Stock Code:4915

PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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

Address: No. 669, Ruey Kuang Road, Neihu, Taipei
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

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

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

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

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

Basis for Opinion

We conducted our audits in accordance with the " Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis 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, 2018 and 2017, the assets of these subsidiaries constitute 33% and 30%, respectively, of the consolidated total assets. For the years ended December 31, 2018 and 2017, the operating revenue of these subsidiaries constitute 41% and 34%, respectively, of the consolidated operating revenue.

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

Key Audit Matters

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

1. Evaluation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

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

2. Acquisition of subsidiaries

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

3. Impairment assessment of intangible assets

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 4,990,458	12	7,821,011	21
1110	Current financial assets at fair value through profit or loss (note 6(b))	115,608	-	141,151	-
1170	Notes and accounts receivable, net (notes 6(e) and (v))	16,382,468	38	13,014,207	35
1180	Accounts receivable from related parties, net (notes 6(e), (v) and 7)	539,820	1	105,911	-
1200	Other receivables (note 6(e))	1,040,546	3	737,687	2
1310	Inventories (note 6(f))	7,760,333	18	6,791,093	18
1470	Other current assets (note 8)	642,927	1	530,360	1
		31,472,160	73	29,141,420	77
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(g))	-	-	-	-
1523	Non-current available-for-sale financial assets (note 6(d))	-	-	402,997	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	268,088	1	-	-
1600	Property, plant and equipment (notes 6(k) and 8)	5,509,536	13	4,437,684	12
1760	Investment property (note 6(l))	34,751	-	35,214	-
1780	Intangible assets (note 6(m))	4,463,979	10	2,730,188	7
1840	Deferred tax assets (note 6(r))	654,310	2	548,995	1
1985	Long-term prepaid rents	223,064	-	217,520	1
1990	Other non-current assets (note 8)	535,613	1	261,125	1
		11,689,341	27	8,633,723	23
	Total assets	$ 43,161,501	100	37,775,143	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(n) and 8)	$ 1,202,565	3	995,638	3
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	19,980	-	103,107	-
2170	Notes and accounts payable	18,447,564	43	16,350,178	43
2180	Accounts payable to related parties (note 7)	94,106	-	-	-
2200	Other payables (notes 6(h) and 7)	3,604,860	8	3,991,128	11
2201	Salaries payable	1,154,205	3	1,105,153	3
2300	Other current liabilities (note 6(v))	375,158	1	433,894	1
2320	Long-term borrowings, current portion (notes 6(o) and 8)	67,548	-	135,555	-
2365	Current refund liabilities	1,094,833	2	-	-
		26,060,819	60	23,114,653	61
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(o) and 8)	239,015	1	83,333	-
2630	Long-term deferred revenue (note 6(k))	910,800	2	1,039,581	3
2600	Other non-current liabilities (notes 6(g), (q) and (r))	980,749	2	555,774	2
		2,130,564	5	1,678,688	5
	Total liabilities	28,191,383	65	24,793,341	66
	Equity attributable to owners of parent:				
3110	Ordinary shares (note 6(s))	4,474,523	10	4,456,883	12
3140	Capital collected in advance (note 6(s))	-	-	3,085	-
3200	Capital surplus (notes 6(i), (s) and (t))	1,377,077	3	1,232,490	3
3310	Legal reserve (note 6(s))	1,187,783	3	982,041	3
3320	Special reserve (note 6(s))	299,065	1	97,300	-
3350	Unappropriated retained earnings (notes 6(c), (i) and (s))	5,038,483	12	5,008,344	13
3400	Other equity interest (note 6(c))	(751,110)	(2)	(394,871)	(1)
36XX	**Non-controlling interests (notes 6(i) and (j))**	3,344,297	8	1,596,530	4
	Total equity	14,970,118	35	12,981,802	34
	Total liabilities and equity	$ 43,161,501	100	37,775,143	100

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

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

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	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	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	-	405,466	(27,017)	10,999,724	1,244,734	12,244,458
Profit	-	-	-	-	-	2,057,415	-	-	-	-	2,057,415	111,566	2,168,981
Other comprehensive income	-	-	-	-	-	(5,909)	(112,643)	-	(331,977)	-	(450,529)	4,619	(445,910)
Comprehensive income	-	-	-	-	-	2,051,506	(112,643)	-	(331,977)	-	1,606,886	116,185	1,723,071
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,111,886)	-	-	-	-	(1,111,886)	-	(1,111,886)
Changes in shares of investment accounted for using equity method	-	-	299,514	-	-	(517,288)	-	-	-	-	(217,774)	-	(217,774)
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	79,420	79,420	-	79,420
Retirement of restricted stock	(940)	-	(2,881)	-	-	-	-	-	-	3,821	-	-	-
Compensation cost of share-based payment	-	-	11,072	-	-	-	-	-	-	-	11,072	2,604	13,676
Issuance of restricted stock	30,000	-	122,030	-	-	-	-	-	-	(152,030)	-	-	-
Exercise of employee stock options	-	15,892	-	-	-	-	-	-	-	-	15,892	-	15,892
Issuance of ordinary shares for employee stock option and abandonment	6,480	(15,831)	11,289	-	-	-	-	-	-	-	1,938	-	1,938
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	233,007	233,007
Balance at December 31, 2017	4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	-	73,489	(95,806)	11,385,272	1,596,530	12,981,802
Effects of retrospective application	-	-	-	-	-	42,573	-	30,916	(73,489)	-	-	-	-
Balance at January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	-	(95,806)	11,385,272	1,596,530	12,981,802
Profit	-	-	-	-	-	1,826,870	-	-	-	-	1,826,870	87,105	1,913,975
Other comprehensive income	-	-	-	-	-	(473)	(187,628)	(134,472)	-	-	(322,573)	(4,746)	(327,319)
	-	-	-	-	-	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 employee 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 employees 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

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

(1) Company history

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

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

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

The consolidated financial statements of the Company as at and for the year ended December 31, 2018, comprised the Company and subsidiaries (together referred to as "the Group"). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and related parts, automobile and electronic control modules, sensors, as well as other electronic components. Please refer to note 14 for further information.

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

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

The consolidated financial statements were authorized for issuance by the board of directors on March 28, 2019.

(3) New standards and interpretations adopted:

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

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

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

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

(i) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

1) Sales of goods

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

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2) Rendering of services

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

3) Impacts on financial statements

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

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

(ii) IFRS 9 "Financial Instruments"

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

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

(Continued)

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

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

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

— The determination of the business model within which a financial asset is held.

— The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

— The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

(i) IFRS 16 "Leases"

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

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

1) Determining whether an arrangement contains a lease

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

·IFRS 16 definition of a lease to all its contracts; or

· a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

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

(Continued)

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2) Transition

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

·retrospective approach; or

·modified retrospective approach with optional practical expedients.

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

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

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

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

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

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

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

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

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

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

2) Fair value through other comprehensive income (Available for sale financial assets)are measured at fair value;

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

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(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, 2018	Percentage of shareholding December 31, 2017	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 %	- %	(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 (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	(note 2)

(Continued)

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

(Continued)

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

Note 1: The Company was incorporated in January 2018.

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

Note 3: The subsidiary's former name was Premium Loudspeakers (Hui Zhou) Co., Ltd., which was renamed as Tymphany Acoustic Technology (Huizhou) Co., Ltd., based on the resolution approved during the special shareholders' meeting on December 11, 2018.

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

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

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

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

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

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

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) FVOCI

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

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

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

3) FVTPL

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

(Continued)

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

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

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

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

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

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

· prepayment and extension features; and

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

5) Impairment of financial assets

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

· significant financial difficulty of the borrower or issuer;

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

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

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

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

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

(Continued)

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

6) Derecognition of financial assets

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

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

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

1) Financial assets at fair value through profit or loss

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

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

2) Available-for-sale financial assets

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

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

3) Loans and receivables

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

4) Impairment of financial assets

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

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

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

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

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

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

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

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Impairment losses and recoveries of accounts receivable are recognized in operating expense; impairment losses and recoveries of other financial assets are recognized in other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise notes and accounts payable, salary payable, other payables, and loans and borrowings are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments

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

(h) Inventories

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

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

(i) Investment in associates

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

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

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of associates, after adjustments, to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

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

(j) Business combination

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value).

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

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

(Continued)

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

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

(k) Investment property

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

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in non-operating income and expenses and it is included in other gains and losses.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized as other gains and losses under non-operating income and expense.

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(ii) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied investment use.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure which can be reliably measured will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings, leasehold improvement, and additional equipment: 1 ~ 51 years

2) Machinery and equipment: 1 ~10 years

3) Office and other equipment: 1 ~5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(m) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(Continued)

(n) Intangible assets

(i) Goodwill

1) Recognition

Goodwill arising from a business combination is recognized as intangible assets.

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1)	Customer relationships	10 years
2)	Technology	10 years
3)	Trademarks	10 years
4)	Patents	2.5~10 years
5)	Copyrights	15 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(Continued)

(o) Impairment of non-financial assets

Non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, or its value in use. If the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit shall be reduced to its recoverable amount; and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Notwithstanding whether indicators exist, recoverability of goodwill is tested at least annually.

For the purpose of impairment testing, goodwill acquired in a business combination shall be allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the carrying amount of each of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized, and is allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(p) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

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1) Sale of goods

The Group manufactures computer peripherals and non-computer peripherals and sales them to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liabilities is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 90 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Rendering of services

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

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

3) Financing components

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

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

(ii) Revenue (policy applicable before January 1, 2018)

1) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when the goods is received at the customer's warehouse.

2) Services

The Group provides services, such as model research, development, and design, to customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction, agreed by both sides, at the reporting date.

