

**PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
for the Nine Months Ended
September 30, 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 September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 30, 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\$7,605,548 thousand and NT\$4,953,134 thousand, constituting 15.2% and 8.8% of the consolidated total assets; and the total liabilities amounting to NT\$5,969,250 thousand and NT\$4,234,871 thousand, constituting 16.9% and 10.1% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to NT\$26,834 thousand, NT\$(152,167) thousand, NT\$(109,395) thousand and NT\$110,484 thousand, constituting 2.7%, (30.0)%, (8.7)% and (8.5)% of the consolidated comprehensive income (loss) for the three and nine months ended September 30, 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\$846,187 thousand and NT\$904,011 thousand as of September 30, 2020, and its related share of loss of associates accounted for using equity method of NT\$21,270 thousand, NT\$24,907 thousand, NT\$64,467 thousand and NT\$24,907 thousand for the three and nine months ended September 30, 2020 and 2019, 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 September 30, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three and nine months ended September 30, 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\$18,287,046 thousand and NT\$25,138,944 thousand, constituting 36.4% and 44.9% of the related consolidated total assets as of September 30, 2020 and 2019, respectively; as well as the operating revenue amounting to NT\$7,383,274 thousand, NT\$13,751,563 thousand, NT\$18,147,634 thousand and NT\$26,539,402 thousand, constituting 39.1%, 54.4%, 37.3% and 47.7% of the related consolidated operating revenue for the three and nine months ended September 30, 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)
November 6, 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 as of September 30, 2020 and 2019

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31 and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$ 10,839,319	22	6,700,510	13	7,109,072	13	2100	Short-term borrowings (notes 6(m) and 8)	\$ 6,530,051	13	1,092,126	2	8,315,240	15
1110	Current financial assets at fair value through profit or loss (note 6(b))	359,499	1	187,016	-	99,813	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	228,542	-	207,211	-	151,104	-
1170	Notes and accounts receivable, net (notes 6(d) and (v))	14,806,610	30	19,197,355	36	23,661,751	42	2170	Notes and accounts payable	17,114,424	34	23,744,889	45	22,538,749	40
1180	Accounts receivable from related parties, net (notes 6(d), (v) and 7)	154,439	-	180,471	-	128,491	-	2200	Other payables	3,575,036	7	4,825,106	9	3,690,921	7
1200	Other receivables (note 6(d))	928,554	2	1,049,016	2	884,688	2	2201	Salaries payable	1,246,021	3	1,522,052	3	1,155,142	2
1310	Inventories (note 6(e))	8,790,241	17	10,493,246	20	10,222,846	18	2280	Current lease liabilities (note 6(o))	274,442	1	278,609	-	240,091	1
1470	Other current assets (note 8)	1,591,220	3	1,515,598	3	1,136,047	2	2300	Other current liabilities (note 6(v))	738,256	1	312,761	1	336,283	1
		<u>37,469,882</u>	<u>75</u>	<u>39,323,212</u>	<u>74</u>	<u>43,242,708</u>	<u>77</u>	2320	Long-term borrowings, current portion (notes 6(n) and 8)	-	-	27,777	-	27,778	-
								2365	Current refund liabilities	1,493,756	3	1,552,275	3	1,302,795	2
										<u>31,200,528</u>	<u>62</u>	<u>33,562,806</u>	<u>63</u>	<u>37,758,103</u>	<u>68</u>
Non-current assets:															
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	115,405	-	106,535	-	54,182	-	2540	Long-term borrowings (notes 6(n) and 8)	364,076	1	150,529	-	-	-
1550	Investments accounted for using equity method (note 6(f))	846,187	2	904,753	2	904,011	2	2580	Non-current lease liabilities (note 6(o))	1,013,914	2	1,195,744	2	1,149,447	2
1600	Property, plant and equipment (notes 6(i) and 8)	6,505,446	13	7,363,740	14	6,469,019	12	2630	Long-term deferred revenue (note 6(i))	2,091,596	4	2,960,815	6	2,351,597	4
1755	Right-of-use assets (note 6(j))	1,610,919	3	1,843,153	3	1,772,745	3	2600	Other non-current liabilities	733,132	1	772,420	2	700,280	1
1760	Investment property (note 6(k))	33,942	-	34,289	-	34,404	-			<u>4,202,718</u>	<u>8</u>	<u>5,079,508</u>	<u>10</u>	<u>4,201,324</u>	<u>7</u>
1780	Intangible assets (note 6(l))	2,405,762	5	2,501,156	5	2,537,867	4		Total liabilities	<u>35,403,246</u>	<u>70</u>	<u>38,642,314</u>	<u>73</u>	<u>41,959,427</u>	<u>75</u>
1840	Deferred tax assets	782,824	1	711,859	1	625,743	1	Equity attributable to owners of parent:							
1990	Other non-current assets (note 8)	408,561	1	357,257	1	342,840	1	3110	Ordinary shares (note 6(s))	4,508,983	9	4,485,808	8	4,467,608	8
		<u>12,709,046</u>	<u>25</u>	<u>13,822,742</u>	<u>26</u>	<u>12,740,811</u>	<u>23</u>	3200	Capital surplus (note 6(s))	1,565,384	3	1,483,045	3	1,381,161	3
								3310	Legal reserve	1,578,473	3	1,370,470	3	1,370,470	2
								3320	Special reserve	1,058,941	2	662,348	1	662,348	1
								3350	Unappropriated retained earnings (notes 6(c) and (s))	5,370,858	11	5,500,198	10	4,900,249	9
								3400	Other equity interest (note 6(c))	(1,421,835)	(3)	(1,193,867)	(2)	(889,534)	(2)
								36XX	Non-controlling interests (note 6(h))	2,114,878	5	2,195,638	4	2,131,790	4
									Total equity	<u>14,775,682</u>	<u>30</u>	<u>14,503,640</u>	<u>27</u>	<u>14,024,092</u>	<u>25</u>
Total assets		<u>\$ 50,178,928</u>	<u>100</u>	<u>53,145,954</u>	<u>100</u>	<u>55,983,519</u>	<u>100</u>	Total liabilities and equity		<u>\$ 50,178,928</u>	<u>100</u>	<u>53,145,954</u>	<u>100</u>	<u>55,983,519</u>	<u>100</u>

(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 and nine months ended September 30, 2020 and 2019

