

**PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
for the Three Months Ended
March 31, 2020 and 2019**

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

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Independent Auditors' Review Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Introduction

We have reviewed the accompanying consolidated balance sheets of PRIMAX ELECTRONICS LTD. (“the Company”) and its subsidiaries (“the Group”) as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to NT\$5,932,463 thousand and NT\$5,587,896 thousand, constituting 11.6% and 13.4% of the consolidated total assets; and the total liabilities amounting to NT\$3,961,208 thousand and NT\$4,322,405 thousand, constituting 10.9% and 16.6% of the consolidated total liabilities as of March 31, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to NT\$(163,398) thousand and NT\$100,132 thousand, constituting (482.5)% and 18.2% of the consolidated comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Furthermore, as stated in note 6(f), the investments accounted for using equity method of the Group in its investee companies of NT\$902,180 thousand as of March 31, 2020, and its related share of loss of associates accounted for using equity method of NT\$21,603 thousand for the three months ended March 31, 2020, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of Tymphony Worldwide Enterprises Ltd., a subsidiary of the Group. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Tymphony Worldwide Enterprises Ltd., is based solely on the review report of another auditor. The financial statements of Tymphony Worldwide Enterprises Ltd. reflect the total assets amounting to NT\$20,931,720 thousand and NT\$11,999,115 thousand, constituting 41.0% and 28.9% of the related consolidated total assets as of March 31, 2020 and 2019, respectively; as well as the operating revenue amounting to NT\$5,029,293 thousand and NT\$5,353,704 thousand, constituting 37.2% and 39.2% of the related consolidated operating revenue for the three months ended March 31, 2020 and 2019, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
May 7, 2020

Notes to Readers

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

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(u) and 7)	\$ 13,524,101	100	13,641,127	100
5000	Operating costs (notes 6(e), (n), (p), (v), 7 and 12)	<u>11,998,960</u>	<u>89</u>	<u>12,027,540</u>	<u>88</u>
	Gross profit from operation	<u>1,525,141</u>	<u>11</u>	<u>1,613,587</u>	<u>12</u>
	Operating expenses (notes 6(n), (p), (s), (v) and 12):				
6100	Selling expenses	280,393	2	326,433	2
6200	Administrative expenses	450,072	3	426,115	3
6300	Research and development expenses	600,730	4	637,488	5
6450	Expected credit loss (Reversal of expected credit loss) (note 6(d))	<u>(11,404)</u>	<u>-</u>	<u>2,621</u>	<u>-</u>
	Total operating expenses	<u>1,319,791</u>	<u>9</u>	<u>1,392,657</u>	<u>10</u>
	Net operating income	<u>205,350</u>	<u>2</u>	<u>220,930</u>	<u>2</u>
	Non-operating income and expenses:				
7010	Other income (note 6(w))	41,003	-	59,627	-
7020	Other gains and losses (note 6(x))	100,763	-	145,530	1
7060	Share of loss of associates accounted for using equity method (note 6(f))	(21,603)	-	-	-
7050	Finance costs (note 6(n))	<u>(59,900)</u>	<u>-</u>	<u>(48,674)</u>	<u>-</u>
	Total non-operating income and expenses	<u>60,263</u>	<u>-</u>	<u>156,483</u>	<u>1</u>
	Profit before tax	265,613	2	377,413	3
7950	Less: Income tax expenses (note 6(q))	<u>58,358</u>	<u>-</u>	<u>84,540</u>	<u>1</u>
	Profit	<u>207,255</u>	<u>2</u>	<u>292,873</u>	<u>2</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(2,089)	-	(2,452)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(2,089)</u>	<u>-</u>	<u>(2,452)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operation's financial statements	(171,300)	(2)	258,454	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(171,300)</u>	<u>(2)</u>	<u>258,454</u>	<u>2</u>
8300	Other comprehensive income after tax	<u>(173,389)</u>	<u>(2)</u>	<u>256,002</u>	<u>2</u>
	Comprehensive income	<u>\$ 33,866</u>	<u>-</u>	<u>\$ 548,875</u>	<u>4</u>
	Profit attributable to:				
8610	Owners of parent	\$ 275,813	2	355,799	2
8620	Non-controlling interests (note 6(g))	<u>(68,558)</u>	<u>-</u>	<u>(62,926)</u>	<u>-</u>
		<u>\$ 207,255</u>	<u>2</u>	<u>\$ 292,873</u>	<u>2</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 128,994	-	582,473	4
8720	Non-controlling interests (note 6(g))	<u>(95,128)</u>	<u>-</u>	<u>(33,598)</u>	<u>-</u>
		<u>\$ 33,866</u>	<u>-</u>	<u>\$ 548,875</u>	<u>4</u>
	Earnings per share (note 6(t))				
9710	Basic earnings per share (NT dollars)	<u>\$ 0.62</u>		<u>0.80</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 0.61</u>		<u>0.80</u>	

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Ordinary shares	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	Uncared employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2019	\$ 4,474,523	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821	3,344,297	14,970,118
Profit	-	-	-	-	355,799	-	-	-	355,799	(62,926)	292,873
Other comprehensive income	-	-	-	-	-	229,126	(2,452)	-	226,674	29,328	256,002
Comprehensive income	-	-	-	-	355,799	229,126	(2,452)	-	582,473	(33,598)	548,875
Changes in shares of investment accounted for using equity method	-	3,788	-	-	-	-	-	-	3,788	-	3,788
Amortization expense of restricted employee stock	(5,770)	(1,029)	-	-	-	-	-	16,267	16,267	-	16,267
Retirement of restricted stock	-	-	-	-	-	-	-	6,799	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(2,670)	-	2,670	-	-	-	-
Balance at March 31, 2019	\$ 4,468,753	1,379,836	1,187,783	299,065	5,391,612	(331,056)	(101,948)	(65,696)	12,228,349	3,312,188	15,540,537
Balance at January 1, 2020	\$ 4,485,808	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	12,308,002	2,195,638	14,503,640
Profit	-	-	-	-	275,813	-	-	-	275,813	(68,558)	207,255
Other comprehensive income	-	-	-	-	-	(144,730)	(2,089)	-	(146,819)	(26,570)	(173,389)
Comprehensive income	-	-	-	-	275,813	(144,730)	(2,089)	-	128,994	(95,128)	33,866
Changes in shares of investment accounted for using equity method	-	2,948	-	-	-	-	-	-	2,948	-	2,948
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	24,584	24,584	-	24,584
Retirement of restricted stock	(300)	(3,065)	-	-	-	-	-	3,365	-	-	-
Issuance of restricted stock	1,800	7,776	-	-	-	-	-	(9,576)	-	-	-
Balance at March 31, 2020	\$ 4,487,308	1,490,704	1,370,470	662,348	5,776,011	(1,175,595)	(30,165)	(116,553)	12,464,528	2,101,763	14,566,291

