

**PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
for the Nine Months Ended
September 30, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

Introduction

We have reviewed the accompanying consolidated balance sheets of PRIMAX ELECTRONICS LTD. (“the Company”) and its subsidiaries (“the Group”) as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, 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 the Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. 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 Standards on Auditing of the Republic of China 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\$11,029,029 thousand and NT\$12,031,706 thousand, both constituting 22.6% of the consolidated total assets; and the total liabilities amounting to NT\$6,689,245 thousand and NT\$7,156,698 thousand, constituting 22.6% and 20.1% of the consolidated total liabilities as of September 30, 2023 and 2022, respectively; as well as the total comprehensive income amounting to NT\$231,078 thousand, NT\$179,148 thousand, NT\$286,869 thousand and NT\$428,471 thousand, constituting 15.5%, 15.5%, 11.4% and 14.8% of the consolidated comprehensive income for the three and nine months ended September 30, 2023 and 2022, respectively.

Furthermore, as stated in note 6(h), the investments accounted for using equity method of the Group in its investee companies both of NT\$0 thousand as of September 30, 2023 and 2022, and its related share of loss of associates accounted for using equity method of NT\$0 thousand, NT\$14,406 thousand, NT\$0 thousand and NT\$42,489 thousand for the three and nine months ended September 30, 2023 and 2022, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three and nine months ended September 30, 2023 and 2022 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\$16,190,596 thousand and NT\$17,238,146 thousand, constituting 33.2% and 32.3% of the related consolidated total assets as of September 30, 2023 and 2022, respectively; as well as the operating revenue amounting to NT\$5,884,251 thousand, NT\$9,345,676 thousand, NT\$18,231,193 thousand and NT\$23,242,751 thousand, constituting 37.4%, 41.8%, 39.2% and 38.4% of the related consolidated operating revenue for the three and nine months ended September 30, 2023 and 2022, respectively.

The engagement partners on the reviews resulting in this independent auditors’ review report are SHYH-GANG HORNG and HUNG-WEN FU.