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

	For the three months ended				For the nine months ended				
	September 30				September 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(v) and 7)	\$ 18,906,561	100	25,290,569	100	48,682,081	100	55,635,972	100
5000	Operating costs (notes 6(e), (o), (q), (w), 7 and 12)	<u>16,452,466</u>	<u>87</u>	<u>22,280,188</u>	<u>88</u>	<u>42,861,345</u>	<u>88</u>	<u>49,140,809</u>	<u>88</u>
	Gross profit from operation	<u>2,454,095</u>	<u>13</u>	<u>3,010,381</u>	<u>12</u>	<u>5,820,736</u>	<u>12</u>	<u>6,495,163</u>	<u>12</u>
	Operating expenses (notes 6(o), (q), (t), (w) and 12):								
6100	Selling expenses	344,025	2	397,086	2	986,388	2	1,070,976	2
6200	Administrative expenses	537,370	3	562,323	2	1,454,664	3	1,420,747	3
6300	Research and development expenses	674,410	3	821,713	3	1,892,616	4	2,158,542	4
6450	Reversal of expected credit loss (note 6(d))	<u>2,453</u>	-	<u>17,717</u>	-	<u>(12,041)</u>	-	<u>16,424</u>	-
	Total operating expenses	<u>1,558,258</u>	<u>8</u>	<u>1,798,839</u>	<u>7</u>	<u>4,321,627</u>	<u>9</u>	<u>4,666,689</u>	<u>9</u>
	Net operating income	<u>895,837</u>	<u>5</u>	<u>1,211,542</u>	<u>5</u>	<u>1,499,109</u>	<u>3</u>	<u>1,828,474</u>	<u>3</u>
	Non-operating income and expenses:								
7100	Total interest income	33,700	-	39,488	-	122,608	-	142,644	-
7010	Other income (note 6(x))	2,986	-	1,397	-	9,843	-	3,405	-
7020	Other gains and losses (notes 6(g) and (y))	192,336	1	(10,003)	-	519,110	1	238,132	1
7060	Share of loss of associates accounted for using equity method (note 6(f))	(21,270)	-	(24,907)	-	(64,467)	-	(24,907)	-
7050	Finance costs (note 6(o))	<u>(40,095)</u>	-	<u>(50,692)</u>	-	<u>(154,743)</u>	-	<u>(155,764)</u>	-
	Total non-operating income and expenses	<u>167,657</u>	<u>1</u>	<u>(44,717)</u>	-	<u>432,351</u>	<u>1</u>	<u>203,510</u>	<u>1</u>
	Profit before tax	<u>1,063,494</u>	<u>6</u>	<u>1,166,825</u>	<u>5</u>	<u>1,931,460</u>	<u>4</u>	<u>2,031,984</u>	<u>4</u>
7950	Less: Income tax expenses (note 6(r))	<u>235,083</u>	<u>2</u>	<u>263,224</u>	<u>1</u>	<u>425,424</u>	<u>1</u>	<u>457,885</u>	<u>1</u>
	Profit	<u>828,411</u>	<u>4</u>	<u>903,601</u>	<u>4</u>	<u>1,506,036</u>	<u>3</u>	<u>1,574,099</u>	<u>3</u>
	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	920	-	(3,866)	-	(7,360)	-	(15,245)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		<u>920</u>	-	<u>(3,866)</u>	-	<u>(7,360)</u>	-	<u>(15,245)</u>	-
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operation's financial statements	173,080	1	(392,596)	(2)	(244,556)	-	(258,992)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
		<u>173,080</u>	<u>1</u>	<u>(392,596)</u>	<u>(2)</u>	<u>(244,556)</u>	-	<u>(258,992)</u>	<u>(1)</u>
8300	Other comprehensive income after tax	<u>174,000</u>	<u>1</u>	<u>(396,462)</u>	<u>(2)</u>	<u>(251,916)</u>	-	<u>(274,237)</u>	<u>(1)</u>
	Comprehensive income	<u>\$ 1,002,411</u>	<u>5</u>	<u>507,139</u>	<u>2</u>	<u>1,254,120</u>	<u>3</u>	<u>1,299,862</u>	<u>2</u>
	Profit attributable to:								
8610	Owners of parent	\$ 773,224	4	763,920	3	1,552,132	3	1,532,775	3
8620	Non-controlling interests (note 6(h))	<u>55,187</u>	-	<u>139,681</u>	<u>1</u>	<u>(46,096)</u>	-	<u>41,324</u>	-
		<u>\$ 828,411</u>	<u>4</u>	<u>903,601</u>	<u>4</u>	<u>1,506,036</u>	<u>3</u>	<u>1,574,099</u>	<u>3</u>
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 936,712	5	417,391	2	1,338,508	3	1,289,052	2
8720	Non-controlling interests (note 6(h))	<u>65,699</u>	-	<u>89,748</u>	-	<u>(84,388)</u>	-	<u>10,810</u>	-
		<u>\$ 1,002,411</u>	<u>5</u>	<u>507,139</u>	<u>2</u>	<u>1,254,120</u>	<u>3</u>	<u>1,299,862</u>	<u>2</u>
	Earnings per share (note 6(u))								
9710	Basic earnings per share (NT dollars)	<u>\$ 1.73</u>		<u>1.72</u>		<u>3.48</u>		<u>3.45</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 1.73</u>		<u>1.71</u>		<u>3.46</u>		<u>3.43</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 nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation			
			Legal reserve	Special reserve	Unappropriated retained earnings						
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	-	-	-	-	1,532,775	-	-	-	1,532,775	41,324	1,574,099
Other comprehensive income	-	-	-	-	-	(228,478)	(15,245)	-	(243,723)	(30,514)	(274,237)
Comprehensive income	-	-	-	-	1,532,775	(228,478)	(15,245)	-	1,289,052	10,810	1,299,862
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	182,687	-	(182,687)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	363,283	(363,283)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,072,341)	-	-	-	(1,072,341)	-	(1,072,341)
Changes in shares of investment accounted for using equity method	-	6,932	-	-	-	-	-	-	6,932	2,844	9,776
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	42,838	42,838	-	42,838
Retirement of restricted stock	(6,915)	(2,848)	-	-	-	-	-	9,763	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(52,698)	-	52,698	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(42,152)	(42,152)
Derecognition of non-controlling interests due to disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(1,184,009)	(1,184,009)
Balance at September 30, 2019	\$ 4,467,608	1,381,161	1,370,470	662,348	4,900,249	(788,660)	(64,713)	(36,161)	11,892,302	2,131,790	14,024,092
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	-	-	-	-	1,552,132	-	-	-	1,552,132	(46,096)	1,506,036
Other comprehensive income	-	-	-	-	-	(206,264)	(7,360)	-	(213,624)	(38,292)	(251,916)
Comprehensive income	-	-	-	-	1,552,132	(206,264)	(7,360)	-	1,338,508	(84,388)	1,254,120
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	208,003	-	(208,003)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	396,593	(396,593)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,076,876)	-	-	-	(1,076,876)	-	(1,076,876)
Changes in shares of investment accounted for using equity method	-	8,799	-	-	-	-	-	-	8,799	3,628	12,427
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	82,371	82,371	-	82,371
Retirement of restricted stock	(1,225)	(5,991)	-	-	-	-	-	7,216	-	-	-
Issuance of restricted stock	24,400	79,531	-	-	-	-	-	(103,931)	-	-	-
Balance at September 30, 2020	\$ 4,508,983	1,565,384	1,578,473	1,058,941	5,370,858	(1,237,129)	(35,436)	(149,270)	12,660,804	2,114,878	14,775,682

(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 Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,931,460	2,031,984
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and Amortization expense	1,681,612	1,639,878
Loss related to inventories	287,139	185,607
Expected credit loss (reversal)	(12,041)	16,424
Interest expense	149,609	152,636
Interest income	(122,608)	(142,644)
Compensation cost of share-based payment	94,798	52,614
Share of loss of associates accounted for using equity method	64,467	24,907
Loss (gain) on disposal of property, plant and equipment	22,718	(3,880)
Loss on disposal of subsidiaries	-	279,377
Other reconcile loss	(1,039)	-
Total adjustments to reconcile profit	<u>2,164,655</u>	<u>2,204,919</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(172,483)	15,795
Notes and accounts receivable	4,412,778	(7,542,284)
Accounts receivable from related parties	26,032	(27,872)
Other receivables	120,271	153,194
Inventories	1,415,866	(2,892,097)
Other current assets	(75,622)	(614,869)
Other operating assets	(51)	(14,413)
Changes in operating assets	<u>5,726,791</u>	<u>(10,922,546)</u>
Financial liabilities at fair value through profit or loss	21,331	131,124
Notes and accounts payable	(6,630,465)	4,243,832
Accounts payable to related parties	-	(45,328)
Salaries payable	(276,031)	14,285
Other payables	(468,625)	424,772
Refund liabilities	(58,519)	207,962
Other current liabilities	198,126	(38,782)
Other operating liabilities	(233,350)	1,441,519
Changes in operating liabilities	<u>(7,447,533)</u>	<u>6,379,384</u>
Total changes in operating assets and liabilities	<u>(1,720,742)</u>	<u>(4,543,162)</u>
Total adjustments	<u>443,913</u>	<u>(2,338,243)</u>
Cash outflow generated from operations	2,375,373	(306,259)
Interest received	122,608	142,644
Interest paid	(149,554)	(152,582)
Income taxes paid	(299,743)	(388,007)
Net cash flows from (used in) operating activities	<u>2,048,684</u>	<u>(704,204)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(16,230)	(17,556)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	214,202
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	2,016
Net cash flows from loss control of subsidiaries	-	(131,285)
Acquisition of property, plant and equipment	(2,408,244)	(3,201,891)
Proceeds from disposal of property, plant and equipment	400,410	33,564
Increase in refundable deposits	(4,612)	(52,126)
Dividends received	191	214
Acquisition of unamortized expense	(102,891)	(65,709)
Acquisition of intangible assets	-	(886)
Net cash flows used in investing activities	<u>(2,131,376)</u>	<u>(3,219,457)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	5,437,925	7,348,382
Increase (decrease) in long-term borrowings	185,770	(62,526)
Increase in guarantee deposits received	-	18,403
Payment of lease liabilities	(216,399)	(189,220)
Cash dividends	(1,076,876)	(1,094,820)
Net cash flows from financing activities	<u>4,330,420</u>	<u>6,020,219</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(108,919)</u>	<u>22,056</u>
Net increase in cash and cash equivalents	4,138,809	2,118,614
Cash and cash equivalents at beginning of period	6,700,510	4,990,458
Cash and cash equivalents at end of period	<u>\$ 10,839,319</u>	<u>7,109,072</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
As of September 30, 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

September 30, 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 September 30, 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 November 6, 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
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 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 the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

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

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

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

<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, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”	January 1, 2022

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021

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, 2020	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.

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.

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

(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
			September 30, 2020	December 31, 2019	September 30, 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 3)
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 3)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 3)
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 3)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	100.00 %	(note 3)
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Holding company	100.00 %	100.00 %	100.00 %	(note 1) (note 3)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	100.00 %	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 3)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 3)
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 3)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	(note 3)
Primax Singapore	Primax Electronics (Thailand) Co., Ltd. (Primax Thailand)	Manufacture and sale of computer peripheral devices and software	99.99 %	99.99 %	99.99 %	(note 1) (note 3)
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 %	
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 3)
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 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
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) (note 3)
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 %	

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

(c) Leases

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- (iv) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(d) Income taxes

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

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

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

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

(e) Employee benefits

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

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

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

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

(a) Judgment of whether the Group has substantive control over its investees

The Group holds 37% of the outstanding voting shares of ALT International Co., Ltd. (AIC), but the Group did not obtain any director seats of AIC, and the chairman of AIC controls 45% of voting shares. Therefore, the Group does not have power of control over relevant activities of AIC, but remains significant influence.

