

**PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
for the Six Months Ended
June 30, 2020 and 2019**

Address: No. 669, Ruey Kuang Road, Neihu, Taipei
Telephone: (02)2798-9008

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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安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

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 June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 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\$5,805,629 thousand and NT\$5,951,118 thousand, constituting 12.6% and 13.4% of the consolidated total assets; and the total liabilities amounting to NT\$4,612,158 thousand and NT\$4,721,204 thousand, constituting 14.2% and 16.0% of the consolidated total liabilities as of June 30, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to NT\$27,169 thousand, NT\$(58,449) thousand, NT\$(136,229) thousand and NT\$41,683 thousand, constituting 12.5%, (24.0)%, (54.1)% and 5.3% of the consolidated comprehensive income (loss) for the three and six months ended June 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\$870,741 thousand as of June 30, 2020, and its related share of loss of associates accounted for using equity method of NT\$21,594 thousand and NT\$43,197 thousand for the three and six months ended June 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 June 30, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three and six months ended June 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\$15,673,867 thousand and NT\$16,161,275 thousand, constituting 33.9% and 36.5% of the related consolidated total assets as of June 30, 2020 and 2019, respectively; as well as the operating revenue amounting to \$5,735,067 thousand, \$7,434,135 thousand, NT\$10,764,360 thousand and NT\$12,787,839 thousand, constituting 35.3%, 44.5%, 36.2% and 42.1% of the related consolidated operating revenue for the three and six months ended June 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)
August 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 June 30, 2020 and 2019

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31 and June 30, 2019
 (Expressed in Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 10,957,977	24	6,700,510	13	4,332,885	10
Current financial assets at fair value through profit or loss (note 6(b))	183,089	1	187,016	-	184,749	-
Notes and accounts receivable, net (notes 6(d) and (u))	11,966,608	26	19,197,355	36	14,325,418	32
Accounts receivable from related parties, net (notes 6(d), (u) and 7)	111,397	-	180,471	-	579,566	1
Other receivables (note 6(d))	1,622,216	3	1,049,016	2	1,620,022	4
Inventories (note 6(e))	7,241,361	16	10,493,246	20	8,168,938	19
Other current assets (note 8)	1,486,000	3	1,515,598	3	833,210	2
	<u>33,568,648</u>	<u>73</u>	<u>39,323,212</u>	<u>74</u>	<u>30,044,768</u>	<u>68</u>
Non-current assets:						
Non-current financial assets at fair value through other comprehensive income (note 6(c))	110,933	-	106,535	-	166,124	-
Investments accounted for using equity method (note 6(f))	870,741	2	904,753	2	-	-
Property, plant and equipment (notes 6(h) and 8)	6,389,165	14	7,363,740	14	6,687,941	15
Right-of-use assets (note 6(i))	1,650,095	3	1,843,153	3	2,056,567	5
Investment property (note 6(j))	34,057	-	34,289	-	34,520	-
Intangible assets (note 6(k))	2,440,121	5	2,501,156	5	4,343,753	10
Deferred tax assets	812,546	2	711,859	1	659,321	1
Other non-current assets (note 8)	<u>374,898</u>	<u>1</u>	<u>357,257</u>	<u>1</u>	<u>287,743</u>	<u>1</u>
	<u>12,682,556</u>	<u>27</u>	<u>13,822,742</u>	<u>26</u>	<u>14,235,969</u>	<u>32</u>
Total assets	<u>\$ 46,251,204</u>	<u>100</u>	<u>53,145,954</u>	<u>100</u>	<u>44,280,737</u>	<u>100</u>
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (notes 6(l) and 8)	\$ 7,677,784	17	1,092,126	2	3,641,636	8
Current financial liabilities at fair value through profit or loss (note 6(b))	146,330	-	207,211	-	186,078	-
Notes and accounts payable	12,557,168	27	23,744,889	45	14,592,175	33
Accounts payable to related parties (note 7)	-	-	-	-	40,549	-
Other payables (note 7)	4,431,820	9	4,825,106	9	4,519,842	10
Salaries payable	938,943	2	1,522,052	3	801,208	2
Current lease liabilities (note 6(n))	272,701	1	278,609	-	244,603	1
Other current liabilities (note 6(u))	947,312	2	312,761	1	389,374	1
Long-term borrowings, current portion (notes 6(m) and 8)	-	-	27,777	-	68,299	-
Current refund liabilities	<u>1,433,547</u>	<u>3</u>	<u>1,552,275</u>	<u>3</u>	<u>1,210,543</u>	<u>3</u>
	<u>28,405,605</u>	<u>61</u>	<u>33,562,806</u>	<u>63</u>	<u>25,694,307</u>	<u>58</u>
Non-Current liabilities:						
Long-term borrowings (notes 6(m) and 8)	222,450	1	150,529	-	204,515	1
Non-current lease liabilities (note 6(n))	1,048,405	2	1,195,744	2	1,353,993	3
Long-term deferred revenue (note 6(h))	2,307,878	5	2,960,815	6	1,390,084	3
Other non-current liabilities (note 6(f))	531,281	1	772,420	2	953,625	2
	<u>4,110,014</u>	<u>9</u>	<u>5,079,508</u>	<u>10</u>	<u>3,902,217</u>	<u>9</u>
	<u>32,515,619</u>	<u>70</u>	<u>38,642,314</u>	<u>73</u>	<u>29,596,524</u>	<u>67</u>
Total liabilities						
Equity attributable to owners of parent:						
Ordinary shares (note 6(r))	4,486,983	10	4,485,808	8	4,468,088	10
Capital surplus (note 6(r))	1,490,683	3	1,483,045	3	1,379,487	3
Legal reserve	1,578,473	3	1,370,470	3	1,370,470	3
Special reserve	1,058,941	2	662,348	1	662,348	1
Unappropriated retained earnings (notes 6(c) and (r))	4,597,634	10	5,500,198	10	4,166,051	10
Other equity interest (note 6(c))	(1,525,148)	(3)	(1,193,867)	(2)	(586,927)	(1)
Non-controlling interests (note 6(g))	2,048,019	5	2,195,638	4	3,224,696	7
	<u>13,735,585</u>	<u>30</u>	<u>14,503,640</u>	<u>27</u>	<u>14,684,213</u>	<u>33</u>
Total equity	<u>\$ 46,251,204</u>	<u>100</u>	<u>53,145,954</u>	<u>100</u>	<u>44,280,737</u>	<u>100</u>
Total liabilities and equity						

(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 six months ended June 30, 2020 and 2019

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

	For the three months ended				For the six months ended				
	June 30		June 30		June 30		June 30		
	2020	2019	2020	2019	2020	2019	2020	2019	
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(u) and 7)	\$ 16,251,419	100	16,704,276	100	29,775,520	100	30,345,403	100
5000	Operating costs (notes 6(e), (n), (p), (v), 7 and 12)	14,409,919	89	14,833,081	89	26,408,879	89	26,860,621	89
	Gross profit from operation	1,841,500	11	1,871,195	11	3,366,641	11	3,484,782	11
	Operating expenses (notes 6(n), (p), (s), (v) and 12):								
6100	Selling expenses	361,970	2	347,457	2	642,363	2	673,890	2
6200	Administrative expenses	467,222	3	432,309	3	917,294	3	858,424	3
6300	Research and development expenses	617,476	4	699,341	4	1,218,206	4	1,336,829	4
6450	Reversal of expected credit loss (note 6(d))	(3,090)	-	(3,914)	-	(14,494)	-	(1,293)	-
	Total operating expenses	1,443,578	9	1,475,193	9	2,763,369	9	2,867,850	9
	Net operating income	397,922	2	396,002	2	603,272	2	616,932	2
	Non-operating income and expenses:								
7010	Other income (note 6(w))	54,762	-	45,537	-	95,765	-	105,164	-
7020	Other gains and losses (note 6(x))	226,011	2	102,605	1	326,774	1	248,135	1
7060	Share of loss of associates accounted for using equity method (note 6(f))	(21,594)	-	-	-	(43,197)	-	-	-
7050	Finance costs (note 6(n))	(54,748)	-	(56,398)	-	(114,648)	-	(105,072)	-
	Total non-operating income and expenses	204,431	2	91,744	1	264,694	1	248,227	1
	Profit before tax	602,353	4	487,746	3	867,966	3	865,159	3
7950	Less: Income tax expenses (note 6(q))	131,983	1	110,121	1	190,341	1	194,661	1
	Profit	470,370	3	377,625	2	677,625	2	670,498	2
8300	Other comprehensive income (loss):								
8310	Items that may not be reclassified subsequently to profit or loss:								
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(6,191)	-	(8,927)	-	(8,280)	-	(11,379)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		(6,191)	-	(8,927)	-	(8,280)	-	(11,379)	-
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operation's financial statements	(246,336)	(2)	(124,850)	(1)	(417,636)	(1)	133,604	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
		(246,336)	(2)	(124,850)	(1)	(417,636)	(1)	133,604	1
8300	Other comprehensive income after tax	(252,527)	(2)	(133,777)	(1)	(425,916)	(1)	122,225	1
	Comprehensive income	\$ 217,843	1	243,848	1	251,709	1	792,723	3
	Profit attributable to:								
8610	Owners of parent	\$ 503,095	3	413,056	2	778,908	2	768,855	3
8620	Non-controlling interests (note 6(g))	(32,725)	-	(35,431)	-	(101,283)	-	(98,357)	(1)
		\$ 470,370	3	377,625	2	677,625	2	670,498	2
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 272,802	2	289,188	1	401,796	1	871,661	3
8720	Non-controlling interests (note 6(g))	(54,959)	(1)	(45,340)	-	(150,087)	-	(78,938)	-
		\$ 217,843	1	243,848	1	251,709	1	792,723	3
	Earnings per share (note 6(t))								
9710	Basic earnings per share (NT dollars)	\$ 1.13		0.93		1.75		1.73	
9810	Diluted earnings per share (NT dollars)	\$ 1.13		0.93		1.74		1.72	