KPMG

Taipei, Taiwan (Republic of China)
November 8, 2023

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)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
For the three and nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the three months ended				For the nine months ended				
	September 30		September 30		September 30		September 30		
	2023	2022	2023	2022	2023	2022	2023	2022	
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(w) and 7)	\$ 15,723,220	100	22,339,368	100	46,465,647	100	60,517,070	100
5000	Operating costs (notes 6(g), (p), (r), (x) and 12)	<u>13,156,461</u>	<u>84</u>	<u>19,162,386</u>	<u>86</u>	<u>39,145,423</u>	<u>84</u>	<u>52,341,059</u>	<u>87</u>
	Gross profit from operation	<u>2,566,759</u>	<u>16</u>	<u>3,176,982</u>	<u>14</u>	<u>7,320,224</u>	<u>16</u>	<u>8,176,011</u>	<u>13</u>
	Operating expenses (notes 6(e), (p), (r), (u), (x) and 12):								
6100	Selling expenses	441,849	3	494,998	2	1,277,148	3	1,341,771	2
6200	Administrative expenses	483,381	3	650,445	3	1,577,802	3	1,726,733	3
6300	Research and development expenses	795,728	5	948,118	4	2,293,200	5	2,480,008	4
6450	Expected credit loss (reversal)	<u>10,625</u>	<u>-</u>	<u>37,266</u>	<u>-</u>	<u>(35,718)</u>	<u>-</u>	<u>47,964</u>	<u>-</u>
	Total operating expenses	<u>1,731,583</u>	<u>11</u>	<u>2,130,827</u>	<u>9</u>	<u>5,112,432</u>	<u>11</u>	<u>5,596,476</u>	<u>9</u>
	Net operating income	<u>835,176</u>	<u>5</u>	<u>1,046,155</u>	<u>5</u>	<u>2,207,792</u>	<u>5</u>	<u>2,579,535</u>	<u>4</u>
	Non-operating income and expenses:								
7100	Interest income	101,749	1	22,982	-	234,589	-	66,726	-
7010	Other income (note 6(y))	4,786	-	17,060	-	16,686	-	40,469	-
7020	Other gains and losses (notes 6(h), (z) and 12)	97,117	-	212,767	-	324,644	1	417,377	1
7060	Shares of loss of associates accounted for using equity method (note 6(h))	-	-	(14,406)	-	-	-	(42,489)	-
7050	Finance costs (note 6(p))	<u>(45,757)</u>	<u>-</u>	<u>(94,814)</u>	<u>-</u>	<u>(122,205)</u>	<u>-</u>	<u>(225,720)</u>	<u>-</u>
	Total non-operating income and expenses	<u>157,895</u>	<u>1</u>	<u>143,589</u>	<u>-</u>	<u>453,714</u>	<u>1</u>	<u>256,363</u>	<u>1</u>
	Profit before tax	<u>993,071</u>	<u>6</u>	<u>1,189,744</u>	<u>5</u>	<u>2,661,506</u>	<u>6</u>	<u>2,835,898</u>	<u>5</u>
7950	Less: Income tax expenses (note 6(s))	<u>193,584</u>	<u>1</u>	<u>250,093</u>	<u>1</u>	<u>519,489</u>	<u>1</u>	<u>595,797</u>	<u>1</u>
	Profit	<u>799,487</u>	<u>5</u>	<u>939,651</u>	<u>4</u>	<u>2,142,017</u>	<u>5</u>	<u>2,240,101</u>	<u>4</u>
8300	Other comprehensive income (loss):								
8310	Items that may not be reclassified subsequently to profit or loss:								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	7,159	-	1,444	-	(15,493)	-	30,784	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>7,159</u>	<u>-</u>	<u>1,444</u>	<u>-</u>	<u>(15,493)</u>	<u>-</u>	<u>30,784</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operation's financial statements	679,798	4	215,146	1	394,007	-	625,801	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>679,798</u>	<u>4</u>	<u>215,146</u>	<u>1</u>	<u>394,007</u>	<u>-</u>	<u>625,801</u>	<u>1</u>
8300	Other comprehensive income after tax	<u>686,957</u>	<u>4</u>	<u>216,590</u>	<u>1</u>	<u>378,514</u>	<u>-</u>	<u>656,585</u>	<u>1</u>
	Comprehensive income	<u>\$ 1,486,444</u>	<u>9</u>	<u>1,156,241</u>	<u>5</u>	<u>2,520,531</u>	<u>5</u>	<u>2,896,686</u>	<u>5</u>
	Profit attributable to:								
8610	Owners of parent	\$ 736,596	5	877,612	4	1,990,712	5	2,140,946	4
8620	Non-controlling interests (note 6(i))	<u>62,891</u>	<u>-</u>	<u>62,039</u>	<u>-</u>	<u>151,305</u>	<u>-</u>	<u>99,155</u>	<u>-</u>
	Comprehensive income attributable to:	<u>\$ 799,487</u>	<u>5</u>	<u>939,651</u>	<u>4</u>	<u>2,142,017</u>	<u>5</u>	<u>2,240,101</u>	<u>4</u>
8710	Owners of parent	\$ 1,375,880	8	1,072,307	5	2,332,565	5	2,730,626	5
8720	Non-controlling interests (note 6(i))	<u>110,564</u>	<u>1</u>	<u>83,934</u>	<u>-</u>	<u>187,966</u>	<u>-</u>	<u>166,060</u>	<u>-</u>
	Earnings per share (note 6(v))	<u>\$ 1,486,444</u>	<u>9</u>	<u>1,156,241</u>	<u>5</u>	<u>2,520,531</u>	<u>5</u>	<u>2,896,686</u>	<u>5</u>
9710	Basic earnings per share (NT dollars)	<u>\$ 1.63</u>		<u>1.95</u>		<u>4.41</u>		<u>4.77</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 1.61</u>		<u>1.93</u>		<u>4.35</u>		<u>4.72</u>	

