason is that the net income before tax from the continuing operations increased, and the income tax expense increased simultaneously.

(2) The expected sales volume and the basis thereof, and the possible impact on the Company's future financial operations and response plans:

The Group's estimated sales volume is based on the industrial environment and the future supply and demand of the market while taking into account the business development, the current status of orders received, and the production capacity planning. For the sales of major products in 2020, in the computer peripheral business group, driven by the sales of e-sports products, the sales of the products are expected to remain roughly flat or increase slightly. In the non-PC peripheral business group, it is expected to continue to be affected by the development of the global information and communications products and mobile phone product markets, as well as the market demand for audio products, with a prospect of steady growth. The Group's current financial structure is sound and its operation is in a good condition; the Group's own funds and net cash inflows from operating activities are sufficient to meet the needs of working capital and capital expenditure driven by revenue growth.

3. Cash flow

(1) Analysis of cash flow changes in the most recent year (2019)

Unit: NT$1,000

Cash balance at beginning of year	Net cash flow from operating activities of the period	Cash inflow (outflow) in 2019	Cash balance, end of year	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
4,990,458	6,628,011	1,710,052	6,700,510	–	–

Analysis of cash flow changes in the most recent year:

(1) **Operating activities:** Net cash inflow from operating activities amounted to **NT$6,628,011** thousand, which was mainly because of the decrease in net income, notes receivable, and accounts receivable as well as the increase in accounts payable in the current period.

(2) **Investment activities:** The net cash outflow from investment activities was **NT$3,578,919** thousand, which was because of the increase in acquisition of property, plant, and equipment.

(3) **Financing activities:** The net cash outflow from financing activities was **NT$1,098,408** thousand, which was because of the repayment of lease principal expense and the distribution of cash dividends.

(2) Improvement plan for inadequate liquidity:

The Group's cash flow is adequate in the most recent year.

(3) Analysis of cash flow for the coming year (2020)

Unit: NT$1,000

Cash balance at beginning of year	Net cash flow from operating activities of the period	Cash inflow (outflow) in 2020	Cash balance, end of year	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
6,700,510	5,393,239	340,839	7,041,349	–	–

1. Analysis of changes in cash flows in the coming year:

(1) **Operating activities:** The net cash inflow from operating activities is expected to be **NT$5,393,239** thousand, which is because of the net income for the period.

(2) **Investment activities:** The net cash outflow from investment activities is expected to be **NT$3,033,693** thousand, which is because of the acquisition of plant and equipment.

(3) **Financing activities:** The net cash outflow from financing activities is expected to be **NT$1,807,273** thousand, which is because of the repayment of short-term loans and the distribution of cash dividends.

2. Analysis of remedial measures for cash inadequacy and liquidity: The cash is adequate, so it is not applicable.

Note: The figures for the coming year (2020) are on a consolidated basis.

4. The Impact of Most Recent Major Capital Expenditures on Financial Operations : None

5. Most Recent Annual Investment Policy, Its Main Reason for Income or Loss, and Improvement Plan and Investment Plan for the Following Year

(1) Investment policy

Based on factors, such as business needs and the Company's future strategic development, relevant units provide professional information, and the Finance and Administration Department compiles the information and puts forward suggestions to the managers in charge; investment proposals are thus made. The investee's past performance, future prospects, market conditions, and operating conditions will be assessed as a reference for investment decision-making.

(2) Main causes for profits or losses and improvement plans for the most recent year

December 31, 2019 / Unit: NT$1,000

Item / Description	Amount of profit (loss) recognized in 2019 (Note 1)	Reason for profit or loss	Improvement plan
Primax Industries (Cayman Holding) Ltd.	510,910	Normal operation	–
Primax Technology (Cayman Holding) Ltd.	175,234	Normal operation	–
Destiny Technology Holding Co.,Ltd	(19,597)	Normal operation	–
Primax Destiny Co.,Ltd. (Japan)	350	Normal operation	–
Diamond (Cayman) Holdings Ltd.	606,438	Normal operation	–
Gratus Technology Corp.	1,128	Normal operation	–
Primax AE (Cayman) Holdings Ltd.	(358,338)	Normal operation	–
Primax Industries (Hong Kong) Ltd.	528,883	Normal operation	–
Polaris Electronics Inc.	13,405	Normal operation	–
Primax Electronics (Singapore) Pte. Ltd.	(20,085)	Normal operation	–
Primax Electronics (Thailand) Co., Ltd.	(20,591)	Normal operation	–
Tymphany Worldwide Enterprises Ltd.	597,864	Normal operation	–
Tymphany HK Ltd.	243,540	Normal operation	–
TYP Enterprises ,Inc.	2,167	Normal operation	–
Tymphany Logistics,Inc.	1,443	Normal operation	–
DongGuan Primax Electronic & Telecommunication Products Ltd.	564,420	Normal operation	–
Beijing Destiny Electronic Technology Co., Ltd.	(19,597)	Normal operation	–
Primax Electronics. (KunShan) Co., Ltd.	(28,125)	Normal operation	–
Primax Electronics (ChongQing) Co., Ltd.	178,654	Normal operation	–
Tymphany Acoustic Technology (Huizhou) Co., Ltd.	690,146	Normal operation	–
Dongguan Tymphany Acoustic Technology Co., Ltd.	93,067	Normal operation	–
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	71,540	Normal operation	–
Tymphany Acoustic Technology HK Ltd.	233,315	Normal operation	–
Tymphany Acoustic Technology (UK) Ltd.	3,694	Normal operation	–
Tymphany Acoustic Technology Europe, s.r.o.	28,756	Normal operation	–
Tymphany Acoustic Technology Limited	9,351	Normal operation	–
Tymphany Acoustic Technology (Thailand) Co. Ltd.	(4,619)	Normal operation	–
Advanced Leading Technology (Shanghai) Co., Ltd.	(18,690)	Normal operation	–
Advanced Leading Technology Co.	(3,628)	Normal operation	–
Advanced Micro Electronics Co., Ltd.	(7,914)	Normal operation	–
De Amertek Technology Inc. (US)	(81,457)	Normal operation	–
ALT International Co.,Ltd (Cayman)	82,887	Normal operation	–

Note 1: The amounts listed in the financial report for 2019 have been audited and certified by CPAs.

(3) Investment plans for the coming year: None

6. Risk Analysis and Evaluation

(1) Effect upon the Company's profit (loss) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

1. Exchange rate fluctuations

The Group's revenue business is mainly based on export, and the products for export are mainly quoted in US dollars, and the transactions conducted with overseas suppliers and the purchase of machinery and equipment from overseas suppliers are also denominated in US dollars, resulting in a mutually offsetting effect and thus providing natural hedging against exchange rate fluctuations. The Group's net foreign exchange gain for the 2019 was NT$318,195 thousand, accounting for 0.39% of net operating revenue. Therefore, the overall foreign exchange factor did not constitute a risk for profitability. However, in order to respond to the risks arising from exchange rate fluctuations to the Company's profit and loss, in addition to spot and forward foreign exchange transactions adopted as a hedge against foreign exchange risks at appropriate times, it will continue to monitor market exchange rate fluctuations and the Company's internal foreign exchange positions in the future while maintaining foreign currency assets and balance of liabilities to avoid the risk of exchange rate fluctuations and reduce the impact of exchange rate fluctuations on the Company's profit and loss.

2. Interest rate fluctuations

The Group's interest expense for 2019 accounted for 0.25% of the operating revenue of the year, indicating that the interest expense did not have a significant impact on the Group's profit and loss. In addition, the Company regularly assesses the bank borrowing rate and maintains a good relationship with banks to obtain a more favorable interest rate so as to reduce the interest expense.

3. Inflation

According to the Consumer Price Index for December of 2019 published by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual growth rate increased by 0.56%, and the annual growth rate of the wholesale price index fell by 2.24%, indicating that inflation did not rise significantly and had no significant impact on the Group's profit and loss for 2019. The Group always pays attention to fluctuations in market prices, and adjusts the sales prices as well as raw materials and inventory levels appropriately, and no significant impact has been caused due to inflation.

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

1. High-risk investments and highly leveraged investments

The Company focuses on the management of its main business activities, and has not invested in high-risk industries, nor has it engaged in highly leveraged investments.

2. Engagement in loans to other parties, endorsements, guarantees, and derivatives transactions

In the most recent year and as of the publication of this annual report, the Company had only provided loans, endorsements, and guarantees to subsidiaries of which 100% of equity was owned for the purpose of business dealings. The Company's loans to other parties, endorsements, and guarantees are handled in accordance with the policies and response measures stipulated in its Procedures for Loaning of Funds and the Procedures for Making of Endorsement/Guarantee. The relevant operations are executed with the risk situation and relevant regulations considered.

3. Engagement in derivative transactions

When the Company engages in derivative transactions, it always conducts careful evaluation. Any derivative transaction is aimed at helping to improve business performance and reducing the Company's operating and financial risks. The transactions are processed in accordance with its Regulations Governing Acquisition or Disposal of Assets and the scope of authorization.

(3) Future R&D plans and estimated R&D expenses

1. Future R&D plans

The main products currently developed by the Group are computer peripheral products, mobile device components, business devices, and smart home products. The future development plan will continue to focus on the cooperation with international manufacturers and strategic collaboration with startups, to further develop e-sports mouses, keyboards, and keyboard modules, multi-color keyboard backlight modules, dual-lens mobile phone camera modules, 3D sensing modules, computer built-in camera modules, biometrics modules, relevant bluetooth and connected smart speaker system products, relevant bluetooth and wireless headphone products, multifunction printer scanning modules, inkjet and laser multifunction printers, automotive electronics, automated production lines, artificial intelligence appliances, smart health, and smart home technology products. All of this aims to further enhance the Group's R&D capabilities and increase the market share of its products while making the Group's products more international and competitive.

2. Estimated R&D expenses

The amounts of R&D expenses estimated by the Group are budgeted step by step according to the development progress of each new product and technology as well as the future operating conditions to maintain a certain growth rate to ensure the Group's competitive advantages. It is estimated that R&D expenses will be about NT$3 billion in 2020.

(4) The impacts of changes of the important domestic and foreign policies and laws on the Company's finance and business, and response measures thereof:

The Group operates in accordance with the relevant laws and regulations of the domestic and foreign countries where investments are made, and the relevant personnel also pay attention to the changes of the laws and regulations at any time for the management to stay informed. Therefore, important changes in domestic and foreign policies and laws can be updated immediately and responded to effectively by the Group.

(5) Impact of changes in technology and industry on the Company's financial operations, and response measures thereof:

In response to the rapid changes in advanced technology, PRIMAX continues to invest in R&D resources to keep abreast of, collect, and analyze changes in the market and technology in specific areas of computer peripheral products, mobile device components, business equipment products, and smart home products, to reduce the impact of technological changes while strengthening the R&D of high value-added and high-profit products, so that the Company's products are more diversified and stable, and the sources of profit can be ensured. With outstanding process technologies, PRIMAX continues to expand the strategic alliance system with its existing clients in depth and width from product design, mass production, logistics support, distribution, and after-sales service, so as to strengthen the long-term coexistence and the reciprocal relationship. So far, technological and industrial changes have not had a significant impact on PRIMAX's financial operations.

(6) Impact of changes of corporate image on the Company's crisis management and response measures:

PRIMAX attaches great importance to image maintenance and is one of the world's leading suppliers of computer peripheral products, mobile device components, business devices, and smart home products. With a complete talent cultivation and training program, along with employee-oriented and people-centered management, PRIMAX has attracted more excellent talents and technologies to the Company, building up the strength of the management team. Then, the Company gives the business achievements back to the shareholders and fulfills its social responsibilities while committed to energy conservation and carbon reduction to improve the environment and actively devoted to social welfare events and activities so as to achieve the goal of sustainable business operation. PRIMAX has a dedicated team in charge of prevention, management, and contingency measures related to corporate image. In the most recent year and as of the publication date of this annual report, no incidents had affected the corporate image.

(7) Expected benefits and possible risks associated with mergers and acquisitions, and response measures thereof: None.

(8) Expected benefits and possible risks associated with plant expansion, and response measures thereof: None.

(9) The risks arising from the concentration of purchases or sales, and response measures thereof.

1. The risks arising from the concentration of purchases, and response measures thereof.

In addition to the purchase of finished products, PRIMAX maintains at least two qualified suppliers for other goods to be purchased, to maintain the flexibility of purchases, ensure uninterrupted supply of goods, and maintain the advantage of bargaining to achieve the goal of cost reduction. In summary, PRIMAX should not yet have the risk of concentration of purchases or interruption of supply.

2. The risks arising from the concentration of sales, and response measures thereof.

PRIMAX's clients are mainly internationally renowned technology companies, and the client base is diverse and highly stable. The sales to the top ten clients in 2019 accounted for about 51.66% of the net revenue of the year, and among the top ten clients, the proportion of the sale to each client did not exceed 30% of the total; thus, there is no concentration of sales taking place. In addition to maintaining positive relationships with existing clients, PRIMAX actively develops new products to expand the market and customer base of other businesses, and strives to diversify sales customers and minimize the risk of sales concentration.

(10) The impacts and risks arising from a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or changes hands and the response measures: None.

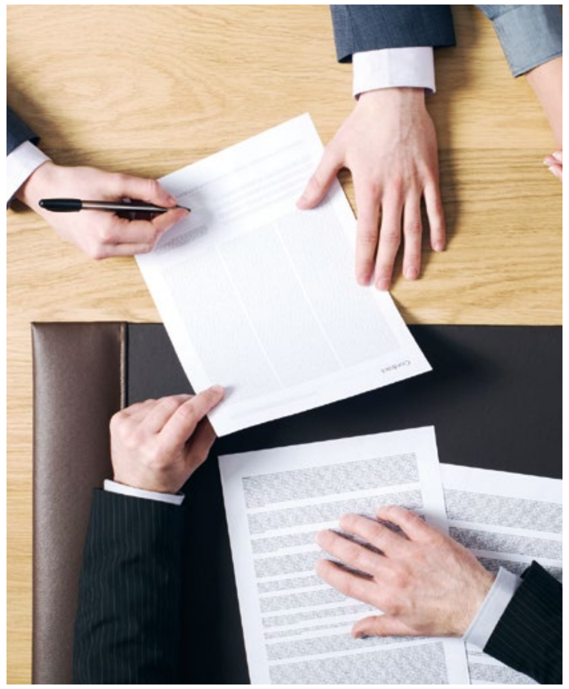
(11) The impact on the Company, and risk due to changes in managerial authority, and the response measures: None.

(12) Risks associated with litigations or non-litigations

1. Confirmed judgment, ongoing litigation, and non-litigation or administrative disputes in the most recent years and as of the publication date of this annual report, the result of which may have a significant impact on shareholders' equity or securities prices, shall be disclosed. Disclosure includes disputed facts, monetary amount involved, litigation starting date, the main parties involved, and present status:

A. Case 1

In response to Lens Technology (Chang Sha) Ltd., failure to perform the purchase order issued between February and May 2017, causing a loss on the material cost to the Company, so it filed a lawsuit to the People's Court of Changsha Municipality, Hunan, for compensation of CNY$10,887 thousand. The case has been accepted and is currently being tried by the court. The final outcome of this case depends on future litigation procedures, but it will not have a significant impact on the Company's operation.

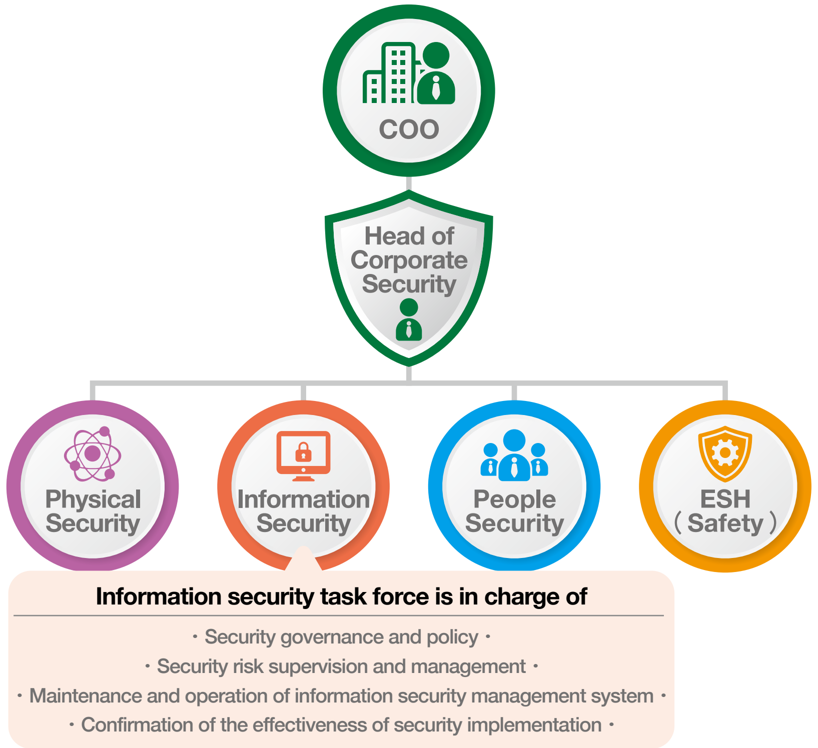


2. Confirmed judgment, ongoing litigation, non-litigation, or administrative disputes involving the Company's Director, Supervisor, President, responsible person, and shareholders who hold more than 10% of the Company's shares in the most recent year and as of the publication date of this annual report, the results of which may have a significant impact on shareholders' equity or securities prices: None.

(13) Other important risks and response measures: information security risk management policies, organizational structure, and specific plans.

1. Information security management policies, objectives, and relevant procedures and documents:

The Company has established an information security management system since 2017, formulated information security policies and relevant fourth-stage document management, adopted the PDCA method to continuously improve the overall information security environment, and established measurable information security objectives, to review and evaluate how the objectives are reached on a regular basis. In addition, in order to improve the security of application systems and reduce risks, PRIMAX has planned to scan for system vulnerabilities and analyze and evaluate the repair of medium- and high-risk vulnerabilities, and has incorporated business email compromise (BEC) protection measures and the security information and event management (SIEM) to monitor any abnormality in real-time and to continuously strengthen the information security management mechanism.



2. Information security policy:

In order to enhance group security management, the Group's Security Department was established in July 2014, and the "information security task force" was set up under the department to regulate the authorities and responsibilities of the information security management personnel, coordinate affairs, and implement information security management matters, to ensure effective and continuous implementation of information security management regulations. Information security education and training are arranged regularly to strengthen the security awareness of the Group's employees. The Group's Security Department Organization structure is as below.

3. Information security risk assessment:

The Company inspects information assets and updates the record book of the assets. In addition, the risks associated with information assets are assessed annually, to control high-risk items and reduce the possibility of the occurrence of risks and the resulting impact, while ensuring the Company's long-term information security.

4. Internal audit of information security:

The information security task force formulates assessment items based on the characteristics of risks, conducts self-assessment and verification of information security annually, and submits the assessment results and supporting documents to the Audit Department for verification.

The Company's Audit Department implements a cycle audit of information every six months, of which information security is a necessary audit item, and all the audit results are reported to the Audit Committee and the Board of Directors at least once a year.

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

The Company's information security management system has been certified by British Standards Institution (BSI) in January 2018 and met all requirements of the international standards of ISO / IEC 27001: 2013. In addition, it has purchased the internet information security insurance since June 2018, with the insurance amount of US$10 million; once an information security incident occurs, the Company can receive damage compensation.

7. Other Important Matters: None

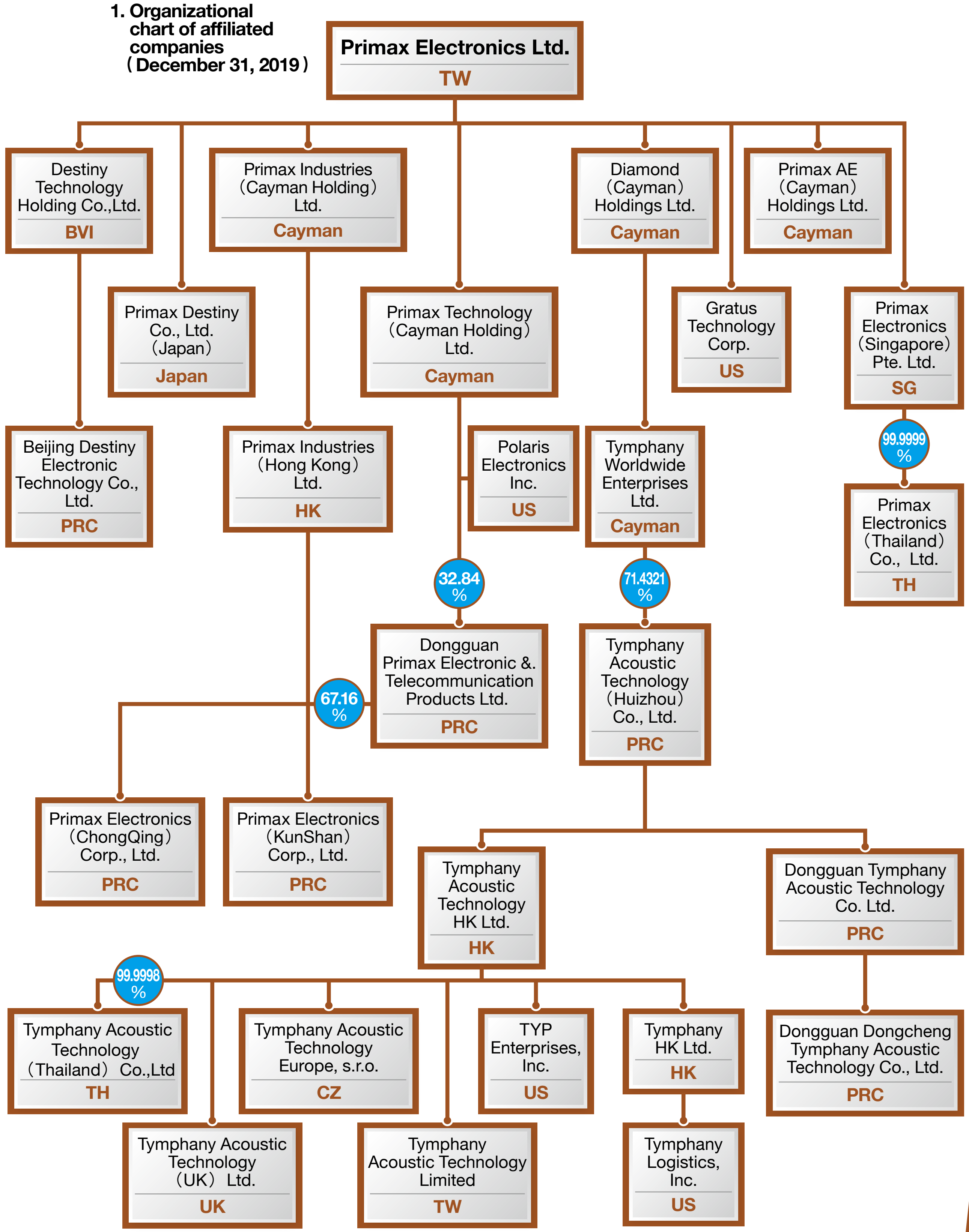
Special Disclosure

1. Information on Affiliated Companies

(1) Consolidated business report of affiliated companies

(1) Overview of affiliated companies

1. Organizational chart of affiliated companies (December 31, 2019)



2. Basic Information about affiliated companies:

Unit: NT$1,000 / December 31, 2019

Name	Date of incorporation	Address	Paid-in capital	Main business or products
DongGuan Primax Electronic & Telecommunication Products Ltd.	1995.12.21	Liuwu Road Section, Sanheng Road, Xincheng District, Shijie Town, Dongguan City	1,924,450	Manufacturing and sale of computer peripherals, mobile device components, and business devices
Primax Electronics.（KunShan）Co., Ltd.	2009.11.17	No. 2688 Tongxin Road, Yushan Town, Kunshan City	842,653	Production of computer peripheral products
Primax Electronics（ChongQing）Co., Ltd.	2011.02.23	No. 2669 Xinglong Avenue, Yongchuan District, Chongqing	540,828	Production of computer peripheral products
Beijing Destiny Electronic Technology Co., Ltd.	1994.03.24	Room 201-202, 2nd Floor, No. 10 Caihefang Road, Zhongguancun, Haidian District, Beijing	38,122	R&D of computer peripherals and business devices
Primax Destiny Co., Ltd（Japan）	1995.07.28	2nd Fl., Yamashita Bldg., 1-23-2, Hamamatsucho, Minato-ku, Tokyo 105-0013 Japan	6,913	Market development of and customer service for computer peripherals, mobile device components, and business devices
Polaris Electronics, Inc.	1996.04.24	356 S. Milpitas Blvd, Milpitas, CA95035, USA	48,170	Sale and purchase of computer peripherals, mobile device components, and business devices, as well as market development and customer service.
Primax Industries（Hong Kong）Ltd.	1989.05.19	Rm.1520-21, 15/F., Block A, Hi-Tech Industr ial Centre, 5-21 Pak Tin Par Street, Tsuen Wan,N.T., Hong Kong.	2,330,370	Holding company and customer service
Primax Technology（Cayman Holding）Ltd.	1997.10.08	2nd Floor, Midtown Plaza, Elgin Avenue, George Town, Grand Cayman KY1-1106, Cayman Islands.	858,222	Holding company
Primax Industries（Cayman Holding）Ltd.	1996.10.24	2F,Zephyr House,Mary St.PO.Box 709,George Town, Grand Cayman, Cayman Islands,British West Indies.	2,452,927	Holding company
Destiny Technology Holding Co., Ltd.	2001.01.19	Sealight House, Tortola, British Virgin Islands	31,611	Holding company
Diamond（Cayman）Holdings Ltd.	2013.10.8	P.O. Box 32052, The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208 Cayman Islands.	3,885,179	Holding company
Tymphany Worldwide Enterprises Ltd.	2013.10.29	P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.	1,922,510	Holding company
TYP Enterprises, Inc.	2014.01.06	1 Thorndale Drive, Suite 200, San Rafael, CA 94903, USA	15	Market development of and customer service for speakers and their components
Tymphany HK Ltd.	1995.5.11	Room 1307-8 Dominion Centre, 43-59 Queens Road East, Wanchai, Hong Kong	558,509	Holding company and market development of various speaker accessories, speakers and their components, as well as customer service
Tymphany Acoustic Technology（Huizhou）Co., Ltd.	2004.8.9	Difenni Industrial Zone, Xinlian Village, Xinxu Town, Huiyang District, Huizhou City, Guangdong Province	1,761,026	R&D, design, and sales of various speaker accessories, speakers, and their components
Tymphany Logistics,Inc.	2015.04.29	356 S. Milpitas Blvd, Milpitas, CA95035, USA	6,021	Sales of various audio accessories, speakers and their components

Name	Date of incorporation	Address	Paid-in capital	Main business or products
Dongguan Tymphany Acoustic Technology Co., Ltd.	2015.09.06	Liuwu Road Section, Sanheng Road, Xincheng District, Shijie Town, Dongguan City	150,530	R&D, design, and sales of various speaker accessories, speakers, and their components
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	2016.10.11	No.27, Dayuan Road, Zhangcun, Dongcheng District, Dongguan City	86,310	R&D, design, and sales of various speaker accessories, speakers, and their components
Tymphany Acoustic Technology HK Ltd.	2017.01.05	RM 803 Tung Hip Comm Bldg 248 Des Voeux Rd Central, Hong Kong	711,767	R D, design, and sales of various speaker accessories, speakers and their components, as well as holding business
Tymphany Acoustic Technology（UK）Ltd.	2017.01.20	C/O Broomfield & Alexander Ltd Ty Derw, Lime Tree Court, Cardiff Gate Business Park, Cardiff, United Kingdom, CF23 8AB	15,788	R&D and design of various speaker accessories as well as speakers and their components
Tymphany Acoustic Technology Europe, s.r.o.	2004.08.18	Průmyslový park 305, 742 21 Kopřivnice-Vlčovice, Czech Republic	249,211	Manufacturing, installation, and maintenance of various speaker accessories and their components
Tymphany Acoustic Technology Limited	2017.12.14	10th Floor, No. 19-2, 19-3, Sanchong Rd., Nangang District, Taipei City	50,000	R&D and design of various speaker accessories as well as speakers and their components
Gratus Technology Corp.	2015.04.01	356 S. Milpitas Blvd, Milpitas, CA95035, USA	9,032	Market development of and customer service for computer peripherals, mobile device components, and business devices
Primax AE（Cayman）Holdings Ltd.	2017.11.14	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Island	1,451,109	Holding company
Primax Electronics（Singapore）Pte. Ltd.	2019.08.05	61 KAKI BUKIT AVENUE 1#04-38 SHUN LI INDUSTRIAL PARK SINGAPORE（417943）	304,071	Holding company
Primax Electronics（Thailand）Co., Ltd.	2019.08.15	No. 500/146-150 Moo 3, Tambol Tasith, Amphur Pluak Daeng, Rayong Province	301,060	Manufacturing and sale of computer peripherals, mobile device components, and business devices
Tymphany Acoustic Technology（Thailand）Co.,Ltd.	2019.10.08	300/86-89 M.1 Tasit Sub-District PluaekDaeng District Rayong 21140	60,212	R&D, design, and sales of various speaker accessories, speakers, and their components

Note 1: AIC held a provisional shareholders' meeting in July 2019. The merged company did not obtain more than half of the voting rights of its Board of Directors and thus lost the controlling power. AIC and its subsidiaries were reclassified as investments using the equity method.