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 six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings					Other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
Balance at January 1, 2019	\$ 4,474,523	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821	768,855	3,344,297	14,970,118
Profit	-	-	-	-	768,855	-	-	-	768,855	-	(98,357)	670,498
Other comprehensive income	-	-	-	-	-	114,185	(11,379)	-	102,806	-	19,419	122,225
Comprehensive income	-	-	-	-	768,855	114,185	(11,379)	-	871,661	-	(78,938)	792,723
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	-	3,788	-	-	-	-	-	-	3,788	1,489	-	5,277
Amortization expense of restricted employee stock	(6,435)	(1,378)	-	-	-	-	-	-	30,588	-	-	30,588
Retirement of restricted stock	-	-	-	-	-	-	-	-	7,813	-	-	7,813
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(42,152)	-	(42,152)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(22,976)	-	22,976	-	-	-	-	-
Balance at June 30, 2019	\$ 4,468,088	1,379,487	1,370,470	662,348	4,166,051	(445,997)	(90,569)	(50,561)	11,459,517	3,224,696	2,195,638	14,684,213
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	(101,283)	14,503,640
Profit	-	-	-	-	778,908	(368,832)	(8,280)	-	778,908	-	(48,804)	677,625
Other comprehensive income	-	-	-	-	-	368,832	(8,280)	-	(377,112)	-	(48,804)	(425,916)
Comprehensive income	-	-	-	-	778,908	(368,832)	(8,280)	-	401,796	-	(150,087)	251,709
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	-	5,853	-	-	-	-	-	-	5,853	2,468	-	8,321
Amortization expense of restricted employee stock	(625)	(5,991)	-	-	-	-	-	-	48,791	-	-	48,791
Retirement of restricted stock	1,800	7,776	-	-	-	-	-	-	6,616	-	-	8,416
Issuance of restricted stock	-	-	-	-	-	-	-	-	(9,576)	-	-	(9,576)
Balance at June 30, 2020	\$ 4,486,983	1,490,683	1,578,473	1,058,941	4,597,634	(1,399,697)	(36,356)	(89,095)	11,687,566	2,048,019	(1,076,876)	13,735,585

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 Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 867,966	865,159
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and Amortization expense	1,134,804	1,080,519
Loss related to inventories	192,283	12,570
Reversal of expected credit loss	(14,494)	(1,293)
Interest expense	111,580	103,293
Interest income	(88,908)	(103,156)
Compensation cost of share-based payment	57,112	35,865
Share of loss of associates accounted for using equity method	43,197	-
Loss on disposal of property, plant and equipment	6,329	467
Other reconcile loss	(2)	-
Total adjustments to reconcile profit	<u>1,441,901</u>	<u>1,128,265</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	3,927	(69,141)
Notes and accounts receivable	7,246,116	2,057,810
Accounts receivable from related parties	69,074	(39,746)
Other receivables	(573,200)	(579,456)
Inventories	3,059,602	(421,175)
Other current assets	29,598	(201,800)
Other operating assets	(37)	(14,361)
Changes in operating assets	<u>9,835,080</u>	<u>732,131</u>
Financial liabilities at fair value through profit or loss	(60,881)	166,098
Notes and accounts payable	(11,187,721)	(3,855,389)
Accounts payable to related parties	-	(53,557)
Salaries payable	(583,109)	(352,997)
Other payables	(777,536)	24,170
Refund liabilities	(118,728)	115,710
Other current liabilities	406,053	14,216
Other operating liabilities	(283,356)	479,933
Changes in operating liabilities	<u>(12,605,278)</u>	<u>(3,461,816)</u>
Total changes in operating assets and liabilities	<u>(2,770,198)</u>	<u>(2,729,685)</u>
Total adjustments	<u>(1,328,297)</u>	<u>(1,601,420)</u>
Cash outflow generated from operations	(460,331)	(736,261)
Interest received	88,908	103,156
Interest paid	(111,543)	(103,257)
Income taxes paid	(163,983)	(225,195)
Net cash flows used in operating activities	<u>(646,949)</u>	<u>(961,557)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(12,678)	(17,556)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	106,124
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	2,016
Acquisition of property, plant and equipment	(1,713,518)	(2,159,828)
Proceeds from disposal of property, plant and equipment	408,999	50,590
Decrease (increase) in refundable deposits	2,393	(13,361)
Acquisition of unamortized expense	(63,019)	(23,423)
Other investing activities	-	(513)
Net cash flows used in investing activities	<u>(1,377,823)</u>	<u>(2,055,951)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	6,585,658	2,439,071
Increase (decrease) in long-term borrowings	44,144	(33,749)
Decrease in guarantee deposits received	-	(5,512)
Payment of lease liabilities	(144,800)	(139,850)
Net cash flows from financing activities	<u>6,485,002</u>	<u>2,259,960</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(202,763)</u>	<u>99,975</u>
Net increase (decrease) in cash and cash equivalents	<u>4,257,467</u>	<u>(657,573)</u>
Cash and cash equivalents at beginning of period	<u>6,700,510</u>	<u>4,990,458</u>
Cash and cash equivalents at end of period	<u>\$ 10,957,977</u>	<u>4,332,885</u>

See accompanying notes to consolidated financial statements.

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

June 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 June 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 August 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 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
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

(Continued)

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

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

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

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2020	December 31, 2019	June 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 4)

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 4)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 4)
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	100.00 %	(note 4)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Holding company	100.00 %	100.00 %	- %	(note 1) (note 4)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	100.00 %	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 4)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	100.00 %	(note 4)
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	100.00 %	(note 4)
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	100.00 %	(note 4)
Primax Singapore	Primax Electronics (Thailand) Co., Ltd. (Primax Thailand)	Manufacture and sale of computer peripheral devices and software	99.99 %	99.99 %	- %	(note 1) (note 4)
Diamond	Tymphony Worldwide Enterprises Ltd. (TWEL)	Holding company	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
			June 30, 2020	December 31, 2019	June 30, 2019	
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 4)
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology (Thailand) Co., Ltd (TYTH)	Manufacture and sales of audio accessories, amplifiers and their components	99.99 %	99.99 %	- %	(note 2)
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description	
			June 30, 2020	December 31, 2019	June 30, 2019		
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	100.00 %		
Primax AE	ALT International Co., Ltd (Cayman) (AIC)	Holding company	-	%	-	%	37.00 % (note 3) (note 5)
AIC	De Amertek Technology Inc. (US) (DAT)	Sale of automobile and electronic control modules and other electronic components	-	%	-	%	100.00 % (note 3) (note 5)
AIC	Advanced Micro Electronics Co., LTD. (AME)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	-	%	-	%	100.00 % (note 3) (note 5)
AIC	Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	-	%	-	%	99.67 % (note 3) (note 5)
AIC and ALT (Shanghai)	Advanced Leading Technology Co. (ALT)	Manufacture and sale of automobile and electronic control modules, sensors and other electronic components	-	%	-	%	100.00 % (note 3) (note 5)
ALT (Shanghai)	ALT Investments Limited (BVI) (ALTI)	Holding Company	-	%	-	%	100.00 % (note 3) (note 5)

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

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

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

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

Note 5: The company was a non-significant subsidiary as of June 30, 2019, and its financial statements for the six months ended June 30, 2019 have not been reviewed.