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity interest					
	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings						
Balance at January 1, 2022	\$ 4,552,633	1,758,780	1,769,946	1,046,360	6,492,401	(1,265,160)	48,029	(227,477)	14,175,512	2,267,000	16,442,512
Profit	-	-	-	-	2,140,946	-	-	-	2,140,946	99,155	2,240,101
Other comprehensive income	-	-	-	-	-	558,896	30,784	-	589,680	66,905	656,585
Comprehensive income	-	-	-	-	2,140,946	558,896	30,784	-	2,730,626	166,060	2,896,686
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	229,271	-	(229,271)	-	-	-	-	-	-
Special reserve	-	-	-	170,770	(170,770)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,411,230)	-	-	-	(1,411,230)	-	(1,411,230)
Changes in shares of investment accounted for using equity method	-	187,481	-	-	-	-	-	-	187,481	(520,289)	(332,808)
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	125,783	125,783	-	125,783
Cancellation of restricted stock	(4,790)	(19,235)	-	-	-	-	-	24,025	-	-	-
Issuance of restricted stock	35,550	209,073	-	-	-	-	-	(244,623)	-	-	-
Effect of the liquidation of equity instruments at fair value through other comprehensive income	-	-	-	-	(343)	-	343	-	-	-	-
Balance at September 30, 2022	\$ 4,583,393	2,136,099	1,999,217	1,217,130	6,821,733	(706,264)	79,156	(322,292)	15,808,172	1,912,771	17,720,943
Balance at January 1, 2023	\$ 4,582,893	2,129,908	1,999,217	1,217,130	7,433,108	(812,523)	57,605	(260,244)	16,347,094	1,946,491	18,293,585
Profit	-	-	-	-	1,990,712	-	-	-	1,990,712	151,305	2,142,017
Other comprehensive income	-	-	-	-	-	357,346	(15,493)	-	341,853	36,661	378,514
Comprehensive income	-	-	-	-	1,990,712	357,346	(15,493)	-	2,332,565	187,966	2,520,531
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	275,197	-	(275,197)	-	-	-	-	-	-
Special reserve	-	-	-	(462,212)	462,212	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,791,794)	-	-	-	(1,791,794)	-	(1,791,794)
Changes in shares of investment accounted for using equity method	-	(9,704)	-	-	-	-	-	-	(9,704)	9,704	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	183,559	183,559	-	183,559
Cancellation of restricted stock	(995)	(9,969)	-	-	-	-	-	10,964	-	-	-
Issuance of restricted stock	48,850	254,874	-	-	-	-	-	(303,724)	-	-	-
Balance at September 30, 2023	\$ 4,630,748	2,365,109	2,274,414	754,918	7,819,041	(455,177)	42,112	(369,445)	17,061,720	2,144,161	19,205,881