(q) Deferred grant revenue

Deferred grant revenue with additional conditions shall be recognized if the Group fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Group's expenses that have been incurred or to supply immediate financial support to the Group and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group' s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. The fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group' s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and recognized in retained earnings in a subsequent period.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(t) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on profit or taxable gains (losses) at the time of the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(u) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee remuneration, and restricted stock.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

The management continues to monitor the accounting assumptions, estimates and judgments. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

(Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(b) Assessment of impairment of intangible assets (including goodwill)

The assessment of impairment of intangible assets required the Group to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Group has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1:quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2:inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3:inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(ab) for assumptions used in measuring fair value.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash on hand	$	6,548	3,279
Demand accounts and checking deposits		3,911,783	6,022,395
Time deposits		1,072,127	1,795,337
Cash and cash equivalents in the consolidated statements of cash flows	$	4,990,458	7,821,011

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

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

(i) Details of financial instruments were as follows:

		December 31, 2018	December 31, 2017
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Forward exchange contracts	$	115,608	-
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts		-	125,940
Foreign exchange swap contracts		-	15,211
	$	115,608	141,151

		December 31, 2018	December 31, 2017
Financial liabilities held-for-trading:			
Derivative instrument not used for hedging			
Forward exchange contracts	$	(19,980)	(69,167)
Foreign exchange swap contracts		-	(33,940)
	$	(19,980)	(103,107)

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(ii) The Group held the following derivative instruments as held-for-trading financial assets, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss as of December 31, 2018 and held-for-trading financial instruments as of December 31, 2017:

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
Foreign exchange contracts —buy TWD / sell USD	USD 40,000	January 7, 2019~ January 18, 2019	30.525~30.7315

December 31, 2017

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts —buy USD / sell TWD	USD 299,000	January 4, 2018~ June 26, 2018	29.437~30.021
Forward exchange contracts —buy TWD / sell USD	USD 276,500	January 4, 2018~ March 26, 2018	29.792~30.328
Forward exchange contracts —buy USD / sell CNY	USD 75,000	January 19, 2018~ April 19, 2018	6.6085~6.6677
Forward exchange contracts —buy CNY/ sell USD	USD 66,000	January 19, 2018~ April 19, 2018	6.5475~6.6875
Foreign exchange swap contracts —swap in USD/ swap out TWD	USD 103,500	January 12, 2018~ February 9, 2018	30.052~30.232
Foreign exchange swap contracts —swap in TWD / swap out USD	USD 116,000	January 5, 2018~ June 26, 2018	29.583~30.0155

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

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(c) Financial assets at FVOCI

		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
Stocks unlisted in domestic markets–Changing Information Technology Inc.		2,102
Stocks unlisted in domestic markets–Syntronix Corp.		49
Equities unlisted in foreign markets–Grove Ventures L.P. (USD 900 thousand)		27,660
Stocks unlisted in foreign markets–WK Global Investment III Ltd. (USD 145 thousand)		4,464
Total	$	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. These investments were classified as available-for-sale financial assets as of December 31, 2017.

(ii) During the year ended December 31, 2018, the dividends of $13,437, related to equity investments at FVOCI held on December 31, 2018, were recognized.

(iii) The Group has sold 172 thousand shares held in Global TEK as a result of enhancing its working capital. The shares sold had a fair value of $7,343 resulting in the Group to realize a loss of $1,256, which has been included in its other equity interest, and later on transferred to retained earnings.

(iv) WK Technology Fund IV Ltd. refunded the amount of $691 to the Group due to its capital reduction in June 2018.

(v) The Group acquired the shares from Grove Ventures, L.P amounting to $8,880 due to its capital increase in May 2018.

(vi) WK Global Investment III Ltd. refunded the amount of $1,416 to the Group due to its capital reduction in June 2018.

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

(d) Available-for-sale financial assets

		December 31, 2017
Stocks unlisted in domestic markets	$	380,835
Stocks unlisted in foreign markets		22,162
	$	402,997

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

(i) These investments were classified as financial assets at FVOCI as of December 31, 2018. Please refer to note 6(c).

(ii) The Group invested $21,045 in the unlisted company-Grove Ventures, L.P, and classified as available-for-sale financial assets-non-current in March 2017.

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

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

(v) In the fourth quarter of 2017, the Group sold 1,764 thousand shares of Nien Made Enterprise Co., Ltd. for $497,186. The gain from disposal of which was recognized as other gains and losses, amounted to $330,887, deducting the cost of $166,299.

(vi) The unrealized losses is $1,090 for the year ended December 31, 2017, and was recognized as unrealized losses on available-for-sale financial assets. The Group reclassified the realized gains for of Nien Made Enterprise amounted to $330,887 in 2017 as gains from disposal.

(vii) The Group did not provide any of the aforementioned available-for-sale financial assets as collateral.

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

	December 31, 2018	December 31, 2017
Notes receivable	$ 288,156	175,324
Accounts receivable	16,139,779	13,019,199
Accounts receivable – related parties	539,820	105,911
Less: allowance for doubtful accounts	(45,467)	(127,640)
allowance for sales returns and discounts	-	(52,676)
Total	$ 16,922,288	13,120,118

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables, on December 31, 2018. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis as of December 31, 2018 was as follows:

	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	$ 15,223,848	0%	-
0 to 30 days past due	1,466,038	0%~3%	19,830
31 to 60 days past due	57,440	0%~5%	652
61 to 90 days past due	61,145	0%~10%	198
91 to 180 days past due	106,835	0%~25%	388
181 to 360 days past due	14,245	0%~80%	1,419
More than 361 days past due	38,204	0%~100%	22,980
	$ 16,967,755		45,467

(iii) As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
0 to 30 days past due	$ 827,739
31 to 90 days past due	62,006
91 to 180 days past due	9,641
181 to 360 days past due	2,218
More than 361 days past due	91,632
	$ 993,236

(Continued)

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

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

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 127,640	-	99,936
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	127,640		
Impairment losses recognized (reversed)	(62,225)	66,591	(31,357)
Acquisition from business combination	7,588	-	-
Amounts written off	(31,580)	-	-
Effect of exchange rate changes	4,044	-	(7,530)
Balance on December 31, 2018 and 2017	$ 45,467	66,591	61,049

(v) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. As of December 31, 2018, and 2017, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

December 31, 2018

Buyer	Amount sold NT$	Credit facilities US$ (expressed in thousand)	Cash received in advance NT$	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NT$	Amount not received NT$
Mega International Commercial Bank	$ -	15,000	-	-	US$ 3,750	-	-
HSBC Bank	-	45,000	-	-	US$ 13,500	-	-
Bank of Taiwan	-	18,000	-	-	NT$ 130,000	-	-
EnTie Bank	152,127	9,000	-	-	-	-	152,127
	$ 152,127	87,000	-			-	152,127

December 31, 2017

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(f) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 2,185,662	1,797,211
Semi-finished goods and work in process	1,536,356	1,351,885
Finished goods and merchandise	4,038,315	3,641,997
	$ 7,760,333	6,791,093

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

	2018	2017
Gains and (losses) on inventory valuation	$ (216,072)	72,997
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(33,379)	(66,035)
Losses on disposal of inventories	(11,121)	(90,243)
Gains on physical inventories	11,187	16,093
	$ (249,385)	(67,188)

(g) Investments accounted for using equity method

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

	December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates' equity	$ (236)	-
Credit balance of long-term investment reclassified as other non-current liabilities	236	-
Total	$ -	-

	2018	2017
Attributable to the Group:		
Loss	$ (16,753)	-
Other comprehensive income	-	-
Comprehensive income	$ (16,753)	-

The Group acquired 37% shares of Belfast Limited (renamed as AIC after the acquisition), a company that engages in the manufacturing of electric power steering system and adaptive front lighting system, with amount of USD$48,100 by participating in capital increase of Belfast Limited by cash, and purchasing its outstanding shares, and obtain significant influence over Belfast Limited in January 2018. The Group has control over the operating and financial policies of AIC due to having more than 50% of its board of directors' voting rights based on the resolution of its shareholders meeting held in June 2018. The Company included AIC Group in its consolidated financial statements beginning June 2018; please refer to note 6(h). The Group discontinued the use of equity method from the date when its investment ceases to be an associate; therefore, recognized the remeasurement of the disposal gain amounting to $4,950 under other gains and losses. The Gain on disposal includes all the amounts previously recognized in other comprehensive income in relation to that investment.

As of December 31, 2018, the Group's investment accounting for using equity method was the 35% shares of Yu-Ke Technology (Shanghai) Co., Ltd. (Yu-Ke Technology), resulting from its business combination with AIC and its subsidiaries. Yu Ke Technology had ceased its business operation, and is expected to be liquidated in the future.

(h) Business combination

(i) TYM Acoustic Europe

Based on the resolution approved during the board of directors' meeting of TWEL, one of the main subsidiaries of the Company, held on March 13, 2017, acquired all shares of Bang & Olufsen s.r.o.(renamed as TYM Acoustic Europe after merger) amounting to EUR$18,000 through TYM Acoustic HK. Through this transaction, the Company will establish the market for its audio products in Europe, strengthen the cooperation with its clients and expand its technique, manufacturing process and global market. The purchase agreement was settled on June 1, 2017.

1) Consideration transferred

According to the share purchase agreement, the consideration transferred was EUR$18,000. As of December 31, 2018, TYM Acoustic HK deposited EUR$1,500 in Escrow Account based on the share purchase agreement.

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

2) Obtaining control

The Company indirectly holds 71.43% of TYM Acoustic Europe' s shares through TWEL. The Company has included TYM Acoustic Europe in its consolidated financial statements since the settlement date.