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 265,613	377,413
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and Amortization expense	589,944	511,125
Loss related to inventories	105,016	10,494
Expected credit loss (reversal)	(11,404)	2,621
Interest expense	58,557	47,978
Interest income	(37,337)	(58,973)
Compensation cost of share-based payment	28,785	21,544
Share of loss of associates accounted for using equity method	21,603	-
Gain on disposal of property, plant and equipment	(237)	(1,825)
Total adjustments to reconcile profit	<u>754,927</u>	<u>532,964</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	31,860	53,653
Notes and accounts receivable	8,600,846	5,698,794
Accounts receivable from related parties	35,685	(154,210)
Other receivables	91,919	(519,468)
Inventories	1,548,597	225,475
Other current assets	128,659	(44,318)
Other operating assets	(22)	(9,750)
Changes in operating assets	<u>10,437,544</u>	<u>5,250,176</u>
Financial liabilities at fair value through profit or loss	(46,051)	12,626
Notes and accounts payable	(7,770,983)	(6,866,778)
Accounts payable to related parties	-	22,142
Salaries payable	(839,475)	(642,810)
Other payables	(606,666)	(514,646)
Refund liabilities	(32,729)	7,960
Other current liabilities	283,128	(53,414)
Other operating liabilities	(160,335)	195,208
Changes in operating liabilities	<u>(9,173,111)</u>	<u>(7,839,712)</u>
Total changes in operating assets and liabilities	<u>1,264,433</u>	<u>(2,589,536)</u>
Total adjustments	<u>2,019,360</u>	<u>(2,056,572)</u>
Cash inflow (outflow) generated from operations	2,284,973	(1,679,159)
Interest received	37,337	58,973
Interest paid	(58,539)	(47,960)
Income taxes paid	(175,288)	(54,819)
Net cash flows from (used in) operating activities	<u>2,088,483</u>	<u>(1,722,965)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(12,678)	(12,012)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	19,330
Acquisition of property, plant and equipment	(995,366)	(1,154,076)
Proceeds from disposal of property, plant and equipment	2,076	27,699
Decrease in refundable deposits	1,830	1,396
Acquisition of unamortized expense	(42,625)	(17,942)
Other investing activities	-	(511)
Net cash flows used in investing activities	<u>(1,046,763)</u>	<u>(1,136,116)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	8,059,544	4,257,306
Decrease in long-term borrowings	(27,777)	(30,756)
Increase (decrease) in guarantee deposits received	17,328	(8,802)
Payment of lease liabilities	(72,863)	(66,881)
Net cash flows from financing activities	<u>7,976,232</u>	<u>4,150,867</u>
Effect of exchange rate changes on cash and cash equivalents	(79,139)	143,577
Net increase in cash and cash equivalents	<u>8,938,813</u>	<u>1,435,363</u>
Cash and cash equivalents at beginning of period	<u>6,700,510</u>	<u>4,990,458</u>
Cash and cash equivalents at end of period	<u>\$ 15,639,323</u>	<u>6,425,821</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
As of March 31, 2020 and 2019 Reviewed only,
not audited in accordance with generally accepted auditing standards

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2020 and 2019

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

(1) Company history

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

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

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

The consolidated financial statements of the Company as at and for the year ended March 31, 2020, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and related parts, as well as other electronic components. Please refer to note 14 for further information.

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

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

The consolidated financial statements were authorized for issuance by the board of directors on May 7, 2020.

(Continued)

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

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020. The related new standards, interpretations and amendments are as follows:

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

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

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

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

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

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

(Continued)

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

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	100.00 %	(note 4)
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 4)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 4)
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 4)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Holding company	100.00 %	100.00 %	- %	(note 1) (note 4)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 4)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 4)
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	100.00 %	(note 4)
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	(note 4)
Primax Singapore	Primax Electronics (Thailand) Pte. Ltd. (Primax Thailand)	Manufacture and sale of computer peripheral devices and software	99.99 %	99.99 %	- %	(note 1) (note 4)
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	100.00 %	
TWEL	Tymphany Acoustic Technology (Huizhou) Co., Ltd (Tymphany Huizhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	71.43 %	71.43 %	71.43 %	
Tymphany Huizhou	Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	Research and development, design, and sale of audio accessories, amplifiers and their components and holdings	100.00 %	100.00 %	100.00 %	
Tymphany Huizhou	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	Manufacture, research and development, design and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacture, install and repair of audio accessories and their components	100.00 %	100.00 %	100.00 %	(note 4)
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology (Thailand) Co., Ltd (TYTH)	Manufacture and sales of audio accessories, amplifiers and their components	99.99 %	99.99 %	- %	(note 2)
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
Primax AE	ALT International Co., Ltd (Cayman) (AIC)	Holding company	- %	- %	37.00 %	(note 3) (note 5)
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	- %	- %	100.00 %	(note 3) (note 5)
AIC	Advanced Micro Electronics Co., LTD. (AME)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	- %	- %	100.00 %	(note 3) (note 5)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description		
			March 31, 2020	December 31, 2019	March 31, 2019			
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 3) (note 5)
AIC and ALT (Shanghai)	Advanced Leading Technology Co. (ALT)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	-	%	-	%	100.00 %	(note 3) (note 5)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	-	%	-	%	100.00 %	(note 3) (note 5)

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

Note 2: The subsidiary was established in the fourth quarter of 2019.

Note 3: In July 2019, AIC held an interim shareholders' meeting and re-elected its board members, wherein the Group did not obtain more than 50% of the voting rights of the board. As a result, the Group lost its control over AIC and its subsidiaries. Thereafter, the Group reclassified them from subsidiaries to investments accounted for using equity method.

Note 4: The company is a non-significant subsidiary, and its financial statements have not been reviewed.

Note 5: The company was a non-significant subsidiary as of March 31, 2019, and its financial statements for the three months ended March 31, 2019 have not been reviewed.

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 4,643	5,260	7,288
Demand accounts and checking deposits	4,389,170	5,531,016	2,578,537
Time deposits	<u>11,245,510</u>	<u>1,164,234</u>	<u>3,839,996</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 15,639,323</u>	<u>6,700,510</u>	<u>6,425,821</u>

Please refer to note 6(y) 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 115,286	82,870	52,472
Foreign exchange swap contracts	<u>39,870</u>	<u>104,146</u>	<u>9,483</u>
	<u>\$ 155,156</u>	<u>187,016</u>	<u>61,955</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Financial liabilities held-for-trading:			
Derivative instrument not used for hedging			
Forward exchange contracts	\$ (121,045)	(193,946)	(29,925)
Foreign exchange swap contracts	<u>(40,115)</u>	<u>(13,265)</u>	<u>(2,681)</u>
	<u>\$ (161,160)</u>	<u>(207,211)</u>	<u>(32,606)</u>

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

March 31, 2020			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD 711,000	April 1, 2020~ September 25, 2020	29.388~30.690
Forward exchange contracts – buy TWD / sell USD	USD 108,000	April 1, 2020~ June 3, 2020	29.891~30.0915
Forward exchange contracts – buy USD / sell CNY	USD 39,500	April 8, 2020~ April 17, 2020	7.0027~7.0355
Forward exchange contracts – buy CNY/ sell USD	USD 103,500	April 8, 2020~ July 17, 2020	6.9000~7.1181
Foreign exchange swap contracts – swap in TWD / swap out USD	USD 468,000	April 8, 2020~ September 25, 2020	29.654~30.755
Forward exchange swap contracts – swap in CNY/ swap out USD	USD 23,500	May 19, 2020~ June 19, 2020	7.0269~7.0393

(Continued)

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

December 31, 2019			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 511,000	January 2, 2020~ June 29, 2020	29.575~31.260
Forward exchange contracts — buy TWD / sell USD	USD 106,000	January 2, 2020~ March 30, 2020	29.996~30.776
Forward exchange contracts — buy CNY / sell USD	USD 197,700	January 3, 2020~ March 25, 2020	6.980~7.171
Foreign exchange swap contracts — swap in USD / swap out TWD	USD 10,000	February 26, 2020	31.288
Foreign exchange swap contracts — swap in TWD / swap out USD	USD 269,000	January 6, 2020~ June 23, 2020	29.754~30.859
Foreign exchange swap contracts — swap in CNY / swap out USD	USD 11,000	January 3, 2020~ January 7, 2020	7.0026~7.0036
March 31, 2019			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 181,000	April 1, 2019~ August 29, 2019	30.275~30.783
Forward exchange contracts — buy TWD / sell USD	USD 271,000	April 1, 2019~ August 29, 2019	30.516~30.822
Forward exchange contracts — buy CNY / sell USD	USD 106,500	April 8, 2019~ June 19, 2019	6.6972~6.9805
Forward exchange swap contracts — swap in USD / swap out TWD	USD 215,000	April 11, 2019~ September 26, 2019	30.350~30.7685

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

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

(c) Financial assets at FVOCI

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Equity investments at FVOCI			
Stocks listed in domestic markets–Global TEK	\$ -	-	210,859
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	1,476	1,076	1,076
Stocks unlisted in domestic markets–Changing Information Technology Inc.	2,102	2,102	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	60,811	55,094	39,755
Equities unlisted in foreign markets–Grove Ventures II, L.P.	14,522	7,226	-
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	38,164	40,988	4,477
Total	<u>\$ 117,124</u>	<u>106,535</u>	<u>258,318</u>

- (i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale.
- (ii) As a result of enhancing its working capital, the Group sold 440 thousand of its shares in Global TEK, with the fair values of \$19,330, resulting in the losses of \$2,670 for the three months ended March 31, 2019. Losses had been recognized as other equity interests, and later on, reclassified to retained earnings.
- (iii) Grove Venture, L.P. executed capital increases, wherein the Group had participated and invested the amounts of \$5,454 and \$12,012 in March 2020 and January 2019, respectively.
- (iv) Grove Ventures II, L.P. executed capital increases, wherein the Group had participated and invested the amounts of \$7,224 in February 2020.
- (v) The Group did not provide any of the aforementioned financial assets as collateral.