3. Those who are determined to have the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None.

4. Industries and the division of labor in the overall business of the affiliated companies:

The business operated by the affiliated companies of the Group are mainly the design, manufacturing, processing, and sales of computer peripherals and non-computer peripherals. Overall, the division of labor between the affiliated companies is based on mutual support of technology, production capacity, marketing, and services to create the maximum synergy.

5. Information on directors, supervisors, and managerial officers

December 31, 2019

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

Name	Title	Name or representative
Primax Industries（Cayman Holding）Ltd.	Director	Liang, Li-Sheng
	Director	Pan, Yung-Chung
	Director	Hsiao, Ying-Yee
Destiny Technology Holding Co., Ltd.	Director	Liang, Li-Sheng
Diamond (Cayman) Holdings Ltd.	Director	Primax Electronics Ltd. Representative: Liang, Li-Sheng, Hsiao, Ying-Yee
Tymphany Worldwide Enterprises Ltd.	Director	Diamond（Cayman）Holdings Ltd. Representative: Liang, Li-Sheng, Pan, Yung-Chung Pan, Yung-Tai, Hsiao, Ying-Yee
TYP Enterprises, Inc.	Director	Edward Townsend Boyd
Tymphany HK Ltd.	Director	Edward Townsend Boyd
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Note 1)	Chairman	Liang, Li-Sheng
	General Manager	Pan, Yung-Chung
	Directors	Representatives: Liang, Li-Sheng, Pan, Yung-Chung, Pan, Yung-Tai, Wu, Chang-I , Edward Townsend Boyd, and Liu, Xiao-Tong
	Supervisor	Te-Tsai Chang, Hsiao, Ying-Yee, Chi-Liang Fan
	Independent Director	Tu, Chia-Pin, Yu, Hung-Ting Tiao, Wei-Jen, Lin, Yu-Chun
Tymphany Logistics,Inc.	Director	Liang, Li-Sheng
Dongguan Tymphany Acoustic Technology Co., Ltd.	Executive Directors	Representative: Pan, Yung-Chung
	General Manager	Pan, Yung-Chung
	Supervisor	Hsiao, Ying-Yee
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	Executive Directors	Representative: Pan, Yung-Chung
	General Manager	Pan, Yung-Chung
	Supervisor	Hsiao, Ying-Yee
Tymphany Acoustic Technology HK Ltd.	Director	Pan, Yung-Chung
Tymphany Acoustic Technology (UK) Ltd.	Director	Philip Scott Mcphee
Tymphany Acoustic Technology Europe, s.r.o.	Director	Pavel Merhout
	Director	Philip Scott Mcphee
Tymphany Acoustic Technology Limited	Directors	Liang, Li-Sheng, Pan, Yung-Tai, Pan, Yung-Chung
	Supervisors	Hsiao, Ying-Yee
Gratus Technology Corp.	Director	Kuo, You-Min
	Director	Pan, Yung-Chung
Primax AE (Cayman) Holdings Ltd.	Director	Primax Electronics Ltd. Representative: Liang, Li-Sheng, Hsiao, Ying-Yee
Primax Electronics (SINGAPORE) PTE.LTD.（Note 1）	Director	Liang, Li-Sheng, Pan, Yung-Tai Pan, Yung-Chung, Hsu, Jan-Nan
Primax Electronics (Thailand) Co.,Ltd. (Note 2)	Director	Liang, Li-Sheng Pan, Yung-Tai Pan, Yuan-Chung Yang, Chang-Lung
Tymphany Acoustic Technology (Thailand) Co., Ltd. (Note 2)	Director	Liang, Li-Sheng Pan, Yung-Tai Pan, Yuan-Chung Yang, Chang-Lung

Note 1: The directors of the company in Singapore have no designated term. At least one-third of the directors need to be dismissed at the annual general meeting (the general shareholders' meeting in Taiwan), but new directions shall be elected immediately.

Note 2: The directors of the company in Thailand have no designated term. At least one-third of the directors need to be dismissed at the annual general meeting (the general shareholders' meeting in Taiwan), but new directions shall be elected immediately.

Note 3: AIC held a provisional shareholders' meeting in July 2019. The merged company did not obtain more than half of the voting rights of its Board of Directors and thus lost the controlling power. AIC and its subsidiaries were reclassified as investments using the equity method.

(2) Operational highlight of affiliated companies

Unit: NT$1,000 / December 31, 2019

Name	Capital	Total asset	Total liabilities	Net value	Operating revenue	Operating profit	Gain (loss) during this period (After Tax)	Earnings per share (NTD) (After Tax)
DongGuan Primax Electronic & Telecommunication Products Ltd.	1,924,450	15,273,901	9,539,884	5,734,017	28,972,763	290,303	564,420	-
Primax Electronics. (KunShan) Co., Ltd.	842,653	1,778,825	961,786	817,039	1,695,357	(25,839)	(28,125)	-
Primax Electronics (ChongQing) Co., Ltd.	540,828	4,642,085	3,290,453	1,351,632	8,083,089	197,514	178,654	-
Beijing Destiny Electronic Technology Co., Ltd.	38,122	79,320	85,231	(5,911)	100,346	(18,855)	(19,597)	-
Primax Destiny Co., Ltd (Japan)	6,913	21,116	3,239	17,877	11,261	536	350	700.64
Polaris Electronics, Inc.	48,170	1,531,827	1,133,550	398,277	3,438,483	9,566	13,405	8.38
Gratus Technology Corp.	9,032	13,563	1,683	11,880	27,556	1,560	1,128	3.76
Primax Industries (Hong Kong) Ltd.	2,330,370	6,087,349	24,239	6,063,110	15,531	(81)	528,883	0.88
Primax Technology (Cayman Holding) Ltd.	858,222	2,413,142	0	2,413,142	0	(195)	198,832	0.70
Primax Industries (Cayman Holding) Ltd.	2,452,927	6,360,426	287,875	6,072,551	977,701	(216)	528,819	0.06
Destiny Technology Holding Co., Ltd.	31,611	(5,524)	0	(5,524)	0	0	(19,597)	(18.66)
Diamond (Cayman) Holding Ltd.	3,885,179	5,541,493	0	5,541,493	0	(188)	592,858	4.59
Primax AE (Cayman) Holdings Ltd.	1,451,109	965,342	0	965,342	0	(92)	(358,338)	(7.43)
Tymphany Worldwide Enterprises Ltd.	1,922,510	3,915,314	2,450	3,912,864	0	7,869	671,757	3.49
Primax Electronics (Singapore) Pte. Ltd.	304,071	286,269	0	286,269	0	(6)	(20,085)	(1.99)
Primax Electronics (Thailand) Co., Ltd.	301,060	368,596	85,547	283,049	0	(19,200)	(20,591)	(68.64)
Tymphany Acoustic Technology (Thailand) Co., Ltd.	60,212	90,188	34,801	55,387	0	(4,302)	(4,619)	(3.08)
Tymphany HK Ltd.	558,509	16,701,927	15,574,844	1,127,083	37,528,732	494,107	243,540	1.69
Tymphany Acoustic Technology (Huizhou) Co., Ltd.	1,761,026	8,212,913	2,793,429	5,419,484	8,984,324	472,183	966,156	-
Tymphany Logistics. Inc.	6,021	2,242,685	2,232,810	9,875	5,521,137	1,479	1,443	7.22

Note 1: AIC held a provisional shareholders' meeting in July 2019. The merged company did not obtain more than half of the voting rights of its Board of Directors and thus lost the controlling power. AIC and its subsidiaries were reclassified as investments using the equity method.

Name	Capital	Total asset	Total liabilities	Net value	Operating revenue	Operating profit	Gain (loss) during this period (After Tax)	Earnings per share (NTD) (After Tax)
TYP Enterprises, Inc.	15	86,811	72,191	14,620	121,721	5,190	2,167	4,333.48
Dongguan Tymphany Acoustic Technology Co., Ltd.	150,530	13,575,221	12,894,747	680,474	23,993,683	195,711	147,587	-
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	86,310	2,670,452	2,456,329	214,123	6,894,560	149,254	99,818	-
Tymphany Acoustic Technology HK Ltd.	711,767	2,980,757	1,790,383	1,190,374	2,464,125	(57,495)	233,315	1.26
Tymphany Acoustic Technology (UK) Ltd.	15,788	73,445	52,457	20,988	56,162	4,019	3,694	9.24
Tymphany Acoustic Technology Europe, s.r.o.	249,211	1,883,498	1,311,954	571,544	2,517,522	59,277	28,756	0.15
Tymphany Acoustic Technology Limited	50,000	519,146	448,586	70,560	876,377	18,046	9,351	1.87

(2) Consolidated financial statements of affiliated companies:

(1) **Consolidated financial statements of affiliated companies:** Please refer to 8. Financial Overview of the 2019 consolidated financial report and notes A audited and certified by CPAs.

(2) **CPA's audit report on the consolidated financial statements of affiliated companies:** Please refer to 8. Financial Overview of the 2019 consolidated financial report and notes A audited and certified by CPAs.

(3) Affiliation report: Not applicable.

2. Private Offering of Securities for the Most Recent Year up to the Publication Date of the Annual Report: None.

3. Holding or Disposal of Shares of the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of this Annual Report: None.

4. Other Necessary Supplements: None.

5. Any Event which has a Material Impact on Shareholders' Rights and Interests or the Company's Securities Price, as Prescribed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, that Have Occurred in the Most Recent Fiscal Year up to the Publication Date of this Annual Report: None.

Financial Review

1. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Years

(1) Condensed Consolidated Balance Sheet — Based on IFRS

Unit: NT$1,000

Item \ Year		Financial information for the last five years (Note:1) 2015	2016	2017	2018	2019	As of March 31, 2020 (Note:2)
Current assets		30,413,161	27,799,554	29,141,420	31,472,160	39,323,212	38,138,985
Property, plant, and equipment		6,284,023	4,717,422	4,437,684	5,509,536	7,363,740	6,447,225
Right-of-use assets		–	–	–	–	1,843,153	1,744,054
Intangible assets		3,322,191	2,673,670	2,730,188	4,463,979	2,501,156	2,475,125
Other assets		1,712,358	1,931,403	1,465,851	1,715,826	2,114,693	2,206,296
Total asset		41,731,733	37,122,049	37,775,143	43,161,501	53,145,954	51,011,685
Current liabilities	Before distribution	26,154,964	22,801,219	23,114,653	26,060,819	33,562,806	31,876,549
	After distribution	27,082,897	23,913,105	24,544,721	27,133,160	34,639,682	32,953,425
Lease liabilities - Non-current		–	–	–	–	1,195,744	1,113,867
Non-current liabilities		2,660,184	2,076,372	1,678,688	2,130,564	3,883,764	3,454,978
Total liabilities	Before distribution	28,815,148	24,877,591	24,793,341	28,191,383	38,642,314	36,445,394
	After distribution	29,743,081	25,989,477	26,223,409	29,263,724	39,719,190	37,522,270
Equity attributable to owners of parent Company		10,430,381	10,999,724	11,385,272	11,625,821	12,308,002	12,464,528
Share capital		4,427,051	4,424,367	4,459,968	4,474,523	4,485,808	4,487,308
Capital surplus		777,368	791,466	1,232,490	1,377,077	1,483,045	1,490,704
Retained earnings	Before distribution	4,660,556	5,665,353	6,087,685	6,525,331	7,533,016	7,808,829
	After distribution	3,732,623	4,553,467	4,657,617	5,452,990	6,456,140	6,731,953
Other equity interest		565,406	118,538	(394,871)	(751,110)	(1,193,867)	(1,322,313)
Treasury stock		–	–	–	–	–	–
Non-controlling interest		2,486,204	1,244,734	1,596,530	3,344,297	2,195,638	2,101,763
Total shareholder equity	Before distribution	12,916,585	12,244,458	12,981,802	14,970,118	14,503,640	14,566,291
	After distribution	11,988,652	11,132,572	11,551,734	13,897,777	13,426,764	13,489,415

Note 1: Financial information from 2015 to 2019 have been verified and attested by CPAs.
Note 2: The financial information has been reviewed by CPAs.

(2) Condensed Individual Balance Sheet — Based on IFRS

Unit: NT$1,000

Item \ Year		Financial information for the last five years (Note:1) 2015	2016	2017	2018	2019	As of March 31, 2020
Current assets		16,329,746	16,123,543	12,698,756	12,403,266	13,258,726	–
Investment accounted for using equity method		10,088,961	9,317,894	10,287,105	14,166,264	14,973,751	–
Property, plant, and equipment		65,554	68,785	69,036	92,023	92,804	–
Lease Assets		–	–	–	–	342,146	–
Intangible assets		29,514	22,966	18,351	13,738	9,763	–
Other assets		1,182,141	1,551,115	1,055,636	1,010,489	914,307	–
Total asset		27,695,916	27,084,303	24,128,884	27,685,780	29,591,497	–
Current liabilities	Before distribution	15,204,972	13,579,780	10,889,520	14,254,636	15,168,513	–
	After distribution	16,132,905	14,691,666	12,319,588	15,326,977	16,245,389	–
Non-current liabilities		2,060,563	2,504,799	1,854,092	1,805,323	2,114,982	–
Total liabilities	Before distribution	13,402,525	17,265,535	16,084,579	16,059,959	17,283,495	–
	After distribution	18,193,468	17,196,465	14,173,680	17,132,300	18,360,371	–
Attributable to owners of parent company		10,430,381	10,999,724	11,385,272	11,625,821	12,308,002	–
Share capital		4,427,051	4,424,367	4,459,968	4,474,523	4,485,808	–
Capital surplus		777,368	791,466	1,232,490	1,377,077	1,483,045	–
Retained earnings	Before distribution	4,660,556	5,665,353	6,087,685	6,525,331	7,533,016	–
	After distribution	3,732,623	4,553,467	4,657,617	5,452,990	6,456,140	–
Other equity interest		565,406	118,538	(394,871)	(751,110)	(1,193,867)	–
Treasury stock		–	–	–	–	–	–
Total shareholder equity	Before distribution	10,430,381	10,999,724	11,385,272	11,625,821	12,308,002	–
	After distribution	9,502,448	9,887,838	9,955,204	10,553,480	11,231,126	–

Note 1: Financial information from 2015 to 2019 have been verified and attested by CPAs.

(3) Consolidated Condensed Statement of Comprehensive Income — Based on IFRS

Unit: NT$1,000

Item \ Year	Financial information for the last five years (Note:1)					As of March 31, 2020 (Note 2)
	2015 (Adjusted)	2016	2017	2018	2019	
Operating revenue	63,538,187	64,329,462	60,741,692	64,811,408	80,649,608	13,524,101
Gross profit	6,743,265	7,267,187	7,480,007	7,789,423	9,431,016	1,525,141
Operating profit (loss)	2,106,868	2,373,471	2,199,905	1,942,514	2,762,627	205,350
Non-operating income and expenses	311,034	390,981	647,675	421,688	151,274	60,263
Net income before tax	2,417,902	2,764,452	2,847,580	2,364,202	2,913,901	265,613
Net income from continuing operations	1,786,893	1,986,766	2,168,981	1,913,975	2,262,919	207,255
Loss from discontinued operations	30,042	61,896	–	–	–	–
Net profit for this period	1,816,935	2,048,662	2,168,981	1,913,975	2,262,919	207,255
Other comprehensive income (net, after tax)	225,310	(547,079)	(445,910)	(327,319)	(544,662)	(173,389)
Total comprehensive income	2,042,245	1,501,583	1,723,071	1,586,656	1,718,257	33,866
Net income attributable to owners of parent Company	1,773,122	1,934,070	2,057,415	1,826,870	2,134,870	275,813
Net income attributable to non-controlling interests	43,813	114,592	111,566	87,105	128,049	(68,558)
Total comprehensive income (loss) attributable to owners of parent Company	1,987,738	1,432,480	1,606,886	1,504,297	1,644,893	128,994
Total comprehensive income (loss) attributable to non-controlling interests	54,507	69,103	116,185	82,359	73,364	(95,128)
Earnings per share (Note 3)	4.06	4.4	4.67	4.12	4.80	0.62

Note 1: Financial information from 2015 to 2019 have been verified and attested by CPAs.
Note 2: The financial information has been reviewed by CPAs.
Note 3: Basic earnings per share.

(4) Condensed Individual Statement of Comprehensive Income — Based on IFRS

Unit: NT$1,000

Item \ Year	Financial information for the last five years (Note 1)					As of March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	51,638,181	45,739,783	35,023,563	33,984,435	36,178,733	–
Gross profit	2,934,548	3,633,341	2,237,909	2,418,611	3,508,999	–
Operating profit (loss)	926,670	1,549,861	226,352	468,330	1,257,493	–
Non-operating income and expenses	1,007,253	797,663	1,952,481	1,642,799	1,236,821	–
Net income before tax	1,933,923	2,347,524	2,178,833	2,111,129	2,494,314	–
Net income from continuing operations	1,773,122	1,934,070	2,057,415	1,826,870	2,134,870	–
Loss from discontinued operations	–	–	–	–	–	–
Net profit for this period	1,773,122	1,934,070	2,057,415	1,826,870	2,134,870	–
Other comprehensive income (net, after tax)	214,616	(501,590)	(450,529)	(322,573)	(489,977)	–
Total comprehensive income	1,987,738	1,432,480	1,606,886	1,504,297	1,644,893	–
Earnings per share (Note 2)	4.06	4.4	4.67	4.12	4.80	–

Note 1: Financial information from 2015 to 2019 have been verified and attested by CPAs.
Note 2: Basic earnings per share

(5) Names of CPAs in the five most recent years and their audit opinions

Year	Accounting firm	CPA	Audit opinion
2015	KPMG Taiwan	Huang, Yung-Hua and Yu, Chi-Long	Modified unqualified opinions
2016	KPMG Taiwan	Huang, Yung-Hua and Yu, Chi-Long	Unqualified opinion
2017	KPMG Taiwan	Wu, Mei-Pin and Huang, Yung-Hua	Unqualified opinion
2018	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion
2019	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion

2. Financial Analyses for the Past Five Fiscal Years

(1) Financial Analysis — International Financial Reporting Standards — Consolidated

Item \ Year		Financial analysis for the most recent five years					As of March 31, 2020 (Note1)
		2015 (Adjusted)	2016	2017	2018	2019	
Financial structure (%)	Ratio of liabilities to assets	69.05	67.02	65.63	65.32	72.71	71.45
	Ratio of long-term capital to property, plant, and equipment	247.88	303.57	330.36	310.38	265.94	296.80
Debt service ability (%)	Current ratio	116.28	121.92	126.07	120.76	117.16	119.65
	Quick ratio	86.61	90.80	94.40	88.58	81.39	87.72
	Times interest earned ratio	17.52	31.55	88.06	63.21	15.35	5.54
Operating ability	Accounts receivable turnover rate (times)	5.11	4.59	4.56	4.41	4.43	3.53
	Average days for cash receipts	71.43	79.52	80.04	82.77	82.39	103.40
	Inventory turnover rate (times)	9.34	8.14	7.91	7.84	7.80	4.97
	Average days for sale of goods	39.08	44.84	46.14	46.56	46.79	73.44
	Payables turnover rate (times)	3.62	3.20	3.20	3.28	3.37	2.42
	Average payment days	100.83	114.06	114.06	111.28	108.31	150.83
	Turnover rate for property, plant, and equipment (times)	12.44	11.69	13.27	13.03	12.53	7.83
	Total asset turnover rate (times)	1.75	1.63	1.62	1.60	1.67	1.04
Profitability	Return on assets (%)	5.33	5.39	5.86	4.80	5.03	0.49
	Return on equity (%)	15.65	16.28	17.20	13.69	15.36	1.43
	Ratio of income before tax to paid-in capital (%)	54.62	62.48	63.85	52.84	64.96	5.92
	Net margin (%)	2.86	3.18	3.57	2.95	2.81	1.53
	Earnings per share (NTD)	4.06	4.40	4.67	4.12	4.80	0.62
Cash flow	Cash flow ratio (%)	19.20	9.95	14.76	6.86	19.75	(Note 2)
	Cash flow adequacy ratio (%)	132.27	128.08	131.73	107.76	85.02	(Note 2)
	Cash reinvestment ratio (%)	23.31	7.71	12.45	1.79	22.43	(Note 2)
Leverage	Operating leverage	1.64	1.66	1.69	1.83	1.79	(Note 2)
	Financial leverage	1.07	1.04	1.02	1.02	1.08	(Note 2)

Explain changes in financial ratios over the most recent two years.
(Not required if the difference does not exceed 20%)

1. Interest coverage ratio: The main reason is that the interest expense increased in 2019 because of the application of the new version of IFRS. In addition, loan increased because of increased requirements for working capital, resulting in increased interest expenses, so the interest coverage ratio decreased.
2. Ratio of net income before tax to paid-in capital: The main reason is that the net income before tax in 2019 increased, so the ratio of of net income before tax to paid-in capital increased.
3. Cash flow ratio: The main reason is that the cash inflow from operating activities arising from notes payable and accounts payable increased significantly in 2019, resulting in an increase in cash flow ratio.
4. Cash flow adequacy ratio: The main reason is that the inventory in 2019 increased compared with 2018, resulting in a decrease in cash flow from operating activities, so the cash flow adequacy ratio decreased.
5. Cash flow reinvestment ratio: The main reason is that the cash inflow from operating activities arising from notes payable and accounts payable increased significantly in 2019, resulting in an increase in cash flow reinvestment ratio.

Note 1: The financial information has been reviewed by CPAs.
Note 2: The period of profit and loss only lasted for one quarter, so the financial analysis is not presented.

(2) Financial analysis — International Financial Reporting Standards — Individual Entities

Item \ Year		Financial analysis for the most recent five years					As of March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Ratio of liabilities to assets	62.34	59.39	52.81	58.01	58.41	–
	Ratio of long-term capital to property, plant, and equipment	19,054.43	19,632.95	19,177.48	14,595.42	15,541.34	–
Debt service ability (%)	Current ratio	107.40	118.73	116.61	87.01	87.41	–
	Quick ratio	90.46	101.67	96.86	71.49	65.96	–
	Times interest earned ratio	37.23	74.85	202.37	115.98	37.09	–
Operating ability	Accounts receivable turnover rate (times)	5.15	4.76	4.95	4.89	4.87	–
	Average days for cash receipts	70.87	76.68	73.74	74.64	74.95	–
	Inventory turnover rate (times)	24.29	17.38	14.83	14.64	12.11	–

Item	Year	Financial analysis for the most recent five years 2015	2016	2017	2018	2019	As of March 31, 2020
Operating ability	Average days for sale of goods	15.03	21.00	24.61	24.93	30.13	–
	Payables turnover rate (times)	5.03	3.92	3.54	3.35	3.01	–
	Average payment days	72.56	93.11	103.11	108.96	121.26	–
	Turnover rate for property, plant, and equipment (times)	814.22	680.96	508.25	422.01	391.49	–
	Total asset turnover rate (times)	2.06	1.67	1.37	1.31	1.26	–
Profitability	Return on assets (%)	7.23	7.16	8.07	7.11	7.65	–
	Return on equity (%)	18.11	18.05	18.38	15.88	17.84	–
	Ratio of income before tax to paid-in capital (%)	43.68	53.06	48.85	47.18	55.60	–
	Net margin (%)	3.43	4.23	5.87	5.38	5.90	–
	Earnings per share (NTD)	4.06	4.40	4.67	4.12	4.80	–
Cash flow	Cash flow ratio (%)	6.82	29.22	4.15	11.29	17.62	–
	Cash flow adequacy ratio (%)	103.65	171.89	151.46	141.60	123.00	–
	Cash reinvestment ratio (%)	2.03	23.71	(5.05)	1.34	11.24	–
Leverage	Operating leverage	1.04	1.02	1.18	5.24	2.88	–
	Financial leverage	1.06	1.02	1.05	1.04	1.06	–

Explain changes in financial ratios over the most recent two years.
(Not required if the difference does not exceed 20%)

1. Average days for sale: The main reason is that the increase in stocks resulted in a substantial increase in inventory at the end of the period, resulting in an increase in average inventory turnover days in 2019.
2. Interest coverage ratio: The main reason is that interest expenses increased because of the application of the new version of IFRS. In addition, loan increased because of increased requirements for working capital, resulting in increased interest expenses in 2019
3. Cash flow ratio: The main reason is that the increase in net profit for the period caused an increase in cash inflows from operations in 2019.
4. Cash flow reinvestment ratio: The main reason is that the increase in net profit for the period caused an increase in cash inflows from operations in 2019, so the cash flow reinvestment ratio increased
5. Operating leverage: The main reason is that the increased revenue led to an increase in the operating net income in 2019.

1. Financial structure:

(1) Liability to asset ratio = Total liabilities / Total assets.