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

Items	Amount
Consideration transferred	
Cash	$ 653,796
Fair value of identifiable assets acquired and liabilities assumed	
Cash	7,158
Accounts receivable	402,115
Other receivables	5,592
Inventories	411,816
Other current assets	8,813
Property, plant and equipment	33,358
Other non-current assets	935
Accounts payable	(313,464)
Other payables	(14,238)
Other current liabilities	(73,092)
Identifiable net assets	468,993
Goodwill	$ **184,803**

(ii) AIC Group

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

1) Obtaining control

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

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

Items	Amount
Consideration transferred	
Fair value of shares in company	$ 1,359,015
Contingent consideration	57,751
Fair value of non – controlling interest	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.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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3) Simulated operating results

Operating results of AIC and its subsidiaries were merged into the Company' s consolidated comprehensive income statement since date the Company obtained control, which had contributed to the operating revenue and the net loss of $496,169 and $220,939, respectively. If the acquisition had occurred on January 1, 2018, the simulated operating revenue and net income would have been $65,279,118 and $1,865,503, respectively.

(i) Changes in ownership interest in subsidiaries

(i) Acquisitions of NCI

In 2018, the Group participated in the capital increase by cash of Tymphany Huizhou, with an additional interest of 4.99%, which was different from its existing ownership percentage in Tymphany Huizhou. The transaction increased the non-controlling interest and capital reserves of the Group by $219,006 and $81,571, respectively.

(ii) Deceasing of partial equity ownership of subsidiaries without losing control

In 2017, the restructuring of TYM group and the participation of the Group in the capital increase by cash of Tymphany Huizhou, with shares different from its existing ownership percentage, resulted in a decrease of 3.56% of the Group's shares in Tymphany Huizhou. The Group increased its non-controlling interest by $233,007, and its capital reserves by $299,514, as well as decreased its retained earnings by $517,288, due to this transaction.

(j) Material non-controlling interests of subsidiaries

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

		Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
Name of subsidiaries	**Main operation place Business/Registered Country**	**December 31, 2018**	**December 31, 2017**
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	33.56 %
AIC and its subsidiaries	China/Cayman Is.	63 %	- %

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

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(i) Tymphany Huizhou and its subsidiaries:

	December 31, 2018	December 31, 2017
Current assets	$ 12,801,027	10,455,985
Non-current assets	4,029,482	3,479,864
Current liabilities	(9,594,008)	(9,105,990)
Non-current liabilities	(76,753)	(72,344)
Net assets	$ 7,159,748	4,757,515
Non-controlling interests	$ 2,045,390	1,596,530

	2018	2017
Operating revenue	$ 26,942,400	20,473,852
Profit	798,773	389,297
Other comprehensive income (loss)	(29,993)	122
Comprehensive income	768,780	389,419
Profit attributable to non-controlling interests	$ 226,787	111,566
Comprehensive income attributable to non-controlling interests	$ 218,218	116,185

	2018	2017
Cash flows from (used in) operating activities	$ (375,765)	2,164,634
Cash flows used in investing activities	(919,203)	(1,224,052)
Cash flows from financing activities	730,461	1,106,085
Effect of exchange rate changes	(36,167)	(3,807)
Net increase (decrease) in cash and cash equivalents	$ (600,674)	2,042,860
Dividends paid to non-controlling interests	$ -	-

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(ii) AIC and its subsidiaries' collective financial information

	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 December 31, 2018
Operating revenue	$ 496,169
Loss	$ (220,939)
Other comprehensive income	5,617
Other comprehensive loss	$ (215,322)
Loss attributable to non-controlling interests	$ (139,682)
Comprehensive loss attributable to non-controlling interests	$ (135,859)

	For the seven months ended December 31, 2018
Cash flows used in operating activities	$ (87,515)
Cash flows used in investing activities	(11,277)
Cash flows used in financing activities	(49,964)
Effect of exchange rate changes	(9,917)
Net decrease in cash and cash equivalents	$ (158,673)
Dividends paid to non-controlling interests	$ -

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(k) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
Cost or deemed cost:							
Balance on January 1, 2018	$ 134,701	3,809,364	6,024,654	597,200	413,789	(2,284)	10,977,424
Additions	-	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
Balance on January 1, 2017	$ 134,701	3,802,758	5,672,304	510,457	347,678	(16,286)	10,451,612
Additions	-	58,945	473,923	93,159	625,190	-	1,251,217
Disposals	-	(116,139)	(375,911)	(34,088)	-	13,701	(512,437)
Acquisition from business combination	-	25,997	-	12,883	59	-	38,939
Reclassifications	-	98,776	349,984	22,678	(554,871)	-	(83,433)
Effect of changes in exchange rate	-	(60,973)	(95,646)	(7,889)	(4,267)	301	(168,474)
Balance on December 31, 2017	$ 134,701	3,809,364	6,024,654	597,200	413,789	(2,284)	10,977,424
Depreciation and impairments loss:							
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
Balance on January 1, 2017	$ -	1,731,111	3,632,382	383,934	-	(13,237)	5,734,190
Depreciation	-	224,238	1,037,844	54,426	-	(2,926)	1,313,582
Disposals	-	(93,204)	(299,809)	(31,219)	-	13,701	(410,531)
Reclassifications	-	(3,797)	(5,477)	(118)	-	-	(9,392)
Effect of changes in exchange rate	-	(27,386)	(53,762)	(7,139)	-	178	(88,109)
Balance on December 31, 2017	$ -	1,830,962	4,311,178	399,884	-	(2,284)	6,539,740
Carrying amounts:							
Balance on December 31, 2018	$ 229,801	2,360,782	2,066,063	286,750	566,140	-	5,509,536
Balance on December 31, 2017	$ 134,701	1,978,402	1,713,476	197,316	413,789	-	4,437,684
Balance on January 1, 2017	$ 134,701	2,071,647	2,039,922	126,523	347,678	(3,049)	4,717,422

(i) The unamortized deferred revenue of equipment subsidy amounted to $821,213 and $946,180 as of December 31, 2018, and 2017, respectively.

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(ii) The Group identified its property, plant and equipment from the acquisition of AIC and its subsidiaries and TYM Acoustic Europe in June 2018 and June 2017, respectively.

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

(l) Investment property

	Land	Buildings and other equipment	Total
Cost or deemed cost:			
Balance on January 1, 2018	$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2018	$ 50,190	31,735	81,925
Balance on January 1, 2017	$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2017	$ 50,190	31,735	81,925
Depreciation and impairment losses:			
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
Balance on January 1, 2017	$ 33,941	12,307	46,248
Depreciation	-	463	463
Balance on December 31, 2017	$ 33,941	12,770	46,711
Carrying amounts:			
Balance on December 31, 2018	$ 16,249	18,502	34,751
Balance on December 31, 2017	$ 16,249	18,965	35,214
Balance on January 1, 2017	$ 16,249	19,428	35,677
Fair value:			
Balance on December 31, 2018			$ 80,905
Balance on December 31, 2017			$ 81,930
Balance on January 1, 2017			$ 84,490

(i) The fair value of the investment property is based on the quotation from parties, which is categorized within Level 3.

(ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(p) for further information.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(iii) The Group did not provide any of the aforementioned investment property as collateral.

(m) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2018 and 2017, were as follows:

		Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Cost or deemed cost:						
Balance on January 1, 2018	$	2,025,495	718,800	419,300	121,986	3,285,581
Acquisition		-	-	-	-	-
Acquisition from business combination		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
Balance on January 1, 2017	$	1,850,383	718,800	419,300	122,044	3,110,527
Acquisition		-	-	-	34	34
Acquisition from business combination		178,796	-	-	-	178,796
Effect of changes in exchange rate		(3,684)	-	-	(92)	(3,776)
Balance on December 31, 2017	$	2,025,495	718,800	419,300	121,986	3,285,581
Amortization and impairment loss:						
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
Balance on January 1, 2017	$	-	213,901	124,776	98,180	436,857
Amortization		-	71,880	41,930	4,766	118,576
Effect of changes in exchange rate		-	-	-	(40)	(40)
Balance on December 31, 2017	$	-	285,781	166,706	102,906	555,393
Carrying amounts:						
Balance on December 31, 2018	$	2,612,461	719,970	1,117,748	13,800	4,463,979
Balance on December 31, 2017	$	2,025,495	433,019	252,594	19,080	2,730,188
Balance on January 1, 2017	$	1,850,383	504,899	294,524	23,864	2,673,670

(i) For the intangible assets identified from the acquisition of AIC and its subsidiaries, and TYM Acoustic Europe in June 2018 and June 2017, respectively, please refer to note 6(h).

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

(n) Short-term borrowings

The details were as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 1,137,565	995,638
Secured bank loans	65,000	-
Short-term borrowings	$ 1,202,565	995,638
Unused credit lines	$ 21,333,665	17,453,299
Annual interest rates	0.85%~4.02%	0.97%~4.96%

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

(o) Long-term borrowings

	December 31, 2018			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%~1.48%	2020	$ 83,333
Secured bank loans	TWD	1.67%~2.12%	2022~2035	223,230
Less: current portion				(67,548)
				$ 239,015
Unused credit lines				$ -

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

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

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ii) Please refer to note 9 for the details of the outstanding guarantee notes.

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

(p) Operating lease

(i) Lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 305,577	299,316
Between one and five years	800,680	489,361
More than five years	399,066	461,370
	$ 1,505,323	1,250,047

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

(ii) Lessor

The Group leases out its investment property under operating leases. Please refer to note 6(l) for further information. Non-cancellable operating leases receivable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 1,758	1,484
Between one and five years	488	-
	$ 2,246	1,484

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 156,919	156,494
Fair value of plan assets	89,417	88,082
Deficit in the plan	67,502	68,412
Asset ceiling	-	-
Net defined benefit liability	$ 67,502	68,412

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The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $89,417 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Defined benefit obligation at January 1	$ 156,494	160,593
Benefits paid	(5,340)	(12,898)
Current service costs and interest cost	2,302	2,707
Remeasurement of net defined liabilities	3,463	6,092
Defined benefit obligation at December 31	$ **156,919**	**156,494**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Fair value of plan assets at January 1	$ 88,082	96,865
Remeasurement of net defined liabilities	2,990	183
Interest income	590	701
Contribution paid	3,095	3,231
Benefits paid	(5,340)	(12,898)
Fair value of plan assets at December 31	$ **89,417**	**88,082**

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Current service costs	$	877	1,153
Net interest of net liabilities for defined benefit		835	853
Expenses	$	1,712	2,006

5) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income.