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

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 8,604	5,250	90,823
Accounts receivable	11,072,059	19,267,830	10,638,318
Accounts receivable – related parties	144,786	180,471	694,030
Less: allowance for doubtful accounts	<u>(64,612)</u>	<u>(75,725)</u>	<u>(48,530)</u>
Total	<u>\$ 11,160,837</u>	<u>19,377,826</u>	<u>11,374,641</u>

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

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

	<u>March 31, 2020</u>		
	<u>Carrying amounts of notes and accounts receivable (including related parties)</u>	<u>Lifetime ECL rate</u>	<u>Loss allowance provision of lifetime ECL</u>
Current	\$ 10,582,151	0%~0.18%	18,774
0 to 30 days past due	551,250	0%~3.6%	19,484
31 to 60 days past due	42,339	0%~5%	1,771
61 to 90 days past due	10,307	0%~10%	186
91 to 180 days past due	11,141	0%~25%	529
181 to 360 days past due	5,137	0%~80%	1,610
More than 361 days past due	<u>23,124</u>	0%~100%	<u>22,258</u>
	<u>\$ 11,225,449</u>		<u>64,612</u>

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

December 31, 2019			
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 18,107,626	0%~0.38%	40,506
0 to 30 days past due	1,266,578	0%~3%	22,839
31 to 60 days past due	48,325	0%~5%	1,394
61 to 90 days past due	6,374	0%~10%	105
91 to 180 days past due	11,021	0%~25%	1,038
181 to 360 days past due	4,145	0%~80%	1,144
More than 361 days past due	9,482	0%~100%	8,699
	\$ 19,453,551		75,725
March 31, 2019			
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 10,413,762	0%	-
0 to 30 days past due	778,441	0%~3%	21,129
31 to 60 days past due	30,560	0%~5%	102
61 to 90 days past due	31,892	0%~10%	45
91 to 180 days past due	25,606	0%~25%	297
181 to 360 days past due	107,752	0%~80%	3,637
More than 361 days past due	35,158	0%~100%	23,320
	\$ 11,423,171		48,530

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

	For the three months ended March 31	
	2020	2019
Balance on January 1, 2020 and 2019	\$ 75,725	45,467
Impairment losses recognized (reversed)	(11,404)	2,621
Effect of exchange rate changes	291	442
Balance on March 31, 2020 and 2019	\$ 64,612	48,530

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

- (iv) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Group shall pay handling charges based on a fixed rate. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of March 31, 2020, December 31 and March 31, 2019, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

March 31, 2020						
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
HSBC Bank	1,834,480	221,132	1,494,454	340,026	1.572%-2.00%	US\$ 50,940
Bank of Taiwan	-	-	-	-	-	NT\$ 58,000
EnTie Bank	62,310	-	-	62,310	-	-
	<u>\$ 1,896,790</u>	<u>221,132</u>	<u>1,494,454</u>	<u>402,336</u>		
December 31, 2019						
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
HSBC Bank	1,002,004	-	901,804	100,200	2.19%-2.20%	US\$ 13,500
EnTie Bank	193,366	-	-	193,366	-	-
	<u>\$ 1,195,370</u>	<u>-</u>	<u>901,804</u>	<u>293,566</u>		
March 31, 2019						
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
HSBC Bank	-	-	-	-	-	US\$ 13,500
Bank of Taiwan	-	-	-	-	-	NT\$ 130,000
EnTie Bank	195,092	-	-	195,092	-	-
	<u>\$ 195,092</u>	<u>-</u>	<u>-</u>	<u>195,092</u>		

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

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

(e) Inventories

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Raw materials	\$ 2,656,901	2,356,395	2,635,776
Semi-finished goods and work in process	2,069,433	2,312,106	1,587,397
Finished goods and merchandise	<u>4,113,299</u>	<u>5,824,745</u>	<u>3,301,191</u>
	<u>\$ 8,839,633</u>	<u>10,493,246</u>	<u>7,524,364</u>

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

	<u>For the three months</u> <u>ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Losses on inventory valuation	\$ (94,811)	(6,889)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(10,765)	(3,894)
Gains on physical inventories	<u>560</u>	<u>289</u>
	<u>\$ (105,016)</u>	<u>(10,494)</u>

(f) Investments accounted for using equity method

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

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Carrying amount of individually insignificant associates' equity	\$ 902,180	904,753	(241)
Credit balance of long-term investment reclassified as other non-current liabilities	<u>-</u>	<u>-</u>	<u>241</u>
Total	<u>\$ 902,180</u>	<u>904,753</u>	<u>-</u>

	<u>For the three months</u> <u>ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Attributable to the Group:		
Loss	\$ (21,603)	-
Other comprehensive income	<u>19,030</u>	<u>-</u>
Comprehensive loss	<u>\$ (2,573)</u>	<u>-</u>

(Continued)

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

In July 2019, AIC held an interim shareholders' meeting and re-elected its directors, wherein the Group did not obtain more than 50% of its board of directors' voting rights. Hence, the Group lost its control over AIC, but still retained a significant influence. Thereafter, AIC and its subsidiaries were no longer included in the Group's consolidated financial statements; thus, they were reclassified to investments accounted for using the equity method.

As of March 31, 2019, the Group's investment accounting for using equity method was the 35% shares of Yu-Ke Technology (Shanghai) Co., Ltd. (Yu-Ke Technology), resulting from its business combination with AIC and its subsidiaries. Yu Ke Technology had ceased its business operation, and is expected to be liquidated in the future.

(g) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		March 31, 2020	December 31, 2019	March 31, 2019
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	28.57 %	28.57 %
AIC and its subsidiaries	China and U.S.A./Cayman Is.	- %	- %	63 %

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 17,105,402	20,221,838	9,795,174
Non-current assets	6,362,967	7,069,414	5,432,206
Current liabilities	(14,465,411)	(18,685,167)	(7,096,307)
Non-current liabilities	(1,645,881)	(920,404)	(944,891)
Net assets	<u>\$ 7,357,077</u>	<u>7,685,681</u>	<u>7,186,182</u>
Non-controlling interests	<u>\$ 2,101,763</u>	<u>2,195,638</u>	<u>2,052,941</u>

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

	For the three months ended March 31		
	2020	2019	
Operating revenue	\$ <u>5,029,293</u>	<u>5,357,357</u>	
Loss	(239,983)	(56,548)	
Other comprehensive income (loss)	\$ (92,588)	77,680	
Comprehensive income (loss)	\$ <u>(332,571)</u>	<u>21,132</u>	
Loss attributable to non-controlling interests	\$ <u>(68,558)</u>	<u>(16,155)</u>	
Comprehensive income (loss) attributable to non-controlling interests	\$ <u>(95,128)</u>	<u>6,062</u>	
	For the three months ended March 31		
	2020	2019	
Cash flows from (used in) operating activities	\$ 1,035,872	(523,933)	
Cash flows used in investing activities	(596,756)	(489,673)	
Cash flows from financing activities	3,466,083	1,292,943	
Effect of exchange rate changes	(7,320)	46,827	
Net increase in cash and cash equivalents	\$ <u>3,897,879</u>	<u>326,164</u>	
Dividends paid to non-controlling interests	\$ -	-	
(ii) AIC and its subsidiaries' collective financial information:			
	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ -	-	1,276,939
Non-current assets	-	-	2,338,370
Current liabilities	-	-	(550,669)
Non-current liabilities	-	-	(491,578)
Net assets	\$ <u>-</u>	<u>-</u>	<u>2,573,062</u>
Non-controlling interests	\$ <u>-</u>	<u>-</u>	<u>1,259,247</u>
	For the three months ended March 31		
	2020	2019	
Operating revenue	\$ -	<u>197,916</u>	
Loss	\$ -	(74,188)	
Other comprehensive income (loss)	-	11,265	
Comprehensive loss	\$ -	<u>(62,923)</u>	
Loss attributable to non-controlling interests	\$ -	<u>(46,771)</u>	
Comprehensive loss attributable to non-controlling interests	\$ -	<u>(39,660)</u>	