(c) **Income taxes**

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

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

(Continued)

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.

(d) Employee benefits

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

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

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

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

(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 7,700	5,260	8,425
Demand accounts and checking deposits	4,184,336	5,531,016	2,624,696
Time deposits	<u>6,765,941</u>	<u>1,164,234</u>	<u>1,699,764</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 10,957,977</u>	<u>6,700,510</u>	<u>4,332,885</u>

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

(Continued)

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

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

(i) Details of financial instruments were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 37,295	82,870	106,680
Foreign exchange swap contracts	<u>145,794</u>	<u>104,146</u>	<u>78,069</u>
	<u>\$ 183,089</u>	<u>187,016</u>	<u>184,749</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Financial liabilities held-for-trading:			
Derivative instrument not used for hedging			
Forward exchange contracts	\$ (138,628)	(193,946)	(140,461)
Foreign exchange swap contracts	<u>(7,702)</u>	<u>(13,265)</u>	<u>(45,617)</u>
	<u>\$ (146,330)</u>	<u>(207,211)</u>	<u>(186,078)</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:

June 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 738,000	July 1, 2020~ December 30, 2020	28.817~30.172
Forward exchange contracts — buy TWD / sell USD	USD 20,000	July 1, 2020~ July 2, 2020	29.990~29.991
Forward exchange contracts — buy CNY/ sell USD	USD 122,500	July 7, 2020~ October 19, 2020	6.9000~7.1688
Foreign exchange swap contracts — swap in TWD / swap out USD	USD 596,000	July 3, 2020~ December 30, 2020	29.370~30.184
Forward exchange swap contracts — swap in CNY/ swap out USD	USD 16,000	July 3, 2020	7.0860

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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 ou 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

June 30, 2019

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 194,000	July 2, 2019~ December 30, 2019	30.275~31.425
Forward exchange contracts — buy TWD / sell USD	USD 428,000	July 2, 2019~ December 24, 2019	30.516~31.556
Forward exchange contracts — buy CNY / sell USD	USD 115,200	July 8, 2019~ October 8, 2019	6.7207~6.9439
Forward exchange swap contracts — swap in USD / swap out TWD	USD 355,000	July 3, 2019~ December 24, 2019	30.350~31.462

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

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

(c) Financial assets at FVOCI

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Equity investments at FVOCI			
Stocks listed in domestic markets–Global TEK	\$ -	-	111,894
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.	2,801	2,102	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	59,617	55,094	48,472
Equities unlisted in foreign markets–Grove Ventures II, L.P.	14,237	7,226	-
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	<u>32,966</u>	<u>40,988</u>	<u>2,531</u>
Total	<u>\$ 110,933</u>	<u>106,535</u>	<u>166,124</u>

- (i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale.
- (ii) As a result of enhancing its working capital, the Group sold 2,582 thousand of its shares in Global TEK, with the fair values of \$106,124, resulting in the losses of \$22,976 for the six months ended June 30, 2019. Losses had been recognized as other equity interests, and later on, reclassified to retained earnings.
- (iii) Grove Venture, L.P executed capital increases, wherein the Group had participated and invested the amounts of \$5,454 and \$17,556 in the six months ended June 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.

(Continued)

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 10,687	5,250	41,634
Accounts receivable	12,016,277	19,267,830	14,324,271
Accounts receivable – related parties	111,397	180,471	579,566
Less: allowance for doubtful accounts	<u>(60,356)</u>	<u>(75,725)</u>	<u>(40,487)</u>
Total	<u>\$ 12,078,005</u>	<u>19,377,826</u>	<u>14,904,984</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:

	June 30, 2020		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 11,332,865	0%~0.12%	12,907
0 to 30 days past due	743,755	0%~3%	22,102
31 to 60 days past due	26,855	0%~5%	1,186
61 to 90 days past due	8,832	0%~10%	521
91 to 180 days past due	122	0%~25%	29
181 to 360 days past due	750	0%~80%	428
More than 361 days past due	<u>25,182</u>	0%~100%	<u>23,183</u>
	<u>\$ 12,138,361</u>		<u>60,356</u>

(Continued)

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
June 30, 2019			
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 13,647,192	0%	-
0 to 30 days past due	1,009,216	0%~3%	13,556
31 to 60 days past due	58,606	0%~5%	1,712
61 to 90 days past due	21,029	0%~10%	10
91 to 180 days past due	84,343	0%~25%	481
181 to 360 days past due	86,152	0%~80%	1,525
More than 361 days past due	38,933	0%~100%	23,203
	\$ 14,945,471		40,487

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

	For the six months ended June 30	
	2020	2019
Balance on January 1, 2020 and 2019	\$ 75,725	45,467
Impairment losses reversed	(14,494)	(1,293)
Amounts written off	-	(4,220)
Effect of exchange rate changes	(875)	533
Balance on June 30, 2020 and 2019	\$ 60,356	40,487

(Continued)

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

- (iv) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Group shall pay handling charges based on a fixed rate. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of June 30, 2020, December 31 and June 30, 2019, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

June 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	\$ 100,288	-	90,260	10,028	1.05%	US\$ 3,750
HSBC Bank	1,713,082	773,426	851,132	861,950	0.969%~0.997%	US\$ 50,940
Bank of Taiwan	-	-	-	-	-	NT\$ 58,000
EnTie Bank	173,911	-	-	173,911	-	-
	<u>\$ 1,987,281</u>	<u>773,426</u>	<u>941,392</u>	<u>1,045,889</u>		
December 31, 2019						
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
HSBC Bank	1,002,004	-	901,804	100,200	2.19%~2.20%	US\$ 13,500
EnTie Bank	193,366	-	-	193,366	-	-
	<u>\$ 1,195,370</u>	<u>-</u>	<u>901,804</u>	<u>293,566</u>		
June 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	279,640	-	-	279,640	-	-
	<u>\$ 279,640</u>	<u>-</u>	<u>-</u>	<u>279,640</u>		

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

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

(e) Inventories

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Raw materials	\$ 2,275,399	2,356,395	2,637,163
Semi-finished goods and work in process	1,585,632	2,312,106	2,172,693
Finished goods and merchandise	<u>3,380,330</u>	<u>5,824,745</u>	<u>3,359,082</u>
	<u>\$ 7,241,361</u>	<u>10,493,246</u>	<u>8,168,938</u>

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

	<u>For the three months ended</u> <u>June 30</u>		<u>For the six months ended</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Gains (losses) on inventory valuation	\$ (68,079)	26,291	(162,890)	19,402
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(21,375)	(2,964)	(32,140)	(6,858)
Losses on disposal of inventories	-	(28,931)	-	(28,931)
Gains on physical inventories	<u>2,187</u>	<u>3,528</u>	<u>2,747</u>	<u>3,817</u>
	<u>\$ (87,267)</u>	<u>(2,076)</u>	<u>(192,283)</u>	<u>(12,570)</u>

(f) Investments accounted for using equity method

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

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Carrying amount of individually insignificant associates' equity	\$ 870,741	904,753	(239)
Credit balance of long-term investment reclassified as other non-current liabilities	<u>-</u>	<u>-</u>	<u>239</u>
Total	<u>\$ 870,741</u>	<u>904,753</u>	<u>-</u>

	<u>For the three months ended</u> <u>June 30</u>		<u>For the six months ended</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Attributable to the Group:				
Loss	\$ (21,594)	-	(43,197)	-
Other comprehensive income (loss)	<u>(9,845)</u>	<u>-</u>	<u>9,185</u>	<u>-</u>
Comprehensive loss	<u>\$ (31,439)</u>	<u>-</u>	<u>(34,012)</u>	<u>-</u>

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

- (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.
- (ii) As of June 30, 2019, the Group's investment accounting for using equity method was the 35% shares of Yu-Ke Technology (Shanghai) Co., Ltd. (Yu-Ke Technology), resulting from its business combination with AIC and its subsidiaries. Yu Ke Technology had ceased its business operation, and is expected to be liquidated in the future.
- (iii) The Group did not provide any investment accounted for using equity method as collateral.
- (iv) 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) 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		
		June 30, 2020	December 31, 2019	June 30, 2019
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	28.57 %	28.57 %
AIC and its subsidiaries	China and U.S.A./Cayman Is.	- %	- %	63 %