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

		2018	2017
Balance on January 1	$	10,330	4,421
Recognized during the period		473	5,909
Balance on December 31	$	10,803	10,330

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.125 %	1.250%
Future salary increase rate	3.250 %	3.250%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was $2,958. The weighted-average duration of the defined benefit plans is 11 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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, 2018			
Discount rate	$	(3,266)	3,372
Future salary increase rate	$	3,215	(3,131)
December 31, 2017			
Discount rate	$	(3,420)	3,533
Future salary increase rate	$	3,374	(3,283)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The continuing operations allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounting to $357,104 and $337,071 for the years ended December 31, 2018 and 2017, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

(r) Income taxes

(i) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing with 2018.

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(ii) The components of income tax expenses for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Current tax expense	$ 427,108	591,664
Deferred tax expense	23,119	86,935
Income tax expense	$ **450,227**	**678,599**

(iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Profit before income tax	$ 2,364,202	2,847,580
Income tax calculated based on domestic tax rate of individual entity of the Group	857,150	901,871
Adjustment in tax rate	(19,906)	-
Overseas investment gains recognized under the equity method	(254,283)	(258,578)
Non-taxable income	(2,821)	(142,321)
Prior year's income tax adjustment	56,990	24,801
10% surtax on unappropriated earnings	27,565	62,744
Investment tax credits accrued	(105,843)	(74,012)
Other	(108,625)	164,094
Income tax expense	$ **450,227**	**678,599**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	$ **815,410**	**573,124**

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 160,199	73,400

The deductible temporary differences and losses cannot be realized, or there may not be sufficient taxable profit to utilize after the Group's evaluation. Therefore, they were not recognized as deferred tax assets.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017, were as follows:

	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, 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
Balance on January 1, 2017	$ 136,577	-	73,631	17,538	227,746
Recognized in profit or loss	51,480	24,493	(10,483)	235	65,725
Balance on December 31, 2017	$ 188,057	24,493	63,148	17,773	293,471

	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, 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
Balance on January 1, 2017	$ 31,636	-	14,298	57,615	179,573	220,770	-	66,313	570,205
Recognized in profit or loss	15,695	12,755	(208)	42,483	(59,140)	(47,475)	-	14,680	(21,210)
Balance on December 31, 2017	$ 47,331	12,755	14,090	100,098	120,433	173,295	-	80,993	548,995

(v) The Company's income tax returns have been examined by the tax authority through the years to 2016.

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(s) Capital and other equity

As of December 31, 2018 and 2017, the nominal ordinary shares both amounted to 5,500,000. Par value of each share is $10 (dollars), which means in total there were 550,000 thousand authorized ordinary shares, of which 447,452 thousand and 445,688 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017, were as follows:

	Ordinary shares	
(in thousands of shares)	2018	2017
Balance on January 1	445,688	442,134
Exercise of employee stock options	128	648
Issuance of restricted stock	2,000	3,000
Retirement of restricted stock	(364)	(94)
Balance on December 31	447,452	445,688

(i) Ordinary shares

1) The Company issued 128 thousand and 648 thousand new shares of ordinary shares for the exercise of employee stock options in 2018 and 2017, respectively. The related registration procedures were also completed.

2) Employee stock options exercised without registration procedures were recorded as capital collected in advance as of December 31, 2017. The exercise price and units were as follows:

	December 31, 2017	
	Exercised shares (in thousands)	Exercise price
Exercise price per share: $24.10	128	$ 3,085

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	$ 609,303	545,657
Employee stock options	259,401	233,624
Restricted employee stock options	150,548	150,209
Long-term investment	357,825	303,000
	$ 1,377,077	1,232,490

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According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers the capital increase via transferring of the paid-in capital, in excess of par value, should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the 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

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the stockholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 " First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by $97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. As of December 31, 2018 and 2017, the carrying amount of special reserve both amounted to $97,300.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

On May 30, 2018 and May 25, 2017, the shareholders' meeting resolved to distribute the Company's 2017 and 2016 earnings at a price of NT$3.2 and NT$2.5 (dollars) per share amounting to $1,430,068 and $1,111,886, respectively.

(t) Share-based payment

(i) Employee stock options and share-based payment

1) On December 28, 2007, the Company merged with Primax and assumed the outstanding employee stock options of Primax. Based on the swap ratio approved by Primax Holdings' board of directors, Primax Holdings issued 1,795,879 units of employee stock options in exchange for all of the employee stock options issued by Primax. According to the option plan, each unit could be converted into 1 common share of Primax Holdings. The primary terms and conditions of the employee stock options were as follows:

a) Exercise period:

From the grant dates in May 2005, June and December 2006, and February and March 2007, the options are exercisable at the following rates two years after the grant date. The term of the employee stock options is 5 years. The employee stock options and any right thereof shall not be transferred, pledged, donated, or disposed of in any way, with the exception of inherited options.

Period following the grant of options	Exercisable percentage (cumulative)
2 years	50 %
3 years	100 %

b) Procedure for fulfilling obligation: Primax Holdings fulfills its obligation by issuing new ordinary shares.

2) Based on the resolution approved in the board of directors' meeting of Primax Holdings held on December 31, 2007, Primax Holdings declared an incentive plan to grant the right to some employees of the Company to participate in the subscription of the non-voting ordinary shares of Primax Holdings. The transaction is a kind of equity-settled share-based payment agreement, and the equity instruments under this agreement were vested at the date of grant. Primax Holdings recognized the compensation cost by using the fair value method. The difference in value between the net value per share of Primax Holdings determined at the grant date and the exercise price per share was recognized as cost of long-term investment in the Company by Primax Holdings in 2007, and was recognized as compensation cost and capital surplus by the Company. Based on the resolution approved in the board of directors' meeting of Primax Holdings held in April 2008, Primax Holdings amended the share-based payment agreement mentioned above, and consequently, the non-voting ordinary shares were replaced by options to purchase them. The amendment had no impact on the accompanying financial statements.

3) In addition, Primax Holdings declared an incentive plan to grant stock options to employees of the Company in January, May and November 2008 to participate in the subscription of the non-voting ordinary shares of Primax Holdings. Some of the options are vested at the grant date; the others are vested from two years to five years after the grant date. Primax Holdings recognized the compensation cost by using the fair value method as cost of long-term investment in the Company, and the Company correspondingly recognized it as compensation cost and capital surplus.

4) Based on the resolution approved in the board of directors' meetings of Primax Holdings and the Company held in December 2008, the Company issued employee stock options in exchange for part of the unvested or unexercised employee stock options issued by Primax Holdings. Specifically, 2.94 units of employee stock options were issued by the Company in exchange for 1 unit of the employee stock options issued by Primax Holdings. Each unit of the Company's options could be converted into 1 common share of the Company. The exercise price of Primax Holdings' options is USD0.2 per unit; the exercise price of the Company' s options is NT$11.42 (dollars) per unit after the modification. Meanwhile, the Company granted a certain amount of retention bonus to employees at the modification date, and the Company shall pay the retention bonus when the Company' s stock options are exercised. The other terms and conditions of the employee stock options are not changed. According to the modification, the Company decreased the capital surplus by $118,089, and recognized a corresponding increase in retention bonus payable (recorded as salaries payable) on December 30, 2008. The incremental fair value of $55,308 resulting from the modification will be recognized as compensation cost over the remainder of the vesting period.

5) In accordance with the revised employee stock option plan mentioned above, the Company issued 9,545,248 units of employee stock options in November 2009. Each unit could be converted into 1 ordinary share of the Company.

(Continued)

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6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 ordinary shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to $11,072 in 2017.

7) As of December 31, 2018, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

			Plan 3 (note)	
	Plan 1 (note)	Plan 2 (note)	Issued in November 2011	Issued in October 2012
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	11.42	11.42	16.20	24.10
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~November11, 2017)	5 years (November 24, 2011~November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

Note: Stock options under Plan 1 included those granted by Primax in May 2005, June and December 2006, and February and March 2007; those granted by Primax Holdings in January, May and November 2008; and those granted by the Company in November 2009.
Stock options under Plan 2 included those granted by Primax Holdings in January and May 2008, and those granted by the Company in November 2009.
Stock options under Plan 3 included those granted by the Company in November 2011 and October 2012.