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

	For the three months ended March 31	
	2020	2019
Cash flows used in operating activities	\$ -	(122,663)
Cash flows used in investing activities	-	(22,986)
Cash flows from financing activities	-	72,713
Effect of exchange rate changes	-	13,951
Net decrease in cash and cash equivalents	<u>\$ -</u>	<u>(58,985)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(h) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the three months ended March 31, 2020 and 2019, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2020	\$ 134,701	4,014,529	7,508,088	2,089,856	1,111,056	14,858,230
Additions	-	6,730	48,146	4,935	260,338	320,149
Disposals	-	(230)	(148,469)	(619,873)	(560)	(769,132)
Reclassifications	-	1,402	96,802	27,293	(163,491)	(37,994)
Effect of changes in exchange rate	-	(42,099)	(86,687)	(10,783)	(1,000)	(140,569)
Balance on March 31, 2020	<u>\$ 134,701</u>	<u>3,980,332</u>	<u>7,417,880</u>	<u>1,491,428</u>	<u>1,206,343</u>	<u>14,230,684</u>
Balance on January 1, 2019	\$ 229,801	4,338,669	6,925,443	770,043	566,140	12,830,096
Additions	-	21,556	215,295	268,309	465,470	970,630
Disposals	-	(440)	(99,207)	(1,087)	(318)	(101,052)
Reclassifications	-	19,410	285,091	(3,685)	(309,226)	(8,410)
Effect of changes in exchange rate	-	84,022	158,538	14,796	12,891	270,247
Balance on March 31, 2019	<u>\$ 229,801</u>	<u>4,463,217</u>	<u>7,485,160</u>	<u>1,048,376</u>	<u>734,957</u>	<u>13,961,511</u>
Depreciation and impairments loss:						
Balance on January 1, 2020	\$ -	2,035,962	4,894,405	564,123	-	7,494,490
Depreciation	-	63,584	297,776	87,645	-	449,005
Disposals	-	(230)	(35,297)	(43,577)	-	(79,104)
Effect of changes in exchange rate	-	(21,344)	(49,594)	(9,994)	-	(80,932)
Balance on March 31, 2020	<u>\$ -</u>	<u>2,077,972</u>	<u>5,107,290</u>	<u>598,197</u>	<u>-</u>	<u>7,783,459</u>
Balance on January 1, 2019	\$ -	1,977,887	4,859,380	483,293	-	7,320,560
Depreciation	-	64,106	260,092	20,322	-	344,520
Disposals	-	(523)	(72,667)	(1,988)	-	(75,178)
Reclassifications	-	-	2,260	(2,260)	-	-
Effect of changes in exchange rate	-	40,882	111,944	9,254	-	162,080
Balance on March 31, 2019	<u>\$ -</u>	<u>2,082,352</u>	<u>5,161,009</u>	<u>508,621</u>	<u>-</u>	<u>7,751,982</u>

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

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Carrying amounts:						
Balance on January 1, 2020	\$ <u>134,701</u>	<u>1,978,567</u>	<u>2,613,683</u>	<u>1,525,733</u>	<u>1,111,056</u>	<u>7,363,740</u>
Balance on March 31, 2020	\$ <u>134,701</u>	<u>1,902,360</u>	<u>2,310,590</u>	<u>893,231</u>	<u>1,206,343</u>	<u>6,447,225</u>
Balance on January 1, 2019	\$ <u>229,801</u>	<u>2,360,782</u>	<u>2,066,063</u>	<u>286,750</u>	<u>566,140</u>	<u>5,509,536</u>
Balance on March 31, 2019	\$ <u>229,801</u>	<u>2,380,865</u>	<u>2,324,151</u>	<u>539,755</u>	<u>734,957</u>	<u>6,209,529</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$2,440,223, \$2,876,379 and \$1,012,759 as of March 31, 2020, December 31 and March 31, 2019, respectively.

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

(i) Right-of-use assets

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

	Land	Buildings	Vehicles	Other equipment	Total
Cost:					
Balance on January 1, 2020	\$ 402,455	1,718,180	17,685	3,431	2,141,751
Additions	-	19,811	8,169	-	27,980
Effect of changes in exchange rates	<u>(5,487)</u>	<u>(39,177)</u>	<u>(261)</u>	<u>(7)</u>	<u>(44,932)</u>
Balance on March 31, 2020	\$ <u>396,968</u>	<u>1,698,814</u>	<u>25,593</u>	<u>3,424</u>	<u>2,124,799</u>
Balance on January 1, 2019	\$ 435,567	1,729,293	9,269	-	2,174,129
Effect of changes in exchange rates	<u>9,727</u>	<u>15,186</u>	<u>45</u>	<u>-</u>	<u>24,958</u>
Balance on March 31, 2019	\$ <u>445,294</u>	<u>1,744,479</u>	<u>9,314</u>	<u>-</u>	<u>2,199,087</u>
Depreciation:					
Balance on January 1, 2020	\$ 10,627	277,503	8,753	1,715	298,598
Depreciation	3,808	80,519	3,486	482	88,295
Effect of changes in exchange rates	<u>(301)</u>	<u>(5,748)</u>	<u>(92)</u>	<u>(7)</u>	<u>(6,148)</u>
Balance on March 31, 2020	\$ <u>14,134</u>	<u>352,274</u>	<u>12,147</u>	<u>2,190</u>	<u>380,745</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation	3,327	73,810	1,064	-	78,201
Effect of changes in exchange rates	<u>16</u>	<u>23</u>	<u>1</u>	<u>-</u>	<u>40</u>
Balance on March 31, 2019	\$ <u>3,343</u>	<u>73,833</u>	<u>1,065</u>	<u>-</u>	<u>78,241</u>
Carrying amounts:					
Balance on January 1, 2020	\$ <u>391,828</u>	<u>1,440,677</u>	<u>8,932</u>	<u>1,716</u>	<u>1,843,153</u>
Balance on March 31, 2020	\$ <u>382,834</u>	<u>1,346,540</u>	<u>13,446</u>	<u>1,234</u>	<u>1,744,054</u>
Balance on January 1, 2019	\$ <u>435,567</u>	<u>1,729,293</u>	<u>9,269</u>	<u>-</u>	<u>2,174,129</u>
Balance on March 31, 2019	\$ <u>441,951</u>	<u>1,670,646</u>	<u>8,249</u>	<u>-</u>	<u>2,120,846</u>

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

(j) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2020	\$ <u>16,249</u>	<u>18,040</u>	<u>34,289</u>
Balance on March 31, 2020	\$ <u>16,249</u>	<u>17,924</u>	<u>34,173</u>
Balance on January 1, 2019	\$ <u>16,249</u>	<u>18,502</u>	<u>34,751</u>
Balance on March 31, 2019	\$ <u>16,249</u>	<u>18,386</u>	<u>34,635</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2020 and 2019. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2019 for other further information.
- (ii) The fair value of the investment property was not significantly different from those disclosed in the note 6(m) of the consolidated financial statements for the year ended December 31, 2019.
- (iii) The Group did not provide any of the aforementioned investment property as collateral.

(k) Intangible assets

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
Carrying amounts:					
Balance on January 1, 2020	\$ <u>2,035,095</u>	<u>289,260</u>	<u>168,733</u>	<u>8,068</u>	<u>2,501,156</u>
Balance on March 31, 2020	\$ <u>2,036,805</u>	<u>271,289</u>	<u>158,252</u>	<u>8,779</u>	<u>2,475,125</u>
Balance on January 1, 2019	\$ <u>2,612,461</u>	<u>719,970</u>	<u>1,117,748</u>	<u>13,800</u>	<u>4,463,979</u>
Balance on March 31, 2019	\$ <u>2,612,618</u>	<u>692,473</u>	<u>1,083,949</u>	<u>12,751</u>	<u>4,401,791</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2020 and 2019. Please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2019 for other further information.
- (ii) The Group did not provide any of the aforementioned intangible assets as collateral.