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**Consolidated Statement of Cash Flows****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,661,506	2,835,898
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,275,676	1,235,525
Amortization expense	154,328	173,493
Expected credit loss (reversal)	(35,718)	47,964
Interest expense	122,205	220,926
Net losses on financial assets and liabilities at fair value through profit or loss	182,216	549,391
Interest income	(234,589)	(66,726)
Compensation cost of share-based payment	183,559	141,263
Dividend income	(689)	-
Impairment losses of associates accounted for using equity method	-	157,740
Shares of loss of associates accounted for using equity method	-	42,489
Gain on disposal of property, plant and equipment	(21,394)	(1,968)
Loss (gain) on disposal of right-of-use assets	(5,746)	6,409
Loss on disposal of intangible assets	2,490	-
Total adjustments to reconcile profit	<u>1,622,338</u>	<u>2,506,506</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	397,130	156,238
Notes and accounts receivable	571,362	(3,975,246)
Accounts receivable from related parties	(63,643)	29,623
Other receivables	(167,017)	287,601
Inventories	1,817,340	2,862,830
Other current assets	171,477	270,745
Other operating assets	22,125	(32)
Changes in operating assets	<u>2,748,774</u>	<u>(368,241)</u>
Financial liabilities at fair value through profit or loss	(1,016,661)	(603,054)
Notes and accounts payable	(1,369,407)	(1,515,883)
Salaries payable	(297,916)	113,086
Other payables	(446,661)	957,001
Refund liabilities	350,684	243,791
Other current liabilities	412,625	611,491
Other operating liabilities	40,881	64,667
Changes in operating liabilities	<u>(2,326,455)</u>	<u>(128,901)</u>
Total changes in operating assets and liabilities	<u>422,319</u>	<u>(497,142)</u>
Total adjustments	<u>2,044,657</u>	<u>2,009,364</u>
Cash inflow generated from operations	4,706,163	4,845,262
Interest received	234,589	66,726
Interest paid	(122,145)	(220,868)
Income taxes paid	(346,569)	(1,032,760)
Net cash flows from operating activities	<u>4,472,038</u>	<u>3,658,360</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(27,419)	(97,423)
Proceeds from the liquidation of financial assets at fair value through other comprehensive income	-	60
Increase in financial assets measured at amortized cost	(61,552)	(119,194)
Acquisition of financial assets designated at fair value through profit or loss	(9,790)	(2,662)
Acquisition of property, plant and equipment	(1,021,554)	(1,443,954)
Proceeds from disposal of property, plant and equipment	53,865	20,135
Increase in refundable deposits	(620)	(50,148)
Acquisition of unamortized expense	(11,947)	(28,178)
Proceeds from disposal of unamortized expense	-	3
Dividends received	689	2,989
Net cash flows used in investing activities	<u>(1,078,328)</u>	<u>(1,718,372)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,377,071	1,478,766
Increase (decrease) in long-term borrowings	243,979	(47,839)
Increase in guarantee deposits received	23,246	3,855
Payment of lease liabilities	(174,988)	(181,965)
Cash dividends	(1,791,794)	(1,411,230)
Repurchase shares of employee stocks ownership plan	-	(348,287)
Net cash flows used in financing activities	<u>(322,486)</u>	<u>(506,700)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>296,753</u>	<u>440,496</u>
Net increase in cash and cash equivalents	3,367,977	1,873,784
Cash and cash equivalents at beginning of period	6,284,887	4,839,241
Cash and cash equivalents at end of period	<u>\$ 9,652,864</u>	<u>6,713,025</u>

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2023 and 2022

(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.

The consolidated financial statements of the Company as at and for the nine months ended September 30, 2023, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and related parts, as well as other electronic components. Please refer to note 14 for further information.

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

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

The consolidated financial statements were authorized for issuance by the board of directors on November 8, 2023.

(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. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS21 “Lack of Exchangeability”

(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, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
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 1)
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	100.00 %	(note 1)
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development of and customer service for computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	100.00 %	(note 1)
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development of and customer service for computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	100.00 %	(note 1)
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	100.00 %	(note 1)
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Sale of computer peripherals and mobile device components	100.00 %	100.00 %	100.00 %	(note 1)
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)	Manufacturing and sale of computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Production of computer peripheral products	100.00 %	100.00 %	100.00 %	(note 1)
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Production of computer peripheral products	100.00 %	100.00 %	100.00 %	(note 1)
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale and purchase of computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	100.00 %	(note 1)
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	R&D of computer peripherals and business devices	100.00 %	100.00 %	100.00 %	(note 1)
Primax Singapore	Primax Electronics (Thailand) Co., Ltd. (Primax Thailand)	Manufacturing and sale of computer peripherals, mobile device components, and business devices	99.99 %	99.99 %	99.99 %	(note 1)
Diamond	Tymphany 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
			September 30, 2023	December 31, 2022	September 30, 2022	
TWEL	Tymphany Acoustic Technology (Huizhou) Co., Ltd (Tymphany Huizhou)	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components	77.01 %	77.01 %	77.01 %	
TWEL	Tymphany Acoustic Technology (Singapore) Pte. Ltd. (TYM Singapore)	R&D, design, and sale of various speaker accessories, speakers, and their components, as well as holding business	100.00 %	- %	- %	(note 2)
Tymphany Huizhou	Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	R&D, design, and sale of various speaker accessories, speakers, and their components, as well as holding business	100.00 %	100.00 %	100.00 %	
Tymphany Huizhou	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	Manufacturing, R&D, design and sale of various speaker accessories, speakers, and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	R&D and design of various speaker accessories as well as speakers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacturing, installation, and maintenance of various speaker accessories and their components	100.00 %	100.00 %	100.00 %	(note 1)
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development of and customer service for speakers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Holding company; sale of, market development of and customer service for various speaker accessories, speakers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	R&D and design of various speaker accessories as well as speakers and their components	100.00 %	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology (Thailand) Co., Ltd (TYTH)	Manufacturing and sale of various speaker accessories, speakers, and their components	99.99 %	99.99 %	99.99 %	(note 1)
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of various speaker accessories, speakers, and their components	100.00 %	100.00 %	100.00 %	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Manufacturing, R&D, design, and sale of various speaker accessories, speakers, and their components	100.00 %	100.00 %	100.00 %	