(2) Long-term capital to property, plant and equipment ratio = (net shareholders' equity + long-term liabilities) / net property, plant and equipment.

2. Debt-paying capability:

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenditures) / Current liabilities.

(3) Interest protection multiples = Income before income tax and interest expenditure / Interest expenses for this period.

3. Business capability:

(1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales / balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).

(2) Average collection days = 365 / Receivables turnover rate.

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

(4) Payables turnover rate (including notes payable resulting from accounts payable and business operations) = Cost of goods sold / Average accounts payable in various periods (including notes payable resulting from accounts payable and business operations).

(5) Average sales days = 365 / Inventory turnover ratio.

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

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

(8) Average collection days = 365 / Payables turnover rate.

4. Profitability:

(1) Return on assets (ROA) = [Net income after income tax + Interest expenses× (1 – tax rate)] / Average total assets.

(2) Return on shareholders' equity (ROE) = Net income after income tax / Average total equity value.

(3) Net margin = Net income after income tax / Net sales.

(4) Earnings per share (EPS) = (Net income after tax – Dividend of preferred shares) / Weighted average of outstanding shares.

5. Cash flow volume:

(1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow form operating activities for the last 5 years / sum of capital expenditures, inventory additions, and cash dividend for the last 5 years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividends) / (Gross value of property, plant and equipment + Long-term investments + Other assets + Working capital))。

6. Degree of leverage:

(1) Operating Leverage = (Net sales – variable operating cost and expense) / Operating income.

(2) Degree of Financial Leverage (DFL) = Operating income / (Operating income – Interest expenses)。

3. The Audit Committee's review report on the 2019 financial statement.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for distribution of earnings. The CPA firm of KPMG was retained to audit Primax's Financial Statements and has issued an audit report relating to the Financial Statements.

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

Your review is appreciated.

Sincerely,

Shareholders' Meeting of PRIMAX Electronics Ltd.

Convener of the Audit Committee: Ku, Tai-Chao 古台昭

March 10, 2020

4. The impact on the financial position of the Company in the event of financial turnover difficulties in the most recent year and up to the date of publication of this annual report of the Company and its affiliated companies: None.

5. Consolidated Financial Report and Notes Audited and Certified by CPAs in 2019

Stock Code:4915

PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
for the Years Ended
December 31, 2019 and 2018

Address: No. 669, Ruey Kuang Road, Neihu, Taipei
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Representation Letter

The entities that are required to be included in the combined financial statements of PRIMAX ELECTRONICS LTD. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PRIMAX ELECTRONICS LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: PRIMAX ELECTRONICS LTD.
Chairman: LIANG LI SHENG
Date: March 10, 2020

安侯建業聯合會計師事務所
KPMG
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Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matter

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2019 and 2018, the assets of these subsidiaries constitute 49% and 33%, respectively, of the consolidated total assets. For the years ended December 31, 2019 and 2018, the operating revenue of these subsidiaries constitute 51% and 41%, respectively, of the consolidated operating revenue.

We did not audit the financial statements of ALT International Co., Ltd (Cayman), which represented the investments accounted for using equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ALT International Co., Ltd (Cayman), is based solely on the report of another auditor. The investment in ALT International Co., Ltd (Cayman) accounted for using the equity method constituted 1% of the consolidated total assets at December 31, 2019, and the related share of loss of associates accounted for using equity method constituted 0% of consolidated profit after tax for the year ended.

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matter paragraph.

Key Audit Matters

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

1. Evaluation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

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

2. Lost control of subsidiaries

   Please refer to Note 4(c) "Basis of consolidation", Note 4(j) "Business combination" and Note 6(h) "loss control of subsidiaries" of the consolidated financial statements.

   Description of key audit matter:

   In July 2019, ALT International Co., Ltd (Cayman) held an interim shareholders' meeting and re-elected its directors, wherein the Group did not obtain more than 50% of its board of directors' voting rights. Therefore, the Group did not have the right to direct the relevant activities of ALT International Co., Ltd (Cayman) and lost its control over ALT International Co., Ltd (Cayman), but still retained significant influence. Thereafter, investment in ALT International Co., Ltd (Cayman) was reclassified to investments accounted for using the equity method. This transaction is deemed as non-routine and significant transaction for the year 2019 and will influence the users' comprehension on the financial statements. Therefore, lost control of subsidiaries is one of our key audit matters for our audit.

   How the matter was addressed in our audit:

   The principal audit procedures on lost control of subsidiaries included: reviewing the related documents at the time of loss of control; appointing our internal expert to review whether the measurements the Group adopted in evaluation report is common in the industry; verifying the correctness of profit or loss of disposal with the management's calculation and inspecting the completeness of disclosures related to this transaction in the consolidated financial statements.

3. Impairment assessment of intangible assets

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

   Description of key audit matter:

   In 2014, the Company acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in July 2019, the Company lost its control over ALT International Co., Ltd (Cayman) and its subsidiaries due to not having obtained more than 50% of its board of directors' voting rights in the interim shareholders' meeting, as a result, the Company recognized the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal, which was remeasured at fair value. The two transactions metioned above resulted in the Group to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained estimation uncertainty; therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

   How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2020

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 6,700,510	13	4,990,458	12
1110	Current financial assets at fair value through profit or loss (note 6(b))	187,016	-	115,608	-
1170	Notes and accounts receivable, net (notes 6(d) and (x))	19,197,355	36	16,382,468	38
1180	Accounts receivable from related parties, net (notes 6(d), (x) and 7)	180,471	-	539,820	1
1200	Other receivables (notes 6(d) and 7)	1,049,016	2	1,040,546	3
1310	Inventories (note 6(e))	10,493,246	20	7,760,333	18
1470	Other current assets (note 8)	1,515,598	3	642,927	1
		39,323,212	74	31,472,160	73
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	106,535	-	268,088	1
1550	Investments accounted for using equity method (notes 6(f) and (h))	904,753	2	-	-
1600	Property, plant and equipment (notes 6(k) and 8)	7,363,740	14	5,509,536	13
1755	Right-of-use assets (note 6(l))	1,843,153	3	-	-
1760	Investment property (note 6(m))	34,289	-	34,751	-
1780	Intangible assets (note 6(n))	2,501,156	5	4,463,979	10
1840	Deferred tax assets (note 6(t))	711,859	1	654,310	2
1985	Long-term prepaid rents	-	-	223,064	-
1990	Other non-current assets (note 8)	357,257	1	535,613	1
		13,822,742	26	11,689,341	27
	Total assets	$ 53,145,954	100	43,161,501	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(o) and 8)	$ 1,092,126	2	1,202,565	3
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	207,211	-	19,980	-
2170	Notes and accounts payable	23,744,889	45	18,447,564	43
2180	Accounts payable to related parties (note 7)	-	-	94,106	-
2200	Other payables (notes 6(g) and 7)	4,825,106	9	3,604,860	8
2201	Salaries payable	1,522,052	3	1,154,205	3
2280	Current lease liabilities (note 6(q))	278,609	-	-	-
2300	Other current liabilities (note 6(x))	312,761	1	375,158	1
2320	Long-term borrowings, current portion (notes 6(p) and 8)	27,777	-	67,548	-
2365	Current refund liabilities	1,552,275	3	1,094,833	2
		33,562,806	63	26,060,819	60
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(p) and 8)	150,529	-	239,015	1
2580	Non-current lease liabilities (note 6(q))	1,195,744	2	-	-
2630	Long-term deferred revenue (note 6(k))	2,960,815	6	910,800	2
2600	Other non-current liabilities (notes 6(f), (s) and (t))	772,420	2	980,749	2
		5,079,508	10	2,130,564	5
	Total liabilities	38,642,314	73	28,191,383	65
	Equity attributable to owners of parent:				
3110	Ordinary shares (note 6(u))	4,485,808	8	4,474,523	10
3200	Capital surplus (notes 6(i) and (u))	1,483,045	3	1,377,077	3
3310	Legal reserve (note 6(u))	1,370,470	3	1,187,783	3
3320	Special reserve (note 6(u))	662,348	1	299,065	1
3350	Unappropriated retained earnings (notes 6(c) and (u))	5,500,198	10	5,038,483	12
3400	Other equity interest (note 6(c))	(1,193,867)	(2)	(751,110)	(2)
36XX	**Non-controlling interests** (notes 6(i) and (j))	2,195,638	4	3,344,297	8
	Total equity	14,503,640	27	14,970,118	35
	Total liabilities and equity	$ 53,145,954	100	43,161,501	100

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating revenue (notes 6(x) and 7)**	$ 80,649,608	100	64,811,408	100
5000	**Operating costs (notes 6(e), (q), (r), (s), (y), 7 and 12)**	71,218,592	88	57,021,985	88
	Gross profit from operation	9,431,016	12	7,789,423	12
	Operating expenses (notes 6(q), (r), (s), (v), (y) and 12):				
6100	Selling expenses	1,503,193	2	1,447,730	2
6200	Administrative expenses	2,145,717	3	1,796,927	3
6300	Research and development expenses	2,968,221	4	2,664,477	4
6450	Expected credit loss (Reversal of expected credit loss) (note 6(d))	51,258	-	(62,225)	-
	Total operating expenses	6,668,389	9	5,846,909	9
	Net operating income	2,762,627	3	1,942,514	3
	Non-operating income and expenses:				
7010	Other income (note 6(z))	129,298	-	133,045	-
7020	Other gains and losses (notes 6(f), (h) and (aa))	241,454	1	349,320	1
7060	Share of loss of associates accounted for using equity method (note 6(g))	(11,067)	-	(16,753)	-
7050	Finance costs (note 6(q))	(208,411)	-	(43,924)	-
	Total non-operating income and expenses	151,274	1	421,688	1
	Profit before tax	2,913,901	4	2,364,202	4
7950	**Less: Income tax expenses (note 6(t))**	650,982	1	450,227	1
	Profit	2,262,919	3	1,913,975	3
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Losses on remeasurements of defined benefit plans (note 6(s))	(2,146)	-	(473)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(17,148)	-	(134,472)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(19,294)	-	(134,945)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operation's financial statements	(525,368)	(1)	(192,374)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(525,368)	(1)	(192,374)	-
8300	**Other comprehensive income after tax**	(544,662)	(1)	(327,319)	-
	Comprehensive income	$ 1,718,257	2	1,586,656	3
	Profit attributable to:				
8610	Owners of parent	$ 2,134,870	3	1,826,870	3
8620	Non-controlling interests (note 6(j))	128,049	-	87,105	-
		$ 2,262,919	3	1,913,975	3
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,644,893	2	1,504,297	3
8720	Non-controlling interests (note 6(j))	73,364	-	82,359	-
		$ 1,718,257	2	1,586,656	3
	Earnings per share (note 6(w))				
9710	**Basic earnings per share (NT dollars)**	$ 4.80		4.12	
9810	**Diluted earnings per share (NT dollars)**	$ 4.77		4.09	

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital			Retained earnings			Other equity interest					
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018 after adjustments	$ 4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	(95,806)	11,385,272	1,596,530	12,981,802
Profit	-	-	-	-	-	1,826,870	-	-	-	1,826,870	87,105	1,913,975
Other comprehensive income	-	-	-	-	-	(473)	(187,628)	(134,472)	-	(322,573)	(4,746)	(327,319)
Comprehensive income	-	-	-	-	-	1,826,397	(187,628)	(134,472)	-	1,504,297	82,359	1,586,656
Appropriation and distribution of retained earnings:												
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	-	(1,430,068)	-	(1,430,068)
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-	-	134	-	81,705	230,640	312,345
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	84,615	84,615	-	84,615
Retirement of restricted stock	(3,640)	-	(45,324)	-	-	-	-	-	48,964	-	-	-
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	(126,535)	-	-	-
Issuance of ordinary shares for employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(1,256)	-	1,256	-	-	-	-
Acquired non-controlling interest from business combination	-	-	-	-	-	-	-	-	-	-	1,434,768	1,434,768
Balance at December 31, 2018	4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821	3,344,297	14,970,118
Profit	-	-	-	-	-	2,134,870	-	-	-	2,134,870	128,049	2,262,919
Other comprehensive income	-	-	-	-	-	(2,146)	(470,683)	(17,148)	-	(489,977)	(54,685)	(544,662)
Comprehensive income	-	-	-	-	-	2,132,724	(470,683)	(17,148)	-	1,644,893	73,364	1,718,257
Appropriation and distribution of retained earnings:												
Appropriated legal reserve	-	-	-	182,687	-	(182,687)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	363,283	(363,283)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,072,341)	-	-	-	(1,072,341)	-	(1,072,341)
Changes in shares of investment accounted for using equity method	-	-	9,990	-	-	-	-	38,540	-	48,530	4,138	52,668
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	61,099	61,099	-	61,099
Retirement of restricted stock	(6,915)	-	(2,848)	-	-	-	-	-	9,763	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(42,152)	(42,152)
Issuance of restricted stock	18,200	-	98,826	-	-	-	-	-	(117,026)	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(52,698)	-	52,698	-	-	-	-
Derecognition of non-controlling interest due to disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,184,009)	(1,184,009)
Balance at December 31, 2019	$ 4,485,808	-	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	12,308,002	2,195,638	14,503,640

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 2,913,901	2,364,202
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and Amortization expense	2,190,317	1,614,689
Loss related to inventories	349,962	249,385
Expected credit loss (reversal)	51,258	(62,225)
Interest expense	203,047	38,001
Interest income	(120,338)	(112,306)
Compensation cost of share-based payment	75,227	122,994
Share of loss of associates accounted for using equity method	11,067	16,753
Loss (gain) on disposal of property, plant and equipment	(34,144)	11,843
Loss on disposal of investments accounted for using equity method	-	(4,950)
Loss on disposal of subsidiaries	275,306	-
Total adjustments to reconcile profit (loss)	3,001,702	1,874,184
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(71,408)	25,543
Notes and accounts receivable	(3,110,708)	(2,839,678)
Other receivables	(79,852)	(185,411)
Accounts receivable from related parties	(11,134)	(280,343)
Inventories	(3,326,852)	(841,284)
Other current assets	(993,890)	21,876
Other operating assets	(14,412)	18,528
Changes in operating assets	(7,608,256)	(4,080,769)
Financial liabilities at fair value through profit or loss	187,231	(83,127)
Notes and accounts payable	5,449,971	1,944,724
Salaries payable	381,195	26,099
Accounts payable to related parties	(45,328)	(67,661)
Other payables	500,638	353,358
Other current liabilities	(62,304)	(60,961)
Refund liabilities	457,442	(15,838)
Other operating liabilities	2,048,913	(130,527)
Changes in operating liabilities	8,917,758	1,966,067
Total changes in operating assets and liabilities	1,309,502	(2,114,702)
Total adjustments	4,311,204	(240,518)
Cash outflow generated from operations	7,225,105	2,123,684
Interest received	120,338	112,306
Interest paid	(202,975)	(37,931)
Income taxes paid	(514,457)	(411,108)
Net cash flows from operating activities	6,628,011	1,786,951
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(33,273)	(8,880)
Proceeds from disposal of financial assets at fair value through other comprehensive income	214,202	7,343
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,016	2,107
Net cash flows from loss control of subsidiaries	(131,285)	-
Acquisition of investments accounted for using equity method	-	(1,370,824)
Increase in restricted deposits	-	(57,751)
Acquisition of property, plant and equipment	(3,559,181)	(1,973,862)
Proceeds from disposal of property, plant and equipment	74,349	60,841
Decrease (increase) in refundable deposits	(53,170)	48,944
Dividends received	214	13,437
Changes in non-controlling interests	-	273,832
Acquisition of unamortized expense	(91,905)	(37,027)
Aggregation from business combination without consideration transferred	-	379,844
Increase in other non-current assets	(886)	(255,356)
Net cash flows used in investing activities	(3,578,919)	(2,917,352)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	125,268	(16,678)
Increase (decrease) in long-term borrowings	88,002	(106,914)
Increase in guarantee deposits received	52,001	13,886
Payment of lease liabilities	(249,186)	-
Cash dividends	(1,114,493)	(1,430,068)
Net cash flows used in financing activities	(1,098,408)	(1,539,774)
Effect of exchange rate changes on cash and cash equivalents	(240,632)	(160,378)
Net increase (decrease) in cash and cash equivalents	1,710,052	(2,830,553)
Cash and cash equivalents at beginning of period	4,990,458	7,821,011
Cash and cash equivalents at end of period	**$ 6,700,510**	**4,990,458**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 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 December 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, as well as other electronic components. Please refer to note 14 for further information.

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

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

The consolidated financial statements were authorized for issuance by the board of directors on March 10, 2020.

(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"):

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to 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(m).

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.

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.

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 of right-of-use assets and $1,684,460 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:

	January 1, 2019
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	669,810
	$ 2,160,179
Discounted using the incremental borrowing rate at January 1, 2019 (as well as lease liabilities recognized at January 1, 2019)	**$ 1,684,460**

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities are measured at fair value of plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests at their carring amounts at the date when control is lost. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(Continued)

(ii) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2019	Percentage of shareholding December 31, 2018	Description
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Holding comapny	100.00 %	- %	(note1)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2019	Percentage of shareholding December 31, 2018	Description
Primax Singapore	Primax Electronics (Thailand) Pte. Ltd. (Primax Thailand)	Manufacture and sale of computer peripheral devices and software	99.99 %	- %	(note 1)
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	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 %	(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 %	
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 %	
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacture, install and repair of audio accessories and their components	100.00 %	100.00 %	
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology (Thailand) Co., Ltd (TYTH)	Manufacture and sales of audio accessories, amplifiers and their components	99.99 %	- %	(note 3)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2019	Percentage of shareholding December 31, 2018	Description
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	
Primax AE	ALT International Co., Ltd (Cayman) (AIC)	Holding company	- %	37.00 %	(note 4) (note 5)
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	- %	100.00 %	(note 4) (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 %	(note 4) (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 %	(note 4) (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 %	(note 4) (note 5) (note 6)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	- %	100.00 %	(note 4) (note 5)

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

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

Note 3: The subsidiary was established in the fourth quarter of 2019.

Note 4: 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 5: In July 2019, AIC held an interim shareholders' meeting and re-elected its board members, wherein the Group did not obtain more than 50% of the voting rights of the board. As a result, the Group lost its control over AIC and its subsidiaries. Thereafter, the Group reclassified them from subsidiaries to investments accounted for using equity method.

Note 6: In July 2018, ALT executed a capital increase, wherein ALT (Shanghai) had participated and invested the amount of CNY8,000, resulting in the shareholding of AIC and ALT (Shanghai) to decrease and increase to 70.55% and 29.45%, respectively. In August and November 2018, ALT executed another capital increase, wherein only AIC had participated and invested the amounts of USD1,000 and USD3,000, respectively, which resulted in the shareholding of AIC and ALT (Shanghai) to increase and decrease to 85.22% and 14.78%, respectively.

(Continued)

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the differences relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the consolidated financial statements, New Taiwan Dollar, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the consolidated financial statements, New Taiwan Dollar, at the average rate. Foreign currency differences are recognized in other comprehensive income.

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI) ; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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

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

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

· contingent events that would change the amount or timing of cash flows;

· terms that may adjust the contractual coupon rate, including variable rate features;

· prepayment and extension features; and

· terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

· significant financial difficulty of the borrower or issuer;

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(Continued)

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital surplus.

Unrealized Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated party's interests in the associate.

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

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

(Continued)

(j) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

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

The consideration resulting from a contingent consideration shall be recognized at the acquisition-date fair value. For the changes in the fair value of contingent consideration that are not measurement period adjustments, the accounting treatments shall depend on the classification of contingent consideration. Other contingent considerations within the scope of IAS 39 shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss in accordance with the regulation of IAS 39. Otherwise, they shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Group loses control over a subsidiary, it derecognizes the subsidiary at their carrying amount at the date when control is lost. Any interest retained in the former subsidiary is measured at fair value at the date when control is lost.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value, which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

(Continued)

Rental income from investment property is recognized as other gains and losses on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is ecognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings, leasehold improvement, and additional equipment: 1 ~ 51 years

2) Machinery and equipment: 1 ~10 years

3) Office and other equipment: 1 ~5 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(m) 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

– the customer has the right to direct how, and for what purpose, the asset is used throughout the period of use; or

– the relevant decisions about how, and for what purpose, the asset is used are predetermined and:

● the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

● the customer designed the asset in a way that predetermines how, and for what purpose, it will be used throughout the period of use.

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 accounted for the lease and non-lease components as a single lease component.

(ii) As a lessee

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

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

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

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

- fixed payments, including in-substance 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 leases of machinery and other equipment that have a short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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.

(n) Leases (applicable before January 1, 2019)

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(o) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, technology, patents and trademarks, that are acquired by the Group and have finite useful lives, are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1)	Customer relationships	10 years
2)	Technology	10 years
3)	Trademarks	10 years
4)	Patents	2.5~10 years
5)	Copyrights	15 years

Amortization methods, useful lives and residual values, are reviewed at each annual reporting date and adjusted if appropriate.

(p) Impairment of non-financial assets

At each annual reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value, less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(q) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

(i) Sale of goods

The Group manufactures computer peripherals and non-computer peripherals and sales them to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liabilities is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 90 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Rendering of services

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

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

(iii) Financing components

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

(r) Deferred grant revenue

Deferred grant revenue with additional conditions shall be recognized if the Group fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Group's expenses that have been incurred or to supply immediate financial support to the Group and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(s) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Group's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as related service are provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(t) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of shares that employees can subscribe for.

(u) Income taxes

Income taxes expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(v) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee remuneration, and restricted stock.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

The management continues to monitor the accounting assumptions, estimates and judgments. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories’ obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(Continued)

(b) Assessment of impairment of intangible assets (including goodwill)

The assessment of impairment of intangible assets required the Group to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Group has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(ab) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 5,260	6,548
Demand accounts and checking deposits	5,531,016	3,911,783
Time deposits	1,164,234	1,072,127
Cash and cash equivalents in the consolidated statements of cash flows	**$ 6,700,510**	**4,990,458**

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

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

(i) Details of financial instruments were as follows:

	December 31, 2019	December 31, 2018
Mandatorily measured at FVTPL:		
Derivative instruments not used for hedging		
Forward exchange contracts	$ 82,870	115,608
Foreign exchange swap contracts	104,146	-
	$ 187,016	**115,608**

	December 31, 2019	December 31, 2018
Financial liabilities held-for-trading:		
Derivative instrument not used for hedging		
Forward exchange contracts	$ (193,946)	(19,980)
Foreign exchange swap contracts	(13,265)	-
	$ (207,211)	**(19,980)**

(ii) The Group held the following derivative instruments as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities, without the application of hedge accounting, as of December 31, 2019 and 2018:

December 31, 2019

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts －buy USD / sell TWD	USD 511,000	January 2, 2020~ June 29, 2020	29.575~31.260
Forward exchange contracts －buy TWD / sell USD	USD 106,000	January 2, 2020~ March 30, 2020	29.996~30.776
Forward exchange contracts －buy CNY/ sell USD	USD 197,700	January 3, 2020~ March 25, 2020	6.9800~7.1710
Foreign exchange swap contracts －swap in USD/ swap out TWD	USD 10,000	February 26, 2020	31.288
Foreign exchange swap contracts －swap in TWD / swap out USD	USD 269,000	January 6, 2020~ June 23, 2020	29.754~30.859
Forward exchange swap contracts– swap in CNY/ swap out USD	USD 11,000	January 3, 2020~ January 7, 2020	7.0026~7.0036

December 31, 2018

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts －buy USD / sell TWD	USD 167,000	January 7, 2019~ May 17, 2019	29.94~30.687
Forward exchange contracts －buy CNY / sell USD	USD 237,500	January 7, 2019~ May 17, 2019	6.8744~7.0017
Forward exchange contracts－ swap in TWD / swap out USD	USD 40,000	January 7, 2019~ January 18, 2019	30.525~30.7315

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

(c) Financial assets at FVOCI

	December 31, 2019	December 31, 2018
Equity investments at FVOCI		
Stocks listed in domestic markets–Global TEK	$ -	232,737
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	1,076	1,076
Stocks unlisted in domestic markets–Changing Information Technology Inc.	2,102	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	55,094	27,660
Equities unlisted in foreign markets–Grove Ventures II, L.P.	7,226	-
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	40,988	4,464
Total	$ 106,535	268,088

(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) During the years ended December 31, 2019 and 2018, the dividends of $214 and $13,437, related to equity investments at FVOCI held were recognized.

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(iii) As a result of enhancing its working capital, the Group sold 5,338 thousand and 172 thousand of its shares in Global TEK, with the fair values of $214,202 and $7,343, resulting in the losses of $52,698 and $1,256, respectively, for the years ended December 31, 2019 and 2018. Losses had been recognized as other equity interests, and later on, reclassified to retained earnings.

(iv) WK Technology Fund IV Ltd. refunded the amount of $691 to the Group due to its capital reduction in June 2018.

(v) Grove Venture, L.P executed capital increases, wherein the Group had participated and invested the amounts of $25,953 and $8,880 in the years ended December 31, 2019 and 2018, respectively.

(vi) The Group invested $7,320 in an unlisted company, Grove Ventures II, L.P., in the year ended December 31, 2019.

(vii) WK Global Investment III Ltd. refunded the amounts of $2,016 and $1,416 to the Group due to its capital reduction in June 2019 and June 2018, respectively.