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

(l) Short-term borrowings

The details were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank loans	\$ 9,151,670	1,092,126	5,341,679
Secured bank loans	-	-	118,192
Short-term borrowings	<u>\$ 9,151,670</u>	<u>1,092,126</u>	<u>5,459,871</u>
Unused credit lines	<u>\$ 13,928,171</u>	<u>19,664,255</u>	<u>17,833,900</u>
Annual interest rates	<u>0.60%~2.33%</u>	<u>0.60%~4.02%</u>	<u>0.60%~4.21%</u>

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

(m) Long-term borrowings

March 31, 2020				
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	USD	2.2%~3.05%	2021	\$ 151,271
Less: current portion				-
				<u>\$ 151,271</u>
Unused credit lines				<u>\$ 453,811</u>
December 31, 2019				
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.35%	2020	\$ 27,777
Secured bank loans	USD	3.05%	2021	150,529
Less: current portion				(27,777)
				<u>\$ 150,529</u>
Unused credit lines				<u>\$ 451,587</u>
March 31, 2019				
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.35%	2020	\$ 55,556
Secured bank loans	TWD	1.67%~2.07%	2022~2035	220,251
Less: current portion				(67,924)
				<u>\$ 207,883</u>
Unused credit lines				<u>\$ -</u>

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Current	\$ <u>279,962</u>	<u>278,609</u>	<u>234,056</u>
Non-current	\$ <u>1,113,867</u>	<u>1,195,744</u>	<u>1,397,502</u>

For the maturity analysis, please refer to note 6(y).

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2020	2019
Interest on lease liabilities	\$ <u>15,992</u>	<u>16,044</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>24,348</u>	<u>20,859</u>

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

	For the three months ended March 31	
	2020	2019
Rental paid in operating activities	\$ (24,348)	(20,859)
Interest on lease liabilities paid in operating activities	(15,992)	(16,044)
Payment made on lease liabilities in financing activities	<u>(72,863)</u>	<u>(66,881)</u>
Total cash outflow for leases	\$ <u>(113,203)</u>	<u>(103,784)</u>

- (i) Real estate leases

As of March 31, 2020, the Group leases lands and buildings for its office, staff dormitory, factory facilities and warehouses. The leases typically run for a period of two to fifty years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

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

(ii) Other leases

The Group leases vehicles and some of the other equipments with lease terms of one to five years.

The Group also leases machineries and some of the other equipments with lease terms of one to five years. These leases are short-term or leases of low-value items. The Group decided to apply recognition exemptions, and had elected not to recognize its right-of-use assets and lease liabilities for these leases.

(o) Operating lease

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Less than one year	\$ 1,298	1,553	1,402
One to five years	549	-	314
Total undiscounted lease payments	<u>\$ 1,847</u>	<u>1,553</u>	<u>1,716</u>

(p) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

(ii) Defined contribution plans

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

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

- (iii) The Group recognized its pension costs and recorded them as operating costs and operating expenses.

	For the three months ended March 31	
	2020	2019
Defined benefit plans	\$ 273	338
Defined contribution plans	83,032	94,416
Total	\$ 83,305	94,754

- (q) Income taxes

- (i) Income tax expense for the period is best estimated by multiplying the profit before tax of the reporting period by the effective annual tax rate as forecasted by the management.

- (ii) The details of the Group's income tax expenses were as follows:

	For the three months ended March 31	
	2020	2019
Income tax expense	\$ 58,358	84,540

- (iii) There were no income tax recognized in equity or other comprehensive income.

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

- (r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2020 and 2019. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2019.

- (i) Ordinary shares

As of March 31, 2020, December 31 and March 31, 2019, the nominal ordinary shares amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 448,731, 448,581 and 446,875 thousand shares, respectively, were issued. All issued shares were paid up on issuance.

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

Reconciliation of shares outstanding were as follows:

	Ordinary shares (in thousands of shares)	
	For the three months ended March 31	
	2020	2019
Balance on January 1	448,581	447,452
Issuance of restricted employee stock	180	-
Retirement of restricted employee stock	(30)	(577)
Balance on March 31	448,731	446,875

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 704,956	662,230	646,822
Employee stock options	259,401	259,401	259,401
Restricted employee stock options	155,584	193,599	112,000
Long-term investment	370,763	367,815	361,613
	\$ 1,490,704	1,483,045	1,379,836

(iii) Retained earnings

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

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

The appropriation of earnings in 2019 and 2018 amounting to \$1,076,876 and \$1,072,341, both having a par value of NT\$2.4 (dollars) per share, were decided during the meeting of the board of directors and shareholders on April 8, 2020 and June 18, 2019, respectively.

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

(s) Share-based payment

There was no significant change for share-based payment for the three months ended March 31, 2020 and 2019. Please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2019 for further information.

Expenses attributable to share-based payment were as follows:

	For the three months ended March 31	
	2020	2019
Employee stock options	\$ 4,201	5,277
Restricted employee stock	24,584	16,267
Total	\$ 28,785	21,544

(t) Earnings per share

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

(i) Basic earnings per share

	For the three months ended March 31	
	2020	2019
Profit attributable to owners of parent	\$ 275,813	355,799
Weighted-average number of ordinary shares (thousand shares)	445,407	444,146
Basic earnings per share (NT dollars)	\$ 0.62	0.80

(ii) Diluted earnings per share

	For the three months ended March 31	
	2020	2019
Profit attributable to owners of parent	\$ 275,813	355,799
Weighted-average number of ordinary shares (diluted) (thousand shares)	448,599	446,649
Diluted earnings per share (NT dollars)	\$ 0.61	0.80

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

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

	For the three months ended March 31	
	2020	2019
Weighted-average number of ordinary shares on March		
31 (basic)	445,407	444,146
Estimated effect of employee stock bonuses	2,263	1,302
Effect of restricted employee stock	929	1,201
Weighted-average number of ordinary shares on March		
31 (diluted)	448,599	446,649

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
	Goods sold	\$ 5,370,773	7,672,428
Service rendered	42,188	438,712	480,900
	\$ 5,412,961	8,111,140	13,524,101

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

	For the three months ended March 31	
	2020	2019
Mainland China	\$ 6,163,540	5,860,218
Europe	3,459,693	3,847,981
America	3,224,669	2,864,236
Other	676,199	1,068,692
	\$ 13,524,101	13,641,127

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

(ii) Contract balances

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Notes and accounts receivable (including related parties)	\$ 11,225,449	19,453,551	11,423,171
Less: allowance for impairment	<u>(64,612)</u>	<u>(75,725)</u>	<u>(48,530)</u>
	<u>\$ 11,160,837</u>	<u>19,377,826</u>	<u>11,374,641</u>
Contract liabilities (classified as other current liabilities)	<u>\$ 100,142</u>	<u>133,028</u>	<u>86,081</u>

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

The amount of revenue recognized for the three months ended March 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$88,081 and \$53,298, respectively.

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

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

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

Details of remuneration to employees and directors for the three months ended March 31, 2020 and 2019 were as follows:

	<u>For the three months</u> <u>ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Employee remuneration	\$ 11,821	13,300
Directors' remuneration	<u>5,911</u>	<u>6,665</u>
	<u>\$ 17,732</u>	<u>19,965</u>

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

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

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2019 and 2018 were as follows:

	2019		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration—Cash	\$ 75,520	75,526	6
Director's remuneration	26,430	37,763	11,333
	2018		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration—Cash	\$ 64,430	64,439	9
Director's remuneration	32,200	32,219	19

Except for the difference on the director's remuneration in 2019, which was due to a voluntary pay cut of directors, the other differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2020 and 2019. Information on the remuneration to employees and directors, approved in the board of directors' meetings, can be accessed in the Market Observation Post System website.