(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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 7,598	5,260	7,122
Demand accounts and checking deposits	3,007,022	5,531,016	2,855,440
Time deposits	<u>7,824,699</u>	<u>1,164,234</u>	<u>4,246,510</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u><u>\$ 10,839,319</u></u>	<u><u>6,700,510</u></u>	<u><u>7,109,072</u></u>

(Continued)

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

Please refer to note 6(z) 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:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 101,483	82,870	66,169
Foreign exchange swap contracts	<u>258,016</u>	<u>104,146</u>	<u>33,644</u>
	<u>\$ 359,499</u>	<u>187,016</u>	<u>99,813</u>
Financial liabilities held-for-trading:			
Derivative instrument not used for hedging			
Forward exchange contracts	\$ 224,267	(193,946)	(132,873)
Foreign exchange swap contracts	<u>4,275</u>	<u>(13,265)</u>	<u>(18,231)</u>
	<u>\$ 228,542</u>	<u>(207,211)</u>	<u>(151,104)</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 edge accounting:

September 30, 2020			
<u>Derivative financial instruments</u>	<u>Nominal amount (in thousands)</u>	<u>Maturity date</u>	<u>Predetermined rate</u>
Forward exchange contracts — buy USD / sell TWD	USD 728,000	October 5, 2020~ March 29, 2021	28.016~29.671
Forward exchange contracts — buy CNY/ sell USD	USD 137,400	October 8, 2020~ January 19, 2021	6.790~7.1212
Foreign exchange swap contracts — swap in TWD / swap out USD	USD 606,000	October 5, 2020~ March 29, 2021	28.950~30.013
Forward exchange swap contracts — swap in CNY/ swap out USD	USD 3,000	October 19, 2020	6.838

(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

September 30, 2019

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 276,000	October 3, 2019~ March 19, 2020	30.498~31.492
Forward exchange contracts — buy TWD / sell USD	USD 286,000	October 3, 2019~ January 7, 2020	30.526~31.614
Forward exchange contracts — buy CNY / sell USD	USD 162,900	October 8, 2019~ January 7, 2020	6.8806~7.178
Forward exchange swap contracts — swap in USD / swap out TWD	USD 145,000	October 4, 2019~ February 26, 2020	30.432~31.461
Forward exchange swap contracts — swap in TWD / swap out USD	USD 25,000	January 7, 2020~ March 19, 2020	30.661~30.828

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

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

(c) Financial assets at FVOCI

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Equity investments at FVOCI			
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	\$ 1,263	1,076	1,076
Stocks unlisted in domestic markets– Changing Information Technology Inc.	5,702	2,102	2,102
Stocks unlisted in domestic markets– Syntronix Corp.	49	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	62,038	55,094	48,426
Equities unlisted in foreign markets–Grove Ventures II, L.P.	13,981	7,226	-
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	<u>32,372</u>	<u>40,988</u>	<u>2,529</u>
Total	<u>\$ 115,405</u>	<u>106,535</u>	<u>54,182</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) The Group has sold 5,338 thousand shares held in Global TEK as a result of enhancing its working capital in the nine months ended September 30, 2019. The shares sold had a fair value of \$214,202 resulting in the Group to realize a loss of \$52,698, which has been included in its other equity interest, and later on transferred to retained earnings.
- (iii) Grove Venture, L.P executed capital increases, wherein the Group had participated and invested the amounts of \$9,006 and \$17,556 in the nine months ended September 30, 2020 and 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) WK Global Investment III Ltd. refunded the amounts of \$2,016 to the Group due to its capital reduction in June 2019.
- (vi) 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)

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 923	5,250	14,517
Accounts receivable	14,846,100	19,267,830	23,690,139
Accounts receivable – related parties	154,439	180,471	128,491
Less: allowance for doubtful accounts	<u>(40,413)</u>	<u>(75,725)</u>	<u>(42,905)</u>
Total	<u><u>\$ 14,961,049</u></u>	<u><u>19,377,826</u></u>	<u><u>23,790,242</u></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:

	September 30, 2020		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 14,287,123	0%~0.09%	12,697
0 to 30 days past due	672,553	0%~3.5%	23,534
31 to 60 days past due	19,372	0%~5%	716
61 to 90 days past due	4,664	0%~10%	269
91 to 180 days past due	13,706	0%~25%	1,119
181 to 360 days past due	240	0%~80%	120
More than 361 days past due	<u>3,804</u>	0%~100%	<u>1,958</u>
	<u><u>\$ 15,001,462</u></u>		<u><u>40,413</u></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
	September 30, 2019		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 22,619,898	0%	-
0 to 30 days past due	1,050,343	0%~3%	22,323
31 to 60 days past due	26,170	0%~5%	1,038
61 to 90 days past due	79,340	0%~10%	7,835
91 to 180 days past due	32,878	0%~25%	1,302
181 to 360 days past due	14,811	0%~80%	1,432
More than 361 days past due	9,707	0%~100%	8,975
	\$ 23,833,147		42,905

(Continued)

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

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

	For the nine months ended September 30	
	2020	2019
Balance on January 1, 2020 and 2019	\$ 75,725	45,467
Impairment losses recognized (reversed)	(12,041)	16,424
Disposal of subsidiaries	-	(14,861)
Amounts written off	(13,279)	(4,220)
Effect of exchange rate changes	(9,992)	95
Balance on September 30, 2020 and 2019	\$ 40,413	42,905

- (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 September 30, 2020, December 31 and September 30, 2019, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

September 30, 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	1,223,382	23,865	1,111,224	112,158	0.764%~0.809%	US\$ 50,940
Bank of Taiwan	-	-	-	-	-	NT\$ 58,000
EnTie Bank	166,368	-	-	166,368	-	-
	\$ 1,389,750	23,865	1,111,224	278,526		
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	-	-
	\$ 1,195,370	-	901,804	293,566		

(Continued)

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

September 30, 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	201,363	-	-	201,363	-	-
	\$ 201,363	-	-	201,363		

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

(e) Inventories

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 3,055,313	2,356,395	3,039,860
Semi-finished goods and work in process	1,962,610	2,312,106	3,126,619
Finished goods and merchandise	3,772,318	5,824,745	4,056,367
	\$ 8,790,241	10,493,246	10,222,846

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Losses on inventory valuation	\$ (43,968)	(104,182)	(206,858)	(84,780)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(12,789)	(892)	(44,929)	(7,750)
Losses on disposal of inventories	(39,420)	(71,037)	(39,420)	(99,968)
Gains on physical inventories	1,321	3,074	4,068	6,891
	\$ (94,856)	(173,037)	(287,139)	(185,607)

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

(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>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>	
Carrying amount of individually insignificant associates' equity	<u>\$ 846,187</u>	<u>904,753</u>	<u>904,011</u>	
	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Attributable to the Group:				
Loss	\$ (21,270)	(24,907)	(64,467)	(24,907)
Other comprehensive income (loss)	<u>(3,284)</u>	<u>(3,603)</u>	<u>5,901</u>	<u>(3,603)</u>
Comprehensive loss	<u>\$ (24,554)</u>	<u>(28,510)</u>	<u>(58,566)</u>	<u>(28,510)</u>

(i) 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. Please refer to note 6(g).

(ii) The Group did not provide any investment accounted for using equity method as collateral.

(iii) The investments accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(g) Loss control of subsidiaries

In July 2019, AIC held an interim shareholders' meeting and re-elected its directors, wherein the Group did not obtain more than 50% of its board of directors' voting rights. Therefore, the Group lost its control over AIC, but still retained significant influence. Thereafter, AIC and its subsidiaries were no longer included in the Group's consolidated financial statements; hence, they were reclassified to investments accounted for using the equity method. Due to the loss of its control over AIC, the Group remeasured its 37% shares in AIC amounting to \$932,522 at fair value, resulting in a revaluation loss of \$297,377 to be recognized in July 2019. Additionally, the Group reclassified the exchange differences on translation of foreign operation's financial statements of \$4,071 from other equity interest to other income. The Group recorded the net losses of its disposals amounting to \$275,306 under other gains and losses.