Note 1: The Company is a non-significant subsidiary, and its financial statement have not been reviewed.

Note 2: As of September 30, 2023, there is no capital injection from the Company.

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

(c) 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.

(d) Income taxes

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

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

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.

(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, 2022. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements is as follow:

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

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

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

(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, 2022. Please refer to note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand	\$ 2,865	4,889	4,769
Demand accounts and checking deposits	5,991,850	5,098,742	5,057,935
Time deposits	<u>3,658,149</u>	<u>1,181,256</u>	<u>1,650,321</u>
	<u><u>\$ 9,652,864</u></u>	<u><u>6,284,887</u></u>	<u><u>6,713,025</u></u>

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

(i) Details of financial instruments were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 829,102	291,210	1,243,742
Foreign exchange swap contracts	-	105,774	-
Non-derivative financial assets			
Equities unlisted in foreign markets — Storm Venture Fund VII, L.P.	4,324	2,662	2,662
Equities unlisted in foreign markets — Thin Line Capital Fund II, L.P.	<u>7,357</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 840,783</u></u>	<u><u>399,646</u></u>	<u><u>1,246,404</u></u>
Current	\$ 829,102	396,984	1,243,742
Non-current	<u>11,681</u>	<u>2,662</u>	<u>2,662</u>
	<u><u>\$ 840,783</u></u>	<u><u>399,646</u></u>	<u><u>1,246,404</u></u>

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Financial liabilities held-for-trading:			
Derivative instrument not used for hedging			
Forward exchange contracts	\$ (164,508)	(622,886)	(419,838)
Foreign exchange swap contracts	(846,185)	(393,775)	(1,373,295)
	<u>\$ (1,010,693)</u>	<u>(1,016,661)</u>	<u>(1,793,133)</u>

- (ii) The Group invested the amounts of \$2,065 and \$597 in an unlisted company, Storm Venture Fund VII, L.P. in July and September 2022, respectively. Moreover, Storm Venture Fund VII, L.P increased its capital, wherein the Group participated and invested the amount of \$2,140 for the nine months ended September 30, 2023.
- (iii) The Group invested the amount of \$7,650 in an unlisted company, Thin Line Capital Fund II, L.P. in June 2023.
- (iv) 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, as of September 30, 2023, December 31 and September 30, 2022:

September 30, 2023				
<u>Derivative financial instruments</u>	<u>Nominal amount (in thousands)</u>		<u>Maturity date</u>	<u>Predetermined rate</u>
Forward exchange contracts – buy HKD / sell USD	USD	8,000	October 30, 2023	7.8125
Forward exchange contracts – buy CZK/ sell EUR	EUR	1,500	October 30, 2023	24.4500
Forward exchange contracts – buy CZK/ sell USD	USD	9,000	October 13, 2023~ October 30, 2023	22.3200~22.9300
Forward exchange contracts – buy USD / sell TWD	USD	673,000	October 16, 2023~ April 25, 2024	29.4680~32.0080
Forward exchange contracts – buy TWD / sell USD	USD	37,500	October 5, 2023~ October 30, 2023	31.8160~32.1360
Foward exchange contracts – buy CNY/ sell USD	USD	268,500	October 12, 2023~ November 3, 2023	7.1701~7.3482
Forward exchange contracts – buy USD/ sell THB	USD	17,000	October 25, 2023~ October 30, 2023	35.9400~36.1700
Forward exchange contracts – buy HKD/ sell EUR	EUR	4,500	October 30, 2023	8.3310
Foreign exchange swap contracts – swap in TWD/ swap out USD	USD	507,000	October 16, 2023~ March 15, 2024	29.6710~31.8100