The information on the outstanding employee stock options of Primax Holdings using the Black-Scholes option pricing model to measure the fair value at the grant date was as follows:

Period of stock options	Plan 1	Plan 2
Exercise price of Primax Holdings's stock options (USD)	0.20	0.20
Expected time until expiration (years)	2.37~5	6~8
Stock price per share of Primax Holding (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665%	2.509%~2.538%

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The Company applied the Black-Scholes option pricing model to measure the fair value of employee stock options granted in November 2009, 2011 and 2012. The information on share-based payment was as follows:

			Plan 3	
Period of stock options	**Plan 1**	**Plan 2**	**Issued in November 2011**	**Issued in October 2012**
Exercise price of stock options (NT dollars)	11.42	11.42	18.2	28.25
Expected time until expiration (years)	5	8	5	5
Stock price per share (NT dollars)	16.50	16.50	26.02	28.25
Expected volatility of stock price	45.18%	45.18%	29.12%	32.38%~34.61%
Expected cash dividend rate	-	-	6%	3.77%
Risk-free interest rate	2.26%	2.26%	1.81%	1.425%

8) The incremental fair value resulting from the modification described in section (4) above amounted to $55,308 (including the accrued retention bonus of $261,721). The measurement basis of share-based payment as of December 30, 2008 (the modification date) was as follows:

	Plan 1		Plan 2	
	Before the modification	**After the modification**	**Before the modification**	**After the modification**
	Primax Holdings	the Company	Primax Holdings	the Company
Granted units of options	7,365	21,654	2,331	6,853

The information on the stock options using the Black-Scholes option pricing model to measure the incremental fair value at the modification date was as follows:

	Plan 1		Plan 2	
	Before the modification	**After the modification**	**Before the modification**	**After the modification**
Exercise price	USD0.20	NT$11.42 (dollars)	USD0.20	NT$11.42 (dollars)
Expected time until expiration (years)	0.39~3.89	0.39~3.89	3.51~5.85	3.51~5.85
Stock price per share	USD1.12	NT$11.42 (dollars)	USD1.12	NT$11.42 (dollars)
Expected volatility of stock price	33.56%~45.36%	33.56%~45.36%	39.30%~45.36%	39.30%~45.36%
Expected dividend rate	-	-	-	-
Risk-free interest rate	1.005%~1.5%	1.005%~1.5%	1.5%~1.95%	1.5%~1.95%

9) There is no compensatory employee stock option plans for the year ended December 31, 2018. The related information on compensatory employee stock option plans for the year ended December 31, 2017 was as follows:

	2017	
	Weighted-average exercise price	**Stock options (in thousands)**
Outstanding on January 1	22.16	957
Granted during the year	-	-
Forfeited during the year	15.21	(301)
Exercised during the year	24.23	(656)
Expired during the year	-	-
Outstanding on December 31	-	-
Exercisable on December 31	-	-

10) As at December 31, 2018, the Group had 2 share-based payment arrangements as follows:

	Employee stock options (note)		Employee stocks ownership plans
	November 2014	**July 2015**	**September 2017**
Grant date	November 18, 2014	July 1, 2015	September 29, 2017
Exercise price	$15.74	$18.82	CNY$1.1952
Granted units (thousand)	700	2,750	40,310
Service period	5 years	5 years	15 years
Vesting period	3 ~4 years	3 ~5 years	12 months after Tymphany Huizhou listed

Note: The Group has has terminated the employee stock option plan in 2017.

The Group measured the fair value of the 2 aforementioned share-based payment. The measurement basis of the fair value were as follows:

	Employee stock options		Issnance of ordinary shares for employee stocks
	December 2014	**July 2015**	**September 2017**
Exercise price	$15.74	$18.82	CNY$1.3406
Expected time until expiration (years)	4~4.5	4~5	15
Stock price per share	$14.81	$18.23	CNY$2.0121
Expected volatility of stock price	29.49%~30.14%	30.06%~30.45%	-
Expected dividend rate	-	-	-
Risk-free interest rate	1.09%~1.17%	0.96%~1.08%	-

11) The related information on compensatory employee stock option plans of the Group was as follows:

	2017	
	Weighted-average exercise price	**Stock options (in thousands)**
Outstanding on January 1	18.27	3,308
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	18.27	(3,308)
Outstanding on December 31	-	-
Exercisable on December 31	-	-

(ii) Restricted stock

1) As of December 31, 2018, the outstanding restricted stock of the Company was as follows:

	Plan 1 (note 1)				Plan 2 (note 1)		Plan 3 (note 1)		Plan 4 (note 1)	
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018
Fair value on grant date (per share)	22.80	25.15	27.30	52.00	43.70	38.40	45.80	75.40	76.70	46.85
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775	2,450	550	1,100	900
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3 years (note 2 and 3)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)

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Note 1: Plan 1 –After the stockholders' meeting on June 25, 2013, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,450 thousand shares, 186 thousand shares, 135 thousand shares, and 220 thousand shares on August 13 and November 12, 2013, and January 22 and June 27, 2014, respectively.

Plan 2 –After the stockholders' meeting on June 24, 2014, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,225 thousand shares and 1,775 thousand shares on January 28 and August 13, 2015, respectively.

Plan 3 –After the shareholders' meeting on June 20, 2016, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,450 thousand shares and 550 thousand shares on January 23 and August 10, 2017, respectively.

Plan 4 –After the shareholders' meeting on May 25, 2017, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company' s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

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

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

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

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

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

(Thousand shares)	2018	2017
Outstanding on January 1	3,934	1,771
Granted during the year	2,000	3,000
Vesting during the year	(1,725)	(743)
Expired during the year	(893)	(94)
Outstanding on December 31	3,316	3,934

(iii) Expenses and liabilities attributable to share-based payment were as follows:

		2018	2017
Expenses attributable to employee stock options	$	38,379	13,676
Restricted stock		84,615	79,420
Total	$	122,994	93,096

(u) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2018 and 2017, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

		2018	2017
Profit attributable to owners of parent	$	1,826,870	2,057,415
Weighted-average number of ordinary shares (thousand shares)		443,011	440,907
Basic earnings per share (NT dollars)		4.12	4.67

Weighted-average number of ordinary shares (thousand shares)

	2018	2017
Ordinary shares at January 1	441,754	440,363
Exercise of employee stock options	107	152
Vesting of restricted stock	1,150	392
Ordinary shares at December 31	443,011	440,907

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(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2018 and 2017, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2018	2017
Profit attributable to owners of parent	$ 1,826,870	2,057,415
Weighted-average number of ordinary shares (diluted) (thousand shares)	446,153	444,486
Diluted earnings per share (NT dollars)	4.09	4.63

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

	2018	2017
Weighted-average number of ordinary shares on December 31 (basic)	443,011	440,907
Effect of employee stock options	12	529
Estimated effect of employee stock bonuses	1,650	1,117
Effect of restricted stock	1,480	2,293
Weighted-average number of ordinary shares on December 31 (diluted)	446,153	444,846

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	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

	2018
Mainland China	$ 30,476,783
Europe	17,498,442
America	16,752,178
Other	84,005
	$ 64,811,408

For details on revenue for the year ended December 31, 2017, please refer to note 6(w).

(Continued)

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 16,967,755	13,300,434
Less: allowance for impairment	(45,467)	(127,640)
	$ 16,922,288	13,172,794
Contract liabilities	$ 106,018	74,182

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

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $29,211.

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

(w) Operating revenue

The details of operating revenue for the year ended December 31, 2017, was as follows:

	2017
Goods sold	$ 59,409,145
Services rendered	1,332,547
Total	$ 60,741,692

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

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

Details of remuneration to employees and directors for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Employee remuneration	$ 64,439	68,182
Directors' remuneration	32,219	34,094
	$ 96,658	102,276

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

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

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

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

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

(y) Other income

The details of other income were as follows:

	2018	2017
Interest income from bank deposits	$ 112,306	110,012
Rent income	4,813	8,423
Dividend income	13,437	23,325
Other	2,489	1,607
	$ 133,045	143,367

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(z) Other gains and losses

The details of other gains and losses were as follows:

	2018	2017
Net gains (losses) on financial assets/liabilities measured at FVTPL	$ 124,336	76,196
Foreign currency exchange gains (losses), net	89,636	(20,520)
Net losses on disposal of property, plant and equipment	(11,843)	(77,548)
Net gains on disposal of available-for-sale financial assets	-	330,887
Other	147,191	232,015
	$ 349,320	541,030

(aa) Reclassification adjustments of components of other comprehensive income

The reclassification adjustment for other comprehensive income was as follows:

	2018	2017
Unrealized gains or losses of available-for-sale financial assets (after tax)		
Net change in fiar vaule	$ -	(1,090)
Net change in fair value reclassified to profit or loss	-	(330,887)
Net change in fair value recognized in other comprehensive income	$ -	(331,977)

(ab) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

For information on the Group's concentration of credit risk, please refer to note 6(ac).

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(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
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	36,249	36,069	44,934	79,985	138,288
Guarantee deposits	188,053	188,053	-	-	-	-	188,053
Derivative financial liabilities:	19,980	-	-	-	-	-	-
Outflow	-	1,183,951	1,183,951	-	-	-	-
Inflow	-	(1,166,359)	(1,166,359)	-	-	-	-
	$ 23,941,290	23,970,682	23,483,353	36,069	44,934	79,985	326,341
December 31, 2017							
Non-derivative financial liabilities:							
Short-term borrowings	$ 995,638	997,078	997,078	-	-	-	-
Notes and accounts payable	16,350,178	16,350,178	16,350,178	-	-	-	-
Other payables	2,858,327	2,858,327	2,858,327	-	-	-	-
Long-term borrowings	218,888	221,752	108,721	28,532	56,677	27,822	-
Guarantee deposits	174,167	174,167	-	-	-	-	174,167
Derivative financial liabilities:	103,107	-	-	-	-	-	-
Outflow	-	3,187,373	3,187,373	-	-	-	-
Inflow	-	(3,089,268)	(3,089,268)	-	-	-	-
	$ 20,700,305	20,699,607	20,412,409	28,532	56,677	27,822	174,167

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, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD:CNY	$ 693,693	6.8632	21,319,228	529,047	6.5340	15,790,922
USD:HKD	345,578	7.8329	10,620,661	262,270	7.8170	7,828,236
USD:TWD	327,612	30.7330	10,068,493	361,298	29.8480	10,784,026
USD:EUR	-	-	-	20,037	0.8375	598,060
EUR:CZK	26,723	25.8382	939,038	-	-	-
Financial liabilities						
Monetary items						
USD:CNY	458,490	6.8632	14,090,776	412,867	6.5342	12,323,269
USD:HKD	347,734	7.8329	10,686,902	259,738	7.8170	7,752,673
USD:TWD	381,283	30.7330	11,717,967	345,140	29.8480	10,301,737
USD:EUR	-	-	-	7,203	0.8375	214,983
EUR:CZK	12,392	25.8382	435,470	-	-	-