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

The carrying amounts of assets and liabilities of AIC and its subsidiaries on July 2019 were as follows:

Cash	\$	131,285
Notes and accounts receivable		685,683
Inventories		243,977
Other current assets		83,045
Property, plant and equipment		460,424
Intangible assets		1,763,938
Deferred tax assets		29,774
Right-of-use assets		131,996
Other non-current assets		31,029
Short-term borrowings		(235,707)
Notes and accounts payable		(201,424)
Other current liabilities		(83,485)
Deferred tax liabilities		(273,288)
Lease liabilities		(93,980)
Other non-current liabilities		(216,309)
Non- controlling interest		<u>(453)</u>
Carrying amount of net assets	\$	<u>2,456,505</u>

(h) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2020	December 31, 2019	September 30, 2019
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	28.57 %	28.57 %

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 pieces of information are the fair value adjustments made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 14,140,347	20,221,838	21,514,942
Non-current assets	6,589,729	7,069,414	6,220,830
Current liabilities	(11,273,434)	(18,685,167)	(19,324,349)
Non-current liabilities	(2,053,656)	(920,404)	(949,235)
Net assets	<u>\$ 7,402,986</u>	<u>7,685,681</u>	<u>7,462,188</u>
Non-controlling interests	<u>\$ 2,114,878</u>	<u>2,195,638</u>	<u>2,131,790</u>

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating revenue	<u>\$ 7,383,370</u>	<u>13,755,178</u>	<u>18,147,730</u>	<u>26,548,163</u>
Profit (loss)	\$ 193,178	542,438	(161,357)	559,137
Other comprehensive income (loss)	36,559	(164,962)	(133,650)	(118,693)
Comprehensive income (loss)	<u>\$ 229,737</u>	<u>377,476</u>	<u>(295,007)</u>	<u>440,444</u>
Profit (loss) attributable to non-controlling interests	<u>\$ 55,187</u>	<u>154,963</u>	<u>(46,096)</u>	<u>159,734</u>
Comprehensive income (loss) attributable to non-controlling interests	<u>\$ 65,699</u>	<u>107,714</u>	<u>(84,388)</u>	<u>125,709</u>

	For the nine months ended September 30	
	2020	2019
Cash flows used in operating activities	\$ (49,248)	(2,002,979)
Cash flows used in investing activities	(858,872)	(1,630,771)
Cash flows from financing activities	1,889,803	3,525,886
Effect of exchange rate changes	(89,460)	(68,884)
Net increase (decrease) in cash and cash equivalents	<u>\$ 892,223</u>	<u>(176,748)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>42,152</u>

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

(i) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the nine months ended September 30, 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	281	13,061	170,512	67,634	1,178,200	1,429,688
Disposals	-	(35,737)	(1,075,651)	(718,065)	(6,587)	(1,836,040)
Reclassifications	187,451	65,061	401,517	60,782	(789,815)	(75,004)
Effect of changes in exchange rate	(8,087)	(37,626)	(74,505)	(24,192)	(21,244)	(165,654)
Balance on September 30, 2020	<u>\$ 314,346</u>	<u>4,019,288</u>	<u>6,929,961</u>	<u>1,476,015</u>	<u>1,471,610</u>	<u>14,211,220</u>
Balance on January 1, 2019	\$ 229,801	4,338,669	6,925,443	770,043	566,140	12,830,096
Additions	-	52,027	658,352	602,019	1,594,667	2,907,065
Disposals	-	(40,849)	(523,622)	(14,985)	(1,174)	(580,630)
Disposals of subsidiaries	-	89,865	785,162	10,779	(959,627)	(73,821)
Reclassifications	(95,100)	(251,649)	(152,682)	(51,256)	(40,372)	(591,059)
Effect of changes in exchange rate	-	(79,724)	(237,680)	(36,260)	(46,303)	(399,967)
Balance on September 30, 2019	<u>\$ 134,701</u>	<u>4,108,339</u>	<u>7,454,973</u>	<u>1,280,340</u>	<u>1,113,331</u>	<u>14,091,684</u>
Depreciation and impairments loss:						
Balance on January 1, 2020	\$ -	2,035,962	4,894,405	564,123	-	7,494,490
Depreciation	-	189,925	865,847	202,006	-	1,257,778
Disposals	-	(29,424)	(876,862)	(71,197)	-	(977,483)
Effect of changes in exchange rate	-	(17,930)	(42,622)	(8,459)	-	(69,011)
Balance on September 30, 2020	<u>\$ -</u>	<u>2,178,533</u>	<u>4,840,768</u>	<u>686,473</u>	<u>-</u>	<u>7,705,774</u>
Balance on January 1, 2019	\$ -	1,977,887	4,859,380	483,293	-	7,320,560
Depreciation	-	198,786	848,021	106,853	-	1,153,660
Disposals	-	(40,185)	(496,456)	(14,305)	-	(550,946)
Reclassifications	-	(58)	1,412	(5,682)	-	(4,328)
Disposals of subsidiaries	-	(37,809)	(54,638)	(38,188)	-	(130,635)
Effect of changes in exchange rate	-	(41,017)	(112,288)	(12,341)	-	(165,646)
Balance on September 30, 2019	<u>\$ -</u>	<u>2,057,604</u>	<u>5,045,431</u>	<u>519,630</u>	<u>-</u>	<u>7,622,665</u>
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 September 30, 2020	<u>\$ 314,346</u>	<u>1,840,755</u>	<u>2,089,193</u>	<u>789,542</u>	<u>1,471,610</u>	<u>6,505,446</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 September 30, 2019	<u>\$ 134,701</u>	<u>2,050,735</u>	<u>2,409,542</u>	<u>760,710</u>	<u>1,113,331</u>	<u>6,469,019</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$2,009,327, \$2,876,379 and \$2,263,307 as of September 30, 2020, December 31 and September 30, 2019, respectively.

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

(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 402,455	1,718,180	17,685	3,431	2,141,751
Additions	-	46,570	12,119	2,922	61,611
Disposals	-	-	(906)	-	(906)
Effect of changes in exchange rates	<u>(5,021)</u>	<u>(32,953)</u>	<u>(190)</u>	<u>(24)</u>	<u>(38,188)</u>
Balance on September 30, 2020	<u>\$ 397,434</u>	<u>1,731,797</u>	<u>28,708</u>	<u>6,329</u>	<u>2,164,268</u>
Balance on January 1, 2019	\$ 435,567	1,729,293	9,269	-	2,174,129
Additions	-	27,978	8,290	10,129	46,397
Disposals	-	(45,777)	-	-	(45,777)
Disposals of subsidiaries	(39,374)	(103,760)	-	-	(143,134)
Effect of changes in exchange rates	<u>(7,540)</u>	<u>(24,740)</u>	<u>(181)</u>	<u>(23)</u>	<u>(32,484)</u>
Balance on September 30, 2019	<u>\$ 388,653</u>	<u>1,582,994</u>	<u>17,378</u>	<u>10,106</u>	<u>1,999,131</u>
Depreciation:					
Balance on January 1, 2020	\$ 10,627	277,503	8,753	1,715	298,598
Depreciation	11,250	237,518	9,755	2,411	260,934
Disposals	-	-	(189)	-	(189)
Effect of changes in exchange rates	<u>(382)</u>	<u>(5,523)</u>	<u>(80)</u>	<u>(9)</u>	<u>(5,994)</u>
Balance on September 30, 2020	<u>\$ 21,495</u>	<u>509,498</u>	<u>18,239</u>	<u>4,117</u>	<u>553,349</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation	8,209	220,047	6,367	7,857	242,480
Disposals of subsidiaries	(464)	(10,673)	-	-	(11,137)
Effect of changes in exchange rates	<u>(280)</u>	<u>(4,564)</u>	<u>(101)</u>	<u>(12)</u>	<u>(4,957)</u>
Balance on September 30, 2019	<u>\$ 7,465</u>	<u>204,810</u>	<u>6,266</u>	<u>7,845</u>	<u>226,386</u>
Carrying amounts:					
Balance on September 30, 2020	<u>\$ 375,939</u>	<u>1,222,299</u>	<u>10,469</u>	<u>2,212</u>	<u>1,610,919</u>
Balance on September 30, 2019	<u>\$ 381,188</u>	<u>1,378,184</u>	<u>11,112</u>	<u>2,261</u>	<u>1,772,745</u>

In July 2019, the Group lost its control over AIC, and derecognized its right-of-use assets; Please refer to note 6(g).

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(k) 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 September 30, 2020	\$ <u>16,249</u>	<u>17,693</u>	<u>33,942</u>
Balance on January 1, 2019	\$ <u>16,249</u>	<u>18,502</u>	<u>34,751</u>
Balance on September 30, 2019	\$ <u>16,249</u>	<u>18,155</u>	<u>34,404</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the nine months ended September 30, 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.