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

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

	December 31, 2019	December 31, 2018
Notes receivable	$ 5,250	288,156
Accounts receivable	19,267,830	16,139,779
Accounts receivable – related parties	180,471	539,820
Less: allowance for doubtful accounts	(75,725)	(45,467)
Total	$ 19,377,826	16,922,288

(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:

	December 31, 2019		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	$ 18,107,626	0%~0.38%	40,506
0 to 30 days past due	1,266,578	0%~3%	22,839
31 to 60 days past due	48,325	0%~5%	1,394
61 to 90 days past due	6,374	0%~10%	105
91 to 180 days past due	11,021	0%~25%	1,038
181 to 360 days past due	4,145	0%~80%	1,144
More than 361 days past due	9,482	0%~100%	8,699
	$ 19,453,551		75,725

	December 31, 2018		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	$ 15,223,848	0%	-
0 to 30 days past due	1,466,038	0%~3%	19,830
31 to 60 days past due	57,440	0%~5%	652
61 to 90 days past due	61,145	0%~10%	198
91 to 180 days past due	106,835	0%~25%	388
181 to 360 days past due	14,245	0%~80%	1,419
More than 361 days past due	38,204	0%~100%	22,980
	$ 16,967,755		45,467

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

	2019	2018
Balance on January 1, 2019 and 2018	$ 45,467	127,640
Impairment losses recognized (reversed)	51,258	(62,225)
Acquisition from business combination	-	7,588
Disposal of subsidiaries	(14,861)	-
Amounts written off	(4,220)	(31,580)
Effect of exchange rate changes	(1,919)	4,044
Balance on December 31, 2019 and 2018	$ 75,725	45,467

(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 Group shall pay handling charges based on a fixed rate. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of reporting date, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

December 31, 2019						
		Amount Advanced				
Purchaser	Amount Derecognized	Unpaid	Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
Mega International Commercial Bank	$ -	-	-	-	-	US$ 3,750
HSBC Bank	1,002,004	-	901,804	100,200	2.19%~2.20%	US$ 13,500
EnTie Bank	193,366	-	-	193,366	-	-
	$ 1,195,370	-	901,804	293,566		

December 31, 2018						
		Amount Advanced				
Purchaser	Amount Derecognized	Unpaid	Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
Mega International Commercial Bank	$ -	-	-	-	-	US$ 3,750
HSBC Bank	-	-	-	-	-	US$ 13,500
Bank of Taiwan	-	-	-	-	-	NT$ 130,000
EnTie Bank	152,127	-	-	152,127	-	-
	$ 152,127	-	-	152,127		

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

(e) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 2,356,395	2,185,662
Semi-finished goods and work in process	2,312,106	1,536,356
Finished goods and merchandise	5,824,745	4,038,315
	$ 10,493,246	7,760,333

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

	2019	2018
Losses on inventory valuation	$ (244,324)	(216,072)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(9,223)	(33,379)
Losses on disposal of inventories	(105,102)	(11,121)
Gains on physical inventories	8,687	11,187
	$ (349,962)	(249,385)

(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:

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates' equity	$ 904,753	(236)
Credit balance of long-term investment reclassified as other non-current liabilities	-	236
Total	$ 904,753	-

	2019	2018
Attributable to the Group:		
Loss	$ (11,067)	(16,753)
Other comprehensive income	(16,701)	-
Comprehensive income	$ (27,768)	(16,753)

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 Group included AIC Group in its consolidated financial statements beginning June 2018; please refer to note 6(g). Since the investment is no longer regarded as an associate accounted for using equity method, it resulted in a revaluation gain of $4,950, which was recorded as disposal gain under other gains and losses, including all the amounts previously recognized in other comprehensive income in relation to that investment. In July 2019, the Group lost its control over AIC, but retained its significant influence. Thereafter, AIC was reclassified from subsidiaries to investments accounted for using equity method. Please refer to note 6(h).

As of December 31, 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.

(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	1,433,951
	2,850,717
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	(817)
Identifiable net assets	2,276,113
Goodwill	**$ 574,604**

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.

(h) Loss control of subsidiaries

In July 2019, AIC held an interim shareholders’ meeting and re-elected its directors, wherein the Group did not obtain more than 50% of its board of directors’ voting rights. Therefore, the Group lost its control over AIC, but still retained significant influence. Thereafter, AIC and its subsidiaries were no longer included in the Group’ s consolidated financial statements; hence, they were reclassified to investments accounted for using the equity method. Due to the loss of its control over AIC, the Group remeasured its 37% shares in AIC amounting to $932,522 at fair value, resulting in a revaluation loss of $297,377 to be recognized in July 2019. Additionally, the Group reclassified the exchange differences on translation of foreign operation’s financial statements of $4,071 from other equity interest to other income. The Group recorded the net losses of its disposals amounting to $275,306 under other gains and losses.

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

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

(i) Changes in ownership interest in subsidiaries

(i) Acquisitions of NCI

In 2018, the Group participated in the capital increase by cash of Tymphany Huizhou, with an additional interest of 4.99%, which was different from its existing ownership percentage in Tymphany Huizhou. The transaction increased the non-controlling interest and capital reserves of the Group by $219,006 and $81,571, respectively.

(j) Material non-controlling interests of subsidiaries

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

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

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

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

	December 31, 2019	December 31, 2018
Current assets	$ 20,221,838	12,801,027
Non-current assets	7,069,414	4,029,482
Current liabilities	(18,685,167)	(9,594,008)
Non-current liabilities	(920,404)	(76,753)
Net assets	$ 7,685,681	7,159,748
Non-controlling interests	$ 2,195,638	2,045,390

	2019	2018
Operating revenue	$ 40,930,219	26,942,400
Profit	862,711	798,773
Other comprehensive income (loss)	$ (203,331)	(29,993)
Comprehensive income	$ 659,380	768,780
Profit attributable to non-controlling interests	$ 246,459	226,787
Comprehensive income attributable to non-controlling interests	$ 188,263	218,218

	2019	2018
Cash flows used in operating activities	$ 2,423,821	(375,765)
Cash flows used in investing activities	(1,778,717)	(919,203)
Cash flows from financing activities	451,846	730,461
Effect of exchange rate changes	(42,790)	(36,167)
Net increase (decrease) in cash and cash equivalents	$ 1,054,160	(600,674)
Dividends paid to non-controlling interests	$ 42,152	-

(Continued)

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

	December 31, 2019	December 31, 2018
Current assets	$ -	1,224,400
Non-current assets	-	2,364,796
Current liabilities	-	(451,162)
Non-current liabilities	-	(502,642)
Net assets	$ -	2,635,392
Non-controlling interests	$ -	1,298,907

	For the seven months ended July 31, 2019	For the seven months ended December 31, 2018
Operating revenue	$ 418,666	496,169
Loss	$ (187,693)	(220,939)
Other comprehensive income (loss)	8,725	5,617
Comprehensive loss	$ (178,968)	(215,322)
Loss attributable to non-controlling interests	$ (118,410)	(139,682)
Comprehensive loss attributable to non-controlling interests	$ (114,899)	(135,859)

	For the seven months ended July 31, 2019	For the seven months ended December 31, 2018
Cash flows used in operating activities	$ (52,216)	(87,515)
Cash flows used in investing activities	(116,807)	(11,277)
Cash flows from (used in) financing activities	72,567	(49,964)
Effect of exchange rate changes	6,570	(9,917)
Net decrease in cash and cash equivalents	$ (89,886)	(158,673)
Dividends paid to non-controlling interests	$ -	-

(Continued)

(k) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 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
Cost or deemed cost:							
Balance on January 1, 2019	$ 229,801	4,338,669	6,925,443	770,043	566,140	-	12,830,096
Additions	-	52,190	720,596	1,231,970	2,235,207	-	4,239,963
Disposals	-	(106,387)	(877,359)	(29,095)	(1,962)	-	(1,014,803)
Reclassifications	-	119,600	1,218,764	253,113	(1,594,807)	-	(3,330)
Disposals of subsidiaries	(95,100)	(251,649)	(152,682)	(51,256)	(40,372)	-	(591,059)
Effect of changes in exchange rate	-	(137,894)	(326,674)	(84,919)	(53,150)	-	(602,637)
Balance on December 31, 2019	$ 134,701	4,014,529	7,508,088	2,089,856	1,111,056	-	14,858,230
Balance on January 1, 2018	$ 134,701	3,809,364	6,024,654	597,200	413,789	(2,284)	10,977,424
Additions	-	52,381	607,291	92,950	1,487,720	-	2,240,342
Disposals	-	(52,377)	(346,261)	(23,127)	(10,143)	2,275	(429,633)
Acquisition from business combination	95,100	233,784	53,478	23,149	42,690	-	448,201
Reclassifications	-	366,792	692,991	51,732	(1,355,287)	-	(243,772)
Effect of changes in exchange rate	-	(71,275)	(106,710)	28,139	(12,629)	9	(162,466)
Balance on December 31, 2018	$ 229,801	4,338,669	6,925,443	770,043	566,140	-	12,830,096
Depreciation and impairments loss:							
Balance on January 1, 2019	$ -	1,977,887	4,859,380	483,293	-	-	7,320,560
Depreciation	-	264,081	1,137,385	173,396	-	-	1,574,862
Disposals	-	(96,464)	(851,365)	(26,769)	-	-	(974,598)
Reclassifications	-	(57)	5,145	(5,619)	-	-	(531)
Disposals of subsidiaries	-	(37,809)	(54,638)	(38,188)	-	-	(130,635)
Effect of changes in exchange rate	-	(71,676)	(201,502)	(21,990)	-	-	(295,168)
Balance on December 31, 2019	$ -	2,035,962	4,894,405	564,123	-	-	7,494,490
Balance on January 1, 2018	$ -	1,830,962	4,311,178	399,884	-	(2,284)	6,539,740
Depreciation	-	217,604	1,008,872	90,775	-	-	1,317,251
Disposals	-	(52,010)	(284,967)	(22,247)	-	2,275	(356,949)
Reclassifications	-	(1,053)	(91,521)	(4,012)	-	-	(96,586)
Effect of changes in exchange rate	-	(17,616)	(84,182)	18,893	-	9	(82,896)
Balance on December 31, 2018	$ -	1,977,887	4,859,380	483,293	-	-	7,320,560
Carrying amounts:							
Balance on December 31, 2019	$ 134,701	1,978,567	2,613,683	1,525,733	1,111,056	-	7,363,740
Balance on December 31, 2018	$ 229,801	2,360,782	2,066,063	286,750	566,140	-	5,509,536
Balance on January 1, 2018	$ 134,701	1,978,402	1,713,476	197,316	413,789	-	4,437,684

(i) The unamortized deferred revenue of equipment subsidy amounted to $2,876,379 and $821,213 as of December 31, 2019 and 2018, respectively.

(ii) The Group identified its property, plant and equipment from the acquisition of AIC in June 2018.

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

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

(l) Right-of-use assets

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

	Land	Buildings	Vehicles	Other equipment	Total
Cost:					
Balance on January 1, 2019	$ -	-	-	-	-
Effects of retrospective application	435,567	1,729,293	9,269	-	2,174,129
Additions	19,896	171,597	8,723	3,464	203,680
Disposals	-	(45,777)	-	-	(45,777)
Disposals of subsidiaries	(39,374)	(103,760)	-	-	(143,134)
Effect of changes in exchange rates	(13,634)	(33,173)	(307)	(33)	(47,147)
Balance on December 31, 2019	$ 402,455	1,718,180	17,685	3,431	2,141,751
Depreciation:					
Balance on January 1, 2019	$ -	-	-	-	-
Depreciation	11,485	296,287	8,932	1,736	318,440
Disposals	-	(1,550)	-	-	(1,550)
Disposals of subsidiaries	(464)	(10,673)	-	-	(11,137)
Effect of changes in exchange rates	(394)	(6,561)	(179)	(21)	(7,155)
Balance on December 31, 2019	$ 10,627	277,503	8,753	1,715	298,598
Carrying amounts:					
Balance on December 31, 2019	$ 391,828	1,440,677	8,932	1,716	1,843,153

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

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(m) Investment property

		Land	Buildings and other equipment	Total
Cost or deemed cost:				
Balance on January 1, 2019	$	50,190	31,735	81,925
Additions		-	-	-
Balance on December 31, 2019	$	**50,190**	**31,735**	**81,925**
Balance on January 1, 2018	$	50,190	31,735	81,925
Additions		-	-	-
Balance on December 31, 2018	$	**50,190**	**31,735**	**81,925**
Depreciation and impairment losses:				
Balance on January 1, 2019	$	33,941	13,233	47,174
Depreciation		-	462	462
Balance on December 31, 2019	$	**33,941**	**13,695**	**47,636**
Balance on January 1, 2018	$	33,941	12,770	46,711
Depreciation		-	463	463
Balance on December 31, 2018	$	**33,941**	**13,233**	**47,174**
Carrying amounts:				
Balance on December 31, 2019	$	**16,249**	**18,040**	**34,289**
Balance on December 31, 2018	$	**16,249**	**18,502**	**34,751**
Balance on January 1, 2018	$	**16,249**	**18,965**	**35,214**
Fair value:				
Balance on December 31, 2019			$	**92,171**
Balance on December 31, 2018			$	**80,905**
Balance on January 1, 2018			$	**81,930**

(i) The fair value of the investment property is based on the quotation from parties, which is categorized within Level 3.

(ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(r) for further information.

(iii) The Group did not provide any of the aforementioned investment property as collateral.

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(n) Intangible assets

The carrying amounts of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Cost or deemed cost:						
Balance on January 1, 2019	$	2,612,461	1,099,859	1,383,197	121,797	5,217,314
Acquisition		-	-	513	373	886
Disposals of subsidiaries		(574,604)	(381,059)	(1,029,394)	-	(1,985,057)
Effect of changes in exchange rate		(2,762)	-	2,955	(2,319)	(2,126)
Balance on December 31, 2019	$	**2,035,095**	**718,800**	**357,271**	**119,851**	**3,231,017**
Balance on January 1, 2018	$	2,025,495	718,800	419,300	121,986	3,285,581
Acquisition from business combination		574,604	381,059	956,874	-	1,912,537
Effect of changes in exchange rate		12,362	-	7,023	(189)	19,196
Balance on December 31, 2018	$	**2,612,461**	**1,099,859**	**1,383,197**	**121,797**	**5,217,314**
Amortization and impairment loss:						
Balance on January 1, 2019	$	-	379,889	265,449	107,997	753,335
Amortization		-	94,108	99,439	3,786	197,333
Disposals of subsidiaries		-	(44,457)	(176,662)	-	(221,119)
Effect of changes in exchange rate		-	-	312	-	312
Balance on December 31, 2019	$	**-**	**429,540**	**188,538**	**111,783**	**729,861**
Balance on January 1, 2018	$	-	285,781	166,706	102,906	555,393
Amortization		-	94,108	98,610	4,770	197,488
Effect of changes in exchange rate		-	-	133	321	454
Balance on December 31, 2018	$	**-**	**379,889**	**265,449**	**107,997**	**753,335**
Carrying amounts:						
Balance on December 31, 2019	$	**2,035,095**	**289,260**	**168,733**	**8,068**	**2,501,156**
Balance on December 31, 2018	$	**2,612,461**	**719,970**	**1,117,748**	**13,800**	**4,463,979**
Balance on January 1, 2018	$	**2,025,495**	**433,019**	**252,594**	**19,080**	**2,730,188**

(i) In July 2019, the Group lost its control over AIC, and derecognized its intangible assets; please refer to note 6(h).

(ii) For the intangible assets identified from the acquisition of AIC and its subsidiaries in June 2018, please refer to note 6(g).

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

(o) Short-term borrowings

The details were as follows:

		December 31, 2019	December 31, 2018
Unsecured bank loans	$	1,092,126	1,137,565
Secured bank loans		-	65,000
Short-term borrowings	$	**1,092,126**	**1,202,565**
Unused credit lines	$	**19,664,255**	**21,333,665**
Annual interest rates		**0.60%~4.02%**	**0.85%~4.02%**

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

(p) Long-term borrowings

December 31, 2019	Currency	Annual interest rate	Maturity year		Amount
Unsecured bank loans	TWD	1.35%	2020	$	27,777
Secured bank loans	USD	3.05%	2021		150,529
Less: current portion					(27,777)
				$	**150,529**
Unused credit lines				$	**451,587**

December 31, 2018	Currency	Annual interest rate	Maturity year		Amount
Unsecured bank loans	TWD	1.35%~1.48%	2020	$	83,333
Secured bank loans	TWD	1.67%~2.12%	2022~2035		223,230
Less: current portion					(67,548)
				$	**239,015**
Unused credit lines				$	**-**

(Continued)

(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.

(q) Lease liabilities

		December 31, 2019
Current	$	**278,609**
Non-current	$	**1,195,744**

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

The amounts recognized in profit or loss were as follows:

		2019
Interest on lease liabilities	$	**68,286**
Expenses relating to short-term leases and leases of low-value assets	$	**58,056**

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

		2019
Rental paid in operating activities	$	(58,056)
Interest on lease liabilities paid in operating activities		(68,286)
Payment made on lease liabilities in financing activities		(249,186)
Total cash outflow for leases	$	**(375,528)**

(i) Real estate leases

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

(Continued)

(ii) Other leases

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

The Group also leases machineries and some of the other equipments with lease terms of one to five years. These leases are short-term or leases of low-value items. The Group decided to apply recognition exemptions, and had elected not to recognize its right-of-use assets and lease liabilities for these leases.

(r) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable as of December 31, 2018 were as follows:

	December 31, 2018
Less than one year	$ 305,577
Between one and five years	800,680
More than five years	399,066
	$ 1,505,323

The Group leases a number of offices and warehouses and pieces of equipments under operating leases. The lease terms are between 1 and 17 years. During the year 2018, an amount of $267,643 was recognized as an expense in profit or loss in respect of operating leases.

(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(m) sets out information about the operating leases of investment property.

As of December 31,2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date, was as follows:

	December 31, 2019
Less than one year	$ 1,553
One to five years	-
Total undiscounted lease payments	**$ 1,553**

As of December 31,2018, the future minimum lease payments under non-cancellable leases were as follows:

	December 31, 2018
Less than one year	$ 1,758
Between one and five years	488
	$ 2,246

(s) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 163,560	156,919
Fair value of plan assets	95,623	89,417
Deficit in the plan	67,937	67,502
Asset ceiling	-	-
Net defined benefit liability (recorded as other non-current liabilities)	**$ 67,937**	**67,502**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $95,623 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Defined benefit obligation at January 1	$	156,919	156,494
Benefits paid		(995)	(5,340)
Current service costs and interest cost		1,898	2,302
Remeasurement of net defined liabilities		5,738	3,463
Defined benefit obligation at December 31	**$**	**163,560**	**156,919**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Fair value of plan assets at January 1	$	89,417	88,082
Remeasurement of net defined liabilities		3,592	2,990
Interest income		544	590
Contribution paid		3,065	3,095
Benefits paid		(995)	(5,340)
Fair value of plan assets at December 31	**$**	**95,623**	**89,417**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Current service costs	$	611	877
Net interest of net liabilities for defined benefit		743	835
Expenses	**$**	**1,354**	**1,712**

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5) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income.

The Company’s remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

		2019	2018
Balance on January 1	$	10,803	10,330
Recognized during the period		2,146	473
Balance on December 31	**$**	**12,949**	**10,803**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	0.800 %	1.125%
Future salary increase rate	3.000 %	3.250%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was $3,073. The weighted-average duration of the defined benefit plans is 10 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2019			
Discount rate	$	(3,248)	3,349
Future salary increase rate	$	3,191	(3,111)
December 31, 2018			
Discount rate	$	(3,266)	3,372
Future salary increase rate	$	3,215	(3,131)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The continuing operations allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounting to \$458,035 and \$357,104 for the years ended December 31, 2019 and 2018, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

(t) Income taxes

(i) The components of income tax expenses for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Current tax expense	$ 726,224	427,108
Deferred tax expense (benefit)	(75,242)	23,119
Income tax expense	**$ 650,982**	**450,227**

(ii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Profit before income tax	$ 2,913,901	2,364,202
Income tax calculated based on domestic tax rate of individual entity of the Group	975,379	857,150
Adjustment in tax rate	-	(19,906)
Overseas investment gains recognized under the equity method	(217,045)	(254,283)
Non-taxable income	(2,265)	(2,821)
Prior year's income tax adjustment	(50,878)	56,990
10% surtax on unappropriated earnings	12,974	27,565
Investment tax credits accrued	(118,232)	(105,843)
Other	51,049	(108,625)
Income tax expense	**$ 650,982**	**450,227**

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 889,807**	**815,410**

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Deductible temporary differences	**$ 164,776**	**160,199**

The deductible temporary differences and losses cannot be realized, or there may not be sufficient taxable profit to utilize after the Group's evaluation. Therefore, they were not recognized as deferred tax assets.

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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, were as follows:

		Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Amortization of appraised value adjustment of intangible assets	Others	Total
Deferred tax liabilities:						
Balance on January 1, 2019	$	321,168	8,105	343,096	32,928	705,297
Disposals of subsidiary		-	(724)	(272,440)	(124)	(273,288)
Recognized in profit or loss		48,508	17,574	(28,472)	(25,529)	12,081
Balance on December 31, 2019	$	**369,676**	**24,955**	**42,184**	**7,275**	**444,090**
Balance on January 1, 2018	$	188,057	24,493	63,148	17,773	293,471
Acquisitions of subsidiaries		-	724	308,423	4,074	313,221
Recognized in profit or loss		133,111	(17,112)	(28,475)	11,081	98,605
Balance on December 31, 2018	$	**321,168**	**8,105**	**343,096**	**32,928**	**705,297**

		Bad debt in excess of tax limit	Loss carryforward	Unfunded pension fund contribution	Refund liabilities	Loss on inventory valuation	Deferred granted revenue	Unrealized revenue from disposal of assets	Others	Total
Deferred tax assets:										
Balance on January 1, 2019	$	47,018	7,697	16,300	159,382	118,974	185,717	30,386	88,836	654,310
Disposals of subsidiary		(1,173)	-	-	-	(1,104)	-	-	(27,497)	(29,774)
Recognized in profit or loss		(5,887)	(1,172)	(343)	28,268	(10,668)	68,339	(3,090)	11,876	87,323
Balance on December 31, 2019	$	**39,958**	**6,525**	**15,957**	**187,650**	**107,202**	**254,056**	**27,296**	**73,215**	**711,859**
Balance on January 1, 2018	$	47,331	12,755	14,090	100,098	120,433	173,295	-	80,993	548,995
Acquisitions of subsidiaries		1,173	-	-	-	1,104	-	-	27,552	29,829
Recognized in profit or loss		(1,486)	(5,058)	2,210	59,284	(2,563)	12,422	30,386	(19,709)	75,486
Balance on December 31, 2018	$	**47,018**	**7,697**	**16,300**	**159,382**	**118,974**	**185,717**	**30,386**	**88,836**	**654,310**

(iv) The Company's income tax returns have been examined by the tax authority through the years to 2016.

(u) Capital and other equity

As of December 31, 2019 and 2018, the nominal ordinary shares both amounted to $5,500,000. Par value of each share is $10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 448,581 thousand and 447,452 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(Continued)

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Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018, were as follows:

	Ordinary shares (in thousands of shares)	
	2019	**2018**
Balance on January 1	447,452	445,688
Exercise of employee stock options	-	128
Issuance of restricted stock	1,820	2,000
Retirement of restricted stock	(691)	(364)
Balance on December 31	**448,581**	**447,452**

(i) Ordinary shares

1) The Company issued 128 thousand new shares of ordinary shares for the exercise of employee stock options in 2018. The related registration procedures were also completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2019	December 31, 2018
Additional paid-in capital	$	662,230	609,303
Employee stock options		259,401	259,401
Restricted employee stock options		193,599	150,548
Long-term investment		367,815	357,825
	$	**1,483,045**	**1,377,077**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers the capital increase via transferring of the paid-in capital, in excess of par value, should not exceed 10% of the total common stock outstanding.

(Continued)

(iii) Retained earnings

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

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

1) Legal reserve

If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the stockholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 " First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by $97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. As of December 31, 2019 and 2018, the carrying amount of special reserve both amounted to $97,300.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

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

(v) Share-based payment

(i) Employee stock options and share-based payment

1) As at December 31, 2019, the Group had share-based payment arrangements as follows:

	Employee stocks ownership plans September 2017
Grant date	September 29, 2017
Exercise price	CNY$1.1952
Granted units (thousand)	40,310
Service period	15 years
Vesting period	12 months after Tymphany Huizhou listed

The Group measured the fair value of the aforementioned share-based payment. The measurement basis of the fair value was as follows:

	Issnance of ordinary shares for employee stocks September 2017
Exercise price	CNY$1.1952
Expected time until expiration (years)	0.26
Stock price per share	CNY$1.7784
Expected volatility of stock price	37.53%
Expected dividend rate	-
Risk-free interest rate	3.17%

(ii) Restricted stock

1) As of December 31, 2019, the outstanding restricted stock of the Company was as follows:

	Plan 1 (note 1)				Plan 2 (note 1)		Plan 3 (note 1)		Plan 4 (note 1)		Plan 5 (note 1)
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018	November 21, 2019
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80	72.40	76.70	46.85	64.30
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775	2,450	550	1,100	900	1,820
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3 years (note 2 and 3)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (notes 2 and 4)

Note 1: Plan 1 –After the stockholders' meeting held on June 25, 2013, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,450 thousand shares, 186 thousand shares, 135 thousand shares, and 220 thousand shares on August 13 and November 12, 2013, and January 22 and June 27, 2014, respectively.

Plan 2 –After the stockholders' meeting held on June 24, 2014, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,225 thousand shares and 1,775 thousand shares on January 28 and August 13, 2015, respectively.

Plan 3 –After the stockholders' meeting held on June 20, 2016, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,450 thousand shares and 550 thousand shares on January 23 and August 10, 2017, respectively.

Plan 4 –After the stockholders' meeting held on May 25, 2017, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company' s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

Plan 5 –After the stockholders' meeting held on June 18, 2019, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company' s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,820 thousand shares on November 12, 2019.

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

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

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

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

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

(Thousand shares)	2019	2018
Outstanding on January 1	3,316	3,934
Granted during the year	1,820	2,000
Vesting during the year	(1,158)	(1,725)
Expired during the year	(162)	(893)
Outstanding on December 31	**3,816**	**3,316**

Expenses attributable to share-based payment were as follows:

	2019	2018
Employee stock options	$ 14,128	38,379
Restricted stock	61,099	84,615
Total	**$ 75,227**	**122,994**

(w) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2019 and 2018, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	2019	2018
Profit attributable to owners of parent	$ 2,134,870	1,826,870
Weighted-average number of ordinary shares (thousand shares)	444,465	443,011
Basic earnings per share (NT dollars)	$ 4.80	4.12

Weighted-average number of ordinary shares (thousand shares)

	2019	2018
Ordinary shares at January 1	443,607	441,754
Exercise of employee stock options	-	107
Vesting of restricted stock	858	1,150
Ordinary shares at December 31	444,465	443,011

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2019 and 2018, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2019	2018
Profit attributable to owners of parent	2,134,870	1,826,870
Weighted-average number of ordinary shares (diluted) (thousand shares)	447,663	446,153
Diluted earnings per share (NT dollars)	4.77	4.09

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

	2019	2018
Weighted-average number of ordinary shares on December 31 (basic)	444,465	443,011
Effect of employee stock options	-	12
Estimated effect of employee stock bonuses	1,462	1,650
Effect of restricted stock	1,736	1,480
Weighted-average number of ordinary shares on December 31 (diluted)	447,663	446,153

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	$ 22,646,176	54,869,147	77,515,323
Service rendered	232,096	2,902,189	3,134,285
	$ 22,878,272	57,771,336	80,649,608

	2018		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	$ 21,371,675	41,186,680	62,558,355
Service rendered	222,866	2,030,187	2,253,053
	$ 21,594,541	43,216,867	64,811,408

	2019	2018
Mainland China	$ 31,841,538	30,476,783
Europe	23,267,214	17,498,442
America	23,186,378	16,752,178
Other	2,354,478	84,005
	$ 80,649,608	64,811,408

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 19,453,551	16,967,755	13,300,434
Less: allowance for impairment	(75,725)	(45,467)	(127,640)
	$ 19,377,826	16,922,288	13,172,794
Contract liabilities (classified as other current liabilities)	$ 133,028	106,018	74,182

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were $84,909 and $29,211, 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.

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

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

Details of remuneration to employees and directors for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Employee remuneration	$ 75,526	64,439
Directors' remuneration	37,763	32,219
	$ 113,289	96,658

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.