(w) Other income

The details of other income were as follows:

	For the three months ended March 31	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 37,337	58,973
Rental income	3,352	308
Other	314	346
	<u>\$ 41,003</u>	<u>59,627</u>

(x) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31	
	<u>2020</u>	<u>2019</u>
Net gains (losses) on financial assets/liabilities measured at FVTPL	\$ (3,630)	32,429
Foreign currency exchange gains, net	93,207	52,046
Net gains on disposal of property, plant and equipment	237	1,825
Other	10,949	59,230
	<u>\$ 100,763</u>	<u>145,530</u>

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

(y) Financial instruments

Except for the following paragraph, there were no significant changes in the fair value of the Group's financial instruments and the degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(ab) of the consolidated financial statements for the year ended December 31, 2019 for further information.

(i) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
March 31, 2020						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 9,151,670	9,182,611	9,182,611	-	-	-
Notes and accounts payable	15,973,906	15,973,906	15,973,906	-	-	-
Other payables	2,549,657	2,549,657	2,549,657	-	-	-
Lease liabilities	1,393,829	1,747,412	326,741	281,565	507,878	631,228
Refund liabilities	1,519,546	1,519,546	1,519,546	-	-	-
Long-term borrowings	151,271	163,981	4,682	159,299	-	-
Guarantee deposits	257,382	257,382	-	-	-	257,382
Derivative financial liabilities:	161,160	-	-	-	-	-
Outflow	-	13,806,307	13,806,307	-	-	-
Inflow	-	(13,967,031)	(13,967,031)	-	-	-
	<u>\$ 31,158,421</u>	<u>31,233,771</u>	<u>29,396,419</u>	<u>440,864</u>	<u>507,878</u>	<u>888,610</u>
December 31, 2019						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 1,092,126	1,097,788	1,097,788	-	-	-
Notes and accounts payable	23,744,889	23,744,889	23,744,889	-	-	-
Other payables	3,631,273	3,631,273	3,631,273	-	-	-
Lease liabilities	1,474,353	1,846,922	326,913	288,479	616,391	615,139
Refund liabilities	1,552,275	1,552,275	1,552,275	-	-	-
Long-term borrowings	178,306	187,378	32,429	154,949	-	-
Guarantee deposits	240,054	240,054	-	-	-	240,054
Derivative financial liabilities:	207,211	-	-	-	-	-
Outflow	-	807,886	807,886	-	-	-
Inflow	-	(598,600)	(598,600)	-	-	-
	<u>\$ 32,120,487</u>	<u>32,509,865</u>	<u>30,594,853</u>	<u>443,428</u>	<u>616,391</u>	<u>855,193</u>

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

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2020			December 31, 2019			March 31, 2019			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
Monetary items										
USD:CNY	\$	516,701	7.0851	15,632,266	850,418	6.9762	25,602,688	423,506	6.7335	13,054,575
USD:HKD		350,253	7.7543	10,596,543	533,753	7.7878	16,069,164	197,139	7.8498	6,076,817
USD:TWD		252,124	30.2540	7,627,745	347,369	30.1060	10,457,877	266,311	30.8250	8,209,036
EUR:CZK		6,116	27.2856	203,926	15,073	25.4167	508,382	26,198	25.8284	906,717
USD:CZK		5,612	24.7620	169,785	11,589	22.6820	348,898	-	-	-
Financial liabilities										
Monetary items										
USD:CNY	\$	408,142	7.0851	12,347,922	630,146	6.9762	18,971,177	339,484	6.7335	10,464,604
USD:HKD		320,639	7.7543	9,700,604	491,571	7.7878	14,799,238	209,870	7.8498	6,469,258
USD:TWD		339,971	30.2540	10,285,480	455,443	30.1060	13,711,557	322,713	30.8250	9,947,630
EUR:CZK		5,314	27.2856	177,185	14,511	25.4167	489,427	21,090	25.8284	729,940

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

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 CZK against the USD as well as CZK against the EUR as of March 31, 2020 and 2019, would have increased or decreased the net profit before tax by \$85,954 and \$31,786, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$93,207 and \$52,046, respectively.

(iii) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the profit before tax would have increased or decreased by \$4,038 and \$479 for the three months ended March 31, 2020 and 2019, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

(iv) Other price risk:

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

	For the three months ended March 31	
	2020	2019
Price of securities at the reporting date	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	\$ -	21,086
Decreasing 10%	\$ -	(21,086)

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

(v) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	March 31, 2020				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>155,156</u>	-	-	155,156	155,156
Financial assets at FVOCI – non-current	\$ <u>117,124</u>	-	-	117,124	117,124
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 15,639,323				
Notes and accounts receivable (including related parties)	11,160,837				
Other receivables	957,097				
Refundable deposits	<u>113,093</u>				
Total	\$ <u>27,870,350</u>				
Financial liabilities at FVTPL – current	\$ <u>161,160</u>	-	-	161,160	161,160
Financial liabilities measured at amortized cost:					
Borrowings	\$ 9,302,941				
Notes and accounts payable	15,973,906				
Other payables	3,511,839				
Salaries payable	682,577				
Lease liabilities	1,393,829				
Refund liabilities	1,519,546				
Guarantee deposits	<u>257,382</u>				
Total	\$ <u>32,642,020</u>				

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

		December 31, 2019			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>187,016</u>	-	-	187,016	187,016
Financial assets at FVOCI – non-current	\$ <u>106,535</u>	-	-	106,535	106,535
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 6,700,510				
Notes and accounts receivable (including related parties)	19,377,826				
Other receivables	1,049,016				
Refundable deposits	<u>114,923</u>				
Total	\$ <u>27,242,275</u>				
Financial liabilities at FVTPL – current	\$ <u>207,211</u>	-	-	207,211	207,211
Financial liabilities measured at amortized cost:					
Borrowings	\$ 1,270,432				
Notes and accounts payable	23,744,889				
Other payables	4,825,106				
Salaries payable	1,522,052				
Lease liabilities	1,474,353				
Refund liabilities	1,552,275				
Guarantee deposits	<u>240,054</u>				
Total	\$ <u>34,629,161</u>				
		March 31, 2019			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>61,955</u>	-	-	61,955	61,955
Financial assets at FVOCI – non-current	\$ <u>258,318</u>	210,859	-	47,459	258,318
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 6,425,821				
Notes and accounts receivable (including related parties)	11,374,641				
Other receivables	1,560,014				
Refundable deposits	<u>60,536</u>				
Total	\$ <u>19,421,012</u>				
Financial liabilities at FVTPL – current	\$ <u>32,606</u>	-	-	32,606	32,606

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

		March 31, 2019				
		Fair Value				
		Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost :						
Borrowings	\$	5,735,678				
Notes and accounts payable (including related parties)		11,697,034				
Other payables		2,949,855				
Salaries payable		511,395				
Lease liabilities		1,631,558				
Refund liabilities		1,102,793				
Guarantee deposits		<u>179,251</u>				
Total		<u>\$ 23,807,564</u>				

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

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

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

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

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

3) In the three months ended March 31, 2020 and 2019, there were no transfers between different Levels.

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

4) Reconciliation of Level 3 fair values

	<u>For the three months ended March 31, 2020</u>			<u>For the three months ended March 31, 2019</u>		
	<u>FVTPL</u>	<u>FVOCI</u>	<u>Total</u>	<u>FVTPL</u>	<u>FVOCI</u>	<u>Total</u>
Balance on January 1	\$ (20,195)	106,535	86,340	95,628	35,351	130,979
Recognized in profit or loss	(3,630)	-	(3,630)	32,429	-	32,429
Recognized in other comprehensive income	-	(2,089)	(2,089)	-	96	96
Acquisition /disposal	17,821	12,678	30,499	(98,708)	12,012	(86,696)
Balance on March 31	<u>\$ (6,004)</u>	<u>117,124</u>	<u>111,120</u>	<u>29,349</u>	<u>47,459</u>	<u>76,808</u>

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

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

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Financial assets at FVOCI – equity investment without an active market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL	(note 2)	(note 2)	(note 2)

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

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

(z) Financial risk management

The Group's objectives and policies on financial risk management are consistent with note 6(ac) of the consolidated financial statements for the year ended December 31, 2019.