(l) Intangible assets

The cost, amortization and impairment loss of the intangible assets of the Group for the nine months ended September 30, 2020 and 2019, were as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2020	\$ 2,035,095	718,800	357,271	119,851	3,231,017
Effect of changes in exchange rate	<u>(5,141)</u>	<u>-</u>	<u>-</u>	<u>(4,255)</u>	<u>(9,396)</u>
Balance on September 30, 2020	\$ <u>2,029,954</u>	<u>718,800</u>	<u>357,271</u>	<u>115,596</u>	<u>3,221,621</u>
Balance on January 1, 2019	\$ 2,612,461	1,099,859	1,383,197	121,797	5,217,314
Acquisition	-	-	513	373	886
Disposals of subsidiaries	<u>(574,604)</u>	<u>(381,059)</u>	<u>(1,029,394)</u>	<u>-</u>	<u>(1,985,057)</u>
Effect of changes in exchange rate	<u>1,682</u>	<u>-</u>	<u>2,955</u>	<u>1,371</u>	<u>6,008</u>
Balance on September 30, 2019	\$ <u>2,039,539</u>	<u>718,800</u>	<u>357,271</u>	<u>123,541</u>	<u>3,239,151</u>

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

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
Amortization and impairment loss:					
Balance on January 1, 2020	\$ -	429,540	188,538	111,783	729,861
Amortization	-	53,910	31,448	640	85,998
Balance on September 30, 2020	<u>\$ -</u>	<u>483,450</u>	<u>219,986</u>	<u>112,423</u>	<u>815,859</u>
Balance on January 1, 2019	\$ -	379,889	265,449	107,997	753,335
Amortization	-	76,138	88,956	3,662	168,756
Disposals of subsidiary	-	(44,457)	(176,662)	-	(221,119)
Effect of changes in exchange rate	-	-	312	-	312
Balance on September 30, 2019	<u>\$ -</u>	<u>411,570</u>	<u>178,055</u>	<u>111,659</u>	<u>701,284</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 September 30, 2020	<u>\$ 2,029,954</u>	<u>235,350</u>	<u>137,285</u>	<u>3,173</u>	<u>2,405,762</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 September 30, 2019	<u>\$ 2,039,539</u>	<u>307,230</u>	<u>179,216</u>	<u>11,882</u>	<u>2,537,867</u>

(i) The Group lost its control over AIC, resulting in its intangible assets to be derecognized in July 2019. Please refer to note 6(g).

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

(m) Short-term borrowings

The details were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Unsecured bank loans	<u>\$ 6,530,051</u>	<u>1,092,126</u>	<u>8,315,240</u>
Unused credit lines	<u>\$ 18,106,507</u>	<u>19,664,255</u>	<u>13,979,053</u>
Annual interest rates	<u>0.60%~3.85%</u>	<u>0.60%~4.02%</u>	<u>0.60%~4.02%</u>

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

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

(n) Long-term borrowings

September 30, 2020				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	USD	1.5%~1.6%	2023	\$ 364,076
Less: current portion				-
				\$ 364,076
Unused credit lines				\$ 3,276,686
December 31, 2019				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%	2020	\$ 27,777
Secured bank loans	USD	3.05%	2021	150,529
Less: current portion				(27,777)
				\$ 150,529
Unused credit lines				\$ 451,587
September 30, 2019				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%	2020	\$ 27,778
Less: current portion				(27,778)
				\$ -
Unused credit lines				\$ -

(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.

(o) Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ 274,442	278,609	240,091
Non-current	\$ 1,013,914	1,195,744	1,149,447

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

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest on lease liabilities	\$ 14,566	16,343	45,430	52,011
Expenses relating to short-term leases and leases of low-value assets	\$ 27,019	11,017	76,800	43,889
Covid-19-related rent concessions (recognized as deduction of rent expenses)	\$ 1,037	-	1,037	-

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

	For the nine months ended September 30	
	2020	2019
Rental paid in operating activities	\$ (76,800)	(43,889)
Interest on lease liabilities paid in operating activities	(45,430)	(52,011)
Payment made on lease liabilities in financing activities	(216,399)	(189,220)
Total cash outflow for leases	\$ (338,629)	(285,120)

(i) Real estate leases

As of September 30, 2020 and 2019, the Group leases lands and buildings for its office, staff dormitory, factory facilities and warehouses. The leases typically run for a period of two to fifty years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

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

The Group also leases machineries and some of other equipment 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.

(p) 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(k) sets out information about the operating leases of investment property.

(Continued)

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

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

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Less than one year	\$ 1,800	1,553	1,977
One to five years	411	-	105
Total undiscounted lease payments	<u>\$ 2,211</u>	<u>1,553</u>	<u>2,082</u>

(q) Employee benefits

(i) Defined benefit plans

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

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

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Defined benefit plans	\$ 273	338	819	1,015
Defined contribution plans	78,597	133,399	220,925	335,541
Total	<u>\$ 78,870</u>	<u>133,737</u>	<u>221,744</u>	<u>336,556</u>

(r) Income taxes

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

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

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Income tax expense	<u>\$ 235,083</u>	<u>263,224</u>	<u>425,424</u>	<u>457,885</u>

(Continued)

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

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

(s) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 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 September 30, 2020, December 31 and September 30, 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 450,898, 448,581 and 446,761 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding were as follows:

	Ordinary shares (in thousands of shares)	
	For the nine months ended September 30	
	2020	2019
Balance on January 1	448,581	447,452
Issuance of restricted stock	2,440	-
Retirement of restricted stock	(123)	(691)
Balance on September 30	450,898	446,761

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Additional paid-in capital	\$ 722,037	662,230	662,230
Employee stock options	259,401	259,401	259,401
Restricted employee stock options	207,332	193,599	94,773
Long-term investment	376,614	367,815	364,757
	\$ 1,565,384	1,483,045	1,381,161

(Continued)

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

(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 shareholders' meeting on June 23, 2020 and June 18, 2019, respectively.

(t) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the nine months ended September 30, 2020 and 2019. Please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2019 for further information.

After the shareholders' meeting on June 18, 2019, the Company decided to issue 2,000 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,820 thousand and 180 thousand shares in November 2019 and February 2020, respectively.

After the shareholders' meeting on June 23, 2020, the Company decided to issue 3,000 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,260 thousand shares in July 2020.

Expenses attributable to share-based payment were as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Employee stock options	\$ 4,106	4,499	12,427	9,776
Restricted stock	33,580	12,250	82,371	42,838
Total	\$ 37,686	16,749	94,798	52,614

(Continued)

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

(u) Earnings per share

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

(i) Basic earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Profit attributable to owners of parent	\$ <u>773,224</u>	<u>763,920</u>	<u>1,552,132</u>	<u>1,532,775</u>
Weighted-average number of ordinary shares (thousand shares)	<u>445,852</u>	<u>444,532</u>	<u>445,663</u>	<u>444,365</u>
Basic earnings per share (NT dollars)	\$ <u>1.73</u>	<u>1.72</u>	<u>3.48</u>	<u>3.45</u>

(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Profit attributable to owners of parent	\$ <u>773,224</u>	<u>763,920</u>	<u>1,552,132</u>	<u>1,532,775</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>448,080</u>	<u>447,290</u>	<u>448,625</u>	<u>447,429</u>
Diluted earnings per share (NT dollars)	\$ <u>1.73</u>	<u>1.71</u>	<u>3.46</u>	<u>3.43</u>

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Weighted-average number of ordinary shares on September 30 (basic)	445,852	444,532	445,663	444,365
Estimated effect of employee stock bonuses	1,393	953	1,986	1,314
Effect of restricted stock	<u>835</u>	<u>1,805</u>	<u>976</u>	<u>1,750</u>
Weighted-average number of ordinary shares on September 30 (diluted)	<u>448,080</u>	<u>447,290</u>	<u>448,625</u>	<u>447,429</u>

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

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 8,070,806	10,211,037	18,281,843
Service rendered	29,533	595,185	624,718
	<u>\$ 8,100,339</u>	<u>10,806,222</u>	<u>18,906,561</u>

	For the three months ended September 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 5,872,596	18,689,379	24,561,975
Service rendered	54,443	674,151	728,594
	<u>\$ 5,927,039</u>	<u>19,363,530</u>	<u>25,290,569</u>

	For the nine months ended September 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 20,141,692	26,943,171	47,084,863
Service rendered	104,782	1,492,436	1,597,218
	<u>\$ 20,246,474</u>	<u>28,435,607</u>	<u>48,682,081</u>

	For the nine months ended September 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 16,605,404	36,783,911	53,389,315
Service rendered	176,959	2,069,698	2,246,657
	<u>\$ 16,782,363</u>	<u>38,853,609</u>	<u>55,635,972</u>

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Mainland China	\$ 8,608,090	9,068,131	22,686,715	21,556,515
Europe	3,589,624	8,148,335	10,295,213	16,002,962
America	5,912,100	7,948,323	13,437,302	15,859,276
Other	796,747	125,780	2,262,851	2,217,219
	<u>\$ 18,906,561</u>	<u>25,290,569</u>	<u>48,682,081</u>	<u>55,635,972</u>

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

(ii) Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019
Notes and accounts receivable (including related parties)	\$ 15,001,462	19,453,551	23,833,147
Less: allowance for impairment	<u>(40,413)</u>	<u>(75,725)</u>	<u>(42,905)</u>
	<u>\$ 14,961,049</u>	<u>19,377,826</u>	<u>23,790,242</u>
Contract liabilities (classified as other current liabilities)	<u>\$ 170,076</u>	<u>133,028</u>	<u>126,887</u>

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

The amount of revenue recognized for the nine months ended September 30, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$102,379 and \$68,366, respectively.