(Continued)

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

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

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

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

(z) Other income

The details of other income were as follows:

	2019	2018
Interest income from bank deposits	$ 120,338	112,306
Rent income	5,798	4,813
Dividend income	214	13,437
Other	2,948	2,489
Total	$ 129,298	133,045

(aa) Other gains and losses

The details of other gains and losses were as follows:

	2019	2018
Net gains (losses) on financial assets/liabilities measured at FVTPL	$ (6,247)	124,336
Losses on disposal of investments	(275,306)	-
Foreign currency exchange gains, net	318,195	89,636
Net gains (losses) on disposal of property, plant and equipment	34,144	(11,843)
Other	170,668	147,191
	$ 241,454	349,320

(Continued)

(ab) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

For information on the Group's concentration of credit risk, please refer to note 6(ac).

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities:						
Short-term borrowings	$ 1,092,126	1,097,788	1,097,788	-	-	-
Notes and accounts payable	23,744,889	23,744,889	23,744,889	-	-	-
Other payables	3,631,273	3,631,273	3,631,273	-	-	-
Lease liabilities	1,474,353	1,846,922	326,913	288,479	616,391	615,139
Refund liabilities	1,552,275	1,552,275	1,552,275	-	-	-
Long-term borrowings	178,306	187,378	32,429	154,949	-	-
Guarantee deposits	240,054	240,054	-	-	-	240,054
Derivative financial liabilities:	207,211	-	-	-	-	-
Outflow	-	807,886	807,886	-	-	-
Inflow	-	(598,600)	(598,600)	-	-	-
	$ 32,120,487	32,509,865	30,594,853	443,428	616,391	855,193
December 31, 2018						
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)	-	-	-
	$ 23,941,290	23,970,682	23,519,422	44,934	79,985	326,341

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD:CNY	$ 850,418	6.9762	25,602,688	693,693	6.8632	21,319,228
USD:HKD	533,753	7.7878	16,069,164	345,578	7.8329	10,620,661
USD:TWD	347,369	30.1060	10,457,877	327,612	30.7330	10,068,493
EUR:CZK	15,073	25.4167	508,382	26,723	25.8382	939,038
USD:CZK	11,589	22.6820	348,898	-	-	-
Financial liabilities						
Monetary items						
USD:CNY	$ 630,146	6.9762	18,971,177	458,490	6.8632	14,090,776
USD:HKD	491,571	7.7878	14,799,238	347,734	7.8329	10,686,902
USD:TWD	455,443	30.1060	13,711,557	381,283	30.7330	11,717,967
EUR:CZK	14,511	25.4167	489,427	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 and HKD against the USD as well as CZK against the EUR as of December 31, 2019 and 2018, would have increased or decreased the net profit before tax by $250,781 and $300,815, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to $318,195 and $89,636, respectively.

(iv) Interest rate analysis

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

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 $13,751 and $8,687 for the years ended December 31, 2019 and 2018, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

(v) Other price risk:

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

Price of securities at the reporting date	2019 Other comprehensive income before tax	2018 Other comprehensive income before tax
Increasing 10%	$ -	23,274
Decreasing 10%	$ -	(23,274)

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	$ 187,016	-	-	187,016	187,016
Financial assets at FVOCI– non-current	$ 106,535	-	-	106,535	106,535
Financial assets measured at amortized cost:					
Cash and cash equivalents	$ 6,700,510				
Notes and accounts receivable (including related parties)	19,377,826				
Other receivables	1,049,016				
Refundable deposits	114,923				
Total	$ 27,242,275				
Financial liabilities at FVTPL– current	$ 207,211	-	-	207,211	207,211
Financial liabilities measured at amortized cost					
Borrowings	$ 1,270,432				
Notes and accounts payable	23,744,889				
Other payables	4,825,106				
Salaries payable	1,522,052				
Lease liabilities	1,474,353				
Refund liabilities	1,552,275				
Guarantee deposits	240,054				
Total	$ 34,629,161				

	December 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	$ 115,608	-	-	115,608	115,608
Financial assets at FVOCI－non-current	$ 268,088	232,737	-	35,351	268,088
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 4,990,458				
Notes and accounts receivable (including related parties)	16,922,288				
Other receivables	1,040,546				
Refundable deposits	61,932				
Total	$ 23,015,224				
Financial liabilities at FVTPL – current	$ 19,980	-	-	19,980	19,980

	December 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
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	188,053				
Total	$ 26,092,749				

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

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

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

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

a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.

b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and adjusted for the lack of liquidity. When prices are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

3) Transfers between Level 1 and Level 3

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

(Continued)

4) Reconciliation of Level 3 fair values

	2019			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	(6,247)	-	(6,247)	95,628	-	95,628
Recognized in other comprehensive income	-	39,927	39,927	-	(13,514)	(13,514)
Acquisition /disposal	(109,576)	31,257	(78,319)	(38,044)	6,773	(31,271)
Transfer out of Level 3	-	-	-	-	(360,905)	(360,905)
Balance on December 31	**$ (20,195)**	**106,535**	**86,340**	**95,628**	**35,351**	**130,979**

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

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

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

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

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

(Continued)

(ac) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents; notes and accounts receivables (including related parties), and other receivables; and derivative instruments.

1) Cash and cash equivalents

The Group had deposited $6,483,877 (including restricted deposits) in HSBC Bank and 11 other financial institutions, and $4,314,090 (including restricted deposits) in the Bank of Taiwan and 11 other financial institutions, representing 12% and 10% of total assets, as of December 31, 2019 and 2018, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Notes and accounts receivable

There was no sales to individual customers constituting over 10% of total revenue for the year ended December 31, 2018. Sales to individual customers constituting over 10% of total revenue for the year ended December 31, 2019, totaled 33%. As of December 31, 2019, 34% of the ending balance of accounts receivable (including related parties) was accounted for by those customers. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Group did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused credit line of $20,115,842 and $21,333,665 as of December 31, 2019 and 2018, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, USD, HKD, CNY and CZK. These transactions are denominated in USD.

The Group uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Group makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

2) Interest rate risk

The Group's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Group believes that cash flow risk arising from interest rate fluctuation is insignificant.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in listed equity securities. Those equity securities are strategic investments and is not held for trading.

(ad) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt ratio as of December 31, 2019 and 2018, was 73% and 65%, respectively.

(ae) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Short-term borrowings	$ 1,202,565	125,268	(235,707)	1,092,126
Long-term borrowings	306,563	88,002	(216,259)	178,306
Lease liabilities	1,684,460	(249,186)	39,079	1,474,353
Total liabilities from financing activities	**$ 3,193,588**	**(35,916)**	**(412,887)**	**2,744,785**

	January 1, 2018	Cash flows	Non-cash changes	December 31, 2018
Short-term borrowings	$ 995,638	(16,678)	223,605	1,202,565
Long-term borrowings	218,888	(106,914)	194,589	306,563
Total liabilities from financing activities	**$ 1,214,526**	**(123,592)**	**418,194**	**1,509,128**

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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(note)
General Rich International S.A. (GRI)	Substantive related party(note)

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

(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	
	2019	2018	December 31, 2019	December 31, 2018
Other related parties	$ 697,929	637,008	180,471	539,820

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

(ii) Purchase

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

	Purchase		Notes and accounts payable	
	2019	2018	December 31, 2019	December 31, 2018
Other related parties	$ 53,128	51,664	-	94,106

There were no significant differences in the purchasing price between the related parties and other vendors. The payment terms of other related parties and other vendors were 140 days and 30 days to 120 days, respectively.

(iii) Receivables and payables on behalf of related parties

The other payables arising from rent and utilities paid by other related parties in advanced amounted to $35,062 for the year ended December 31, 2018.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 199,261	166,050
Post-employment benefits	3,542	5,593
Share-based payments	26,655	35,893
	$ 229,458	207,536

Please refer to note 6(v) for information related to share-based payments.

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2019	December 31, 2018
Other current assets – restricted assets	Guarantee letters issued by bank	$ 1,079	16,633
Other non-current assets – restricted assets	Guarantee letters issued by bank	$ 57,757	58,311
Property, plant and equipment	Loan collateral	$ 908,305	271,252

(9) Significant commitments and contingencies:

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

December 31, 2019	December 31, 2018
$ 301,060	921,990

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

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

	December 31, 2019	December 31, 2018
Guarantee letters	$ 175,716	224,384

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

	December 31, 2019	December 31, 2018
Sales of accounts receivable	$ 519,329	660,144
Long-term borrowings	$ 400,000	433,995

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 1,157,819	110,620

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By function	2019			2018		
By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	5,094,034	3,835,741	8,929,775	3,569,667	3,246,463	6,816,130
Labor and health insurance	131,435	191,893	323,328	129,290	163,543	292,833
Pension	315,243	144,146	459,389	235,323	123,493	358,816
Others	205,875	215,363	421,238	151,164	196,368	347,532
Depreciation	1,719,974	173,328	1,893,302	1,168,409	148,842	1,317,251
Amortization	11,058	285,495	296,553	20,033	276,942	296,975

er disclosures:

Information on significant transactions:

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

(i) Loans to other parties:

mber	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 Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
1	PKS1	The Company	Other receivables	Y	359,705	-	-	-	Necessary to loan to other parties	-	Operating capital	-	-	-	817,039	817,039
2	TYM HK	TYM Acoustic HK	Other receivables	〃	666,476	-	-	2%~3%	〃	-	Investment capital	-	-	-	1,127,083	1,127,083
3	TWEL	Diamond	Other receivables	〃	45,530	-	-	-	〃	-	〃	-	-	-	1,092,220	2,184,441

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,692,401	316,120	301,060	10,503	-	2.45 %	9,846,402	Y	N	Y
Tymphany Huizhou	TYM UK	The subsidiary of TYM Acoustic HK	1,625,847	6,976	6,907	6,907	-	0.13 %	4,335,591	N	N	N

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.
Note 2: The amount of the guarantee to a company shall not exceed 30% of the Tymphany Huizhou's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Tymphany Huizhou's net worth in the latest financial statements.
Note 3: The above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated financial statements.

(iii) Securities held as of December 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: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Highest balance during the year: Shares/Units (thousands)	Highest balance during the year: Percentage of ownership (%)	Note
The Company	Shares:									
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	359	3.59	
	WK Technology Fund IV LTD.	-	〃	161	1,076	0.38	1,076	161	0.38	
	Changing Information Technology Inc.	-	〃	184	2,102	1.54	2,102	184	1.62	
	Formosoft International Inc.	-	〃	11	-	0.41	-	11	0.41	
	Syntronix Corp.	-	〃	7	49	0.02	49	7	0.02	
	Ricavision International Inc.	-	〃	917	-	2.04	-	917	2.04	
	Grove Ventures L.P.	-	〃	-	55,094	2.73	55,094	-	2.73	
	Grove Ventures II, L.P.	-	〃	-	7,226	3.82	7,226	-	3.82	
					65,547					
Primax Tech.	Shares:									
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	400	11.90	
	WK Global Investment III Ltd.	-	〃	361	40,988	1.32	40,988	425	1.32	
					40,988					

(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: Shares (thousands)	Beginning Balance: Amount	Purchases: Shares (thousands)	Purchases: Amount	Sales: Shares (thousands)	Sales: Price	Sales: Cost	Sales: Gain (loss) on disposal	Ending Balance: Shares (thousands)	Ending Balance: Amount
The Company	Primax Singapore	Investment accounted for using equity method	Initial Offerings	Subsidiary	-	-	10,100	318,150	-	-	-	-	10,100	286,269 (note 1)
Primax Singapore	Primax Thailand	〃	〃	〃	-	-	300	302,126	-	-	-	-	300	283,047 (note 1)
PCH2	Money market fund of RMB	Available-for-sale financial assets	〃	None	-	-	-	2,462,917	-	2,468,090	2,460,788	5,173 (note 2)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	1,774,336	-	1,776,682	1,772,398	2,346 (note 2)	-	-
PKS1	Money market fund of RMB	〃	〃	〃	-	-	-	383,628	-	384,362	383,183	734 (note 2)	-	-
Tymphany Huizhou	Money market fund of RMB	〃	〃	〃	-	-	-	710,155	-	712,918	711,949	2,763 (note 2)	-	-

Note 1: The difference between amounts of ending balance and purchase price is recognized as profit or loss accounted for using equity method and exchange differences on translation.
Note 2: Gains on disposal include valuation and exchange differences on translation.

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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:

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	**Related party**	**Nature of relationship**	**Purchase/ Sale**	**Amount**	**Percentage of total purchases/sales**	**Payment terms**	**Unit price**	**Payment terms**	**Ending balance**	**Percentage of total notes/accounts receivable (payable)**	**Note**
The Company	Primax Cayman	Subsidiary	Purchase	234,379	1 %	60 days	Price agreed by both side	The same as general purchasing	(81,073)	(1)%	note 1
〃	PCH2	The subsidiary of Primax HK	Purchase	24,518,037	73 %	〃	〃	〃	(6,913,767)	(61)%	〃
〃	PKS1	〃	Purchase	1,682,952	5 %	〃	〃	〃	(1,214,876)	(11)%	〃
〃	PCQ1	〃	Purchase	7,310,681	21 %	〃	〃	〃	(2,929,458)	(26)%	〃
〃	Polaris	The subsidiary of Primax Tech.	(Sale)	(3,331,193)	(9) %	90 days	〃	The same as general selling	331,479	5%	〃
Primax Cayman	The Company	Parent	(Sale)	(234,379)	(100) %	60 days	〃	〃	81,073	100%	〃
〃	PCH2	The subsidiary of Primax HK	Purchase	234,379	100 %	〃	〃	The same as general purchasing	(206,252)	(100)%	〃
PCH2	The Company	The parent of Primax Cayman	(Sale)	(24,518,037)	(85) %	〃	〃	The same as general selling	6,913,767	83%	〃
〃	Primax Cayman	The parent of Primax HK	(Sale)	(234,379)	(1) %	〃	〃	〃	206,252	2%	〃
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,682,952)	(99) %	〃	〃	〃	1,214,876	100%	〃
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(7,310,681)	(90) %	〃	〃	〃	2,929,458	92%	〃
Polaris	The Company	The parent of Primax Tech.	Purchase	3,331,193	100 %	90 days	〃	The same as general purchasing	(331,479)	(100)%	〃
Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(7,356,152)	(82) %	60 days	〃	The same as general selling	3,936,835	91%	〃
〃	TYM Acoustic HK	Subsidiary	(Sale)	(101,281)	(1) %	〃	〃	〃	109,835	3%	〃
〃	Tymphany Dongguan	Subsidiary	Purchase	138,307	2 %	〃	〃	The same as general purchasing	(35,782)	(2)%	〃
TYM Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	437,966	2 %	〃	〃	〃	(57,359)	(1)%	〃
〃	〃	〃	(Sale)	(23,260,111)	(97) %	〃	〃	The same as general selling	7,284,049	96%	〃
〃	Tymphany Huizhou	Parent	(Sale)	(138,307)	(1) %	〃	〃	〃	35,782	-%	〃
〃	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	(Sale)	(252,339)	(1) %	〃	〃	〃	137,308	2%	〃
〃	TYDC	Subsidiary	(Sale)	(268,167)	(1) %	〃	〃	〃	92,686	1%	〃
TYDC	Tymphany Dongguan	Parent	Purchase	268,167	4 %	〃	〃	The same as general purchasing	(92,686)	(4)%	〃
〃	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(6,831,187)	(99) %	〃	〃	The same as general selling	1,800,661	96%	〃

(Continued)

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			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	**Related party**	**Nature of relationship**	**Purchase/ Sale**	**Amount**	**Percentage of total purchases/sales**	**Payment terms**	**Unit price**	**Payment terms**	**Ending balance**	**Percentage of total notes/accounts receivable (payable)**	**Note**
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,157,660	86 %	90 days	Price agreed by both side	The same as general purchasing	(620,372)	(70)%	note 1
〃	〃	〃	(Sale)	(351,006)	(14) %	60 days	〃	The same as general selling	216,974	28%	〃
〃	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Purchase	252,339	10 %	〃	〃	The same as general purchasing	(137,308)	(15)%	〃
〃	Tymphany Huizhou	Parent	Purchase	101,281	4 %	〃	〃	〃	(109,835)	(12)%	〃
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(2,157,660)	(86) %	90 days	〃	The same as general selling	620,372	73%	〃
〃	〃	〃	Purchase	351,006	18 %	60 days	〃	The same as general purchasing	(216,974)	(32)%	〃
〃	TYM HK	The parent of TYM Acoustic HK	Purchase	128,958	7 %	90 days	〃	〃	(48,068)	(7)%	〃
TYM HK	Tymphany Huizhou	The parent of TYM Acoustic HK	Purchase	7,356,152	21 %	60 days	〃	〃	(3,936,835)	(30)%	〃
〃	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Purchase	23,260,111	65 %	〃	〃	〃	(7,284,049)	(55)%	〃
〃	〃	〃	(Sale)	(437,966)	(1) %	〃	〃	The same as general selling	57,359	1%	〃
	TYDC	The subsidiary of TYM Dongguan	Purchase	6,831,187	19 %	〃	〃	The same as general purchasing	(1,800,661)	(14)%	〃
〃	TYML	Subsidiary	(Sale)	(5,512,274)	(15) %	90 days	〃	The same as general selling	2,231,423	21%	〃
〃	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(128,958)	- %	〃	〃	〃	48,068	-%	〃
〃	Specialty	Other related party	(Sale)	(467,108)	(1) %	〃	〃	〃	180,471	2%	〃
TYML	TYM HK	Parent	Purchase	5,512,274	100 %	60 days	〃	The same as general purchasing	(2,231,423)	(100)%	〃
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	182,239	78 %	90 days	〃	〃	-	-%	note 1 note 2
〃	DAT	〃	(Sale)	(131,392)	(51) %	〃	〃	The same as general selling	-	-%	〃
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(182,239)	(53) %	〃	〃	〃	-	-%	〃
DAT	AME	〃	Purchase	131,392	85 %	〃	〃	The same as general purchasing	-	-%	〃
〃	DAC	Other related party	(Sale)	(155,703)	(86) %	〃	〃	The same as general selling	-	-%	〃

Note 1: Related transactions (except for AIC) have been eliminated during the preparation of the consolidated financial statements.
Note 2: The Group lost control over AIC and its subsidiaries in July 2019. The information on AIC and its subsidiaries were disclosed as of July 31,2019.

(Continued)

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

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	331,479 (note 2)	15.26	-	-	331,479	-
PCH2	The Company	The parent of Primax Cayman	6,913,767 (note 2)	3.52	-	-	6,913,767	-
〃	Primax Cayman	The parent of Primax HK	206,252 (note 2)	1.70	-	-	206,252	-
PKS	The Company	The parent of Primax Cayman	1,214,876 (note 2)	1.69	-	-	451,366	-
PCQ	The Company	The parent of Primax Cayman	2,929,458 (note 2)	2.63	-	-	1,940,744	-
Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	3,936,835 (note 2)	1.76	-	-	1,918,175	-
〃	TYM Acoustic HK	Subsidiary	109,835 (note 2)	1.66	-	-	-	-
Tymphany Dongguan	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	137,308 (note 2)	1.67	-	-	-	-
〃	TYM HK	The subsidiary of TYM Acoustic HK	7,284,049 (note 2)	3.76	-	-	6,988,032	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	1,800,661 (note 2)	5.39	-	-	1,416,411	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	216,974 (note 2)	1.79	-	-	107,821	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	620,372 (note 2)	2.99	-	-	596,826	-
TYM HK	TYML	The subsidiary of Tymphany Dongguan	2,231,423 (note 2)	4.86	-	-	1,449,774	-
〃	Specialty	Other related party	180,471	2.91	-	-	23,515	-

Note 1: Amounts collected as of February 27, 2020.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	Primax Cayman	Subsidiary	Purchase	234,379	Price agreed by both sides	0.29 %
〃	〃	PCH2	The subsidiary of Primax HK	Purchase	24,518,037	Price agreed by both sides	30.40 %
〃	〃	〃	〃	Accounts Payable	6,913,767	60 days	13.01 %
〃	〃	PKS1	〃	Purchase	1,682,952	Price agreed by both sides	2.09 %
〃	〃	〃	〃	Accounts Payable	1,214,876	60 days	2.29 %
〃	〃	PCQ1	〃	Purchase	7,310,681	Price agreed by both sides	9.06 %
〃	〃	〃	〃	Accounts payable	2,929,458	60 days	5.51 %

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	Polaris	The subsidiary of Primax Tech.	Sale	3,331,193	Price agreed by both sides	4.13 %
〃	〃	〃	〃	Accounts receivable	331,479	90 days	0.62 %
1	Primax Cayman	PCH2	The subsidiary of Primax HK	Purchase	234,379	Price agreed by both sides	0.29 %
〃	〃	〃	〃	Accounts payable	206,252	60 days	0.39 %
2	Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	7,356,152	Price agreed by both sides	9.12 %
〃	〃	〃	〃	Accounts receivable	3,936,835	60 days	7.41 %
〃	〃	TYM Acoustic HK	Subsidiary	Sale	101,281	Price agreed by both sides	0.13 %
〃	〃	〃	〃	Accounts receivable	109,835	60 days	0.21 %
〃	〃	Tymphany Dongguan	Subsidiary	Purchase	138,307	Price agreed by both sides	0.17 %
3	Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	437,966	Price agreed by both sides	0.54 %
〃	〃	〃	〃	Sale	23,260,111	Price agreed by both sides	28.84 %
〃	〃	〃	〃	Accounts receivable	7,284,049	60 days	13.71 %
〃	〃	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	Sale	252,339	Price agreed by both sides	0.31 %
〃	〃	〃	〃	Accounts receivable	137,308	60 days	0.26 %
〃	〃	TYDC	Subsidiary	Sale	268,167	Price agreed by both sides	0.33 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	6,831,187	Price agreed by both sides	8.47 %
〃	〃	〃	〃	Accounts receivable	1,800,661	60 days	3.39 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,157,660	Price agreed by both sides	2.68 %
〃	〃	〃	〃	Accounts payable	620,372	90 days	1.17 %
〃	〃	〃	〃	Sale	351,006	Price agreed by both sides	0.44 %
〃	〃	〃	〃	Accounts receivable	216,974	60 days	0.41 %
6	TYM Acoustic Europe	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	128,958	Price agreed by both sides	0.16 %
7	TYM HK	TYML	Subsidiary	Sale	5,512,274	Price agreed by both sides	6.83 %
〃	〃	〃	〃	Accounts receivable	2,231,423	90 days	4.20 %

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
8	AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	182,239	Price agreed by both sides	0.23 %
〃	〃	DAT	〃	Sale	131,392	Price agreed by both sides	0.16 %

Note 1: Disclosure of the amounts exceeding of NT$100 million.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.
Note 3: The Group lost its control over AIC and its subsidiaries were disclosed as of in July 2019. The information on AIC and its subsidiaries were disclosed as of July 31,2019.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Balance as of December 31, 2019: Shares (thousands)	Balance as of December 31, 2019: Percentage of ownership	Balance as of December 31, 2019: Carrying value	Highest balance during the year: Shares (thousands)	Highest balance during the year: Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,917,542	8,147,636	100.00	528,819	510,910	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,361,803	285,067	100.00	198,832	175,234	
〃	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(5,523)	1,050	100.00	(19,597)	(19,597)	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,845	0.5	100.00	350	350	
〃	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,418,593	129,050	100.00	592,858	606,438	
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	11,880	300	100.00	1,128	1,128	
〃	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	965,342	48,200	100.00	(358,338)	(358,338)	
〃	Primax Singapore	Singapore	Holding company	318,150	-	10,100	100.00	286,269	10,100	100.00	(20,085)	(20,085)	
	Total			9,124,798	8,806,648			14,973,751			923,967	896,040	
Primax Singapore	Primax Thailand	Thailand	Manufacture and sale of computer peripherals devices and software	302,126	-	300	99.99	283,047	300	99.99	(20,591)	(20,591)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,063,110	602,817	100.00	528,883	528,883	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	398,276	1,600	100.00	13,405	13,405	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,531,653	192,251	100.00	671,757	597,864	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	904,753	30	37.00	(154,832)	82,887	
Tymphany 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	1,190,387	185,536	100.00	233,315	233,315	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Balance as of December 31, 2019: Shares (thousands)	Balance as of December 31, 2019: Percentage of ownership	Balance as of December 31, 2019: Carrying value	Highest balance during the year: Shares (thousands)	Highest balance during the year: Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
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	1,127,083	144,395	100.00	243,540	243,540	
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	14,620	0.5	100.00	2,167	2,167	
〃	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	20,990	400	100.00	3,694	3,694	
〃	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	756,312	187,800	100.00	28,756	28,756	
〃	Tymphany Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	70,560	5,000	100.00	9,351	9,351	
〃	TYTH	Thailand	Manufacture and sale of audio accessories, amplifiers and their components	60,012	-	1,500	99.99	55,387	1,500	99.99	(4,619)	(4,619)	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	(158,652)	200	100.00	1,443	1,443	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	274,733 (note 2)	274,733 (note 2)	2,010	100.00	184,378	2,010	100.00	(81,457)	(81,457)	(note 3)
〃	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	15,210 (note 2)	23,069	100.00	451,882	30,789	100.00	(7,914)	(7,914)	(note 3)
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	-	-	-	-	-	-	(note 4)

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 2: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through AIC.
Note 3: The Group lost its control over AIC and its subsidiaries in July 2019.
Note 4: The subsidiary completed the liquidation procedure in 2019.
Note 5: Related investments (except for AIC) 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 December 31, 2019 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,924,450	Indirect investment through Primax Cayman and Primax Tech.	1,684,161	-	-	1,652,504	564,420	100%	100%	564,420	5,734,017	-
Destiny Beijing	Research and development of computer peripheral devices and software	38,122	Indirect investment through Destiny BVI.	32,270	-	-	31,611	(19,597)	100%	100%	(19,597)	(5,911)	-
PKS1	Manufacture of computer, peripherals and keyboards	842,653	Indirect investment through Primax Cayman	676,126	-	-	662,332	(28,125)	100%	100%	(28,125)	817,039	-
PCQ1	Manufacture of computer, peripherals and keyboards	540,828	〃	614,660	-	-	602,120	178,654	100%	100%	178,654	1,351,632	-
Tymphany Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,761,026	Indirect investment through Diamond	3,964,557	-	-	3,883,674	966,156	71.43%	71.43%	690,146	3,871,251	-
Tymphany Dongguan	〃	150,530	〃	15,367	-	-	15,053	147,587	71.43%	71.43%	93,067	486,077	-
TYDC	〃	86,310	〃	-	-	-	-	99,818	71.43%	71.43%	71,540	152,953	-
ALT (Shanghai) (note 3)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	453,095	Indirect investment through Primax AE	153,665	-	-	150,530	(50,681)	36.88%	36.88%	(18,690)	84,627	-
ALT (note 3)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	247,285	〃	215,131	-	-	210,742	(9,810)	36.98%	36.98%	(3,628)	73,656	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.8658 ; USD:TWD 30.106; CNY:TWD 4.3155.
Note 2: The differences between the accumulated out flow of investments and paid in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.
Note 3: The Group lost its control over AIC and its subsidiaries in July 2019.
Note 3: Related investments (except for ALT (Shanghai) and ALT) have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,292,120	8,535,868	None (note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in mainland China, except for PCH2, Destiny Beijing, PKS1 and PCQ1 which were based on financial statements audited by the Company’ s auditors, others were based on the audited results of other auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements are disclosed in “ Information on significant transactions” , and “ Business relationships and significant intercompany transations”.