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY, HKD and EUR against the USD as well as CZK against the EUR as of December 31, 2018 and 2017, would have increased or decreased the net profit before tax by $300,815 and $220,429, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain $89,636 and loss $20,520, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the profit before tax would have increased or decreased by $8,687 and $16,508 for the years ended December 31, 2018 and 2017, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

(v) Other price risk:

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

	2018	2017
Price of securities at the reporting date	**Other comprehensive income before tax**	**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 for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		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

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	December 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
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
Financial liabilities measured at amortized cost					
Borrowings	$ 1,509,128				
Notes and accounts payable	18,541,670				
Other payables	3,604,860				
Salaries payable	1,154,205				
Refund liabilities	1,094,833				
Guarantee deposits	188,053				
Total	$ 26,092,749				

	December 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	$ 141,151	-	-	141,151	141,151
Available-for-sale financial assets – non-current	$ 402,997	-	-	402,997	402,997
Loans and receivables:					
Cash and cash equivalents	$ 7,821,011				
Notes and accounts receivable (including related parties)	13,120,118				
Other receivables	737,687				
Refundable deposits	90,805				
Total	$ 21,769,621				
Financial liabilities at FVTPL – current	$ 103,107	-	-	103,107	103,107

(Continued)

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	December 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	$ 1,214,526				
Notes and accounts payable	16,350,178				
Other payables	3,991,128				
Salaries payable	1,105,153				
Guarantee deposits	174,167				
Total	$ 22,835,152				

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

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

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

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

a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.

b) Financial assets at FVOCI – non-current (available-for-sale financial assets) are investments in domestic or foreign non-listed stock. The fair value is based on the market approach of comparable business. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

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3) Transfers between Level 1 and Level 3

The Group holds an investment in equity shares of Global TEK, which is classified as FVOCI (available-for-sale financial assets), with a fair value of $232,737 and $374,680 on December 31, 2018 and 2017, respectively. The fair value of the investment was previously categorized as Level 3 on December 31, 2017. This was because the shares were not based on quoted market price and the fair value was based on the significant unobservable inputs. In February, 2018, Global TEK listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy for the year ended December 31, 2018.

4) Reconciliation of Level 3 fair values

		2018			2017		
		FVTPL	FVOCI (available-for-sale financial assets)	Total	FVTPL	Available for sale financial assets	Total
Balance on January 1	$	38,044	402,997	441,041	(9,113)	301,397	292,284
Recognized in profit or loss		95,628	-	95,628	38,044	-	38,044
Recognized in other comprehensive income		-	(13,514)	(13,514)	-	88,128	88,128
Acquisition /disposal		(38,044)	6,773	(31,271)	9,113	13,472	22,585
Transfer out of Level 3		-	(360,905)	(360,905)	-	-	-
Balance on December 31	$	95,628	35,351	130,979	38,044	402,997	441,041

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

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

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets – equity securities not listed on emerging stock market	Guideline Public Company method	Lack-of-Marketability Discount (10% on December 31, 2017)	The Higher the Lack-of-Marketability Discount is, the lower the fair value will be
Financial assets at FVOCI (Available-for-sale financial assets) – equity investment without an active market	(note 1)	(note 1)	(note 1)

(Continued)

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial assets and liabilities at FVTPL	(note 2)	(note 2)	(note 2)

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

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

6) Sensitivity analysis for fair values of financial instruments using Level 3 Inputs

The Group fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on net income or loss and other comprehensive income or loss are as follows:

			Other comprehensive income	
	Input	Variation	Advantageous changes	Disadvantageous changes
December 31, 2017				
Available-for- sale financial assets-equity securities listed on emerging stock market	Discount of lack Marketability	±10%	$ 37,468	(37,468)

(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, accounts, and other receivables; and derivative instruments.

1) Cash and cash equivalents

The Group had deposited $4,314,090 (including restricted deposits) in the Bank of Taiwan and 12 other financial institutions, and $7,282,716 (including restricted deposits) in HSBC Bank and 16 other financial institutions, representing 10% and 19% of total assets, as of December 31, 2018 and 2017, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Notes and accounts receivable

There were no sales to individual customers constituting over 10%% of total revenue for the years ended December 31, 2018 and 2017. Since the Group has a large customers base, as well as transacts with multiple customer,there is no significant concentration of credit risk in accounts receivable. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables on a regular basis.

3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

(Continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group' s approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused bank facilities of $21,333,665 and $17,453,299 as of December 31, 2018 and 2017, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, USD, HKD, CNY and CZK. These transactions are denominated in USD.

The Group uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Group makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

2) Interest rate risk

The Group's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Group believes that cash flow risk arising from interest rate fluctuation is insignificant.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in listed equity securities. Those equity securities are strategic investments and is not held for trading.

(ad) Capital management

The board' s policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

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The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt ratio as of December 31, 2018 and 2017, was 65% and 66%, respectively.

(7) Related-party transactions:

(a) Names and relationship of the related parties

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

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

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties and the outstanding balances were as follows:

	Sales		Notes and accounts receivable	
	2018	2017	December 31, 2018	December 31, 2017
Other related parties	$ 637,008	273,551	539,820	105,911

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

(ii) Purchase

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

	Purchase		Notes and accounts payables	
	2018	2017	December 31, 2018	December 31, 2017
Other related parties	$ 51,664	-	94,106	-

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

(Continued)

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(iii) Receivables and payables on behalf of related parties

The other payables arising from rent and utilities paid by other related parties in advanced amounted to $35,062 on December 31, 2018.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 166,050	155,349
Post-employment benefits	5,593	1,111
Share-based payments	35,893	40,783
	$ 207,536	197,243

Please refer to note 6(t) for information related to share-based payments.

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Other current assets – restricted assets	Guarantee letters issued by bank	$ 16,633	-
Other non-current assets – restricted assets	Guarantee letters issued by bank	$ 58,311	1,142
Property, plant and equipment	Loan collateral	$ 271,252	-

(9) Significant commitments and contingencies:

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

December 31, 2018	December 31, 2017
$ 921,990	298,480

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

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

	December 31, 2018	December 31, 2017
Guarantee letters	$ 224,384	173,837

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

	December 31, 2018	December 31, 2017
Sales of accounts receivable	$ 660,144	724,878
Long-term borrowings	$ 433,995	880,000

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

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 110,620	41,209

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By function / By item	2018 Operating cost	2018 Operating expenses	2018 Total	2017 Operating cost	2017 Operating expenses	2017 Total
Employee benefits						
Salaries	3,569,667	3,246,463	6,816,130	3,431,156	2,805,559	6,236,715
Labor and health insurance	129,290	163,543	292,833	108,800	133,246	242,046
Pension	235,323	123,493	358,816	224,062	115,015	339,077
Others	151,164	196,368	347,532	78,218	166,846	245,064
Depreciation	1,168,409	148,842	1,317,251	1,198,737	114,845	1,313,582
Amortization	20,033	276,942	296,975	17,730	181,426	199,156

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(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKS1	The Company	Other receivables	Y	423,944	357,703	357,703	-	Necessary to loan to other parties	-	Operating capital	-	-	-	876,698	876,698
2	TYM HK	TYM Acoustic HK	Other receivables	〃	761,124	647,944	647,944	2%	〃	-	Investment capital	-	-	-	902,267	902,267
3	AIC	AME	Other receivables	〃	139,671	138,611	14,930	-	〃	-	Necessary to short-term loan	-	-	-	257,620	515,239
〃	〃	ALT (Shanghai)	Other receivables	〃	339,086	193,937	193,937	-	〃	-	〃	-	-	-	257,620	515,239
〃	〃	DAC	Other receivables	〃	30,731	-	-	-	〃	-	〃	-	-	-	257,620	515,239
4	ALT (Shanghai)	ALTI	Other receivables	〃	16,103	15,981	15,981	-	〃	-	〃	-	-	-	36,962	73,925
5	ALTI	AME	Other receivables	〃	15,312	-	-	-	〃	-	〃	-	-	-	-	-

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

Note 2: Due to the short-term financing need, the loan provided to an individual entity shall not exceed 20% of the net worth of either AIC, ALT (Shanghai), ALTI in their latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of either the subsidiaries mentioned above in their latest financial statements.

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,487,746	322,676	307,330	337	-	2.64 %	9,300,657	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,613,962	131,912	-	-	-	- %	4,303,898	-	-	Y
〃	〃	PKS1	〃	1,613,962	164,890	-	-	-	- %	4,303,898	-	-	Y

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.

Note 2: The amount of the guarantee to a company shall not exceed 30% of the PCH2 net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the PCH2 net worth in the latest financial statements.

Note 3: The above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated financial statements.