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

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

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

Details of remuneration to employees and directors for the three and nine months ended September 30, 2020 and 2019 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Employee remuneration	\$ 29,616	28,277	59,536	56,312
Directors' remuneration	<u>14,808</u>	<u>14,139</u>	<u>29,768</u>	<u>28,156</u>
	<u>\$ 44,424</u>	<u>42,416</u>	<u>89,304</u>	<u>84,468</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		
	Actual earnings distributed	Accrued in the financial statement	Difference
Employee remuneration–Cash	\$ 75,520	75,526	6
Director's remuneration	26,430	37,763	11,333
	2018		
	Actual earnings distributed	Accrued in the financial statement	Difference
Employee remuneration–Cash	\$ 64,430	64,439	9
Director's remuneration	32,200	32,219	19

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 year 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.

(x) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Rent income	\$ 2,011	414	7,373	1,393
Dividend income	191	214	191	214
Other	784	769	2,279	1,798
	\$ 2,986	1,397	9,843	3,405

(y) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Net gains (losses) on financial assets/liabilities measured at FVTPL	\$ 94,226	(46,804)	133,530	(39,545)
Losses on disposal of investments	-	(275,306)	-	(275,306)
Foreign currency exchange gains, net	59,043	148,205	259,959	300,156
Net losses on disposal of property, plant and equipment	(16,389)	4,347	(22,718)	3,880
Other	55,456	159,555	148,339	248,947
	\$ 192,336	(10,003)	519,110	238,132

(Continued)

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

(z) Financial instruments

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

(i) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
September 30, 2020						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 6,530,051	6,536,586	6,536,586	-	-	-
Notes and accounts payable	17,114,424	17,114,424	17,114,424	-	-	-
Other payables	3,756,341	3,756,341	3,756,341	-	-	-
Lease liabilities	1,288,356	1,605,811	316,130	282,897	427,557	579,227
Refund liabilities	1,493,756	1,493,756	1,493,756	-	-	-
Long-term borrowings	364,076	375,368	5,481	186,314	183,573	-
Guarantee deposits	12,685	12,685	-	-	-	12,685
Derivative financial liabilities:	228,542	-	-	-	-	-
Outflow	-	2,434,970	2,434,970	-	-	-
Inflow	-	(2,206,428)	(2,206,428)	-	-	-
	<u>\$ 30,788,231</u>	<u>31,123,513</u>	<u>29,451,260</u>	<u>469,211</u>	<u>611,130</u>	<u>591,912</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	5,505,310	5,505,310	5,505,310	-	-	-
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>\$ 33,994,524</u>	<u>34,383,902</u>	<u>32,468,890</u>	<u>443,428</u>	<u>616,391</u>	<u>855,193</u>

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
September 30, 2019						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 8,315,240	8,340,314	8,340,314	-	-	-
Notes and accounts payable	22,538,749	22,538,749	22,538,749	-	-	-
Other payables	4,123,926	4,123,926	4,123,926	-	-	-
Lease liabilities	1,389,538	1,750,478	278,141	243,787	561,694	666,856
Refund liabilities	1,302,795	1,302,795	1,302,795	-	-	-
Long-term borrowings	27,778	27,916	27,916	-	-	-
Guarantee deposits	206,456	206,456	-	-	-	206,456
Derivative financial liabilities:	151,104	-	-	-	-	-
Outflow	-	5,976,506	5,976,506	-	-	-
Inflow	-	(5,854,373)	(5,854,373)	-	-	-
	<u>\$ 38,055,586</u>	<u>38,412,767</u>	<u>36,733,974</u>	<u>243,787</u>	<u>561,694</u>	<u>873,312</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:

	September 30, 2020			December 31, 2019			September 30, 2019			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
Monetary items										
USD:CNY	\$	588,650	6.8101	17,145,027	850,418	6.9762	25,602,688	759,672	7.0729	23,581,732
USD:HKD		287,620	7.7500	8,377,209	533,753	7.7878	16,069,164	506,186	7.8413	15,713,022
USD:TWD		345,315	29.1260	10,057,637	347,369	30.1060	10,457,877	365,314	31.0420	11,340,092
EUR:CZK		9,845	27.2313	336,627	15,073	25.4167	508,382	3,056	25.8988	103,999
USD:CZK		6,040	23.1973	175,931	11,589	22.6820	348,898	-	-	-
USD:THB		21,820	31.6800	635,538	-	-	-	-	-	-
Financial liabilities										
Monetary items										
USD:CNY	\$	472,909	6.8101	13,773,962	630,146	6.9762	18,971,177	596,588	7.0729	18,519,288
USD:HKD		239,103	7.7500	6,964,113	491,571	7.7878	14,799,238	490,300	7.8413	15,219,887
USD:TWD		425,056	29.1260	12,380,185	455,443	30.1060	13,711,557	410,876	31.0420	12,754,403
EUR:CZK		5,369	27.2313	183,570	14,511	25.4167	489,427	12,856	25.8988	437,503
USD:THB		22,415	31.6800	652,860	-	-	-	-	-	-

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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, CZK and THB against the USD as well as CZK against the EUR as of September 30, 2020 and 2019, would have increased or decreased the net profit before tax by \$138,664 and \$190,388, 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 and nine months ended September 30, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$59,043 thousand, \$148,205 thousand, \$259,959 and \$300,156, 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 \$7,536 and decreased or increased by \$2,217 for the nine months ended September 30, 2020 and 2019, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

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

(iv) 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:

	September 30, 2020				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL – current	\$ <u>359,499</u>	-	-	359,499	359,499
Financial assets at FVOCI – non-current	\$ <u>115,405</u>	-	-	115,405	115,405
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 10,839,319				
Notes and accounts receivable (including related parties)	14,961,049				
Other receivables	928,554				
Refundable deposits	<u>119,535</u>				
Total	\$ <u>26,848,457</u>				
Financial liabilities at FVTPL – current	\$ <u>228,542</u>	-	-	228,542	228,542
Financial liabilities measured at amortized cost:					
Borrowings	\$ 6,894,127				
Notes and accounts payable	17,114,424				
Other payables	3,575,036				
Salaries payable	1,246,021				
Lease liabilities	1,288,356				
Refund liabilities	1,493,756				
Guarantee deposits	<u>12,685</u>				
Total	\$ <u>31,624,405</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>				
		September 30, 2019			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>99,813</u>	-	-	99,813	99,813
Financial assets at FVOCI – non-current	\$ <u>54,182</u>	-	-	54,182	54,182
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 7,109,072				
Notes and accounts receivable (including related parties)	23,790,242				
Other receivables	884,688				
Refundable deposits	<u>113,879</u>				
Total	\$ <u>31,897,881</u>				

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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		September 30, 2019			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL – current	\$ <u>151,104</u>	-	-	151,104	151,104
Financial liabilities measured at amortized cost:					
Borrowings	\$ 8,343,018				
Notes and accounts payable (including related parties)	22,538,749				
Other payables	3,690,921				
Salaries payable	1,155,142				
Lease liabilities	1,389,538				
Refund liabilities	1,302,795				
Guarantee deposits	<u>206,456</u>				
Total	\$ <u>38,626,619</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 cannot 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 nine months ended September 30, 2020 and 2019, there were no transfers between Levels.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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4) Reconciliation of Level 3 fair values

	<u>For the nine months ended September 30, 2020</u>			<u>For the nine months ended September 30, 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	133,530	-	133,530	(39,545)	-	(39,545)
Recognized in other comprehensive income	-	(7,360)	(7,360)	-	3,291	3,291
Acquisition /disposal	<u>17,622</u>	<u>16,230</u>	<u>33,852</u>	<u>(107,374)</u>	<u>15,540</u>	<u>(91,834)</u>
Balance on September 30	<u>\$ 130,957</u>	<u>115,405</u>	<u>246,362</u>	<u>(51,291)</u>	<u>54,182</u>	<u>2,891</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.

(aa) Financial risk management

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ab) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 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.

(ac) 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>September 30, 2020</u>
Short-term borrowings	\$ 1,092,126	5,437,925	-	6,530,051
Long-term borrowings	178,306	185,770	-	364,076
Lease liabilities	<u>1,474,353</u>	<u>(216,399)</u>	<u>30,402</u>	<u>1,288,356</u>
Total liabilities from financing activities	<u>\$ 2,744,785</u>	<u>5,407,296</u>	<u>30,402</u>	<u>8,182,483</u>
	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>September 30, 2019</u>
Short-term borrowings	\$ 1,202,565	7,348,382	(235,707)	8,315,240
Long-term borrowings	306,563	(62,526)	(216,259)	27,778
Lease liabilities	<u>1,684,460</u>	<u>(189,220)</u>	<u>(105,702)</u>	<u>1,389,538</u>
Total liabilities from financing activities	<u>\$ 3,193,588</u>	<u>7,096,636</u>	<u>(557,668)</u>	<u>9,732,556</u>

(ad) Supplementary information of cash flow

- (i) The Group obtained property, plant and equipment amounting to \$2,408,244 and \$3,201,891, of which \$978,556 and \$294,826 were transferred from payables on equipment for the nine months ended September 30, 2020 and 2019, respectively.
- (ii) For the nine months ended September 30, 2020, the Group disposed parts of its property, plant and equipment amounting to \$435,429, wherein the unamortized deferred revenue of equipment subsidy was written off.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(7) Related-party transactions:

(a) Names and relationship of the related parties

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

<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 September 30</u>		<u>For the nine months ended September 30</u>		<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>			
Other related parties	\$ <u>190,199</u>	<u>140,202</u>	<u>339,187</u>	<u>515,103</u>	<u>154,439</u>	<u>180,471</u>	<u>128,491</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 September 30</u>		<u>For the nine months ended September 30</u>		<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>			
Other related parties	\$ <u>-</u>	<u>7,674</u>	<u>-</u>	<u>53,128</u>	<u>-</u>	<u>-</u>	<u>-</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
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(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 44,372	34,906	125,651	127,351
Post-employment benefits	242	609	737	3,299
Share-based payments	13,201	5,022	38,835	18,265
	<u>\$ 57,815</u>	<u>40,537</u>	<u>165,223</u>	<u>148,915</u>

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Other current assets – restricted assets	Guarantee letters issued by bank	\$ <u>1,069</u>	<u>1,079</u>	<u>549</u>
Other current assets – restricted assets	Accounts receivable factoring	\$ <u>2</u>	<u>-</u>	<u>-</u>
Other non-current assets – restricted assets	Guarantee letters issued by bank	\$ <u>57,761</u>	<u>57,757</u>	<u>58,304</u>
Property, plant and equipment	Loan collateral	\$ <u>-</u>	<u>908,305</u>	<u>-</u>

(9) Commitments and contingencies:

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

<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
\$ <u>-</u>	<u>301,060</u>	<u>350,775</u>

- (b) For the detail of the Group's guarantee, please refer to note 13.
- (c) The following are savings accounts provided by the Group to the bank in order for the bank to issue a guarantee letter to customs and Power Supply Bureau as guarantee deposits and power supply guarantee, respectively.

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Guarantee letters	\$ <u>142,034</u>	<u>175,716</u>	<u>169,912</u>

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Sales of accounts receivable	<u>\$ 1,650,901</u>	<u>519,329</u>	<u>665,475</u>
Long-term borrowings	<u>\$ 3,203,871</u>	<u>400,000</u>	<u>400,000</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	<u>\$ 801,612</u>	<u>1,157,819</u>	<u>2,309,959</u>

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	1,104,435	962,557	2,066,992	1,700,298	1,087,287	2,787,585
Labor and health insurance	36,238	33,755	69,993	35,766	46,060	81,826
Pension	47,043	31,827	78,870	96,544	37,193	133,737
Others	20,239	58,997	79,236	38,599	58,140	96,739
Depreciation	446,381	43,782	490,163	447,911	46,030	493,941
Amortization	8,275	48,255	56,530	2,883	62,535	65,418

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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By item	By function	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		2,917,396	2,593,452	5,510,848	3,726,092	2,653,742	6,379,834
Labor and health insurance		80,461	135,328	215,789	97,312	145,198	242,510
Pension		128,672	93,072	221,744	228,243	108,313	336,556
Others		120,558	145,436	265,994	118,308	147,700	266,008
Depreciation		1,377,147	141,565	1,518,712	1,266,120	130,367	1,396,487
Amortization		17,238	145,315	162,553	7,518	235,873	243,391

(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:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKS1	The Company	Other receivables	Y	252,419	155,029	155,029	0%	Short-term loan to other parties	-	Operating capital	-	-	-	817,039	817,039
2	Tymphony Huizhou	TYM HK	Other receivables	"	91,334	60,509	60,509	0%	"	-	"	-	-	-	1,042,850	2,085,699

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

Note 2: Due to the short-term financing need, the loan provided to an individual entity shall not exceed 20% of the net worth of Tymphony Huizhou in its latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of Tymphony Huizhou in its latest financial statements.

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

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.	3,798,241	303,300	291,260	-	-	2.30 %	10,128,644	Y	N	Y
1	Tymphony Huizhou	TYM UK	The subsidiary of TYM Acoustic HK	1,564,275	6,907	6,561	6,561	-	0.13 %	4,171,399	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.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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 September 30, 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	1,263	0.38	1,263	
	Changing Information Technology Inc.	-	"	202	5,702	1.48	5,702	
	Formosoft International Inc.	-	"	11	-	0.41	-	
	Syntronix Corp.	-	"	7	49	0.02	49	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Grove Ventures L.P.	-	"	-	62,038	2.73	62,038	
	Grove Ventures II, L.P.	-	"	-	13,981	3.25	13,981	
				83,033				
Primax Tech.	Shares:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	361	32,372	1.32	32,372	
				32,372				

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

Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
PCH2	Money market fund of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	1,196,216	-	1,192,438	1,190,757	(3,778)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	515,136	-	514,256	513,657	(880)	-	-
The Company	Primax Singapore	Investment accounted for using equity method	"	Subsidiary	10,100	286,269	10,000	301,000	-	-	-	-	20,100	466,290 (note 1)
Tymphony Huizhou	TYM Acoustic HK	"	"	"	185,536	1,190,387	232,554	903,000	-	-	-	-	418,090	1,862,305 (note 1)
TYM Acoustic HK	TYTH	"	"	"	1,500	55,387	3,150	395,865	-	-	-	-	4,650	403,010 (note 1)

Note 1: The difference between amounts of ending balance and purchasing price is recognized as profit or loss accounted for using equity method and exchange differences on translation.

Note 2: Gains on disposal include valuation and exchange differences on translation.

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of 100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PCH2	The subsidiary of Primax HK	Purchase	16,189,728	70 %	60 days	Price agreed by both side	The same as general purchasing	(4,059,528)	(54)%	note 1
"	PKS1	"	Purchase	1,535,874	6 %	"	"	"	(922,011)	(12)%	"
"	PCQ1	"	Purchase	5,365,799	23 %	"	"	"	(2,020,381)	(27)%	"
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(2,590,906)	(10) %	90 days	"	The same as general selling	325,124	4%	"
"	Primax Thailand	The subsidiary of Primax Singapore.	Purchase	346,412	1 %	60 days	"	The same as general purchasing	(277,054)	(4)%	"
PCH2	The Company	The parent of Primax Cayman	(Sale)	(16,189,728)	(83) %	"	"	The same as general selling	4,059,528	78%	"
PKS1	The Company	"	(Sale)	(1,535,874)	(100) %	"	"	"	922,011	100%	"
PCQ1	The Company	"	(Sale)	(5,365,799)	(77) %	"	"	"	2,020,381	71%	"
Primax Thailand	The Company	The parent of Primax Singapore.	(Sale)	(346,412)	(89) %	"	"	"	277,054	90%	"
Polaris	The Company	The parent of Primax Tech.	Purchase	2,590,906	100 %	90 days	"	The same as general purchasing	(325,124)	(100)%	"
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(2,967,320)	(66) %	60 days	"	The same as general selling	1,518,705	83%	"
"	TYM Acoustic HK	Subsidiary	(Sale)	(107,298)	(2) %	"	"	"	40,075	2%	"
TYM Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	306,954	3 %	"	"	The same as general purchasing	(162,452)	(4)%	"
"	"	"	(Sale)	(9,087,426)	(97) %	"	"	The same as general selling	1,229,085	87%	"
TYDC	"	"	(Sale)	(1,906,868)	(95) %	"	"	"	848,028	91%	"
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	965,197	70 %	90 days	"	The same as general purchasing	(375,831)	(67)%	"
"	Tymphony Huizhou	Parent	Purchase	107,298	8 %	60 days	"	"	(40,075)	(7)%	"
TYM Acoustic Europe	TYM Acoustic HK	"	(Sale)	(965,197)	(84) %	90 days	"	The same as general selling	375,831	85%	"
TYM HK	Tymphony Huizhou	The subsidiary of TYM Acoustic HK	Purchase	2,967,320	20 %	60 days	"	The same as general purchasing	(1,518,705)	(38)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	9,087,426	61 %	"	"	"	(1,229,085)	(31)%	"
"	"	"	(Sale)	(306,954)	(2) %	"	"	The same as general selling	162,452	4%	"
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	1,906,868	13 %	"	"	The same as general purchasing	(848,028)	(21)%	"
"	TYA Acoustic	The subsidiary of TYM Acoustic HK	Purchase	143,863	1 %	"	"	"	(67,281)	(2)%	"
"	TYML	Subsidiary	(Sale)	(2,880,023)	(18) %	90 days	"	The same as general selling	825,355	18%	"
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	219,232	1 %	60 days	"	The same as general purchasing	(212,326)	(5)%	"