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

(aa) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group' s capital management information as disclosed for the year ended December 31, 2019. Please refer to note 6(ad) of the consolidated financial statements for the year ended December 31, 2019 for further details.

(ab) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>March 31, 2020</u>
Short-term borrowings	\$ 1,092,126	8,059,544	-	9,151,670
Long-term borrowings	178,306	(27,777)	742	151,271
Lease liabilities	<u>1,474,353</u>	<u>(72,863)</u>	<u>(7,661)</u>	<u>1,393,829</u>
Total liabilities from financing activities	<u>\$ 2,744,785</u>	<u>7,958,904</u>	<u>(6,919)</u>	<u>10,696,770</u>
	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>March 31, 2019</u>
Short-term borrowings	\$ 1,202,565	4,257,306	-	5,459,871
Long-term borrowings	306,563	(30,756)	-	275,807
Lease liabilities	<u>1,684,460</u>	<u>(66,881)</u>	<u>13,979</u>	<u>1,631,558</u>
Total liabilities from financing activities	<u>\$ 3,193,588</u>	<u>4,159,669</u>	<u>13,979</u>	<u>7,367,236</u>

(ac) Supplementary information of cash flow

- (i) The Group obtained property, plant and equipment amounting to \$995,366 and \$1,154,076, of which \$675,217 and \$183,446 were transferred from payables on equipment for the three months ended March 31, 2020 and 2019, respectively.
- (ii) For the three months ended March 31, 2020, the Group disposed parts of its property, plant and equipment amounting to \$688,189, wherein the unamortized deferred revenue of equipment subsidy amounting to \$279,760 was written off, and the amount of \$408,429 to be recognized as receivables on equipment.

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

(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.

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

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

(b) Significant transactions with related parties

(i) Sales

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

	<u>Sales</u>		<u>Notes and accounts receivable</u>		
	<u>For the three months ended March 31</u>		<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Other related parties	\$ <u>34,505</u>	<u>199,449</u>	<u>144,786</u>	<u>180,471</u>	<u>694,030</u>

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

(ii) Purchase

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

	<u>Purchase</u>		<u>Notes and accounts payable</u>		
	<u>For the three months ended March 31</u>		<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Other related parties	\$ <u>-</u>	<u>29,318</u>	<u>-</u>	<u>-</u>	<u>116,248</u>

There were no significant differences in the purchasing price between the related parties and other vendors. The payment terms of other related parties and other vendors were 140 days and 30 days to 120 days, respectively.

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

(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 \$66,672 for the three months ended March 31, 2019.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31	
	2020	2019
Short-term employee benefits	\$ 62,745	54,512
Post-employment benefits	243	1,296
Share-based payments	<u>13,553</u>	<u>7,693</u>
	<u>\$ 76,541</u>	<u>63,501</u>

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	March 31, 2020	December 31, 2019	March 31, 2019
Other current assets – restricted assets	Guarantee letters issued by bank	<u>\$ 1,068</u>	<u>1,079</u>	<u>25,453</u>
Other current assets – restricted assets	Accounts receivable factoring	<u>\$ 47,311</u>	<u>-</u>	<u>-</u>
Other non-current assets – restricted assets	Guarantee letters issued by bank	<u>\$ 57,758</u>	<u>57,757</u>	<u>58,324</u>
Property, plant and equipment	Loan collateral	<u>\$ 879,941</u>	<u>908,305</u>	<u>270,316</u>

(9) Commitments and contingencies:

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

March 31, 2020	December 31, 2019	March 31, 2019
<u>\$ -</u>	<u>301,060</u>	<u>1,690,790</u>

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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- (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.

	March 31, 2020	December 31, 2019	March 31, 2019
Guarantee letters	\$ <u>136,656</u>	<u>175,716</u>	<u>242,340</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Sales of accounts receivable	\$ <u>1,712,592</u>	<u>519,329</u>	<u>661,731</u>
Long-term borrowings	\$ <u>-</u>	<u>400,000</u>	<u>433,995</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	\$ <u>1,011,668</u>	<u>1,157,819</u>	<u>284,428</u>

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By function	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
By item						
Employee benefits						
Salaries	753,059	754,304	1,507,363	807,150	759,224	1,566,374
Labor and health insurance	28,145	57,547	85,692	28,870	52,147	81,017
Pension	51,263	32,042	83,305	58,711	36,043	94,754
Others	52,237	49,859	102,096	44,271	42,446	86,717
Depreciation	496,336	40,964	537,300	361,576	61,261	422,837
Amortization	4,038	48,490	52,528	856	87,432	88,288

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

(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.	3,739,359	303,300	302,540	2,465	-	2.43 %	9,971,623	Y	N	Y
1	Tymphony Huizhou	TYM UK	The subsidiary of TYM Acoustic HK	1,535,015	6,907	6,580	6,580	-	0.13 %	4,093,373	N	N	N

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

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

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

(iii) Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Shares:							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	WK Technology Fund IV LTD.	-	"	161	1,476	0.38	1,476	
	Changing Information Technology Inc.	-	"	184	2,102	1.54	2,102	
	Formosoft International Inc.	-	"	11	-	0.41	-	
	Syntronix Corp.	-	"	7	49	0.02	49	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Grove Ventures L.P.	-	"	-	60,811	2.73	60,811	
	Grove Ventures II, L.P.	-	"	-	14,522	3.82	14,522	
						<u>78,960</u>		
Primax Tech.	Shares:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	361	38,164	1.32	38,164	
					<u>38,164</u>			

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

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

Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
PCH2	Money market fund of RMB	Available-for-sale financial assets	Initial Offerings	None	-	-	-	1,067,350	-	1,063,511	1,061,891	(3,839) (note 1)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	261,699	-	260,687	260,220	(1,012) (note 1)	-	-
PKS1	Money market fund of RMB	"	"	"	-	-	-	69,440	-	69,726	69,445	286 (note 1)	-	-

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

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

Name of company	Related party	Nature of relationship	Purchase/Sale	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PCH2	The subsidiary of Primax HK	Purchase	4,399,636	73 %	60 days	Price agreed by both side	The same as general purchasing	(1,714,877)	(37)%	note 1
"	PKS1	"	Purchase	337,887	5 %	"	"	"	(989,408)	(21)%	"
"	PCQ1	"	Purchase	1,368,266	22 %	"	"	"	(1,699,173)	(37)%	"
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(766,651)	(10) %	90 days	"	The same as general selling	249,006	4%	"
PCH2	The Company	The parent of Primax Cayman	(Sale)	(4,399,636)	(86) %	60 days	"	"	1,714,877	68%	"
PKS1	The Company	"	(Sale)	(337,887)	(100) %	"	"	"	989,408	100%	"
PCQ1	The Company	"	(Sale)	(1,368,266)	(86) %	"	"	"	1,699,173	90%	"
Polaris	The Company	The parent of Primax Tech.	Purchase	766,651	100 %	90 days	"	The same as general purchasing	(249,006)	(100)%	"
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(876,505)	(63) %	60 days	"	The same as general selling	2,554,870	81%	"
TYM Dongguan	TYM HK	"	Purchase	105,428	4 %	"	"	The same as general purchasing	(101,357)	(2)%	"
"	"	"	(Sale)	(2,579,071)	(98) %	"	"	The same as general selling	173,793	66%	"
TYDC	TYM HK	"	(Sale)	(497,958)	(96) %	"	"	"	516,034	96%	"
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	378,304	84 %	90 days	"	The same as general purchasing	(297,853)	(71)%	"
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(378,304)	(86) %	"	"	The same as general selling	297,853	85%	"

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
TYM HK	Tymphony Huizhou	The subsidiary of TYM Acoustic HK	Purchase	876,505	21 %	60 days	Price agreed by both side	The same as general purchasing	(2,554,870)	(75)%	note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	2,579,071	63 %	"	"	"	(173,793)	(5)%	"
"	"	"	(Sale)	(105,428)	(3) %	"	"	The same as general selling	101,357	3%	"
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	497,958	12 %	"	"	The same as general purchasing	(516,034)	(15)%	"
"	TYML	Subsidiary	(Sale)	(388,031)	(9) %	90 days	"	The same as general selling	347,385	9%	"
TYML	TYM HK	Parent	Purchase	388,031	100 %	60 days	"	The same as general purchasing	(347,385)	(100)%	"