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 11,769,888	20,221,838	12,527,035
Non-current assets	6,384,692	7,069,414	5,926,116
Current liabilities	(9,132,008)	(18,685,167)	(10,395,261)
Non-current liabilities	(1,853,622)	(920,404)	(977,490)
Net assets	<u>\$ 7,168,950</u>	<u>7,685,681</u>	<u>7,080,400</u>
Non-controlling interests	<u>\$ 2,048,019</u>	<u>2,195,638</u>	<u>2,022,722</u>

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

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Operating revenue	\$ <u>5,735,067</u>	<u>7,435,628</u>	<u>10,764,360</u>	<u>12,792,985</u>
Profit (loss)	\$ (114,552)	73,247	(354,535)	16,699
Other comprehensive income (loss)	(77,621)	(31,411)	(170,209)	46,269
Comprehensive income (loss)	\$ <u>(192,173)</u>	<u>41,836</u>	<u>(524,744)</u>	<u>62,968</u>
Profit (loss) attributable to non-controlling interests	\$ <u>(32,725)</u>	<u>20,926</u>	<u>(101,283)</u>	<u>4,771</u>
Comprehensive income (loss) attributable to non-controlling interests	\$ <u>(54,959)</u>	<u>11,933</u>	<u>(150,087)</u>	<u>17,995</u>

	For the six months ended June 30	
	2020	2019
Cash flows used in operating activities	\$ (550,658)	(831,448)
Cash flows used in investing activities	(486,632)	(1,039,593)
Cash flows from financing activities	2,387,421	1,556,113
Effect of exchange rate changes	(111,105)	(1,462)
Net increase (decrease) in cash and cash equivalents	\$ <u>1,239,026</u>	<u>(316,390)</u>
Dividends paid to non-controlling interests	\$ <u>-</u>	<u>42,152</u>

(ii) AIC and its subsidiaries' collective financial information:

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ -	-	1,197,092
Non-current assets	-	-	2,400,129
Current liabilities	-	-	(556,797)
Non-current liabilities	-	-	(558,204)
Net assets	\$ <u>-</u>	<u>-</u>	<u>2,482,220</u>
Non-controlling interests	\$ <u>-</u>	<u>-</u>	<u>1,201,974</u>

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

	For the three months ended June 30		For the six months ended June 30	
	2020	2020	2020	2019
Operating revenue	\$ -	167,426	-	365,342
Loss	-	(89,283)	-	(163,471)
Other comprehensive income (loss)	-	(2,540)	-	8,725
Comprehensive loss	\$ -	(91,823)	-	(154,746)
Loss attributable to non-controlling interests	\$ -	(56,357)	-	(103,128)
Comprehensive loss attributable to non-controlling interests	\$ -	(57,273)	-	(96,933)

	For the six months ended June 30	
	2020	2019
Cash flows used in operating activities	\$ -	(38,782)
Cash flows used in investing activities	-	(115,434)
Cash flows from financing activities	-	75,839
Effect of exchange rate changes	-	17,687
Net decrease in cash and cash equivalents	\$ -	(60,690)
Dividends paid to non-controlling interests	\$ -	-

(h) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the six months ended June 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	11,091	121,191	44,192	708,558	885,313
Disposals	-	(3,987)	(944,598)	(702,110)	(3,477)	(1,654,172)
Reclassifications	187,451	12,090	248,521	51,341	(535,668)	(36,265)
Effect of changes in exchange rate	(117)	(110,074)	(207,435)	(47,365)	(38,439)	(403,430)
Balance on June 30, 2020	\$ <u>322,316</u>	<u>3,923,649</u>	<u>6,725,767</u>	<u>1,435,914</u>	<u>1,242,030</u>	<u>13,649,676</u>
Balance on January 1, 2019	\$ 229,801	4,338,669	6,925,443	770,043	566,140	12,830,096
Additions	-	33,094	453,241	504,760	957,984	1,949,079
Disposals	-	(40,797)	(320,191)	(6,585)	(1,019)	(368,592)
Reclassifications	-	41,653	561,502	9,668	(628,083)	(15,260)
Effect of changes in exchange rate	-	36,238	59,388	2,862	1,928	100,416
Balance on June 30, 2019	\$ <u>229,801</u>	<u>4,408,857</u>	<u>7,679,383</u>	<u>1,280,748</u>	<u>896,950</u>	<u>14,495,739</u>

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

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Depreciation and impairments loss:						
Balance on January 1, 2020	\$ -	2,035,962	4,894,405	564,123	-	7,494,490
Depreciation	-	124,083	585,426	144,603	-	854,112
Disposals	-	(1,921)	(809,813)	(54,661)	-	(866,395)
Effect of changes in exchange rate	-	(58,368)	(142,457)	(20,871)	-	(221,696)
Balance on June 30, 2020	<u>\$ -</u>	<u>2,099,756</u>	<u>4,527,561</u>	<u>633,194</u>	<u>-</u>	<u>7,260,511</u>
Balance on January 1, 2019	\$ -	1,977,887	4,859,380	483,293	-	7,320,560
Depreciation	-	130,960	550,794	59,933	-	741,687
Disposals	-	(40,130)	(271,067)	(6,338)	-	(317,535)
Effect of changes in exchange rate	-	16,236	44,253	2,597	-	63,086
Balance on June 30, 2019	<u>\$ -</u>	<u>2,084,953</u>	<u>5,183,360</u>	<u>539,485</u>	<u>-</u>	<u>7,807,798</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 June 30, 2020	<u>\$ 322,316</u>	<u>1,823,893</u>	<u>2,198,206</u>	<u>802,720</u>	<u>1,242,030</u>	<u>6,389,165</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 June 30, 2019	<u>\$ 229,801</u>	<u>2,323,904</u>	<u>2,496,023</u>	<u>741,263</u>	<u>896,950</u>	<u>6,687,941</u>

- (i) The unamortized deferred revenue of equipment subsidy amounted to \$2,226,213, \$2,876,379 and \$1,298,664 as of June 30, 2020, December 31 and June 30, 2019, respectively.
- (ii) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.

(i) Right-of-use assets

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

	Land	Buildings	Vehicles	Other equipment	Total
Cost:					
Balance on January 1, 2020	\$ 402,455	1,718,180	17,685	3,431	2,141,751
Additions	-	20,249	9,366	2,922	32,537
Disposals	-	-	(906)	-	(906)
Effect of changes in exchange rates	(11,922)	(47,223)	(319)	(91)	(59,555)
Balance on June 30, 2020	<u>\$ 390,533</u>	<u>1,691,206</u>	<u>25,826</u>	<u>6,262</u>	<u>2,113,827</u>
Balance on January 1, 2019	\$ 435,567	1,729,293	9,269	-	2,174,129
Additions	-	9,050	6,324	10,114	25,488
Effect of changes in exchange rates	4,076	12,905	50	-	17,031
Balance on June 30, 2019	<u>\$ 439,643</u>	<u>1,751,248</u>	<u>15,643</u>	<u>10,114</u>	<u>2,216,648</u>

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Depreciation:					
Balance on January 1, 2020	\$ 10,627	277,503	8,753	1,715	298,598
Depreciation	7,524	159,240	6,359	1,314	174,437
Disposals	-	-	(189)	-	(189)
Effect of changes in exchange rates	(439)	(8,580)	(66)	(29)	(9,114)
Balance on June 30, 2020	<u>\$ 17,712</u>	<u>428,163</u>	<u>14,857</u>	<u>3,000</u>	<u>463,732</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation	5,860	147,174	3,669	3,925	160,628
Effect of changes in exchange rates	(66)	(461)	(18)	(2)	(547)
Balance on June 30, 2019	<u>\$ 5,794</u>	<u>146,713</u>	<u>3,651</u>	<u>3,923</u>	<u>160,081</u>
Carrying amounts:					
Balance on June 30, 2020	<u>\$ 372,821</u>	<u>1,263,043</u>	<u>10,969</u>	<u>3,262</u>	<u>1,650,095</u>
Balance on June 30, 2019	<u>\$ 433,849</u>	<u>1,604,535</u>	<u>11,992</u>	<u>6,191</u>	<u>2,056,567</u>

(j) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2020	<u>\$ 16,249</u>	<u>18,040</u>	<u>34,289</u>
Balance on June 30, 2020	<u>\$ 16,249</u>	<u>17,808</u>	<u>34,057</u>
Balance on January 1, 2019	<u>\$ 16,249</u>	<u>18,502</u>	<u>34,751</u>
Balance on June 30, 2019	<u>\$ 16,249</u>	<u>18,271</u>	<u>34,520</u>

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

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

(k) Intangible assets

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
Carrying amounts:					
Balance on January 1, 2020	\$ <u>2,035,095</u>	<u>289,260</u>	<u>168,733</u>	<u>8,068</u>	<u>2,501,156</u>
Balance on June 30, 2020	\$ <u>2,033,236</u>	<u>253,319</u>	<u>147,769</u>	<u>5,797</u>	<u>2,440,121</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 June 30, 2019	\$ <u>2,614,955</u>	<u>664,977</u>	<u>1,050,462</u>	<u>13,359</u>	<u>4,343,753</u>

(i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2020 and 2019. Please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2019 for other further information.