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
TYM HK	Specialty	Other related party	(Sale)	(339,187)	(2) %	90 days	Price agreed by both side	The same as general selling	154,439	3%	
TYM Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(143,863)	(19) %	60 days	"	"	67,281	52%	note 1
TYML	"	Parent	Purchase	2,880,023	100 %	90 days	"	The same as general purchasing	(825,355)	(100)%	"
TYTH	"	The subsidiary of TYM Acoustic HK	(Sale)	(219,232)	(100) %	60 days	"	The same as general selling	212,326	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 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.	325,124 (note 5)	10.52	-	-	241,426	-
"	PCH2	The subsidiary of Primax HK.	168,423 (note 2) (note 5)	3.34	-	-	78,264	-
"	"	"	26,360 (note 5)	(note 3)	-	-	7,838	-
PCH2	The Company	The parent of Primax Cayman	4,059,528 (note 5)	3.93	-	-	-	-
"	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	359,066 (note 5)	(note 3)	-	-	56,015	-
"	Primax Thailand	The subsidiary of Primax Singapore	110,781 (note 5)	"	-	-	22,108	-
PKS	The Company	The parent of Primax Cayman	922,011 (note 5)	1.92	-	-	22	-
"	"	"	155,029 (note 5)	(note 4)	-	-	89,704	-
PCQ	"	"	2,020,381 (note 5)	2.89	-	-	664,282	-
Primax Thailand	"	The parent of Primax Singapore	277,054 (note 5)	3.33	-	-	91,790	-
Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	1,518,705 (note 5)	1.45	-	-	384,807	-
"	"	"	60,509 (note 5)	(note 4)	-	-	-	-
Tymphany Dongguan	"	"	1,229,085 (note 5)	2.85	-	-	294,492	-
TYDC	"	"	848,028 (note 5)	1.92	-	-	84,663	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	375,831 (note 5)	2.58	-	-	171,546	-
TYM HK	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	162,452 (note 5)	3.72	-	-	-	-
"	"	"	2,471,264 (note 5)	(note 3)	-	-	583,214	-
"	TYDC	The subsidiary of Tymphany Dongguan	115,997 (note 5)	"	-	-	-	-
"	TYML	Subsidiary	825,355 (note 5)	2.51	-	-	324,603	-
"	Specialty	Other related party	154,439	2.70	-	-	38,228	-

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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		
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	212,326 (note 5)	2.75	-	-	13,726	-

Note 1: Amounts collected as of October 23, 2020.

Note 2: The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company and sold to the customers. The amount of semi-finished products sold in the six months ended September 30, 2020 was \$480,044, 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: Other receivables arise from intercompany loans.

Note 5: 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	16,189,728	Price agreed by both sides	33.26 %
"	"	"	"	Accounts Payable	4,059,528	60 days	8.09 %
"	"	"	"	Accounts Receivable	168,423	"	0.34 %
"	"	"	"	Other Receivable	26,360	"	0.05 %
"	"	PKS1	"	Purchase	1,535,874	Price agreed by both sides	3.15 %
"	"	"	"	Accounts Payable	922,011	60 days	1.84 %
"	"	"	"	Other payables	155,029	(Note 2)	0.31 %
"	"	PCQ1	"	Purchase	5,365,799	Price agreed by both sides	11.02 %
"	"	"	"	Accounts payable	2,020,381	60 days	4.03 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	2,590,906	Price agreed by both sides	5.32 %
"	"	"	"	Accounts receivable	325,124	90 days	0.65 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Purchase	346,412	Price agreed by both sides	0.71 %
"	"	"	"	Accounts Payable	277,054	60 days	0.55 %
1	PCH2	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Service revenue	312,669	Price agreed by both sides	0.64 %
"	"	"	"	Other Receivable	359,066	60 days	0.72 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Accounts receivable	110,781	"	0.22 %

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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	
2	Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	2,967,320	Price agreed by both sides	6.10 %
"	"	"	"	Accounts Receivable	1,518,705	60 days	3.03 %
"	"	"	"	Other Receivable	60,509	(Note 2)	0.12 %
"	"	TYM Acoustic HK	Subsidiary	Sale	107,298	Price agreed by both sides	0.22 %
3	Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	306,954	"	0.63 %
"	"	"	"	Accounts Payable	162,452	60 days	0.32 %
"	"	"	"	Sale	9,087,426	Price agreed by both sides	18.67 %
"	"	"	"	Accounts Receivable	1,229,085	60 days	2.45 %
4	TYDC	"	"	Sale	1,906,868	Price agreed by both sides	3.92 %
"	"	"	"	Accounts Receivable	848,028	60 days	1.69 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	965,197	Price agreed by both sides	1.98 %
"	"	"	"	Accounts Payable	375,831	90 days	0.75 %
6	TYM HK	TYM Acoustic	The subsidiary of TYM Acoustic HK	Purchase	143,863	Price agreed by both sides	0.30 %
"	"	"	"	Service Expense	609,746	"	1.25 %
"	"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Other Receivable	2,471,264	60 days	4.92 %
"	"	TYDC	The subsidiary of Tymphony Dongguan	Other Receivable	115,997	"	0.23 %
"	"	TYML	Subsidiary	Sale	2,880,023	Price agreed by both sides	5.92 %
"	"	"	"	Accounts receivable	825,355	90 days	1.64 %
"	"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	219,232	Price agreed by both sides	0.45 %
"	"	"	"	Accounts Payable	212,326	60 days	0.42 %

Note 1: Disclosure of the amounts exceeding of NTS100 million.

Note 2: Other receivables arise from intercompany loans.

Note 3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 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 September 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 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	6,257,787	289,536	393,360	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,421,808	58,551	98,284	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	10,017	16,262	16,262	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	18,069	281	281	
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,224,306	(123,625)	(122,517)	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	12,243	774	774	
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	906,395	(64,847)	(64,847)	
"	Primax Singapore	Singapore	Holding company	619,150	318,150	20,100	100.00	466,290	(79,996)	(84,938)	
	Total			9,425,798	9,124,798			15,316,915	96,936	236,659	
Primax Singapore	Primax Thailand	Thailand	Manufacture and sale of computer peripherals devices and software	588,291	302,126	600	99.99	468,202	(79,786)	(79,786)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,299,917	289,923	289,923	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	390,844	5,762	5,762	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,325,168	(67,735)	(123,092)	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	846,187	(135,125)	(64,467)	
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	1,592,954	689,954	418,090	100.00	1,862,305	(147,203)	(147,203)	
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	800,422	(303,843)	(303,843)	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	15,552	1,452	1,452	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	21,369	1,438	1,438	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	674,173	(46,088)	(46,088)	

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
TYM Acoustic HK	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	94,526	24,044	24,044	
"	TYTH	Thailand	Manufacture and sales of audio accessories, amplifiers and their components	455,877	60,012	4,650	99.99	403,010	(29,320)	(29,320)	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	12,551	3,143	3,143	

Note 1: The amount is 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.

(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 September 30, 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	1,907,237	Indirect investment through Primax Cayman and Primax Tech.	1,652,504	-	-	1,600,928	166,916	100%	166,916	5,850,782	-
Destiny Beijing	Research and development of computer peripheral devices and software	37,781	Indirect investment through Destiny BVI.	31,611	-	-	30,582	16,262	100%	16,262	10,013	-
PKS1	Manufacture of computer, peripherals and keyboards	835,116	Indirect investment through Primax Cayman	662,332	-	-	640,772	6,244	100%	6,244	815,643	-
PCQ1	Manufacture of computer, peripherals and keyboards	535,991	"	602,120	-	-	582,520	171,678	100%	171,678	1,512,691	-
Tymphony Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,745,275	Indirect investment through Diamond	3,883,674	-	-	3,757,254	(83,765)	71.43%	(59,835)	3,724,647	-
Tymphony Dongguan	"	145,630	"	15,053	-	-	14,563	168,674	71.43%	241,752	601,943	-
TYDC	"	85,538	"	-	-	-	-	7,461	71.43%	5,329	156,902	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.7582 ; USD:TWD 29.126; CNY:TWD 4.2769.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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 earnings 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 September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,056,965	8,260,227	None (note)

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

The above investment income (losses) in Mainland China, except for PCH2, 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 nine months ended September 30, 2020, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Shareholding	Shares	Percentage
Shareholder's Name		
ALPINE ASIA INVESTMENTS LIMITED	25,751,062	5.71 %

(14) Segment information:

For the three and nine months ended September 30, 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 September 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 8,100,339	10,806,222	18,906,561
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 8,100,339</u>	<u>10,806,222</u>	<u>18,906,561</u>
Profit before tax from segments reported	<u>\$ 907,007</u>	<u>156,487</u>	<u>1,063,494</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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	For the three months ended September 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 5,927,039	19,363,530	25,290,569
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,927,039</u>	<u>19,363,530</u>	<u>25,290,569</u>
Profit before tax from segments reported	<u>\$ 214,096</u>	<u>952,729</u>	<u>1,166,825</u>
	For the nine months ended September 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 20,246,474	28,435,607	48,682,081
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 20,246,474</u>	<u>28,435,607</u>	<u>48,682,081</u>
Profit before tax from segments reported	<u>\$ 1,738,010</u>	<u>193,450</u>	<u>1,931,460</u>
	For the nine months ended September 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 16,782,363	38,853,609	55,635,972
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 16,782,363</u>	<u>38,853,609</u>	<u>55,635,972</u>
Profit before tax from segments reported	<u>\$ 856,878</u>	<u>1,175,106</u>	<u>2,031,984</u>