Note 1: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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

Name of company	Counter-party	Nature of relationship	Ending balance	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.	249,006 (note 4)	10.57	-	-	209,904	-
"	PCH2	The subsidiary of Primax HK.	112,702 (note 2) (note 4)	2.48	-	-	27,511	-
"	"	"	86,676 (note 4)	(note 3)	-	-	1,965	-
PCH2	The Company	The parent of Primax Cayman	1,714,877 (note 4)	4.08	-	-	199,984	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	178,588 (note 4)	(note 3)	-	-	66,978	-
PKS	The Company	The parent of Primax Cayman	989,408 (note 4)	1.23	-	-	66,576	-
PCQ	The Company	"	1,699,173 (note 4)	2.36	-	-	294,634	-
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	2,554,870 (note 4)	1.08	-	-	1,422,199	-
"	TYM Acoustic HK	Subsidiary	122,373 (note 4)	1.07	-	-	24,725	-
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	173,793 (note 4)	2.77	-	-	173,793	-
"	"	"	1,090,895 (note 4)	(note 3)	-	-	196,463	-
TYDC	"	"	516,034 (note 4)	1.72	-	-	165,407	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	297,853 (note 4)	3.30	-	-	-	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	101,357 (note 4)	5.31	-	-	39,824	-
"	"	"	2,109,573 (note 4)	(note 3)	-	-	565,623	-
"	TYM Acoustic HK	Parent	449,888 (note 4)	(note 3)	-	-	-	-

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
TYM HK	TYML	The subsidiary of Tymphony Dongguan	347,385 (note 4)	1.20	-	-	267,984	-
"	Specialty	Other related party	144,786	0.85	-	-	79,087	-
TYM Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	142,594 (note 4)	1.00	-	-	30,577	-

Note 1: Amounts collected as of April 24, 2020.

Note 2: The Company sold semi-finished products to its subsidiaries for processing and production. The finished products were then repurchased back by the Company and sold to the customers. The amount of semi-finished products sold in the three months ended March 31, 2020 was \$101,585, which was written off with related cost of goods sold, and not regarded as sales for the Company.

Note 3: The receivables arise from service rendering for intercompany or material purchasing on behalf of intercompany or related parties.

Note 4: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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

(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
0	The Company	PCH2	The subsidiary of Primax HK	Purchase	4,399,636	Price agreed by both sides	32.53 %
"	"	"	"	Accounts Payable	1,714,877	60 days	3.36 %
"	"	"	"	Accounts Receivable	112,702	"	0.22 %
"	"	"	"	Other Receivable	86,676	"	0.17 %
"	"	PKS1	"	Purchase	337,887	Price agreed by both sides	2.50 %
"	"	"	"	Accounts Payable	989,408	60 days	1.94 %
"	"	PCQ1	"	Purchase	1,368,266	Price agreed by both sides	10.12 %
"	"	"	"	Accounts payable	1,699,173	60 days	3.33 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	766,651	Price agreed by both sides	5.67 %
"	"	"	"	Accounts receivable	249,006	90 days	0.49 %
1	PCH2	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Other Receivable	178,588	60 days	0.35 %
2	Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	876,505	Price agreed by both sides	6.48 %
"	"	"	"	Accounts Receivable	2,554,870	60 days	5.01 %
"	"	TYM Acoustic HK	Subsidiary	Accounts Receivable	122,373	"	0.24 %
3	Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	105,428	Price agreed by both sides	0.78 %
"	"	"	"	Accounts Payable	101,357	60 days	0.20 %
"	"	"	"	Sale	2,579,071	Price agreed by both sides	19.07 %

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

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
3	Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Accounts Receivable	173,793	60 days	0.34 %
"	"	"	"	Other Receivable	1,090,895	"	2.14 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	497,958	Price agreed by both sides	3.68 %
"	"	"	"	Accounts Receivable	516,034	Price agreed by both sides	1.01 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	378,304	Price agreed by both sides	2.80 %
"	"	"	"	Accounts Payable	297,853	90 days	0.58 %
6	TYM HK	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Other Receivable	2,109,573	60 days	4.14 %
"	"	TYM Acoustic HK	Parent	Other Receivable	449,888	"	0.88 %
"	"	TYML	Subsidiary	Sale	388,031	Price agreed by both sides	2.87 %
"	"	"	"	Accounts Receivable	347,385	90 days	0.68 %
7	TYM Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	Accounts Receivable	142,594	60 days	0.28 %

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

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	5,964,712	2,061	108,951	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,375,011	4,238	33,935	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	10,622	16,742	16,742	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	18,187	119	119	
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,187,248	(173,700)	(173,206)	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	12,325	386	386	
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	962,547	(21,825)	(21,825)	
"	Primax Singapore	Singapore	Holding company	318,150	318,150	10,100	100.00	237,928	(32,063)	(29,531)	
	Total			9,124,798	9,124,798			14,768,580	(204,042)	(64,429)	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Primax Singapore	Primax Thailand	Thailand	Manufacture and sale of computer peripherals devices and software	302,126	302,126	300	99.99	232,158	(32,059)	(32,059)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,003,503	2,174	2,174	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	402,153	1,926	1,926	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,296,127	(155,072)	(173,524)	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	902,180	(45,350)	(21,603)	
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	689,954	689,954	185,536	100.00	1,086,012	(53,262)	(53,262)	
TYM Acoustic HK	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,034,978	(101,956)	(101,956)	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	15,102	419	419	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	20,201	220	220	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	692,641	(21,335)	(21,335)	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	71,819	1,281	1,281	
"	TYTH	Thailand	Manufacture and sales of audio accessories, amplifiers and their components	149,850	60,012	1,500	99.99	120,732	(14,697)	(14,697)	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	11,064	1,204	1,204	

Note 1: The amount was the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 2: 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) Information on investment 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, 2020 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,904,205	Indirect investment through Primax Cayman and Primax Tech.	1,652,504	-	-	1,662,668	4,160	100%	4,160	5,678,336	-
Destiny Beijing	Research and development of computer peripheral devices and software	37,721	Indirect investment through Destiny BVI.	31,611	-	-	31,767	16,742	100%	16,742	10,618	-
PKS1	Manufacture of computer, peripherals and keyboards	833,788	Indirect investment through Primax Cayman	662,332	-	-	665,588	14,845	100%	14,845	822,984	-
PCQ1	Manufacture of computer, peripherals and keyboards	535,138	"	602,120	-	-	605,080	(15,245)	100%	(15,245)	1,322,863	-
Tymphany Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,742,500	Indirect investment through Diamond	3,883,674	-	-	3,902,766	(214,132)	71.43%	(152,959)	3,654,978	-
Tymphany Dongguan	"	151,270	"	15,053	-	-	15,127	(68,568)	71.43%	(509)	432,845	-
TYDC	"	85,402	"	-	-	-	-	3,695	71.43%	3,399	153,937	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9016 ; USD:TWD 30.254; CNY:TWD 4.2701.

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 March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,330,008	8,579,870	None (note)

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

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the three months ended March 31, 2020, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ALPINE ASIA INVESTMENTS LIMITED		25,751,062	5.74 %

(14) Segment information:

For the three months ended March 31, 2020 and 2019, the Group's segment information has no significant change. Please refer to note 14 of the consolidated financial statements for the year ended December 31, 2019 for further information.

The Group's segment financial information was as follows:

	For the three months ended March 31, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 5,412,961	8,111,140	13,524,101
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,412,961</u>	<u>8,111,140</u>	<u>13,524,101</u>
Profit before tax from segments reported	<u>\$ 278,740</u>	<u>(13,127)</u>	<u>265,613</u>
	For the three months ended March 31, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 5,344,961	8,296,166	13,641,127
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,344,961</u>	<u>8,296,166</u>	<u>13,641,127</u>
Profit before tax from segments reported	<u>\$ 278,912</u>	<u>98,501</u>	<u>377,413</u>