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

(l) Short-term borrowings

The details were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unsecured bank loans	\$ 7,677,784	1,092,126	3,507,735
Secured bank loans	-	-	133,901
Short-term borrowings	<u>\$ 7,677,784</u>	<u>1,092,126</u>	<u>3,641,636</u>
Unused credit lines	<u>\$ 15,964,464</u>	<u>19,664,255</u>	<u>17,410,195</u>
Annual interest rates	<u>0.59%~2.33%</u>	<u>0.60%~4.02%</u>	<u>0.60%~4.21%</u>

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

(m) Long-term borrowings

June 30, 2020				
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	USD	1.6%	2023	<u>\$ 222,450</u>
Unused credit lines				<u>\$ 667,354</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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December 31, 2019

	<u>Currency</u>	<u>Annual interest</u>		<u>Amount</u>
		<u>rate</u>	<u>Maturity year</u>	
Unsecured bank loans	TWD	1.35%	2020	\$ 27,777
Secured bank loans	USD	3.05%	2021	150,529
Less: current portion				<u>(27,777)</u>
				<u>\$ 150,529</u>
Unused credit lines				<u>\$ 451,587</u>

June 30, 2019

	<u>Currency</u>	<u>Annual interest</u>		<u>Amount</u>
		<u>rate</u>	<u>Maturity year</u>	
Unsecured bank loans	TWD	1.35%	2020	\$ 55,556
Secured bank loans	TWD	1.67%~2.07%	2022~2035	217,258
Less: current portion				<u>(68,299)</u>
				<u>\$ 204,515</u>
Unused credit lines				<u>\$ -</u>

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

(n) Lease liabilities

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Current	<u>\$ 272,701</u>	<u>278,609</u>	<u>244,603</u>
Non-current	<u>\$ 1,048,405</u>	<u>1,195,744</u>	<u>1,353,993</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended</u> <u>June 30</u>		<u>For the six months ended</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 14,872</u>	<u>19,624</u>	<u>30,864</u>	<u>35,668</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 25,433</u>	<u>12,013</u>	<u>49,781</u>	<u>32,872</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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The amounts recognized in the statement of cash flows for the Group were as follows:

	For the six months ended	
	June 30	
	2020	2019
Rental paid in operating activities	\$ (49,781)	(32,872)
Interest on lease liabilities paid in operating activities	(30,864)	(35,668)
Payment made on lease liabilities in financing activities	(144,800)	(139,850)
Total cash outflow for leases	\$ (225,445)	(208,390)

(i) Real estate leases

As of June 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 the other equipments with lease terms of one to five years.

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

(o) Operating lease

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Less than one year	\$ 848	1,553	989
One to five years	480	-	209
Total undiscounted lease payments	\$ 1,328	1,553	1,198

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

(p) Employee benefits

(i) Defined benefit plans

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

(ii) Defined contribution plans

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

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

	<u>For the three months ended</u> <u>June 30</u>		<u>For the six months ended</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Defined benefit plans	\$ 273	339	546	677
Defined contribution plans	59,296	107,726	142,328	202,142
Total	<u>\$ 59,569</u>	<u>108,065</u>	<u>142,874</u>	<u>202,819</u>

(q) Income taxes

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

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

	<u>For the three months ended</u> <u>June 30</u>		<u>For the six months ended</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Income tax expense	<u>\$ 131,983</u>	<u>110,121</u>	<u>190,341</u>	<u>194,661</u>

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

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

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

(r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 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 June 30, 2020, December 31 and June 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 448,698, 448,581 and 446,809 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 six months ended June 30	
	2020	2019
Balance on January 1	448,581	447,452
Issuance of restricted stock	180	-
Retirement of restricted stock	(63)	(643)
Balance on June 30	448,698	446,809

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	\$ 704,956	662,230	646,822
Employee stock options	259,401	259,401	259,401
Restricted employee stock options	152,658	193,599	111,651
Long-term investment	373,668	367,815	361,613
	\$ 1,490,683	1,483,045	1,379,487

(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.

(s) Share-based payment

There was no significant change for share-based payment for the six months ended June 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.

Expenses attributable to share-based payment were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Employee stock options	\$ 4,120	-	8,321	5,277
Restricted stock	24,207	14,321	48,791	30,588
Total	<u>\$ 28,327</u>	<u>14,321</u>	<u>57,112</u>	<u>35,865</u>

(t) Earnings per share

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

(i) Basic earnings per share

	For the three months ended		For the six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Profit attributable to owners of parent	\$ <u>503,095</u>	<u>413,056</u>	<u>778,908</u>	<u>768,855</u>
Weighted-average number of ordinary shares (thousand shares)	<u>445,728</u>	<u>444,416</u>	<u>445,568</u>	<u>444,281</u>
Basic earnings per share (NT dollars)	<u>\$ 1.13</u>	<u>0.93</u>	<u>1.75</u>	<u>1.73</u>

(Continued)

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

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Profit attributable to owners of parent	\$ <u>503,095</u>	<u>413,056</u>	<u>778,908</u>	<u>768,855</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>447,031</u>	<u>446,173</u>	<u>447,937</u>	<u>446,825</u>
Diluted earnings per share (NT dollars)	\$ <u>1.13</u>	<u>0.93</u>	<u>1.74</u>	<u>1.72</u>

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

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Weighted-average number of ordinary shares on June 30 (basic)	445,728	444,416	445,568	444,281
Estimated effect of employee stock bonuses	625	272	1,515	1,059
Effect of restricted stock	678	1,485	854	1,485
Weighted-average number of ordinary shares on June 30 (diluted)	<u>447,031</u>	<u>446,173</u>	<u>447,937</u>	<u>446,825</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 6,700,113	9,059,706	15,759,819
Service rendered	33,061	458,539	491,600
	<u>\$ 6,733,174</u>	<u>9,518,245</u>	<u>16,251,419</u>

	For the three months ended June 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 5,469,029	10,355,245	15,824,274
Service rendered	41,334	838,668	880,002
	<u>\$ 5,510,363</u>	<u>11,193,913</u>	<u>16,704,276</u>

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

	For the six months ended June 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
	Goods sold	\$ 12,070,886	16,732,134
Service rendered	<u>75,249</u>	<u>897,251</u>	<u>972,500</u>
	<u>\$ 12,146,135</u>	<u>17,629,385</u>	<u>29,775,520</u>
	For the six months ended June 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
	Goods sold	\$ 10,732,808	18,094,532
Service rendered	<u>122,516</u>	<u>1,395,547</u>	<u>1,518,063</u>
	<u>\$ 10,855,324</u>	<u>19,490,079</u>	<u>30,345,403</u>

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
	Mainland China	\$ 7,915,085	6,628,166	14,078,625
Europe	3,245,896	4,006,646	6,705,589	7,854,627
America	4,300,533	5,046,717	7,525,202	7,910,953
Other	<u>789,905</u>	<u>1,022,747</u>	<u>1,466,104</u>	<u>2,091,439</u>
	<u>\$ 16,251,419</u>	<u>16,704,276</u>	<u>29,775,520</u>	<u>30,345,403</u>

(ii) Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivable (including related parties)	\$ 12,138,361	19,453,551	14,945,471
Less: allowance for impairment	<u>(60,356)</u>	<u>(75,725)</u>	<u>(40,487)</u>
	<u>\$ 12,078,005</u>	<u>19,377,826</u>	<u>14,904,984</u>
Contract liabilities (classified as other current liabilities)	<u>\$ 138,617</u>	<u>133,028</u>	<u>129,896</u>

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

The amount of revenue recognized for the six months ended June 30, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$116,284 and \$66,497, respectively.