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(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Shares:									
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	359	3.59	
	WK Technology Fund IV LTD.	-	〃	161	1,076	0.38	1,076	230	0.38	
	Changing Information Technology Inc.	-	〃	179	2,102	1.62	2,102	179	1.62	
	Formosoft International Inc.	-	〃	11	-	0.41	-	53	0.76	
	Syntronix Corp.	-	〃	6	49	0.02	49	6	0.02	
	Ricavision International Inc.	-	〃	917	-	2.04	-	917	2.04	
	Global TEK	-	〃	5,338	232,737	8.09	232,737	5,510	9.18	
	Grove Ventures L.P.	-	〃	-	27,660	2.73	27,660	-	2.73	
					263,624			-	-	
Primax Tech.	Shares:									
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	400	11.90	
	WK Global Investment III Ltd.	-	〃	425	4,464	1.32	4,464	473	1.32	
					4,464			-	-	

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

Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Shares: Diamond	Investment accounted for using equity method	Initial Offerings	Subsidiary	84,050	3,089,647	45,000	1,372,500	-	-	-	-	129,050	4,919,879 (note 1)
〃	Primax AE	〃	〃	〃	-	-	48,200	1,431,540	-	-	-	-	48,200	1,342,459 (note 1)
Diamond	TWEL	〃	〃	〃	55,001	3,187,565	137,250	1,372,500	-	-	-	-	192,251	5,175,938 (note 1)
Primax AE	AIC	〃	〃	None	-	-	30	1,356,996	-	-	-	-	30	1,281,726 (note 1)
TWEL	Tymphany Huizhou (note 3)	〃	〃	Subsidiary	-	1,514,469	-	1,372,500	-	-	-	-	291,493	3,421,676 (note 1))
Tymphany Huizhou	TYM Acoustic HK	〃	〃	〃	5,000	147,011	180,536	670,457	-	-	-	-	185,536	998,681 (note 1)
PCH2	Money market fund of RMB	Financial assets at FVTPL	〃	None	-	-	-	3,988,376	-	3,998,966	3,983,786	10,590 (note 2)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	1,690,988	-	1,694,990	1,688,396	4,002 (note 2)	-	-
PKS1	Money market fund of RMB	〃	〃	〃	-	-	-	505,424	-	508,814	506,719	3,390 (note 2)	-	-

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Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
Tymphany Huizhou	Money market fund of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	1,366,243	-	1,368,946	1,366,146	2,703 (note 2)	-	-
Tymphany Dongguan	Money market fund of RMB	〃	〃	〃	-	-	-	684,185	-	684,550	683,808	365 (note 2)	-	-

Note 1: The difference between the ending balance and the purchasing price is recognized as investment income (loses) accounted for using equity method, and exchange differences on translation.
Note 2: Gains on disposal include valuation and exchange differences on translation.
Note 3: Premium Loudspeakers (Huizhou) Co., Ltd. was reclassified from "Limited Company" to "Company Limited by Shares". Also, it was renamed to Tymphany Acoustic Technology (Huizhou) Co., Ltd. based on the resolution approved during the special shareholders' meeting held on December 11, 2018.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the Company's issued capital: None

(vi) Disposal of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the Company's issued capital: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD$100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Cayman	Subsidiary	Purchase	133,071	- %	60 days	Price agreed by both side	The same as general purchasing	(38,677)	-%	note 2
〃	PCH2	The subsidiary of Primax HK	Purchase	23,829,269	77 %	〃	〃	〃	(7,023,821)	(67)%	〃
〃	PKS1	〃	Purchase	1,553,080	5 %	〃	〃	〃	(778,471)	(7)%	〃
〃	PCQ1	〃	Purchase	6,334,904	20 %	〃	〃	〃	(2,634,243)	(25)%	〃
〃	Polaris	The subsidiary of Primax Tech .	(Sale)	(2,764,053)	(8) %	90 days	〃	The same as general selling	105,221	1%	〃
Primax Cayman	The Company	Parent	(Sale)	(133,071)	(100) %	60 days	〃	〃	38,677	100%	〃
〃	PCH2	The subsidiary of Primax HK	Purchase	133,071	100 %	〃	〃	The same as general purchasing	(25,062)	(100)%	〃
PCH2	The Company	The parent of Primax Cayman	(Sale)	(23,829,269)	(89) %	〃	〃	The same as general selling	7,023,821	92%	〃
〃	Primax Cayman	The parent of Primax HK	(Sale)	(133,071)	- %	〃	〃	〃	25,062	-%	〃
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,553,080)	(99) %	〃	〃	〃	778,471 (note 1)	99%	〃
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(6,334,904)	(90) %	〃	〃	〃	2,634,243	94%	〃
Polaris	The Company	The parent of Primax Tech.	Purchase	2,764,053	100 %	90 days	〃	The same as general purchasing	(105,221)	100%	〃
Tymphany Huizhou	Tymphany Dongguan	Subsidiary	Purchase	263,903	3 %	60 days	〃	The same as general purchasing	(197,332)	(6)%	〃
〃	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(9,742,133)	(97) %	〃	〃	The same as general selling	4,427,801	98%	〃
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	550,933	5 %	〃	〃	The same as general purchasing	(218,622)	(5)%	〃
〃	Tymphany Huizhou	Parent	(Sale)	(263,903)	(2) %	〃	〃	The same as general selling	197,332	4%	〃

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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
Tymphany Dongguan	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	(Sale)	(165,619)	(1) %	60 days	Price agreed by both side	The same as general selling	164,903	3%	note 2
〃	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(11,456,347)	(95) %	〃	〃	〃	5,091,729	92%	〃
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	200,935	9 %	〃	〃	The same as general purchasing	(103,139)	(14)%	〃
〃	TYM HK	〃	(Sale)	(2,303,764)	(100) %	〃	〃	The same as general selling	733,974	100%	〃
TYMAcoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,101,989	92 %	90 days	〃	The same as general purchasing	(821,495)	(80)%	〃
〃	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Purchase	165,619	7 %	60 days	〃	〃	(164,903)	(16)%	〃
〃	TYM Acoustic Europe	Subsidiary	(Sale)	(189,410)	(9) %	〃	〃	The same as general selling	174,259	22%	〃
TYM Acoustic Europe	TYM Acoustic HK	Parent	Purchase	189,410	9 %	〃	〃	The same as general purchasing	(174,259)	(23)%	〃
〃	〃	Parent	(Sale)	(2,101,989)	(96) %	90 days	〃	The same as general selling	821,495	92%	〃
TYM HK	Tymphany Huizhou	The parent of TYM Acoustic HK	Purchase	9,742,133	41 %	60 days	〃	The same as general purchasing	(4,427,801)	(43)%	〃
〃	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Purchase	11,456,347	48 %	〃	〃	〃	(5,091,729)	(49)%	〃
〃	TYDC	The subsidiary of Tymphany Dongguan	Purchase	2,303,764	10 %	〃	〃	〃	(733,974)	(7)%	〃
〃	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	(Sale)	(550,933)	(2) %	〃	〃	The same as general selling	218,622	3%	〃
〃	TYML	Subsidiary	(Sale)	(223,778)	(1) %	90 days	〃	〃	35,475	-%	〃
〃	TYDC	The subsidiary of Tymphany Dongguan	(Sale)	(200,935)	(1) %	60 days	〃	〃	103,139	1%	〃
〃	Specialty	Other related party	(Sale)	(443,794)	(2) %	90 days	〃	〃	128,027	2%	
TYML	TYM HK	Parent	Purchas	223,778	95 %	〃	〃	The same as beneral purchasing	(35,475)	(100)%	note 2
AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	339,022	80 %	〃	〃	〃	(234,471)	(90)%	〃
〃	DAT	The subsidiary of AIC	(Sale)	(170,610)	(33) %	〃	〃	The same as general selling	85,428	12%	〃
〃	DAC	Other related party	(Sale)	(248,972)	(49) %	120 days	〃	〃	291,175	40%	〃
ALT (Shanghai)	AME	The subsidiary of AIC	(Sale)	(339,022)	(65) %	90 days	〃	〃	234,471	40%	〃
〃	ALT	Subsidiary	(Sale)	(134,706)	(26) %	〃	〃	〃	101,621	17%	〃
ALT	ALT (Shanghai)	Parent	Purchase	134,706	70 %	〃	〃	The same as general purchasing	(101,621)	(64)%	〃
DAT	AME	The subsidiary of AIC	Purchase	170,610	100 %	〃	〃	〃	(85,428)	100%	〃
〃	DAC	Other related party	(Sale)	(100,537)	(39) %	〃	〃	The same as general selling	112,192	100%	

Note 1: Accounts receivables over payment terms have been classified as other receivables-non-current.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	105,221 (note 2)	43.38	-	-	105,221	-
PCH2	The Company	The parent of Primax Cayman	7,023,821 (note 2)	3.62	-	-	7,023,821	-
PKS1	The Company	The parent of Primax Cayman	778,471 (note 2)	2.59	357,703	Reclassify to Long-term payable, and enhance the control of receivables	555,119	-
PCQ1	The Company	The parent of Primax Cayman	2,634,243 (note 2)	2.89	-	-	1,871,395	-
Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	4,427,801 (note 2)	3.08	-	-	4,307,859	-
Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	5,091,729 (note 2)	2.30	-	-	2,397,968	-
〃	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	164,903 (note 2)	1.87	-	-	-	-
〃	Tymphany Huizhou	Parent	197,332 (note 2)	2.07	-	-	1,232	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	733,974 (note 2)	5.76	-	-	733,974	-
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	174,259 (note 2)	1.78	-	-	18,010	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	821,495 (note 2)	3.34	-	-	821,495	-
TYM HK	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	218,622 (note 2)	1.89	-	-	113,246	-
〃	TYDC	The subsidiary of Tymphany Dongguan	103,139 (note 2)	1.23	-	-	78,435	-
〃	Specialty	Other related party	128,027	3.79	-	-	49,763	-
AMEC	ALT (Shanghai)	The subsidiary of AIC	329,190 (note 2)	0.23	-	-	-	-
〃	DAC	Other related party	291,175	0.85	-	-	6,516	-
ALT (Shanghai)	AMEC	The subsidiary of AIC	234,471 (note 2)	1.89	-	-	15,635	-
〃	ALT	The subsidiary of AIC	101,621 (note 2)	2.61	-	-	45,642	-
DAT	DAC	Other related party	112,192 (note 2)	1.83	-	-	-	-

Note 1: Amounts were collected as of March 28, 2019.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to note 6(b).