(14) Segment information:

(a) General information

The Group’ s reported segments are the divisions for computer peripherals and non-computer peripherals. The division for computer peripherals specializes in the manufacture and sale of computer mice, keyboards, track pads, etc. The division for non-computer peripherals specializes in the manufacture and sale of digital camera modules, mobile phone accessories, multi-function printers, scanners, shredders, amplifiers, speakers, audio systems, automotive parts, industrial automation parts, aerospace components, etc.

The Group’s reported segments consist of strategic business units which provide essentially different products and services. These units have to be separately managed as a result of the different technology and marketing strategies. Most of the business units were acquired, and the original management teams are still operating.

The Group’s segment financial information was as follows:

	2019		
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 22,878,272	57,771,336	80,649,608
Intra-group revenue	-	-	-
Total segment revenue	$ 22,878,272	57,771,336	80,649,608
Profit before tax from segments reported	$ 1,239,115	1,674,786	2,913,901

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

	2018		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	$ 21,594,541	43,216,867	64,811,408
Intra-group revenue	-	-	-
Total segment revenue	$ 21,594,541	43,216,867	64,811,408
Profit before tax from segments reported	$ 956,547	1,407,655	2,364,202

(b) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

Geographic Information	2019	2018
Revenues from external customers:		
China	$ 31,841,538	30,476,783
Europe	23,267,214	17,498,442
America	23,186,378	16,752,178
Other	2,354,478	84,005
Total	$ 80,649,608	64,811,408
	December 31, 2019	December 31, 2018
Non-current assets:		
China	$ 8,167,871	6,077,001
Taiwan	991,945	820,837
Other	2,744,609	3,726,460
Total	$ 11,904,425	10,624,298

(c) Major customer information

	2019	2018
A company－Non-computer Peripherals	$ 11,543,557	5,634,283
B company－Computer Peripherals	$ 4,004,316	3,783,060
－Non-computer Peripherals	10,781,589	1,175,936
	$ 14,785,905	4,958,996

Stock Code:4915

PRIMAX ELECTRONICS LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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

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Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the parent company only financial statements of PRIMAX ELECTRONICS LTD.(" the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Other Matter

We did not audits the financial statements of certain investments accounted for using equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the reports of the other auditors. The Company's investment in these companies constituting 15% and 13% of the total assets, as of December 31, 2019 and 2018, respectively. The related share of profit of associates accounted for using the equity method amounted constituting 29% and 31% of the profit before tax, for the years ended December 31, 2019 and 2018, respectively.

Key Audit Matters

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

1. Evaluation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

2. Investments accounted for using equity method

   Please refer to Note 4(h) "Investments in subsidiaries", and Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements.

   Description of key audit matter:

   Based on the scope and nature of their businesses of the Company's investments accounted for using equity method, the net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty and may influence the outcome of their operations. Therefore, the valuation of inventories of the investments accounted for using equity method is one of the key audit matters for our audit.

   In 2014, the Company acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in July 2019, the Company lost its control over ALT International Co., Ltd (Cayman) and its subsidiaries due to not having obtained more than 50% of its board of directors' voting rights in the interim shareholders' meeting. As a result, the Company recognized the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal, which was remeasured at fair value. The two transactions metioned above resulted in the Company to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained an estimation uncertainty; therefore, the assessment of impairment of intangible assets, recognized from the acquisition of the subsidiaries and associates accounted for using equity method, is one of the key audit matters for our audit.

   How the matter was addressed in our audit:

   For the principal audit procedures on the valuation of inventories of the investments accounted for using equity method, please refer to key audit matters 1. "Evaluation of inventories". In addition, the consolidated financial statements of all Tymphany Worldwide Enterprises Ltd. and its subsidiaries were audited by other auditors; therefore, we issued audit instructions to their auditors as guidelines to communicate the key audit matters with them and obtained the feedbacks required in the audit instructions.

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of the Company.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2020

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 2,238,853	8	2,239,009	8
1110	Current financial assets at fair value through profit or loss (note 6(b))	172,807	1	75,081	-
1170	Notes and accounts receivable, net (notes 6(d) and (t))	6,638,573	22	7,505,903	27
1180	Accounts receivable from related parties, net (notes 6(d), (t) and 7)	567,095	2	111,619	1
1200	Other receivables (notes 6(d) and 7)	388,334	1	258,597	1
1310	Inventories (note 6(e))	3,210,952	11	2,182,893	8
1470	Other current assets	42,112	-	30,164	-
		13,258,726	45	12,403,266	45
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	65,547	-	263,624	1
1550	Investments accounted for using equity method, net (notes 6(f) and 7)	14,973,751	51	14,166,264	51
1600	Property, plant and equipment (note 6(g))	92,804	-	92,023	-
1755	Right-of-use assets (note 6(h))	342,146	1	-	-
1760	Investment property, net (note 6(i))	244,468	1	248,028	1
1780	Intangible assets (note 6(j))	9,763	-	13,738	-
1840	Deferred tax assets (note 6(p))	524,769	2	433,179	2
1990	Other non-current assets－other	79,523	-	65,658	-
		16,332,771	55	15,282,514	55
	Total assets	$ 29,591,497	100	27,685,780	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(k))	$ -	-	950,000	3
2170	Notes and accounts payable	90,504	-	5,161	-
2180	Accounts payable to related parties (note 7)	11,139,174	38	10,475,212	38
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	207,211	1	19,449	-
2200	Other payables (note 7)	1,690,295	6	1,228,790	4
2201	Salaries payable	380,641	1	244,773	1
2280	Current lease liabilities (note 6(m))	86,887	-	-	-
2300	Other current liabilities (note 6(t))	205,773	1	213,283	1
2320	Long-term borrowings, current portion (note 6(l))	27,777	-	55,556	-
2365	Current refund liabilities	1,340,251	4	1,062,412	4
		15,168,513	51	14,254,636	51
	Non-Current liabilities:				
2622	Long-term accounts payable to related parties (note 7)	-	-	357,703	2
2540	Long-term borrowings (note 6(l))	-	-	27,777	-
2580	Non-current lease liabilities (note 6(m))	260,939	1	-	-
2630	Long-term deferred revenue (note 6(g))	1,165,686	4	807,831	3
2600	Other non-current liabilities (notes 6(o) and (p))	688,357	2	612,012	2
		2,114,982	7	1,805,323	7
	Total liabilities	17,283,495	58	16,059,959	58
3110	Ordinary shares (note 6(q))	4,485,808	15	4,474,523	16
3200	Capital surplus (note 6(q))	1,483,045	5	1,377,077	5
3310	Legal reserve (note 6(q))	1,370,470	5	1,187,783	5
3320	Special reserve (note 6(q))	662,348	2	299,065	1
3350	Unappropriated retained earnings (notes 6(c) and (q))	5,500,198	19	5,038,483	18
3400	Other equity interest (note 6(c))	(1,193,867)	(4)	(751,110)	(3)
	Total equity	12,308,002	42	11,625,821	42
	Total liabilities and equity	$ 29,591,497	100	27,685,780	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019 Amount	%	2018 Amount	%
4000	**Operating revenue (notes 6(t) and 7)**	$ 36,178,733	100	33,984,435	100
5000	**Operating costs (notes 6(e), (o), (u), 7 and 12)**	32,669,734	90	31,565,824	93
	Gross profit from operations	3,508,999	10	2,418,611	7
	Operating expenses (notes 6(o), (r), (u), 7 and 12):				
6100	Selling expenses	609,578	2	530,897	2
6200	Administrative expenses	526,757	1	475,000	1
6300	Research and development expenses	1,111,728	3	999,294	3
6450	Expected credit loss (Reversal of expected credit loss) (note 6(d))	3,443	-	(54,910)	-
	Total operating expenses	2,251,506	6	1,950,281	6
	Net operating income	1,257,493	4	468,330	1
	Non-operating income and expenses:				
7010	Other income (notes 6(v) and 7)	29,528	-	39,800	-
7020	Other gains and losses (notes 6(w) and 7)	380,362	1	288,389	1
7070	Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	896,040	2	1,332,971	4
7050	Finance costs (note 6(m))	(69,109)	-	(18,361)	-
	Total non-operating income and expenses	1,236,821	3	1,642,799	5
	Profit before income tax	2,494,314	7	2,111,129	6
7950	**Less: Income tax expenses** (note 6(p))	359,444	1	284,259	1
	Profit	2,134,870	6	1,826,870	5
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans (note 6(o))	(2,146)	-	(473)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(17,148)	-	(134,472)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(19,294)	-	(134,945)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(470,683)	(1)	(187,628)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(470,683)	(1)	(187,628)	(1)
8300	**Other comprehensive income**	(489,977)	(1)	(322,573)	(1)
	Comprehensive income (after tax)	$ 1,644,893	5	1,504,297	4
	Earnings per share (note 6(s))				
9710	**Basic earnings per share (NT dollars)**	$ 4.80		4.12	
9810	**Diluted earnings per share (NT dollars)**	$ 4.77		4.09	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Other equity interest			
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity
Balance on January 1, 2018 after adjustments	$ 4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	(95,806)	11,385,272
Profit	-	-	-	-	-	1,826,870	-	-	-	1,826,870
Other comprehensive income	-	-	-	-	-	(473)	(187,628)	(134,472)	-	(322,573)
Comprehensive income	-	-	-	-	-	1,826,397	(187,628)	(134,472)	-	1,504,297
Appropriation and distribution of retained earnings:										
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	-	(1,430,068)
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-	-	134	-	81,705
Retirement of restricted stock	-	-	-	-	-	-	-	-	84,615	84,615
Amortization expense of restricted stock	(3,640)	-	(45,324)	-	-	-	-	-	48,964	-
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	(126,535)	-
Issuance of ordinary shares for employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(1,256)	-	1,256	-	-
Balance on December 31, 2018	4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821
Profit	-	-	-	-	-	2,134,870	-	-	-	2,134,870
Other comprehensive income	-	-	-	-	-	(2,146)	(470,683)	(17,148)	-	(489,977)
Comprehensive income	-	-	-	-	-	2,132,724	(470,683)	(17,148)	-	1,644,893
Appropriation and distribution of retained earnings:										
Appropriated legal reserve	-	-	-	182,687	-	(182,687)	-	-	-	-
Appropriated special reserve	-	-	-	-	363,283	(363,283)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,072,341)	-	-	-	(1,072,341)
Changes in shares of investment accounted for using equity method	-	-	9,990	-	-	-	-	38,540	-	48,530
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	61,099	61,099
Retirement of restricted stock	(6,915)	-	(2,848)	-	-	-	-	-	9,763	-
Issuance of restricted stock	18,200	-	98,826	-	-	-	-	-	(117,026)	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(52,698)	-	52,698	-	-
Balance on December 31, 2019	$ 4,485,808	-	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	12,308,002

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 2,494,314	2,111,129
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	138,740	40,667
Losses related to inventories	67,919	73,441
Amortization of long-term deferred revenue	(336,120)	(358,985)
Expected credit loss (reversal)	3,443	(54,910)
Interest expense	63,746	12,439
Interest income	(17,280)	(17,889)
Compensation cost of share-based payment	61,099	84,615
Share of profit of subsidiaries accounted for using equity method	(896,040)	(1,332,971)
Amortization of unrealized revenue of patents disposed	(15,450)	(2,571)
Total adjustments to reconcile profit (loss)	(929,943)	(1,556,164)
Changes in operating assets and liabilities:		
Accounts receivable, including related parties	408,411	(1,249,212)
Other receivable	(210,121)	(7,921)
Inventories	(1,095,978)	(127,893)
Other current assets	(11,948)	(2,523)
Other operating assets	(97,725)	18,014
Changes in operating assets	(1,007,361)	(1,369,535)
Notes and accounts payable, including related parties	749,305	2,113,165
Salaries payable	135,868	38,644
Other payables	653,795	223,930
Other current liabilities	(7,511)	(35,270)
Long-term deferred revenue	693,975	281,236
Other operating liabilities	186,052	(85,041)
Changes in operating liabilities	2,411,484	2,536,664
Total changes in operating assets and liabilities	1,404,123	1,167,129
Total adjustments	474,180	(389,035)
Cash inflow generated from operations	2,968,494	1,722,094
Interest received	17,280	17,889
Interest paid	(63,675)	(12,368)
Income taxes paid	(248,894)	(118,360)
Net cash flows from operating activities	2,673,205	1,609,255
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(33,273)	(8,880)
Proceeds from disposal of financial assets at fair value through other comprehensive income	214,202	7,343
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	691
Acquisition of investments accounted for using equity method	(318,150)	(2,804,040)
Acquisition of property, plant and equipment	(50,266)	(39,909)
Acquisition of unamortized expense	(4,378)	(14,462)
Decrease in refundable deposits	200	1,790
Proceeds from disposal of intangible assets	-	154,500
Dividends received	214	13,437
Other investing activities	(89)	(90)
Net cash used in investing activities	(191,540)	(2,689,620)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(950,000)	950,000
Repayments of long-term borrowings	(55,556)	(135,555)
Increase in guarantee deposits received	39,418	21,948
Payment of lease liabilities	(85,639)	-
Cash dividends paid	(1,072,341)	(1,430,068)
Decrease in long-term accounts payable to related parties	(357,703)	(66,241)
Net cash flows used in financing activities	(2,481,821)	(659,916)
Net decrease in cash and cash equivalents	(156)	(1,740,281)
Cash and cash equivalents at beginning of period	2,239,009	3,979,290
Cash and cash equivalents at end of period	$ 2,238,853	2,239,009

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 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 major business activities of the Company were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products and shredders.

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

(2) Approval date and procedures of the parent company only financial statements:

The parent company only financial statements were authorized for issuance by the board of directors on March 10, 2020.

(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"):

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019

PRIMAX ELECTRONICS LTD.

Notes to the Parent Company Only Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16"Leases"

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

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company 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.

2) As a lessee

As a lessee, the Company 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 Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company 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 Company'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 Company 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 Company applied this approach to all other lease.

  In addition, the Company 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.

3) As a lessor

The Company 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 Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company 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 Company recognised additional $426,865 of right-of-use assets and lease liabilities, but did not affect the retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.16%.

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:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's parent company only financial statements	$ 451,196
Discounted using the incremental borrowing rate at January 1, 2019 (as well as lease liabilities recognized at January 1, 2019)	$ 426,865

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its parent company only financial statements.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These annual parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (" the Regulations").

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities are measured at fair value of the plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the difference relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

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

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) ; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

2) Fair value through other comprehensive income (FVOCI)

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company’s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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

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

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

· contingent events that would change the amount or timing of cash flows；

· terms that may adjust the contractual coupon rate, including variable rate features；

· prepayment and extension features；and

· terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

(Continued)

5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value; and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(Continued)

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company’s parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company’s parent company only financial statements and the equity attributable to stockholders of the parent in the Company’s consolidated financial statements are also the same. Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Company loses control over its subsidiaries, the Company derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(i) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Company shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest’s proportionate share of the acquiree’s identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

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

(Continued)

The consideration resulting from a contingent consideration shall be recognized at the acquisition-date fair value. For the changes in the fair value of contingent consideration that are not measurement period adjustments, the accounting treatments shall depend on the classification of contingent consideration. Other contingent considerations within the scope of IAS 39 shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss in accordance with the regulation of IAS 39. Otherwise, they shall be measured at their fair value for each reporting date after the acquisition date, and the changes in fair value shall be recognized in profit or loss.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value, which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other gains and losses on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life, and therefore is not depreciated.

(Continued)

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and additional equipment: 1 ~ 51 years

2) Machinery and equipment: 1 ~4 years

3) Other equipment: 1 ~5 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

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

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

   - the customer has the right to direct how, and for what purpose, the asset is used throughout the period of use; or

   - the relevant decisions about how, and for what purpose, the asset is used are predetermined and:

     - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

     - the customer designed the asset in a way that predetermines how, and for what purpose, it will be used throughout the period of use.

(Continued)

At inception or on reassessment of a contract that contains a lease component, the Company 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 Company has elected not to separate non-lease components and accounted for the lease and non-lease components as a single lease component.

(ii) As a lessee

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

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

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

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

- fixed payments, including in-substance 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 Company'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 Company 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 Company 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 Company has elected not to recognize right-of-use assets and lease liabilities for leases of machinery and other equipment that have short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(m) Leases (applicable before January 1, 2019)

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(n) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including trademarks, patents and copyrights, that are acquired by the Company and have finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Trademarks 10 years

2) Patents 2.5~10 years

3) Copyrights 15 years

Amortization methods, useful lives and residual values, are reviewed at each annual reporting date and adjusted if appropriate.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(o) Impairment of non-financial assets

At each annual reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value, less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

(i) Sale of goods

The Company sales computer peripherals and non-computer peripherals to customers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 90 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(Continued)

(ii) Rendering of services

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

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

(iii) Financing components

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

(q) Deferred grant service

Deferred grant revenue with additional conditions shall be recognized if the Company fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Company's expenses that have been incurred or to supply immediate financial support to the Company and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and the number of shares that employees can subscribe for.

(t) Income taxes

Income taxes expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(u) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration, employee stock options, and restricted stock.

(v) Operating segments

Please refer to the Company’s consolidated financial statements for the years ended December 31, 2019 and 2018, for further details.

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

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of the changes in accounting estimates in the next period.

There are no critical judgments made in applying the accounting policies that have significant effects on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Company estimates the amount due to inventories’ obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(b) Valuation of inventories and assessment of impairment of intangible assets of investments accounted for using equity method

Please refer to note 5(a) for inventories valuation. The Company’s investments accounted for using equity method include intangible assets from premium investment. The assessment of impairment of intangible assets required the Company to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

The Company’s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Company assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of transfer is recognized on the reporting date. Please refer to note 6(x) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 693	432
Checking accounts and demand deposits	2,238,160	1,637,234
Time deposits	-	601,343
	$ 2,238,853	**2,239,009**

Please refer to note 6(x) for the currency risk and the interest rate risk of the Company's cash and cash equivalents.

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

(i) The derivative financial instruments were as follows:

	December 31, 2019	December 31, 2018
Mandatorily measured at FVTPL:		
Derivative instruments not used for hedging		
Forward exchange contracts	$ 68,661	75,081
Foreign exchange swap contracts	104,146	-
	$ 172,807	**75,081**

	December 31, 2019	December 31, 2018
Financial liabilities held-for-trading:		
Derivative instrument not used for hedging		
Forward exchange contracts	$ (193,946)	(19,449)
Foreign exchange swap contracts	(13,265)	-
	$ (207,211)	**(19,449)**

(ii) The Company held the following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities as of December 31, 2019 and 2018:

December 31, 2019

Derivative financial instruments	Nominal amount (in thousands)		Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD	511,000	January 2, 2020~ June 29, 2020	29.575~31.260
Forward exchange contracts – buy TWD / sell USD	USD	106,000	January 2, 2020~ March 30, 2020	29.996~30.776
Forward exchange contracts – buy CNY/ sell USD	USD	117,700	January 3, 2020~ March 25, 2020	6.9973~7.1710
Forward exchange swap contracts– swap in USD/ swap out TWD	USD	10,000	February 26, 2020	31.288
Forward exchange swap contracts– swap in TWD/ swap out USD	USD	269,000	January 6, 2020~ June 23, 2020	29.754~30.859
Forward exchange swap contracts– swap in CNY/ swap out USD	USD	11,000	January 3, 2020~ January 7, 2020	7.0026~7.0036

December 31, 2018

Derivative financial instruments	Nominal amount (in thousands)		Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD	167,000	January 7, 2019~ May 17, 2019	29.94~30.687
Forward exchange contracts – buy TWD / sell USD	USD	40,000	January 7, 2019~ January 18, 2019	30.525~30.7315
Forward exchange contracts – buy CNY / sell USD	USD	129,500	January 7, 2019~ March 18, 2019	6.8744~6.986

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

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(c) Financial assets at FVOCI

	December 31, 2019	December 31, 2018
Equity investments at FVOCI		
Stocks listed in domestic markets–Global TEK	$ -	232,737
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	1,076	1,076
Stocks unlisted in domestic markets–Changing Information Technology Inc.	2,102	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	55,094	27,660
Equities unlisted in foreign markets–Grove Ventures II, L.P.	7,226	-
Total	$ 65,547	263,624

(i) The Company designated the investments above as equity securities at FVOCI because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes and not for sale.

(ii) During the years ended December 31, 2019 and 2018, the dividends of $214 and $13,437, respetively, related to equity investments at FVOCI held were recognized.

(iii) As a result of enhancing its working capital, the Company sold 5,338 thousand and 172 thousand of its shares in Global TEK, with the fair values of $214,202 and $7,343, resulting in the losses of $52,698 and $1,256, respectively, for the years ended December 31, 2019 and 2018. Losses had been recognized as other equity interests, and later on, reclassified to retained earnings.

(iv) WK Technology Fund IV Ltd. refunded the amount of $691 to the Company due to its capital reduction in June 2018.

(v) Grove Venture, L.P executed capital increases, wherein the Company had participated and invested the amounts of $25,953 and $8,880 in the years ended December 31, 2019 and 2018, respectively.

(vi) The Company invested $7,320 in an unlisted company, Grove Ventures II, L.P., in the year ended December 31, 2019.

(vii) The Company did not provide any of the aforementioned financial assets as collateral.

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(d) Accounts receivable (including related parties)

	December 31, 2019	December 31, 2018
Accounts receivable	$ 6,656,011	7,524,624
Accounts receivable – related parties	567,095	111,619
Less: allowance for doubtful accounts	(17,438)	(18,721)
Total	$ 7,205,668	7,617,522

(i) The Company did not provide any of the aforementioned accounts receivable (including related parties) as collateral.

(ii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all accounts receivables. To measure the ECL, accounts receivable have been grouped based on shared credit risk characteristics and customer' s ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	December 31, 2019		
	Carrying amounts of accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	$ 6,315,880	0%	-
0 to 30 days past due	879,098	0%~3%	15,735
31 to 60 days past due	18,612	0%~5%	931
61 to 90 days past due	161	0%~10%	16
91 to 180 days past due	8,988	0%~25%	719
181 to 360 days past due	288	0%~80%	29
More than 361 days past due	79	0%~100%	8
	$ 7,223,106		17,438

	December 31, 2018		
	Carrying amounts of accounts receivable (including related parties)	**Lifetime ECL rate**	**Loss allowance provision of lifetime ECL**
Current	$ 6,911,722	0%	-
0 to 30 days past due	706,544	0%~3%	17,626
31 to 60 days past due	7,510	0%~5%	376
61 to 90 days past due	151	0%~10%	15
91 to 180 days past due	165	0%~25%	41
181 to 360 days past due	6,403	0%~80%	640
More than 361 days past due	3,748	0%~100%	23
	$ 7,636,243		**18,721**

(iii) The movement in the allowance for accounts receivable was as follows:

	2019	**2018**
Balance on January 1, 2019 and 2018	$ 18,721	101,027
Impairment losses recognized (reversed)	3,443	(54,910)
Amounts written off	(4,220)	(31,580)
Effect of exchange rate changes	(506)	4,184
Balance on December 31, 2019 and 2018	**$ 17,438**	**18,721**

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

December 31, 2019						
Buyer	**Amount derecognized**	**Amount advanced Unpaid**	**Amount advanced Paid**	**Amount Recognized in Other Receivables**	**Range of Interest rate**	**Guarantee (promissory note)**
Mega International Commercial Bank	$ -	-	-	-	-	US$ 3,750
HSBC Bank	1,002,004	-	901,804	100,200	2.19%~2.20%	US$ 13,500
EnTie Bank	193,366	-	-	193,366	-	-
	$ 1,195,370	**-**	**901,804**	**293,566**		

December 31, 2018						
Buyer	**Amount derecognized**	**Amount advanced Unpaid**	**Amount advanced Paid**	**Amount Recognized in Other Receivables**	**Range of Interest rate**	**Guarantee (promissory note)**
Mega International Commercial Bank	$ -	-	-	-	-	US$ 3,750
HSBC Bank	-	-	-	-	-	US$ 13,500
Bank of Taiwan	-	-	-	-	-	NT$ 130,000
EnTie Bank	152,127	-	-	152,127	-	-
	$ 152,127	**-**	**-**	**152,127**		

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

(e) Inventories

	December 31, 2019	**December 31, 2018**
Raw materials	$ 117,149	7,297
Semi-finished goods	121,360	18,901
Finished goods and merchandise	2,972,443	2,156,695
	$ 3,210,952	**2,182,893**

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

	2019	**2018**
Gains (losses) on inventory valuation	$ 38,554	(60,502)
Losses on disposal of inventories	(104,344)	(11,121)
Losses on physical inventories	(2,129)	(1,818)
	$ (67,919)	**(73,441)**

(f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates were as follows:

	December 31, 2019	**December 31, 2018**
Subsidiaries	**$ 14,973,751**	**14,166,264**

(i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2019, for details of subsidiaries.

(ii) The Company did not provide investments accounted for using the equity method as collateral.

(iii) To expand the business scale, the Company invested USD$10,100 to establish a subsidiary, Primax Electronics (Singapore) Pte. Ltd., which holds a newly established subsidiary, Primax Electronics (Thailand) Pte. Ltd.. All relevant statutory registration procedures had been completed.

(iv) The Company acquired 37% shares of Belfast Limited (renamed as ALT International Co., Ltd (Cayman) after the acquisition of AIC), a company that engages in the manufacturing of electric power steering system and adaptive front lighting system, through its subsidiary, Primax AE (Cayman) Holding Ltd., with the amount of USD$48,100, by participating in the capital increase of Belfast Limited by cash, and purchasing its outstanding shares and obtain significant influence over Belfast Limited in January 2018. The Company has control over the relevant activities and compensation policies of AIC due to having more than 50% of its board of directors' voting rights based on the resolution of its shareholders meeting held in June 2018. There were no considerations transferred during this transaction. Please refer to note 6(g) of the Company's consolidated financial statements for the year ended December 31, 2019.

According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date, and the information was as follows:

Items		Amount
Fair value of shares in company	$	1,359,015
Contingent consideration		57,751
Fair value of non-controlling interest		1,433,951
Fair value of acquisition of subsidiaries		2,850,717
Less: fair value of identifiable net assets of acquisition of subsidiaries		2,276,113
Goodwill within investments accounted for using equity method	**$**	**574,604**

In July 2019, AIC held an interim shareholders' meeting and re-elected its directors, wherein the Company did not obtain more than 50% of its board of directors' voting rights. The Company did not have the right to direct the relevant activities of AIC and lost its control over AIC, but still retained a significant influence over it. Thereafter, investment in AIC was reclassified to investments accounted for using the equity method. This transaction was recognized as repurchase after disposal, which was remeasured at fair value and resulted in a revaluation loss of $279,377 under share of profit of subsidiaries and associates accounted for using equity method. Please refer to note 6(h) of the Company's consolidated financial statements for the year ended December 31, 2019.