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

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

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

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

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

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Employee remuneration	\$ 18,099	14,735	29,920	28,035
Directors' remuneration	9,049	7,352	14,960	14,017
	<u>\$ 27,148</u>	<u>22,087</u>	<u>44,880</u>	<u>42,052</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.

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

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

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.

(w) Other income

The details of other income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest income from bank deposits	\$ 51,571	44,183	88,908	103,156
Rent income	2,010	671	5,362	979
Other	1,181	683	1,495	1,029
	<u>\$ 54,762</u>	<u>45,537</u>	<u>95,765</u>	<u>105,164</u>

(x) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Net gains (losses) on financial assets/liabilities measured at FVTPL	\$ 42,934	(25,170)	39,304	7,259
Foreign currency exchange gains, net	107,709	99,905	200,916	151,951
Net losses on disposal of property, plant and equipment	(6,566)	(2,292)	(6,329)	(467)
Other	81,934	30,162	92,883	89,392
	<u>\$ 226,011</u>	<u>102,605</u>	<u>326,774</u>	<u>248,135</u>

(y) Financial instruments

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

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

(i) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
June 30, 2020						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 7,677,784	7,686,763	7,686,763	-	-	-
Notes and accounts payable	12,557,168	12,557,168	12,557,168	-	-	-
Other payables	3,304,348	3,304,348	3,304,348	-	-	-
Lease liabilities	1,321,106	1,651,399	316,412	288,524	449,803	596,660
Refund liabilities	1,433,547	1,433,547	1,433,547	-	-	-
Long-term borrowings	222,450	233,118	3,609	3,599	225,910	-
Guarantee deposits	11,556	11,556	-	-	-	11,556
Derivative financial liabilities:	146,330	-	-	-	-	-
Outflow	-	3,317,645	3,317,645	-	-	-
Inflow	-	(3,171,315)	(3,171,315)	-	-	-
	<u>\$ 26,674,289</u>	<u>27,024,229</u>	<u>25,448,177</u>	<u>292,123</u>	<u>675,713</u>	<u>608,216</u>
December 31, 2019						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 1,092,126	1,097,788	1,097,788	-	-	-
Notes and accounts payable	23,744,889	23,744,889	23,744,889	-	-	-
Other payables	3,631,273	3,631,273	3,631,273	-	-	-
Lease liabilities	1,474,353	1,846,922	326,913	288,479	616,391	615,139
Refund liabilities	1,552,275	1,552,275	1,552,275	-	-	-
Long-term borrowings	178,306	187,378	32,429	154,949	-	-
Guarantee deposits	240,054	240,054	-	-	-	240,054
Derivative financial liabilities:	207,211	-	-	-	-	-
Outflow	-	807,886	807,886	-	-	-
Inflow	-	(598,600)	(598,600)	-	-	-
	<u>\$ 32,120,487</u>	<u>32,509,865</u>	<u>30,594,853</u>	<u>443,428</u>	<u>616,391</u>	<u>855,193</u>

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
June 30, 2019						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 3,641,636	3,649,903	3,649,903	-	-	-
Notes and accounts payable	14,592,175	14,592,175	14,592,175	-	-	-
Accounts payable to related parties	40,549	40,549	40,549	-	-	-
Other payables	3,563,624	3,563,624	3,563,624	-	-	-
Lease liabilities	1,598,596	2,056,908	309,483	275,983	664,284	807,158
Refund liabilities	1,210,543	1,210,543	1,210,543	-	-	-
Long-term borrowings	272,814	299,276	72,450	17,098	79,001	130,727
Guarantee deposits	182,541	182,541	-	-	-	182,541
Derivative financial liabilities:	186,078	186,078	186,078	-	-	-
Outflow	-	10,187,463	10,187,463	-	-	-
Inflow	-	(10,030,334)	(10,030,334)	-	-	-
	<u>\$ 25,288,556</u>	<u>25,938,726</u>	<u>23,781,934</u>	<u>293,081</u>	<u>743,285</u>	<u>1,120,426</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:

	June 30, 2020			December 31, 2019			June 30, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD:CNY	\$ 528,520	7.0795	15,675,917	850,418	6.9762	25,602,688	487,823	6.8747	15,157,624
USD:HKD	329,273	7.7504	9,766,233	533,753	7.7878	16,069,164	253,089	7.8152	7,863,995
USD:TWD	305,181	29.6600	9,051,657	347,369	30.1060	10,457,877	322,888	31.0720	10,032,770
EUR:CZK	5,227	26.8111	174,336	15,073	25.4167	508,382	11,194	25.4553	395,506
USD:CZK	4,626	23.8400	137,207	11,589	22.6820	348,898	-	-	-
Financial liabilities									
Monetary items									
USD:CNY	\$ 412,891	7.0795	12,246,349	630,146	6.9762	18,971,177	364,255	6.8747	11,318,130
USD:HKD	274,679	7.7504	8,146,966	491,571	7.7878	14,799,238	273,739	7.8152	8,505,630
USD:TWD	375,986	29.6600	11,151,746	455,443	30.1060	13,711,557	350,268	31.0720	10,883,520
EUR:CZK	3,410	26.8111	113,734	14,511	25.4167	489,427	14,469	25.4553	511,219

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY, HKD and CZK against the USD as well as CZK against the EUR as of June 30, 2020 and 2019, would have increased or decreased the net profit before tax by \$157,328 and \$111,570, 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 six months ended June 30, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$107,709, \$99,905, \$200,916 and \$151,951, 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 \$3,930 and \$623 for the six months ended June 30, 2020 and 2019, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

(iv) Other price risk:

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

	For the six months ended June 30	
	2020	2019
Price of securities at the reporting date	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	\$ -	11,189
Decreasing 10%	\$ -	(11,189)

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

(v) Fair value

1) Kinds of financial instruments and fair value

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

	June 30, 2020				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>183,089</u>	-	-	183,089	183,089
Financial assets at FVOCI – non-current	\$ <u>110,933</u>	-	-	110,933	110,933
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 10,957,977				
Notes and accounts receivable (including related parties)	12,078,005				
Other receivables	1,622,216				
Refundable deposits	<u>112,530</u>				
Total	\$ <u>24,770,728</u>				
Financial liabilities at FVTPL – current	\$ <u>146,330</u>	-	-	146,330	146,330
Financial liabilities measured at amortized cost:					
Borrowings	\$ 7,900,234				
Notes and accounts payable	12,557,168				
Other payables	4,431,820				
Salaries payable	938,943				
Lease liabilities	1,321,106				
Refund liabilities	1,433,547				
Guarantee deposits	<u>11,556</u>				
Total	\$ <u>28,594,374</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	\$ 187,016	-	-	187,016	187,016
Financial assets at FVOCI – non-current	\$ 106,535	-	-	106,535	106,535
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 6,700,510				
Notes and accounts receivable (including related parties)	19,377,826				
Other receivables	1,049,016				
Refundable deposits	114,923				
Total	\$ 27,242,275				
Financial liabilities at FVTPL – current	\$ 207,211	-	-	207,211	207,211
Financial liabilities measured at amortized cost:					
Borrowings	\$ 1,270,432				
Notes and accounts payable	23,744,889				
Other payables	4,825,106				
Salaries payable	1,522,052				
Lease liabilities	1,474,353				
Refund liabilities	1,552,275				
Guarantee deposits	240,054				
Total	\$ 34,629,161				
		June 30, 2019			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ 184,749	-	-	184,749	184,749
Financial assets at FVOCI – non-current	\$ 166,124	111,894	-	54,230	166,124
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 4,332,885				
Notes and accounts receivable (including related parties)	14,904,984				
Other receivables	1,620,002				
Refundable deposits	75,293				
Total	\$ 20,933,164				

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

	June 30, 2019				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at FVTPL – current	\$ 186,078	-	-	186,078	186,078
Financial liabilities measured at amortized cost :					
Borrowings	\$ 3,914,450				
Notes and accounts payable (including related parties)	14,632,724				
Other payables	4,519,842				
Salaries payable	801,208				
Lease liabilities	1,598,596				
Refund liabilities	1,210,543				
Guarantee deposits	182,541				
Total	\$ 26,859,904				

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

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

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

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

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

3) In the six months ended June 30, 2020 and 2019, there were no transfers between Levels.