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(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	133,071	Price agreed by both sides	0.21 %
〃	〃	PCH2	The subsidiary of Primax HK	Purchase	23,829,269	Price agreed by both sides	36.77 %
〃	〃	〃	〃	Accounts Payable	7,023,821	60 days	16.26 %
〃	〃	PKS1	〃	Purchase	1,553,080	Price agreed by both sides	2.40 %
〃	〃	〃	〃	Accounts Payable	778,471	60 days	1.80 %
〃	〃	PCQ1	〃	Purchase	6,334,904	Price agreed by both sides	9.77 %
〃	〃	〃	〃	Accounts payable	2,634,243	60 days	6.10 %
〃	〃	Polaris	The subsidiary of Primax Tech	Sale	2,764,053	Price agreed by both sides	4.26 %
〃	〃	〃	〃	Accounts receivable	105,221	90 days	0.24 %
1	Primax Cayman	PCH2	The subisidiary of Primax HK	Purchase	133,071	Price agreed by both sides	0.21 %
2	Tymphany Huizhou	Tymphany Dongguan	Subsidiary	Purchase	263,903	Price agreed by both sides	0.41 %
〃	〃	〃	〃	Accounts payable	197,332	60 days	0.46 %
〃	〃	TYM HK	The subsidiary of TYM Acoustic HK	Sale	9,742,133	Price agreed by both sides	15.03 %
〃	〃	〃	〃	Accounts receivable	4,427,801	60 days	10.25 %
3	Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	550,933	Price agreed by both sides	0.85 %
〃	〃	〃	〃	Accounts payable	218,622	60 days	0.51 %
〃	〃	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	Sale	165,619	Price agreed by both sides	0.26 %
〃	〃	〃	〃	Accounts receivable	164,903	60 days	0.38 %
〃	〃	TYM HK	The subsidiary of TYM Acoustic HK	Sale	11,456,347	Price agreed by both sides	17.68 %
〃	〃	〃	〃	Accounts receivable	5,091,729	60 days	11.79 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	200,935	Price agreed by both sides	0.31 %
〃	〃	〃	〃	Accounts payable	103,139	60 days	0.24 %
〃	〃	〃	〃	Sale	2,303,764	Price agreed by both sides	3.55 %
〃	〃	〃	〃	Accounts receivable	733,974	60 days	1.70 %

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions: Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,101,989	Price agreed by both sides	3.24 %
〃	〃	〃	〃	Accounts payable	821,495	90 days	1.90 %
〃	〃	〃	〃	Sale	189,410	Price agreed by both sides	0.29 %
〃	〃	〃	〃	Accounts receivable	174,259	60 days	0.40 %
6	TYM HK	TYML	Subsidiary	Sale	223,778	Price agreed by both sides	0.35 %
7	AME	ALT (Shanghai)	The subsidiary of AIC	Purchase	339,022	Price agreed by both sides	0.52 %
〃	〃	〃	〃	Accounts payable	234,471	90 days	0.54 %
〃	〃	〃	〃	Accounts receivable	329,190	90 days	0.76 %
〃	〃	DAT	The subsidiary of AIC	Sale	170,610	Price agreed by both sides	0.26 %
8	ALT (Shanghai)	ALT	〃	Sale	134,706	Price agreed by both sides	0.21 %
〃	〃	〃	〃	Accounts receivable	101,621	90 days	0.24 %

Note 1: Disclosure of the amounts exceeding of NT$100 million.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2018	Original investment amount: December 31, 2017	Balance as of December 31, 2018: Shares (thousands)	Balance as of December 31, 2018: Percentage of ownership	Balance as of December 31, 2018: 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	5,636,655	8,147,636	100.00	529,064	613,089	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,224,779	285,067	100.00	172,257	228,002	
〃	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	13,945	1,050	100.00	(214)	(214)	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,539	0.5	100.00	358	358	
〃	Diamond	Cayman Islands	Holding company	3,889,798	2,517,298	129,050	100.00	4,919,879	129,050	100.00	581,844	581,844	
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	11,008	300	100.00	1,051	1,051	
〃	Primax AE	Cayman Islands	Holding company	1,431,540	-	48,200	100.00	1,342,459	48,200	100.00	(91,159)	(91,159)	
	Total			8,806,648	6,002,608			14,166,264			1,193,201	1,332,971	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	5,764,249	602,817	100.00	529,018	529,018	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	392,566	1,600	100.00	7,883	7,883	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	2,711,450	192,251	100.00	5,175,938	192,251	100.00	662,173	588,057	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	-	30	37.00	1,281,726	30	37.00	(238,124)	(80,790)	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
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	19,497	185,536	100.00	998,681	185,536	100.00	131,524	131,524	
TYM Acoustic HK	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	902,267	144,395	100.00	342,779	342,779	
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	12,777	0.5	100.00	4,238	4,238	
〃	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	17,002	400	100.00	926	926	
〃	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	744,853	187,800	100.00	24,867	24,867	
〃	Tymphany Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	-	5,000	100.00	61,210	5,000	100.00	11,412	11,412	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	6,968	200	100.00	(1,669)	13,588	
AIC	DAT	USA	Sale of automobile and electronic control modules and other electronic components	274,733 (note 2)	-	10	100.00	238,289	10	100.00	(37,468)	(37,468)	
〃	AME	Taiwan	Sale of automobile and electronic control modules, sensors and other electronic components	15,210 (note 2)	-	30,789	100.00	454,334	30,789	100.00	(9,341)	(9,341)	
ALT (Shanghai)	ALTI	British Virgin Island	Holding company	-	-	-	100.00	2	-	100.00	109	109	

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 2: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through AIC.
Note 3: Related investments have been eliminated during the preparation of the consolidated financial statements.

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

(c) Informàtion on investments in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,996,871	Indirect investment through Primax Cayman and Primax Tech.	1,636,597	-	-	1,684,161	487,200	100%	100%	487,200	5,379,873	-
Destiny Beijing	Research and development of computer peripheral devices and software	39,557	Indirect investment through Destiny BVI.	31,340	-	-	32,270	(214)	100%	100%	(214)	13,940	-
PKS1	Manufacture of computer, peripherals and keyboards	874,363	Indirect investment through Primax Cayman	656,656	-	-	676,126	27,532	100%	100%	27,532	876,698	-
PCQ1	Manufacture of computer, peripherals and keyboards	561,180	〃	596,960	-	-	614,660	176,502	100%	100%	176,502	1,229,771	-
Tymphany Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,822,397	Indirect investment through Diamond	2,507,232	1,372,500	-	3,964,557	906,940	71.43%	71.43%	538,122	3,421,676	-
Tymphany Dongguan	〃	153,665	Indirect investment through Diamond	14,924	-	-	15,367	198,659	71.43%	71.43%	151,556	397,777	-
TYDC	〃	89,558	〃	-	-	-	-	27,853	71.43%	71.43%	18,196	87,785	-
ALT (Shanghai)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	462,532	Indirect investment through Primax AE	-	152,500	-	153,665	(152,409)	36.88%	36.88%	(56,205)	67,931	-
ALT	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	252,435	〃	-	214,781	-	215,131	(48,540)	36.98%	36.98%	(17,951)	54,785	-

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Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Yu-Ke Technology	Development, transfer, consultation and rendering of electronic technology services, as well as the sale of instrumentation , mechanical equipment and components	4,478	Indirect investment through Primax AE	-	-	-	-	-	12.91%	12.91%	-	(236)	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9236 ; USD:TWD 30.733; CNY:TWD 4.4779.
Note 2: The differences between the accumulated out flow of investments and paid in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.
Note 3: Related investments have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,441,230	8,710,881	None (note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in mainland China, except for PCH2, Destiny Beijing, PKS1, PCQ1, ALT (Shanghai), ALT, and Yu-Ke Technology which were based on financial statements audited by the Company' s auditors, others were based on the audited results of other auditors.

(iii) Significant transactions:

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

(b) Reportable segments' profit or loss, segment assets, segment liabilities, and their measurement and reconciliation

Income tax and extraordinary profits and losses are not allocated to the Group's reportable segments, and the amounts for the reported segments are identical with those in the report used by the chief operating decision maker.

The Group assessed the performance of the segments based on the segments' income before income taxes (excluding extraordinary profit and loss), and the accounting policies of the operating segments are the same as those described in note 4. Sales and transfers between segments are deemed to be transactions with third parties and are measured by using the market price.

For the years ended December 31, 2018 and 2017, the Group's segment financial information was as follows:

	2018		
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 21,594,541	43,216,867	64,811,408
Intra-group revenue	-	-	-
Total segment revenue	$ 21,594,541	43,216,867	64,811,408
Profit before tax from segments reported	$ 956,547	1,407,655	2,364,202

	2017		
	Computer Peripherals	**Non-computer Peripherals**	**Total**
Revenue			
External revenue	$ 20,628,258	40,113,434	60,741,692
Intra-group revenue	-	-	-
Total segment revenue	$ 20,628,258	40,113,434	60,741,692
Profit before tax from segments reported	$ 1,397,982	1,449,598	2,847,580

(Continued)

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

(c) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

Geographic Information	2018	2017
Revenues from external customers:		
China	$ 30,476,783	32,911,250
Europe	17,498,442	11,147,632
America	16,752,178	13,508,587
Other	84,005	3,174,223
Total	$ 64,811,408	60,741,692

	December 31, 2018	December 31, 2017
Non-current assets:		
China	$ 6,077,001	4,309,012
Taiwan	820,837	358,412
Other	3,726,460	2,904,466
Total	$ 10,624,298	7,571,890

(d) Major customer information

The Group's revenues from a single customer did not exceed 10% of operating revenue in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, so the Group does not disclose any information on major customers.