(g) Property, plant and equipment

The cost, and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

		Land	Buildings and additional equipment	Machinery and equipment	Other equipment	Testing equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	$	22,879	141,673	68,630	60,372	26,657	320,211
Additions		-	-	20,542	2,375	27,349	50,266
Disposals		-	-	(1,716)	(4,222)	-	(5,938)
Reclassifications		-	-	21,287	340	(50,527)	(28,900)
Balance on December 31, 2019	**$**	**22,879**	**141,673**	**108,743**	**58,865**	**3,479**	**335,639**
Balance on January 1, 2018	$	22,879	141,673	78,057	57,333	1,196	301,138
Additions		-	-	5,965	3,363	30,581	39,909
Disposals		-	-	(19,432)	(742)	-	(20,174)
Reclassifications		-	-	4,040	418	(5,120)	(662)
Balance on December 31, 2018	**$**	**22,879**	**141,673**	**68,630**	**60,372**	**26,657**	**320,211**
Depreciation:							
Balance on January 1, 2019	$	-	132,519	47,735	47,934	-	228,188
Depreciation		-	347	14,804	5,434	-	20,585
Disposals		-	-	(1,716)	(4,222)	-	(5,938)
Balance on December 31, 2019	**$**	**-**	**132,866**	**60,823**	**49,146**	**-**	**242,835**
Balance on January 1, 2018	$	-	132,172	57,205	42,725	-	232,102
Depreciation		-	347	9,962	5,951	-	16,260
Disposals		-	-	(19,432)	(742)	-	(20,174)
Balance on December 31, 2018	**$**	**-**	**132,519**	**47,735**	**47,934**	**-**	**228,188**
Carrying amounts:							
Balance on December 31, 2019	**$**	**22,879**	**8,807**	**47,920**	**9,719**	**3,479**	**92,804**
Balance on December 31, 2018	**$**	**22,879**	**9,154**	**20,895**	**12,438**	**26,657**	**92,023**
Balance on January 1, 2018	**$**	**22,879**	**9,501**	**20,852**	**14,608**	**1,196**	**69,036**

(i) The unamortized deferred revenue of equipment subsidy amounted to $1,165,686 and $807,831 as of December 31, 2019 and 2018, respectively.

(ii) The Company did not provide property, plant and equipment as collateral.

(h) Right-of-use assets

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

		Land	Buildings	Vehicles	Other equipments	Total
Cost:						
Balance on January 1, 2019	$	-	-	-	-	-
Effects of retrospective application		-	421,495	5,370	-	426,865
Additions		-	721	3,057	2,822	6,600
Balance on December 31, 2019	**$**	**-**	**422,216**	**8,427**	**2,822**	**433,465**

	Land	Buildings	Vehicles	Other equipments	Total
Depreciation:					
Balance on January 1, 2019	$ -	-	-	-	-
Depreciation	-	86,004	4,098	1,217	91,319
Balance on December 31, 2019	**$ -**	**86,004**	**4,098**	**1,217**	**91,319**
Carrying amounts:					
Balance on December 31, 2019	**$ -**	**336,212**	**4,329**	**1,605**	**342,146**

(i) Investment property

	Land	Buildings and other equipments	Total
Cost or deemed cost:			
Balance on January 1, 2019	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2019	**$ 162,012**	**172,167**	**334,179**
Balance on January 1, 2018	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2018	**$ 162,012**	**172,167**	**334,179**
Depreciation and impairment losses:			
Balance on January 1, 2019	$ 33,941	52,210	86,151
Depreciation	-	3,560	3,560
Balance on December 31, 2019	**$ 33,941**	**55,770**	**89,711**
Balance on January 1, 2018	$ 33,941	48,649	82,590
Depreciation	-	3,561	3,561
Balance on December 31, 2018	**$ 33,941**	**52,210**	**86,151**
Carrying amounts:			
Balance on December 31, 2019	**$ 128,071**	**116,397**	**244,468**
Balance on December 31, 2018	**$ 128,071**	**119,957**	**248,028**
Balance on January 1, 2018	**$ 128,071**	**123,518**	**251,589**
Fair value:			
Balance on December 31, 2019			**$ 623,432**
Balance on December 31, 2018			**$ 590,010**
Balance on January 1, 2018			**$ 555,061**

(i) The fair value of investment property is based on the quotation from third parties, which is categorized within Level 3.

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(ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 15 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information.

(iii) The Company did not provide any of the aforementioned investment property as collateral.

(j) Intangible assets

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2019 and 2018, were as follows:

	Trademarks	Patents	Copyrights	Total
Cost:				
Balance on January 1, 2019	$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2019	**$ 25,584**	**64,271**	**30,832**	**120,687**
Balance on January 1, 2018	$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2018	**$ 25,584**	**64,271**	**30,832**	**120,687**
Amortization:				
Balance on January 1, 2019	$ 23,665	64,271	19,013	106,949
Amortization	1,919	-	2,056	3,975
Balance on December 31, 2019	**$ 25,584**	**64,271**	**21,069**	**110,924**
Balance on January 1, 2018	$ 21,107	64,271	16,958	102,336
Amortization	2,558	-	2,055	4,613
Balance on December 31, 2018	**$ 23,665**	**64,271**	**19,013**	**106,949**
Carrying amount:				
Balance on December 31, 2019	**$ -**	**-**	**9,763**	**9,763**
Balance on December 31, 2018	**$ 1,919**	**-**	**11,819**	**13,738**
Balance on January 1, 2018	**$ 4,477**	**-**	**13,874**	**18,351**

The Company did not provide any of the aforementioned intangible assets as collateral.

(k) Short-term borrowings

The details were as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	**$ -**	**950,000**
Unused credit lines	**$ 9,853,352**	**9,019,906**
Annual interest rates	**0.8%~3.09%**	**0.85%~2.94%**

(l) Long-term borrowings

	December 31, 2019			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%	2020	$ 27,777
Less: current portion				(27,777)
				$ -
Unused credit lines				$ -

	December 31, 2018			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%~1.48%	2020	$ 83,333
Less: current portion				(55,556)
				$ 27,777
Unused credit lines				$ -

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

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

(ii) Please refer to note 9 for the details of the outstanding guarantee notes.

(m) Lease liabilities

	December 31, 2019
Current	$ 86,887
Non-current	$ 260,939

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 8,289
Expenses relating to short-term leases and leases of low-value assets	$ 1,137

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

	2019
Rental paid in operating activities	$ (1,137)
Interest on lease liabilities paid in operating activities	(8,289)
Payment made on lease liabilities in financing activities	(85,639)
Total cash outflow for leases	$ (95,065)

(i) Real estate leases

As of December 31, 2019, the Company leases buildings for its office and staff dormitory. The leases typically run for a period of one to five years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

The Company leases vehicles and other equipments with lease terms of one to five years.

The Company also leases vehicles with lease terms of one to two years. These leases are short-term or leases of low-value items. The Company decided to apply recognition exemptions, and had elected not to recognize its right-of-use assets and lease liabilities for these leases.

(n) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable as of December 31, 2018 were as follows:

	December 31, 2018
Less than one year	$ 92,642
Between one and five years	358,554
	$ 451,196

The Company leases a number of offices under operating leases. The lease terms are 15 years.

(ii) Lessor

The Company leases out its investment property. The Company 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(i) sets out information about the operating leases of investment property.

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As of December 31, 2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	December 31, 2019
Less than one year	$ 11,451
Between two and five years	39,589
More than five years	61,032
Total undiscounted lease payments	$ 112,072

Non-cancellable operating leases receivable as of December 31, 2018 were as follows:

	December 31, 2018
Less than one year	$ 11,655
between one and five years	40,076
More than five years	70,930
	$ 122,661

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 163,560	156,919
Fair value of plan assets	95,623	89,417
Deficit in the plan	67,937	67,502
Asset ceiling	-	-
Net defined benefit liability (recorded as other non-current liabilities)	$ 67,937	67,502

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

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1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $95,623 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Defined benefit obligation on January 1	$ 156,919	156,494
Business combinations		
Benefits paid	(995)	(5,340)
Current service costs and interest cost	1,898	2,302
Remeasurement of net defined benefit liabilities	5,738	3,463
Defined benefit obligation on December 31	$ 163,560	156,919

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Fair value of plan assets on January 1	$ 89,417	88,082
Interest income	544	590
Remeasurement of net defined liabilities	3,592	2,990
Contributions paid	3,065	3,095
Benefits paid	(995)	(5,340)
Fair value of plan assets on December 31	$ 95,623	89,417

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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Current service costs	$	611	877
Net interest of net liabilities for defined benefit		743	835
Expenses	$	1,354	1,712

5) Remeasurement of net defined liability (asset) recognized in other comprehensive income

The Company's remeasurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

		2019	2018
Balance on January 1	$	10,803	10,330
Recognized during the period		2,146	473
Balance on December 31	$	12,949	10,803

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Discount rate	0.800 %	1.125 %
Future salary increase rate	3.000 %	3.250 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date was $3,073. The weighted-average lifetime of the defined benefit plans is 10 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	Decreased 0.25%
December 31, 2019			
Discount rate	$	(3,248)	3,349
Future salary increase rate	$	3,191	(3,111)
December 31, 2018			
Discount rate	$	(3,266)	3,372
Future salary increase rate	$	3,215	(3,131)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of the sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounting to $47,536 and $46,407 for the years ended December 31, 2019 and 2018, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

(p) Income taxes

(i) The components of income tax expenses for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Current tax expense	$	414,614	249,440
Deferred tax expense (benefit)		(55,170)	34,819
Income tax expense	$	359,444	284,259

(ii) The Company had no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2019 and 2018.

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(iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Profit before tax	$ 2,494,314	2,111,129
Income tax calculated based on the Company's domestic tax rate	498,863	422,226
Adjustment in tax rate	-	(19,199)
Overseas investment gains recognized under the equity method	(130,698)	(166,670)
Investment tax credits accrued	(77,016)	(64,897)
Prior year's income tax adjustment	25,750	160,804
10% surtax on unappropriated earnings	12,470	21,393
Others	30,075	(69,398)
Income taxes expense	**$ 359,444**	**284,259**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 889,807**	**815,410**

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Deductible temporary differences	**$ 136,700**	**104,700**

The deductible temporary differences cannot be realized. Therefore, they were not recognized as deferred tax assets.

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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, were as follows:

	Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2019	$ 321,167	6,927	31,108	359,202
Recognized in profit or loss	48,509	17,772	(29,861)	36,420
Balance on December 31, 2019	**$ 369,676**	**24,699**	**1,247**	**395,622**
Balance on January 1, 2018	$ 188,057	24,493	16,984	229,534
Recognized in profit or loss	133,110	(17,566)	14,124	129,668
Balance on December 31, 2018	**$ 321,167**	**6,927**	**31,108**	**359,202**

	Bad debt in excess of tax limit	Unfunded pension fund contribution	Refund liabilities	Loss on inventory valuation	Deferred granted revenue	Unrealized revenue from disposal of assets	Others	Total
Deferred tax assets:								
Balance on January 1, 2019	$ 46,958	16,300	159,382	17,096	161,566	30,386	1,491	433,179
Recognized in profit or loss	(7,000)	(343)	28,268	(5,411)	71,571	(3,090)	7,595	91,590
Balance on December 31, 2019	**$ 39,958**	**15,957**	**187,650**	**11,685**	**233,137**	**27,296**	**9,086**	**524,769**
Balance on January 1, 2018	$ 47,272	14,090	100,098	7,351	150,549	-	18,970	338,330
Recognized in profit or loss	(314)	2,210	59,284	9,745	11,017	30,386	(17,479)	94,849
Balance on December 31, 2018	**$ 46,958**	**16,300**	**159,382**	**17,096**	**161,566**	**30,386**	**1,491**	**433,179**

(v) The Company's income tax returns have been examined by the tax authority through the years to 2016.

(q) Capital and other equity

As of December 31, 2019 and 2018, the nominal ordinary shares both amounted to $5,500,000. Par value of each share is $10 (dollars), which means in total there were 550,000 thousand authorized ordinary shares, of which 448,581 thousand and 447,452 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018, were as follows:

	Ordinary shares (in thousands of shares)	
	2019	**2018**
Balance on January 1	447,452	445,688
Exercise of employee stock options	-	128
Issuance of restricted stock	1,820	2,000
Retirement of restricted stock	(691)	(364)
Balance on December 31	**448,581**	**447,452**

(i) Ordinary shares

1) The Company issued 128 thousand new shares of ordinary shares for the exercise of employee stock options in 2018. The related registration procedures were also completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 662,230	609,303
Employee stock options	259,401	259,401
Restricted employee stock options	193,599	150,548
Long-term stock investment	367,815	357,825
	$ 1,483,045	**1,377,077**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase via transferring of the paid-in capital, in excess of par value, should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

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

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

1) Legal reserve

If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 " First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by $97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2019 and 2018, the carrying amount of special reserve both amounted to $97,300.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

On June 18, 2019 and May 30, 2018 the stockholders' meeting resolved the distribution of earnings for 2018 and 2017, respectively. The distribution were NT$2.4 and NT$3.2 (dollars) per share, which amounted to $1,072,341 and $1,430,068, respectively.

(r) Share-based payment

(i) As of December 31, 2019, the outstanding restricted stock of the Company was as follows:

	Plan 1 (note 1)				Plan 2 (note 1)		Plan 3 (note 1)		Plan 4 (note 1)		Plan 5 (note 1)
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018	November 21, 2019
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80	72.40	76.70	46.85	64.30
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775	2,450	550	1,100	900	1,820
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3years (notes 2 and 3)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (notes 2 and 4)

Note 1: Plan 1 –After the stockholders' meeting held on June 25, 2013, the Company decided to issue shares of restricted stock to its full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,450 thousand shares, 186 thousand shares, 135 thousand shares, and 220 thousand shares on August 13 and November 12, 2013, and January 22 and June 27, 2014, respectively.

Plan 2 –After the stockholders' meeting held on June 24, 2014, the Company decided to issue shares of restricted stock to its full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,225 thousand shares and 1,775 thousand shares on January 28 and August 13, 2015, respectively.

Plan 3 –After the stockholders' meeting held on June 20, 2016, the Company decided to issue shares of restricted stock to its full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,450 thousand shares and 550 thousand shares on January 23 and August 10, 2017, respectively.

Plan 4 –After the stockholders' meeting held on May 25, 2017, the Company decided to issue shares of restricted stock to its full-time employees who meet the Company' s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

Plan 5 –After the stockholders' meeting held on June 18, 2019, the Company decided to issue shares of restricted stock to its 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 1,820 thousand shares on November 12, 2019.

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

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

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

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

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

(Thousand shares)	2019	2018
Outstanding on January 1	3,316	3,934
Granted during the year	1,820	2,000
Vesting during the year	(1,158)	(1,725)
Expired during the year	(162)	(893)
Outstanding on December 31	**3,816**	**3,316**

(ii) Expenses attributable to share-based payment were as follows:

	2019	2018
Restricted stock	$ **61,099**	**84,615**

(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2019 and 2018, based on the profit and the weighted-average number of ordinary shares outstanding was as follows:

	2019	2018
Profit of the Company for the year	$ 2,134,870	1,826,870
Weighted-average number of ordinary shares (thousand shares)	444,465	443,011
Basic earnings per share (NT dollars)	$ 4.80	4.12

Weighted-average number of ordinary shares (thousand shares)

	2019	2018
Ordinary shares on January 1	443,607	441,754
Exercise of employee stock options	-	107
Vesting of restricted stock	858	1,150
Ordinary shares on December 31	444,465	443,011

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2019 and 2018, based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2019	2018
Profit of the Company for the year	$ 2,134,870	1,826,870
Weighted-average number of ordinary shares (diluted / thousand shares)	447,663	446,153
Diluted earnings per share (NT dollars)	$ 4.77	4.09

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

	2019	2018
Weighted-average number of ordinary shares on December 31 (basic)	444,465	443,011
Effect of employee stock options	-	12
Estimated effect of employee stock bonuses	1,462	1,650
Effect of restricted stock	1,736	1,480
Weighted-average number of ordinary shares on December 31 (diluted)	447,663	446,153

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	$ 21,748,799	13,203,031	34,951,830
Service rendered	206,138	1,020,765	1,226,903
	$ 21,954,937	14,223,796	36,178,733

	2018		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	$ 20,591,107	12,325,519	32,916,626
Service rendered	203,056	864,753	1,067,809
	$ 20,794,163	13,190,272	33,984,435

	2019	2018
Mainland China	$ 25,946,885	24,583,802
Europe	4,365,971	4,563,686
America	3,624,571	2,014,556
Other	2,241,306	2,822,391
	$ 36,178,733	33,984,435

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable (including related parties)	$ 7,223,106	7,636,243	6,414,427
Less: allowance for impairment	(17,438)	(18,721)	(101,027)
	$ 7,205,668	7,617,522	6,313,400
Contract liabilities (recorded as other current liabilities)	$ 57,991	53,366	71,057

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were $32,563 and $26,086, 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.

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(u) Employee's, directors' and supervisors' remuneration

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

Details of remuneration to employees and directors for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Employee remuneration	$ 75,526	64,439
Directors' remuneration	37,763	32,219
	$ 113,289	96,658

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

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

	2018		
	Actual earnings distributed	Accrued in the financial statements	Difference
Employee remuneration – Cash	$ 64,430	64,439	9
Directors' remuneration	32,200	32,219	19

	2017		
	Actual earnings distributed	Accrued in the financial statements	Difference
Employee remuneration – Cash	$ 68,260	68,182	(78)
Directors' remuneration	34,000	34,094	94

The differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 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.

(Continued)

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(v) Other income

The details of other income for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Interest income from bank deposits	$ 17,280	17,889
Rent income	12,034	8,474
Cash dividend income	214	13,437
	$ 29,528	39,800

(w) Other gains and losses

The details of other gains and losses for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Net gains (losses) on financial assets/liabilities measured at FVTPL	$ (34,404)	55,632
Foreign currency exchange gains, net	276,315	112,155
Other	138,451	120,602
	$ 380,362	288,389

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

For information on the Company's concentration of credit risk, please refer to note 6(y).

(Continued)

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities:						
Notes and accounts payable	$ 90,504	90,504	90,504	-	-	-
Accounts payable to related parties	11,139,174	11,139,174	11,139,174	-	-	-
Other payables	899,130	899,130	899,130	-	-	-
Lease liabilities	347,826	362,433	93,359	92,134	176,940	-
Refund liabilities	1,340,251	1,340,251	1,340,251	-	-	-
Long-term borrowings	27,777	27,822	27,822	-	-	-
Guarantee deposits	222,005	222,005	-	-	-	222,005
Derivative financial liabilities:	207,211	-	-	-	-	-
Outflow	-	807,886	807,886	-	-	-
Inflow	-	(598,600)	(598,600)	-	-	-
	$ 14,273,878	14,290,605	13,799,526	92,134	176,940	222,005
December 31, 2018						
Non-derivative financial liabilities:						
Short-term borrowings	$ 950,000	951,195	951,195	-	-	-
Notes and accounts payable	5,161	5,161	5,161	-	-	-
Accounts payable to related parties	10,475,212	10,475,212	10,475,212	-	-	-
Other payables	605,126	605,126	605,126	-	-	-
Long-term accounts payable to related parties	357,703	357,703	-	-	357,703	-
Refund liabilities	1,062,412	1,062,412	1,062,412	-	-	-
Long-term borrowings	83,333	84,311	56,489	27,822	-	-
Guarantee deposits	182,587	182,587	-	-	-	182,587
Derivative financial liabilities:	19,449	-	-	-	-	-
Outflow	-	1,030,286	1,030,286	-	-	-
Inflow	-	(1,011,726)	(1,011,726)	-	-	-
	$ 13,740,983	13,742,267	13,174,155	27,822	357,703	182,587

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD:TWD	$ 324,583	30.106	9,771,900	307,518	30.733	9,450,940
Financial liabilities						
Monetary items						
USD:TWD	448,430	30.106	13,500,424	374,516	30.733	11,510,008

(Continued)

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables (including related parties), loans and borrowings, notes and accounts payable (including related parties), and other payables (including related parties) that are denominated in foreign currency.

A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2019 and 2018, would have decreased or increased the net profit before tax by $186,426 and $102,953, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses on monetary items

The Company's exchange gains and losses on monetary items (including realized and unrealized) translated to functional currency were as follows:

	2019		2018	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
TWD	$ 276,315	1	112,155	1

(iv) Interest rate analysis

Please refer to note 6(y) for the interest rate exposure of financial assets and liabilities.

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

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the net profit before tax would have increased or decreased by $5,526 and by $3,013 for the years ended December 31, 2019 and 2018, respectively. This is mainly due to bank savings and borrowings with variable interest rates.

(Continued)

(v) Other price risk

The changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income before tax as illustrated below:

	2019		2018
Prices of securities at the reporting date	**Other comprehensive income after tax**		**Other comprehensive income after tax**
Increasing 10%	$	-	23,274
Decreasing 10%	$	-	(23,274)

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL – current	$ 172,807	-	-	172,807	172,807
Financial assets at FVOCI - non current	$ 65,547	-	-	65,547	65,547
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,238,853				
Accounts receivable (including related parties)	7,205,668				
Other receivables	388,334				
Refundable deposits	24,729				
Total	$ 9,857,584				
Financial liabilities at FVTPL – current	$ 207,211	-	-	207,211	207,211

(Continued)

	December 31, 2019				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at amortized cost					
Borrowings	$ 27,777				
Notes and accounts payable (including related parties)	11,229,678				
Other payables	1,690,295				
Salaries payable	380,641				
Lease liabilities	347,826				
Refund liabilities	1,340,251				
Guarantee deposits	222,005				
Total	$ 15,238,473				

	December 31, 2018				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL – current	$ 75,081	-	-	75,081	75,081
Financial assets at FVOCI	$ 263,624	232,737	-	30,887	263,624
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,239,009				
Notes and accounts receivable (including related parties)	7,617,522				
Other receivables	258,597				
Refundable deposits	24,929				
Total	$ 10,140,057				
Financial liabilities at FVTPL – current	$ 19,449	-	-	19,449	19,449
Financial liabilities measured at amortized cost					
Borrowings	$ 1,033,333				
Notes and accounts payable (including related parties)	10,480,373				
Other payables	1,228,790				
Long-term accounts payable to related parties	357,703				
Salaries payable	244,773				
Refund liabilities	1,062,412				
Guarantee deposits	182,587				
Total	$ 14,589,971				

(Continued)

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

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

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

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

a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.

b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and lack of liquidity. When prices are available, the fair value is estimated on the basis of unadjusted prior trade prices.

3) Transfers between Level 1 and Level 3

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

4) Reconciliation of Level 3 fair values

	2019			2018		
	FVTPL	**FVOCI**	**Total**	**FVTPL**	**FVOCI**	**Total**
Balance on January 1	$ 55,632	30,887	86,519	(10,012)	397,252	387,240
Recognized in profit or loss	(34,404)	-	(34,404)	55,632	-	55,632
Recognized in other comprehensive income	-	1,387	1,387	-	(13,649)	(13,649)
Acquisition / disposal	(55,632)	33,273	(22,359)	10,012	8,189	18,201
Transfer out of Level 3	-	-	-	-	(360,905)	(360,905)
Balance on December 31	**$ (34,404)**	**65,547**	**31,143**	**55,632**	**30,887**	**86,519**

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

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

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

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

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

(y) Financial risk management

(i) Overview

The Company has exposure to the following risks from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, accounts receivables (including related parties), and derivative instruments.

1) Cash and cash equivalents

The Company had deposited $2,181,697 (including restricted deposits) in HSBC Bank and 5 other financial institutions, and $2,102,453 (including restricted deposits) in HSBC Bank and 4 other financial institutions, representing 7% and 8% of total assets, as of December 31, 2019 and 2018, respectively. The Company believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Accounts receivable

Sales to individual customers (including related parties) constituting over 10% of total revenue for the years ended December 31, 2019 and 2018, totaled 12% and 21%, respectively. As of December 31, 2019 and 2018, 5% and 21%, respectively, of the ending balance of accounts receivable (including related parties) was accounted for by those customers. In order to reduce credit risk, the Company assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Company did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

The Company entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Company believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused credit line of $9,853,352 and $9,019,906 as of December 31, 2019 and 2018, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currency. These transactions are denominated in USD.

The Company uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Company makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

2) Interest rate risk

The Company's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Company believes that cash flow risk arising from interest rate fluctuation is insignificant.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in listed equity securities. Those equity securities are strategic investments and is not held for trading.

(z) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Company sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Company's debt ratio as of December 31, 2019 and 2018, were both 58%

(aa) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Short-term borrowings	$ 950,000	(950,000)	-	-
Long-term borrowings	83,333	(55,556)	-	27,777
Lease liabilities	426,865	(85,639)	6,600	347,826
Long-term accounts payable to related parties	357,703	(357,703)	-	-
Total liabilities from financing activities	$ 1,817,901	(1,448,898)	6,600	375,603

	January 1, 2018	Cash flows	Non-cash changes	December 31, 2018
Short-term borrowings	$ -	950,000	-	950,000
Long-term borrowings	218,888	(135,555)	-	83,333
Long-term accounts payable to related parties	423,944	(66,241)	-	357,703
Total liabilities from financing activities	$ 642,832	748,204	-	1,391,036

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Group
Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	A subsidiary
Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	A subsidiary
Destiny Technology Holding Co., Ltd. (Destiny BVI.)	A subsidiary
Primax Destiny Co., Ltd. (Destiny Japan)	A subsidiary
Diamond (Cayman) Holdings Ltd. (Diamond)	A subsidiary
Gratus Technology Corp. (Gratus Tech.)	A subsidiary
Primax AE (Cayman) Holdings Ltd. (Primax AE)	A subsidiary
Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	A subsidiary (Note 3)
Primax Industries (Hong Kong) Ltd. (Primax HK)	A subsidiary
Polaris Electronics Inc.(Polaris)	A subsidiary
Destiny Electronic Corp. (Destiny Beijing)	A subsidiary

Name of related party	Relationship with the Group
Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	A subsidiary
Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	A subsidiary
Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	A subsidiary
Primax Electronics (Thailand) Pte. Ltd. (Primax Thailand)	A subsidiary (Note 3)
Tymphany Worldwide Enterprises Ltd. (TWEL)	A subsidiary
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Tymphany Huizhou)	A subsidiary (Note 1)
Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	A subsidiary
Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	A subsidiary
TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	A subsidiary
Tymphany Acoustic Technology Europe, s.r.o. (TYM Acoustic Europe)	A subsidiary
Tymphany HK Ltd.(TYM HK)	A subsidiary
TYP Enterprises, Inc.(TYP)	A subsidiary
Tymphany Acoustic Technology Limited (TYM Acoustic)	A subsidiary
Tymphany Acoustic Technology (Thailand) Co., Ltd. (TYTH)	A subsidiary (Note 4)
Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	A subsidiary
TYMPHANY LOGISTICS, INC (TYML)	A subsidiary
ALT International Co., Ltd. (Cayman) (AIC)	A subsidiary (Note 2)
De Amertek Technology Inc. (US) (DAT)	A subsidiary (Note 2)
Advanced Micro Electronics Co.,LTD. (AME)	A subsidiary (Note 2)
Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	A subsidiary (Note 2)
Advanced Leading Technology Co. (ALT)	A subsidiary (Note 2)
ALT Investment Limited (BVI) (ALTI)	A subsidiary (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: In July 2019, the Company lost its control over AIC and its subsidiaries, (including DAT, AME, ALT (Shanghai), ALT and ALTI), but still retained a significant influence over them. Thereafter, the Company reclassified them from subsidiaries to associates.