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

4) Reconciliation of Level 3 fair values

	For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
Balance on January 1	\$ (20,195)	106,535	86,340	95,628	35,351	130,979
Recognized in profit or loss	39,304	-	39,304	7,259	-	7,259
Recognized in other comprehensive income	-	(8,280)	(8,280)	-	3,339	3,339
Acquisition /disposal	17,650	12,678	30,328	(104,216)	15,540	(88,676)
Balance on June 30	\$ 36,759	110,933	147,692	(1,329)	54,230	52,901

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

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

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

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

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

(z) Financial risk management

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(aa) Capital management

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

(ab) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes	June 30, 2020
Short-term borrowings	\$ 1,092,126	6,585,658	-	7,677,784
Long-term borrowings	178,306	44,144	-	222,450
Lease liabilities	<u>1,474,353</u>	<u>(144,800)</u>	<u>(8,447)</u>	<u>1,321,106</u>
Total liabilities from financing activities	<u>\$ 2,744,785</u>	<u>6,485,002</u>	<u>(8,447)</u>	<u>9,221,340</u>
	January 1, 2019	Cash flows	Non-cash changes	June 30, 2019
Short-term borrowings	\$ 1,202,565	2,439,071	-	3,641,636
Long-term borrowings	306,563	(33,749)	-	272,814
Lease liabilities	<u>1,684,460</u>	<u>(139,850)</u>	<u>53,986</u>	<u>1,598,596</u>
Total liabilities from financing activities	<u>\$ 3,193,588</u>	<u>2,265,472</u>	<u>53,986</u>	<u>5,513,046</u>

(ac) Supplementary information of cash flow

- (i) The Group obtained property, plant and equipment amounting to \$1,713,518 and \$2,159,828, of which \$828,205 and \$210,749 were transferred from payables on equipment for the six months ended June 30, 2020 and 2019, respectively.
- (ii) For the six months ended June 30, 2020, the Group disposed parts of its property, plant and equipment amounting to \$372,449, wherein the unamortized deferred revenue of equipment subsidy was written off.

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

(7) Related-party transactions:

(a) Names and relationship of the related parties

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

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

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

(b) Significant transactions with related parties

(i) Sales

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

	<u>Sales</u>				<u>Notes and accounts receivable</u>		
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>		<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	2020	2019	2020	2019			
Other related parties	\$ 114,483	175,452	\$ 148,988	374,901	111,397	180,471	579,566

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 June 30</u>		<u>For the six months ended June 30</u>		<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	2020	2019	2020	2019			
Other related parties	\$ -	16,136	\$ -	45,454	-	-	40,549

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

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

(iii) Receivables and payables on behalf of related parties

The other payables arising from rent and utilities paid by other related parties in advanced amounted to \$59,656 for the six months ended June 30, 2019.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended</u> <u>June 30</u>		<u>For the six months ended</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 18,534	37,933	81,279	92,445
Post-employment benefits	252	1,394	495	2,690
Share-based payments	<u>12,081</u>	<u>5,550</u>	<u>25,634</u>	<u>13,243</u>
	<u>\$ 30,867</u>	<u>44,877</u>	<u>107,408</u>	<u>108,378</u>

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Other current assets – restricted assets	Guarantee letters issued by bank	<u>\$ 1,047</u>	<u>1,079</u>	<u>30,086</u>
Other current assets – restricted assets	Accounts receivable factoring	<u>\$ 12,771</u>	<u>-</u>	<u>-</u>
Other non-current assets – restricted assets	Guarantee letters issued by bank	<u>\$ 57,760</u>	<u>57,757</u>	<u>58,319</u>
Property, plant and equipment	Loan collateral	<u>\$ -</u>	<u>908,305</u>	<u>269,380</u>

(9) Commitments and contingencies:

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

<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
<u>\$ -</u>	<u>301,060</u>	<u>972,554</u>

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

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

- (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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Guarantee letters	\$ <u>134,516</u>	<u>175,716</u>	<u>315,751</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Sales of accounts receivable	\$ <u>1,680,105</u>	<u>519,329</u>	<u>665,992</u>
Long-term borrowings	\$ <u>444,900</u>	<u>400,000</u>	<u>433,995</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Property, plant and equipment	\$ <u>734,144</u>	<u>1,157,819</u>	<u>467,964</u>

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function			For the three months ended June 30, 2020			For the three months ended June 30, 2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total			
Employee benefits									
Salaries	1,059,902	876,591	1,936,493	1,218,644	807,231	2,025,875			
Labor and health insurance	16,078	44,026	60,104	32,676	46,991	79,667			
Pension	30,366	29,203	59,569	72,988	35,077	108,065			
Others	48,082	36,580	84,662	35,438	47,114	82,552			
Depreciation	434,430	56,819	491,249	456,633	23,076	479,709			
Amortization	4,925	48,570	53,495	3,779	85,906	89,685			

(Continued)

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

By function	For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
By item						
Employee benefits						
Salaries	1,812,961	1,630,895	3,443,856	2,025,794	1,566,455	3,592,249
Labor and health insurance	44,223	101,573	145,796	61,546	99,138	160,684
Pension	81,629	61,245	142,874	131,699	71,120	202,819
Others	100,319	86,439	186,758	79,709	89,560	169,269
Depreciation	930,766	97,783	1,028,549	818,209	84,337	902,546
Amortization	8,963	97,060	106,023	4,635	173,338	177,973

(13) Other disclosures:

(a) Information on significant transactions:

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

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,506,270	303,300	296,600	8,975	-	2.54 %	9,350,053	Y	N	Y
1	Tymphony Huizhou	TYM UK	The subsidiary of TYM Acoustic HK	1,486,326	6,907	6,384	6,384	-	0.13 %	3,963,537	N	N	N

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

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

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

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

- (iii) Securities held as of June 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.	-	"	184	2,801	1.50	2,801	
	Formosoft	-	"	11	-	0.41	-	
	International Inc.	-	"	7	49	0.02	49	
	Syntronix Corp.	-	"	917	-	2.04	-	
	Ricavision International Inc.	-	"	-	59,617	2.73	59,617	
	Grove Ventures L.P.	-	"	-	14,237	3.25	14,237	
	Grove Ventures II, L.P.	-	"					
					<u>77,967</u>			
Primax Tech.	Shares:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	361	32,966	1.32	32,966	
					<u>32,966</u>			

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

Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
PCH2	Money market fund of RMB	Available-for-sale financial assets	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)	-	-

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

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

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

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PCH2	The subsidiary of Primax HK	Purchase	9,976,155	70 %	60 days	Price agreed by both side	The same as general purchasing	(2,166,056)	(38)%	note 1
"	PKS1	"	Purchase	980,861	7 %	"	"	"	(1,174,723)	(21)%	"
"	PCQ1	"	Purchase	3,401,264	23 %	"	"	"	(2,145,720)	(38)%	"
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(1,601,903)	(10) %	90 days	"	The same as general selling	244,484	3%	"
PCH2	The Company	The parent of Primax Cayman	(Sale)	(9,976,155)	(83) %	60 days	"	"	2,166,056	62%	"
PKS1	The Company	"	(Sale)	(980,861)	(100) %	"	"	"	1,174,723	100%	"
PCQ1	The Company	"	(Sale)	(3,401,264)	(81) %	"	"	"	2,145,720	79%	"
Polaris	The Company	The parent of Primax Tech.	Purchase	1,601,903	100 %	90 days	"	The same as general purchasing	(244,484)	(100)%	"
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,605,596)	(55) %	60 days	"	The same as general selling	1,447,955	82%	"
TYM Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	188,412	3 %	"	"	The same as general purchasing	(97,393)	(4)%	"
"	"	"	(Sale)	(5,403,345)	(98) %	"	"	The same as general selling	1,118,189	96%	"
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(818,210)	(97) %	"	"	"	233,815	100%	"
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	634,163	83 %	90 days	"	The same as general purchasing	(223,626)	(80)%	"
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(634,163)	(87) %	"	"	The same as general selling	223,626	78%	"
TYM HK	Tymphony Huizhou	The subsidiary of TYM Acoustic HK	Purchase	1,605,596	18 %	60 days	"	The same as general purchasing	(1,447,955)	(49)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	5,403,345	61 %	"	"	"	(1,118,189)	(38)%	"
"	"	"	(Sale)	(188,412)	(2) %	"	"	The same as general selling	97,393	4%	"
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	818,210	9 %	"	"	The same as general purchasing	(233,815)	(8)%	"
"	TYA Acoustic	The subsidiary of TYA Acoustic HK	Purchase	132,702	2 %	"	"	"	(116,726)	(4)%	"
"	TYML	Subsidiary	(Sale)	(1,428,725)	(16) %	90 days	"	The same as general selling	435,488	16%	"
"	Specialty	Other related party	(Sale)	(148,988)	(2) %	"	"	"	111,397	4%	"
TYM Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(132,702)	(27) %	60 days	"	"	116,726	100%	note 1
TYML	TYM HK	Parent	Purchase	1,428,725	100 %	"	"	The same as general purchasing	(435,488)	(100)%	"

Note 1: 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

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	244,484 (note 4)	11.13	-	-	217,868	-
"	PCH2	The subsidiary of Primax HK.	162,220 (note 2) (note 4)	3.32	-	-	88,803	-
"	"	"	99,136 (note 4)	(note 3)	-	-	7,121	-
PCH2	The Company	The parent of Primax Cayman	2,166,056 (note 4)	4.39	-	-	646,794	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	152,357 (note 4)	(note 3)	-	-	28,798	-
PKS	The Company	The parent of Primax Cayman	1,174,723 (note 4)	1.64	-	-	146,060	-
PCQ	"	"	2,145,720 (note 4)	2.68	-	-	786,560	-
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	1,447,955 (note 4)	1.19	-	-	244,236	-
Tymphony Dongguan	"	"	1,118,189 (note 4)	2.57	-	-	1,118,189	-
"	"	"	1,025,546 (note 4)	(note 3)	-	-	366,204	-
TYDC	"	"	233,815 (note 4)	1.61	-	-	233,815	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	223,626 (note 4)	3.01	-	-	83,753	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	3,481,536 (note 4)	(note 3)	-	-	520,534	-
"	TYM Acoustic HK	Parent	429,597 (note 4)	(note 3)	-	-	429,597	-
"	TYML	Subsidiary	435,488 (note 4)	2.14	-	-	315,681	-
"	Specialty	Other related party	111,397	2.00	-	-	12,541	-
TYM Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	116,726 (note 4)	1.77	-	-	57,492	-

Note 1: Amounts collected as of July 24, 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 June 30, 2020 was \$313,682, which was written off with related cost of goods sold, and not regarded as sales for the Company.

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

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

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

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

(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	9,976,155	Price agreed by both sides	33.50 %
"	"	"	"	Accounts Payable	2,166,056	60 days	4.68 %
"	"	"	"	Accounts Receivable	162,220	"	0.35 %
"	"	"	"	Other Receivable	99,136	"	0.21 %
"	"	PKS1	"	Purchase	980,861	Price agreed by both sides	3.29 %
"	"	"	"	Accounts Payable	1,174,723	60 days	2.54 %
"	"	PCQ1	"	Purchase	3,401,264	Price agreed by both sides	11.42 %
"	"	"	"	Accounts payable	2,145,720	60 days	4.64 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	1,601,903	Price agreed by both sides	5.38 %
"	"	"	"	Accounts receivable	244,484	90 days	0.53 %
1	PCH2	Tymphany Dongguan	The subsidiary of Tymphany Huizhou	Other Receivable	152,357	60 days	0.33 %
2	Tymphany Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	1,605,596	Price agreed by both sides	5.39 %
"	"	"	"	Accounts Receivable	1,447,955	60 days	3.13 %
3	Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	188,412	Price agreed by both sides	0.63 %
"	"	"	"	Sale	5,403,345	Price agreed by both sides	18.15 %
"	"	"	"	Accounts Receivable	1,118,189	60 days	2.42 %
"	"	"	"	Other Receivable	1,025,546	"	2.22 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	818,210	Price agreed by both sides	2.75 %
"	"	"	"	Accounts Receivable	233,815	60 days	0.51 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	634,163	Price agreed by both sides	2.13 %
"	"	"	"	Accounts Payable	223,626	90 days	0.48 %

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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	
6	TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Other Receivable	3,481,536	60 days	7.53 %
"	"	TYM Acoustic HK	Parent	Other Receivable	429,597	"	0.93 %
"	"	TYM Acoustic HK	The subsidiary of TYM Acoustic HK	Purchase	132,702	Price agreed by both sides	0.45 %
"	"	"	"	Accounts Payable	116,726	60 days	0.25 %
"	"	TYML	Subsidiary	Sale	1,428,725	Price agreed by both sides	4.80 %
"	"	"	"	Accounts Receivable	435,488	90 days	0.94 %

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

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

(b) Information on investees:

The following is the information on investees for the six months ended June 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 June 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 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	6,014,933	247,131	276,822	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,379,083	68,496	87,046	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	8,013	14,414	14,414	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	17,914	199	199	
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,054,300	(258,772)	(257,912)	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	12,272	579	579	
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	931,058	(43,469)	(43,469)	
"	Primax Singapore	Singapore	Holding company	619,150	318,150	20,100	100.00	510,727	(58,201)	(60,853)	
	Total			<u>9,425,798</u>	<u>9,124,798</u>			<u>14,928,300</u>	<u>(29,623)</u>	<u>16,826</u>	
Primax Singapore	Primax Thailand	Thailand	Manufacture and sale of computer peripherals devices and software	444,774	302,126	300	99.99	361,923	(58,146)	(58,146)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,131,044	247,365	247,365	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	396,203	3,929	3,929	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,159,136	(221,505)	(258,410)	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	870,741	(90,675)	(43,197)	

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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 June 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	689,954	689,954	185,536	100.00	1,725,077	(314,958)	(314,958)	
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	658,714	(464,553)	(464,553)	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	15,366	991	991	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	20,451	1,086	1,086	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	666,578	(53,275)	(53,275)	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	81,494	10,902	10,902	
"	TYTH	Thailand	Manufacture and sales of audio accessories, amplifiers and their components	369,270	60,012	3,750	99.99	324,453	(37,085)	(37,085)	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	10,243	581	581	

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.

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

(c) Information on investment in Mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of June 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	1,868,306	Indirect investment through Primax Cayman and Primax Tech.	1,652,504	-	-	1,630,255	198,168	100%	198,168	5,762,448	-
Destiny Beijing	Research and development of computer peripheral devices and software	37,010	Indirect investment through Destiny BVI.	31,611	-	-	31,143	14,414	100%	14,414	8,009	-
PKS1	Manufacture of computer, peripherals and keyboards	818,069	Indirect investment through Primax Cayman	662,332	-	-	652,520	37,784	100%	37,784	829,932	-
PCQ1	Manufacture of computer, peripherals and keyboards	525,050	"	602,120	-	-	593,200	76,681	100%	76,681	1,387,927	-
Tymphany Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,709,650	Indirect investment through Diamond	3,883,674	-	-	3,826,140	(302,795)	71.43%	(216,293)	3,539,047	-
Tymphany Dongguan	"	148,300	"	15,053	-	-	14,830	52,844	71.43%	167,610	508,634	-
TYDC	"	83,792	"	-	-	-	-	(22,823)	71.43%	(14,923)	132,624	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.8269 ; USD:TWD 29.660; CNY:TWD 4.1896.

Note 2: The differences between the accumulated out flow of investments and paid in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.

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

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,186,324	8,411,646	None (note)

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

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

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the six months ended June 30, 2020, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ALPINE ASIA INVESTMENTS LIMITED		25,751,062	5.73 %

(14) Segment information:

For the three and six months ended June 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 June 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 6,733,174	9,518,245	16,251,419
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 6,733,174</u>	<u>9,518,245</u>	<u>16,251,419</u>
Profit before tax from segments reported	<u>\$ 552,263</u>	<u>50,090</u>	<u>602,353</u>
	For the three months ended June 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 5,510,363	11,193,913	16,704,276
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,510,363</u>	<u>11,193,913</u>	<u>16,704,276</u>
Profit before tax from segments reported	<u>\$ 363,870</u>	<u>123,876</u>	<u>487,746</u>

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

	For the six months ended June 30, 2020		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 12,146,135	17,629,385	29,775,520
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 12,146,135</u>	<u>17,629,385</u>	<u>29,775,520</u>
Profit before tax from segments reported	<u>\$ 831,003</u>	<u>36,963</u>	<u>867,966</u>
	For the six months ended June 30, 2019		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 10,855,324	19,490,079	30,345,403
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 10,855,324</u>	<u>19,490,079</u>	<u>30,345,403</u>
Profit before tax from segments reported	<u>\$ 642,782</u>	<u>222,377</u>	<u>865,159</u>