Note 3: The subsidiary was established in the third quarter of 2019.

Note 4: The subsidiary was established in the forth quarter of 2019.

Note 5: The subsidiary completed its liquidation procedure in 2019.

(b) Significant transactions with related-party

(i) Sales

The amounts of sales by the Company to related parties and the outstanding balances were as follows:

	Sales		Accounts receivable – related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiaries	$ 3,359,609	2,787,873	567,095	111,619

1) The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company through triangular trade and sold to the customers. The amount of semi-finished products sold in 2019 was $274,640, which was written off with related cost of goods sold, not regarded as sales in the parent company only financial statements. As of December 31, 2019, the accounts receivable arising from selling semi-finished products to subsidiaries amounted to $215,349. This transaction started from 2019.

2) There were no significant differences in the selling prices offered to related parties and those of other customers. The trading terms to other customers are within 120 days, can be lengthened for related parties.

(ii) Purchases

The amounts of purchases by the Company from related parties and the outstanding balances were as follows:

	Purchases		Accounts payable – related parties	
	2019	2018	December 31, 2019	December 31, 2018
PCH2	$ 24,518,037	23,829,269	6,913,767	7,023,821
PCQ1	7,310,681	6,334,904	2,929,458	2,634,243
PKS1	1,682,952	1,553,080	1,214,876	778,471
Others (note)	234,379	133,071	81,073	38,677
	$ 33,746,049	31,850,324	11,139,174	10,475,212

Note: Individual amount not exceeding 10%.

1) As of December 31, 2019, the amount of accounts payable arising from the transactions mentioned in note 7(b)(i) amounted to $88,248. This transaction started from 2019.

2) The prices of purchases from related parties were determined based on the cost, plus a reasonable profit margin. The payment terms of related parties and other vendors are 60 days to 360 days and 30 days to 120 days, respectively.

(Continued)

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3) Accounts payable to subsidiaries over normal payment terms agreed by both sides was reclassified to long-term payable. On December 31, 2019 and 2018, long-term accounts payable to related parties were $0 and $357,703, respectively.

(iii) Purchase of service

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

	Purchase of service		Other payables	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiaries	$ 54,343	49,516	2,940	2,966

(iv) Receivable and payable on behalf of related parties

The other receivables arising from the materials purchased and shipping fee paid on behalf of the subsidiaries amounted to $75,073 and $20,525 for the years ended December 31, 2019 and 2018, respectively.

The other payables arising from the shipping fee paid by subsidiaries on behalf of the Company amounted to $21,949 and $0 on December 31, 2019 and 2018, respectively.

(v) Property transactions－transactions of patents

In 2018, the Company sold its patents to TYM HK, with a disposal price of $154,500 thousands. The patents are amortized over the estimated useful lives, therefore, the gain on disposal would be deferred and recognized as the deduction of investment accounted for using equity method. During amortization period, the gain on disposal would be reclassified as other income. There were no outstanding balance for the disposal price on December 31, 2018.

(vi) Guarantees and endorsements

The amounts of guarantee the Company provided to PCH2 were as follows:

	December 31, 2019	December 31, 2018
Purchasing of raw materials	$ 301,060	307,330

(vii) Lease

The Company leased out its investment properties to its subsidiaries as office buildings and entered into 15-years lease contract by reference of the rental price of the nearby offices. The rental income in 2019 and 2018 both amounted to $9,914 and there were no outstanding receivables on December 31, 2019 and 2018. Please refer to note 6(n) for non-cancellable receivable.

(Continued)

(c) Key management personnel compensation

	2019	2018
Short-term employee benefits	$ 128,738	94,029
Post-employment benefits	972	3,679
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	26,655	35,893
	$ 156,365	133,601

Please refer to note 6(r) for information related to share-based payments.

(8) Pledged assets: None

(9) Significant commitments and contingencies:

(a) For the detail of the Company's guarantees provided to subsidiaries, please refer to notes 7 and 13.

(b) The following are savings accounts provided by the Company to the banks in order for the bank to issue a guarantee letter to customs as guarantee deposits.

	December 31, 2019	December 31, 2018
Guarantee letters	$ 7,000	3,500

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

	December 31, 2019	December 31, 2018
Sales of accounts receivable	$ 519,329	660,144
Long-term borrowings	$ 400,000	400,000

(d) The Company entered into lease agreements for its office. Please refer to notes 6(m) and (n) for future rent payables.

(10) Losses due to major disasters: None

(11) Subsequent events:None

(12) Other:

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

By function / By item	2019 Operating cost	2019 Operating expenses	2019 Total	2018 Operating cost	2018 Operating expenses	2018 Total
Employee benefits						
Salaries	107,077	1,375,856	1,482,933	123,950	1,179,751	1,303,701
Labor and health insurance	6,634	80,305	86,939	6,517	78,761	85,278
Pension	3,442	45,448	48,890	3,341	44,778	48,119
Remuneration of directors	-	58,794	58,794	-	43,199	43,199
Others	3,520	55,335	58,855	3,183	60,311	63,494
Depreciation	91,444	20,460	111,904	22	16,238	16,260
Amortization	-	23,276	23,276	-	20,846	20,846

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2019 and 2018:

	2019	2018
Numbers of employees	843	847
Numbers of directors, but not employees concurrently	7	7
The average employee benefits	$ 2,007	1,786
The average salaries and wages	$ 1,774	1,552
Adjustment of the average salaries and wages	14.30 %	

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the Regulations for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
1	PKS1	The Company	Other receivables	Y	359,705	-	-	-	Necessary to loan to other parties	-	Operating capital	-	-	-	817,039	817,039
2	TYM HK	TYM Acoustic HK	Other receivables	〃	666,476	-	-	2~3%	〃	-	Investment capital	-	-	-	1,127,083	1,127,083
3	TWEL	Diamond	Other receivables	〃	45,530	-	-	-	〃	-	〃	-	-	-	1,092,220	2,184,441

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

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

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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: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,692,401	316,120	301,060	10,503	-	2.45 %	9,846,402	Y	N	Y
1	Tymphany Huizhou	TYM UK	The subsidary of TYM Acoustic HK.	1,625,847	6,976	6,907	6,907	-	0.13 %	4,335,591	N	N	N

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.
Note 2: The amount of the guarantee to a company shall not exceed 30% of the Tymphany Huizhou's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Tymphany Huizhou's net worth in the latest financial statements.

(iii) Securities held as of December 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: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
The Company	Shares:							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	WK Technology Fund IV LTD.	-	〃	161	1,076	0.38	1,076	
	Changing Information Technology Inc.	-	〃	184	2,102	1.54	2,102	
	Formosoft International Inc.	-	〃	11	-	0.41	-	
	Syntronix Corp.	-	〃	7	49	0.02	49	
	Ricavision International Inc.	-	〃	917	-	2.04	-	
	Grove Ventures L.P.	-	〃	-	55,094	2.73	55,094	
	Grove Ventures II, L.P.	-	〃	-	7,226	3.82	7,226	
					65,547			
Primax Tech.	Shares:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	〃	361	40,988	1.32	40,988	
					40,988			

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(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: Shares (thousands)	Beginning Balance: Amount	Purchases: Shares (thousands)	Purchases: Amount	Sales: Shares (thousands)	Sales: Price	Sales: Cost	Sales: Gain (loss) on disposal	Ending Balance: Shares (thousands)	Ending Balance: Amount
	Shares:													
The Company	Primax Singapore	Investment accounted for using equity method	Initial Offerings	Subsidiary	-	-	10,100	318,150	-	-	-	-	10,100	286,269 (note 1)
Primax Singapore	Primax Thailand	〃	〃	〃	-	-	300	302,126	-	-	-	-	300	283,047 (note 1)
PCH2	Money market fund of RMB	Financial assets at FVTPL	〃	None	-	-	-	2,462,917	-	2,468,090	2,460,788	5,173 (note 2)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	1,774,336	-	1,776,682	1,772,398	2,346 (note 2)	-	-
PKS1	Money market fund of RMB	〃	〃	〃	-	-	-	383,628	-	384,362	383,183	734 (note 2)	-	-
Tymphany Huizhou	Money market fund of RMB	〃	〃	〃	-	-	-	710,155	-	712,918	711,949	2,763 (note 2)	-	-

Note 1: The difference between the ending balance and the purchasing price is recognized as investment income (loses) accounted for using equity method, and exchange differences on translation.
Note 2: Gains on disposal include valuation and exchange differences on translation.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the Company's issued capital: None

(vi) Disposal of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the Company's issued capital: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD$100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details: Purchase/ Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
The Company	Primax Cayman	Subsidiary	Purchase	234,379	1 %	60 days	Price agreed by both side	The same as general purchasing	(81,073)	(1)%	
〃	PCH2	The subsidiary of Primax HK	Purchase	24,518,037	73 %	〃	〃	〃	(6,913,767)	(61)%	
〃	PKS1	〃	Purchase	1,682,952	5 %	〃	〃	〃	(1,214,876)	(11)%	
〃	PCQ1	〃	Purchase	7,310,681	21 %	〃	〃	〃	(2,929,458)	(26)%	
〃	Polaris	The subsidiary of Primax Tech	(Sale)	(3,331,193)	(9) %	90 days	〃	The same as general selling	331,479	5%	
Primax Cayman	The Company	Parent	(Sale)	(234,379)	(100) %	60 days	〃	〃	81,073	100%	
〃	PCH2	The subsidiary of Primax HK	Purchase	234,379	100 %	〃	〃	The same as general purchasing	(206,252)	(100)%	
PCH2	The Company	The parent of Primax Cayman	(Sale)	(24,518,037)	(85) %	〃	〃	The same as general selling	6,913,767	83%	
〃	Primax Cayman	The parent of Primax HK	(Sale)	(234,379)	(1) %	〃	〃	〃	206,252	2%	

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			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,682,952)	(99) %	60 days	Price agreed by both side	The same as general selling	1,214,876	100%	
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(7,310,681)	(90) %	〃	〃	〃	2,929,458	92%	
Polaris	The Company	The parent of Primax Tech.	Purchase	3,331,193	100 %	90 days	〃	The same as general purchasing	(331,479)	(100)%	
Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(7,356,152)	(82) %	60 days	〃	The same as general selling	3,936,835	91%	
〃	TYM Acoustic HK	Subsidiary	(Sale)	(101,281)	(1) %	〃	〃	〃	109,835	3%	
〃	TYDG	Subsidiary	Purchase	138,307	2 %	〃	〃	The same as general purchasing	(35,782)	(2)%	
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	437,966	2 %	〃	〃	〃	(57,359)	(1)%	
〃	〃	〃	(Sale)	(23,260,111)	(97) %	〃	〃	The same as general selling	7,284,049	96%	
〃	Tymphany Huizhou	Parent	(Sale)	(138,307)	(1) %	〃	〃	〃	35,782	-%	
〃	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	(Sale)	(252,339)	(1) %	〃	〃	〃	137,308	2%	
〃	TYDC	Subsidiary	(Sale)	(268,167)	(1) %	〃	〃	〃	92,686	1%	
TYDC	Tymphany Dongguan	Parent	Purchase	268,167	4 %	〃	〃	The same as general purchasing	(92,686)	(4)%	
〃	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(6,831,187)	(99) %	〃	〃	The same as general selling	1,800,661	96%	
TYMAcoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,157,660	86 %	90 days	〃	The same as general purchasing	(620,372)	(70)%	
〃	〃	〃	(Sale)	(351,006)	(14) %	60 days	〃	The same as general selling	216,974	28%	
〃	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Purchase	252,339	10 %	〃	〃	The same as general purchasing	(137,308)	(15)%	
〃	Tymphany Huizhou	Parent	Purchase	101,281	4 %	〃	〃	〃	(109,835)	(12)%	
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(2,157,660)	(86) %	90 days	〃	The same as general selling	620,372	73%	
〃	〃	Parent	Purchase	351,006	18 %	60 days	〃	The same as general purchasing	(216,974)	(32)%	
〃	TYM HK	The parent of TYM Acoustic HK	Purchase	128,958	7 %	90 days	〃	〃	(48,068)	(7)%	
TYM HK	Tymphany Huizhou	The subsidiary of TYM Acoustic HK	Purchase	7,356,152	21 %	60 days	〃	〃	(3,936,835)	(30)%	
〃	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Purchase	23,260,111	65 %	〃	〃	〃	(7,284,049)	(55)%	
〃	〃	〃	(Sale)	(437,966)	(1) %	〃	〃	The same as general selling	57,359	1%	
〃	TYDC	The subsidiary of Tymphany Dongguan	Purchase	6,831,187	19 %	〃	〃	The same as general purchasing	(1,800,661)	(14)%	

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
TYM HK	TYML	Subsidiary	(Sale)	(5,512,274)	(15) %	90 days	Price agreed by both side	The same as general selling	2,231,423	21%	
〃	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(128,958)	- %	〃	〃	〃	48,068	-%	
〃	Specialty	Other related party	(Sale)	(467,108)	(1) %	〃	〃	〃	180,471	2%	
TYML	TYM HK	Parent	Purchase	5,512,274	100 %	60 days	〃	The same as beneral purchasing	(2,231,423)	(100)%	
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	182,239	78 %	90 days	〃	〃	-	-%	(note 1)
〃	DAT	The subsidiary of AIC	(Sale)	(131,392)	(51) %	〃	〃	The same as general selling	-	-%	(note 1)
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(182,239)	(53) %	〃	〃	〃	-	-%	(note 1)
DAT	AME	The subsidiary of AIC	Purchase	131,392	85 %	〃	〃	The same as general purchasing	-	-%	(note 1)
〃	DAC	Other related party	(Sale)	(155,703)	(86) %	〃	〃	The same as general selling	-	-%	

Note 1: The Company lost its control over AIC and its subsidiaries in July 2019. The information on AIC and its subsidiaries were disclosed as of July 31, 2019.

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	331,479	15.26	-	-	331,479	-
PCH2	The Company	The parent of Primax Cayman	6,913,767	3.52	-	-	6,913,767	-
〃	Primany Cayman	The parent of Primax HK	206,252	1.70	-	-	206,252	-
PKS1	The Company	The parent of Primax Cayman	1,214,876	1.69	-	-	451,366	-
PCQ1	The Company	The parent of Primax Cayman	2,929,458	2.63	-	-	1,940,744	-
Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	3,936,835	1.76	-	-	1,918,175	-
〃	TYM Acoustic HK	Subsidiary	109,835	1.66	-	-	-	-
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	7,284,049	3.76	-	-	6,988,032	-
〃	TYM Acoustic HK	Subsidiary	137,308	1.67	-	-	-	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	1,800,661	5.39	-	-	1,416,411	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	216,974	1.79	-	-	107,821	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	620,372	2.99	-	-	596,826	-
TYM HK	TYML	The subsidiary of Tymphany Dongguan	2,231,423	4.86	-	-	1,449,774	-
〃	Specialty	Other related party	180,471	2.91	-	-	23,515	-

Note 1: Amounts collected as of February 27, 2020.

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(ix) Trading in derivative instruments: Please refer to note 6(b) in the consolidated financial statements for the year ended December 31, 2019.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,917,542	528,819	510,910	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,361,803	198,832	175,234	
〃	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(5,523)	(19,597)	(19,597)	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,845	350	350	
〃	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,418,593	592,858	606,438	
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	11,880	1,128	1,128	
〃	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	965,342	(358,338)	(358,338)	
〃	Primax Singapore	Singapore	Holding company	318,150	-	10,100	100.00	286,269	(20,085)	(20,085)	
	Total			9,124,798	8,806,648			14,973,751	923,967	896,040	
Primax Singapore	Primax Thailand	Thailand	Manufacturing and sale of computer peripherals devices and software	302,126	-	300	99.99	283,047	(20,591)	(20,591)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,063,110	528,883	528,883	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	398,276	13,405	13,405	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,531,653	671,757	597,864	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	904,753	(154,832)	(82,887)	
Tymphany 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	1,190,387	233,315	233,315	
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	1,127,083	243,540	243,540	
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	14,620	2,167	2,167	
〃	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	20,990	3,694	3,694	

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
TYM Acoustic HK	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	756,312	28,756	28,756	
〃	Tymphany Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	70,560	9,351	9,351	
〃	TYTH	Thailand	Manufacturing and sale of audio accessories, amplifiers and their components	60,012	-	1,500	99.99	55,387	(4,619)	(4,619)	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	(158,652)	1,443	1,443	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	274,733 (note 2)	274,733 (note 2)	2,010	100.00	184,378	(81,457)	(81,457)	(note 3)
〃	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	15,210 (note 2)	23,069	100.00	451,882	(7,914)	(7,914)	(note 3)
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	-	-	-	-	(note 4)

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 2: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through AIC.
Note 3: The Company lost its control over AIC and its subsidiaries in July 2019.
Note 4: The subsidiary completed the liquidation procedure in 2019.

(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 Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 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
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,924,450	Indirect investment through Primax Cayman and Primax Tech.	1,684,161	-	-	1,652,504	564,420	100%	564,420	5,734,017	-
Destiny Beijing	Research and development of computer peripheral devices and software	38,122	Indirect investment through Destiny BVI.	32,270	-	-	31,611	(19,597)	100%	(19,597)	(5,911)	-

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 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	842,653	Indirect investment through Primax Cayman	676,126	-	-	662,332	(28,125)	100%	(28,125)	817,039	-
PCQ1	Manufacture of computer, peripherals and keyboards	540,828	〃	614,660	-	-	602,120	178,654	100%	178,654	1,351,632	-
Tymphany Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,761,026	Indirect investment through Diamond	3,964,557	-	-	3,883,674	966,156	71.43%	690,146	3,871,251	-
Tymphany Dongguan	〃	150,530	〃	15,367	-	-	15,053	147,587	71.43%	93,067	486,077	-
TYDC	〃	86,310	〃	-	-	-	-	99,818	71.43%	71,540	152,953	-
ALT (Shanghai)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	453,095	Indirect investment through Primax AE	153,665	-	-	150,530	(50,681)	36.88%	(18,690)	84,627	-
ALT	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	247,285	〃	215,131	-	-	210,742	(9,810)	36.98%	(3,628)	73,656	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.8658 ; USD:TWD 30.106; CNY:TWD 4.3155.
Note 2: The differences between the accumulated out flow of investments and paid in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.
Note 3: The Company lost its control over AIC and its subsidiaries in July 2019.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,292,120	8,535,868	None (note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in mainland China, except for PCH2, Destiny Beijing, PKS1 and PCQ1 which were based on financial statements audited by the Company's auditors, others were based on the audited results of other auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2019, for details.

PRIMAX ELECTRONICS LTD.

Statement of cash and cash equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		$ 693
Checking accounts and demand deposits		2,238,160
		$ 2,238,853

Statement of accounts receivable

Item	Description	Amount
Accounts receivable:		
Corporation V	Operating revenue	$ 732,163
Corporation N	〃	519,613
Corporation A	〃	380,454
Corporation W	〃	338,260
Other (individual amount not exceeding 5%)	〃	4,685,521
Total		6,656,011
Less: Allowance for doubtful accounts		(17,438)
Net accounts receivable		**$ 6,638,573**

PRIMAX ELECTRONICS LTD.

Statement of other receivables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Receivables due to sale of accounts receivable	Remaining receivables due to sale of accounts receivable	$ 293,566
Other receivables－related parties	Payable on behalf of related parties	68,330
Other (individual amount not exceeding 5%)		26,438
Total		**$ 388,334**

Statement of inventories

Item	Cost	Net realizable value
Finished goods and merchandises	$ 3,051,049	3,427,933
Less: Provision for finished goods and merchandises	(78,606)	
Subtotal	2,972,443	
Semi-finished products	124,121	121,496
Less: Provision for semi-finished products	(2,761)	
Subtotal	121,360	
Raw material	119,208	121,209
Less: Provision for raw material	(2,059)	**$ 3,670,638**
Subtotal	117,149	
Net amount	**$ 3,210,952**	

PRIMAX ELECTRONICS LTD.

Statement of changes in financial assets measure at fair value through other comprehensive income－non-current

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments (Note 1)		Ending Balance		Pledged or guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Green Rich Technology Co., Ltd.	359	$ -	-	-	-	-	-	-	359	-	None
WK Technology Fund IV Ltd.	161	1,076	-	-	-	-	-	-	161	1,076	〃
Changing Information Technology Inc.	179	2,102	5	-	-	-	-	-	184	2,102	〃
Formosoft International Inc.	11	-	-	-	-	-	-	-	11	-	〃
Syntronix Corp.	6	49	1	-	-	-	-	-	7	49	〃
Global TEK Co., Ltd.	5,338	232,737	-	-	5,338	(266,900)	-	34,163	-	-	〃
Ricavision International Inc.	917	-	-	-	-	-	-	-	917	-	〃
Grove Ventures, L.P	-	27,660	-	25,953	-	-	-	1,481	-	55,094	〃
Grove Ventures II, L.P	-	-	-	7,320	-	-	-	(94)	-	7,226	〃
		$ 263,624		33,273		(266,900)		35,550		65,547	

Note 1: Other adjustments comprise gains on disposal and unrealized gains or losses on financial assets at fair value through other comprehensive income.

PRIMAX ELECTRONICS LTD.

Statement of changes in investment accounted for using equity method

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments		Ending Balance			Market value or book value	Pledged of guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount (Note1)	Number of shares	Percentage of holding shares	Amount		
Primax Industries (Cayman Holding) Ltd.	8,147,636	$ 5,636,655	-	-	-	-	-	280,887	8,147,636	100.00 %	5,917,542	6,072,552	None
Primax Technology (Cayman Holding) Ltd.	285,067	2,224,779	-	-	-	-	-	137,024	285,067	100.00 %	2,361,803	2,413,142	〃
Destiny Technology Holding Co., Ltd	1,050	13,945	-	-	-	-	-	(19,468)	1,050	100.00 %	(5,523)	(5,523)	〃
Primax Destiny Co., Ltd.	0.5	17,539	-	-	-	-	-	306	0.5	100.00 %	17,845	17,845	〃
Diamond (Cayman) Holdings Ltd.	129,050	4,919,879	-	-	-	-	-	498,714	129,050	100.00 %	5,418,593	5,541,493	〃
Gratus Technology Corp.	300	11,008	-	-	-	-	-	872	300	100.00 %	11,880	11,880	〃
Primax AE (Cayman) Holdings Ltd.	48,200	1,342,459	-	-	-	-	-	(377,117)	48,200	100.00 %	965,342	965,342	〃
Primax Electronics (Singapore) Pte. Ltd	-	-	10,100	318,150	-	-	-	(31,881)	10,100	100.00 %	286,269	286,269	〃
		$ 14,166,264		318,150		-		489,337			14,973,751	15,303,000	

Note 1: Adjustments under equity method valuation.

PRIMAX ELECTRONICS LTD.

Statement of changes in property, plant and equipment

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(g) for property, plant and equipment.

Statement of changes in right-of-use assets

Please refer to note 6(h) for right-of-use assets.

Statement of changes in investment property

Please refer to note 6(i) for investment property.

PRIMAX ELECTRONICS LTD.

Statement of other payables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Expense payables	Research and development expense for projects and inspection	$ 819,905
	Taxes related to income and tariff	428,187
	Employee and director remuneration	339,251
Others (note)	Accounts payable for labor and health insurance, employee benefits and freight expense	102,952
Total		**$ 1,690,295**

Note : individual amount not exceeding 5%

Statement of other current liabilities

Item	Description	Amount
Remedy received in advance		$ 139,413
Contract liabilities	Advance sales receipts－non-related parties	57,991
Other (note)		8,369
Total		**$ 205,773**

Note : individual amount not exceeding 5%

PRIMAX ELECTRONICS LTD.

Statement of other non-current liabilities

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Deferred tax liabilities－non-current	$ 395,622
Guarantee deposits	222,005
Accrued pension liabilities	67,937
Other (note)	2,793
	$ 688,357

Note : individual amount not exceeding 5%

Statement of lease liabilities

Item	Description	Lease Term	Discount rate	Ending Balance	Note
Lease liabilities－current					
	Buildings	2020.08-2023.11	2.17%	$ 82,282	
	Vehicles	2020.02-2021.12	1.48%	3,422	
	Other Equipments	2020.10-2022.07	1.48%	1,183	
				$ 86,887	
Lease liabilities－Non-current					
	Buildings	2020.08-2023.11	2.17%	259,580	
	Vehicles	2020.02-2021.12	1.48%	931	
	Other Equipments	2020.10-2022.07	1.48%	428	
				$ 260,939	

PRIMAX ELECTRONICS LTD.

Statement of long-term borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest rate	Pledged on guaranteed
The Export-Import Bank of the Republic of China	Long-term borrowings	$ 27,777	2015.2~2020.2	Note	None
	Less: Current portion	(27,777)			
Total		$ -			

Note: Interest rate is calculated by TAIBOR plus 0.48% per annum.

Statement of operating revenue

From January 1 to December 31, 2019

Item	Quantity (in thousands)	Amount
Operating revenue:		
Computer peripherals	87,179	$ 22,678,742
Non-Computer peripherals	46,594	13,642,106
		36,320,848
Less: Sales returns		(149,110)
Sales discounts		(1,219,908)
		34,951,830
Net service revenue		1,226,903
Net operating revenue		$ 36,178,733

PRIMAX ELECTRONICS LTD.

Statement of operating costs

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material On January 1, 2019	$ 7,349
Add: Purchases of raw materials	464,432
Less: Raw materials on December 31,2019	(119,208)
Losses on physical raw materials	(1,456)
Losses on disposal of raw materials	(8,546)
Raw materials used	342,571
Manufacturing overhead	136,785
Manufacturing cost	479,356
Add: Semi-finished products on January 1, 2019	18,948
Purchases of semi-finished products	232,355
Less: Semi-finished products on December 31, 2019	(124,121)
Losses on disposal of semi-finished products	(29,906)
Cost of finished goods	576,632
Add: Finished goods and merchandises on January 1, 2019	2,278,576
Purchases of finished goods and merchandises	32,818,866
Less: Finished goods and merchandises on December 31, 2019	(3,051,049)
Losses on physical finished goods and merchandises	(673)
Losses on disposal of finished goods	(65,892)
Cost of goods sold from triangular trade	(586,112)
Cost of finished goods and merchandises	31,970,348
Service costs	631,467
Loss on inventory valuation, obsolescence and physical inventories	(36,425)
Loss on disposal of inventories	104,344
Operating Costs	**$ 32,669,734**

PRIMAX ELECTRONICS LTD.

Statement of selling, administrative, research and development expenses

From January 1 to December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	$ 297,704	357,295	779,651
Rental expense	53,097	18,344	20,737
Travel allowance	33,592	10,650	51,492
Service expense	46,265	63,174	12,240
Insurance expenses	34,368	16,277	50,367
Freight expense	33,447	58	1,268
Other expense (note)	111,105	60,959	195,973
Total	**$ 609,578**	**526,757**	**1,111,728**

Note : individual amount not exceeding 5%

致伸科技股份有限公司

董事長暨總經理：梁立省