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

December 31, 2022

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts— buy USD/ sell TWD	USD 680,000	January 10, 2023~ July 26, 2023	28.7880~32.1450
Forward exchange contracts— buy CNY/ sell USD	USD 199,000	January 4, 2023~ July 3, 2023	6.7117~7.2580
Forward exchange contracts— buy USD/ sell THB	USD 32,000	January 9, 2023~ February 24, 2023	34.390~35.000
Forward exchange contracts— buy HKD/ sell EUR	EUR 7,500	February 13, 2023	8.320
Foreign exchange swap contracts — swap in TWD/ swap out USD	USD 585,000	January 10, 2023~ July 26, 2023	29.0950~31.9350

September 30, 2022

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 735,000	October 11, 2022~ April 14, 2023	27.666~31.649
Forward exchange contracts — buy TWD / sell USD	USD 59,000	October 14, 2022~ November 15, 2022	30.856~31.720
Forward exchange contracts — buy CNY/ sell USD	USD 260,000	October 11, 2022~ February 7, 2023	6.6853~7.1975
Forward exchange contracts — buy USD/ sell CNY	USD 124,000	October 11, 2022~ December 20, 2022	6.7269~7.0026
Forward exchange contracts — buy USD/ sell THB	USD 38,500	October 18, 2022~ October 27, 2022	37.440~37.840
Forward exchange contracts — buy HKD/ sell EUR	EUR 7,000	October 14, 2022~ October 27, 2022	7.5962~7.8982
Forward exchange contracts — buy USD/ sell CZK	USD 5,000	October 27, 2022	25.023
Forward exchange swap contracts — swap in TWD/ swap out USD	USD 585,000	October 11, 2022~ April 14, 2023	27.865~31.465

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

(c) Financial assets at FVOCI

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Equity investments at FVOCI			
Stocks unlisted in domestic markets— Changing Information Technology Inc.	\$ 9,266	7,535	7,901
Stocks unlisted in domestic markets— Syntronix Corp.	250	250	250
Equities unlisted in foreign markets—Grove Ventures L.P.	165,954	183,766	191,252
Equities unlisted in foreign markets—Grove Ventures II, L.P.	98,473	85,267	81,125
Stocks unlisted in foreign markets—WK Global Investment III Ltd.	-	-	11,641
Equities unlisted in foreign markets— Grove Ventures III, L.P.	26,653	11,853	12,856
Stocks unlisted in foreign markets— Shenzhen Mees Hi-Tech Co., Ltd.	<u>63,316</u>	<u>62,117</u>	<u>62,988</u>
Total	<u>\$ 363,912</u>	<u>350,788</u>	<u>368,013</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) Grove Venture, L.P. executed capital increases, where the Group had participated and invested the amounts of \$1,377 and \$2,085 in the nine months ended September 30, 2023 and 2022, respectively.
- (iii) Grove Ventures II, L.P. executed capital increases, where the Group had participated and invested the amounts of \$10,773 and \$18,735 in the nine months ended September 30, 2023 and 2022, respectively.
- (iv) WK Technology Fund IV Ltd. refunded the amount of \$60 to the Group due to its liquidation in May 2022.
- (v) The Group invested the amount of \$7,756 in an unlisted company, Grove Ventures III, L.P. in January 2022. Grove Ventures III, L.P. executed capital increase, where the Group had participated and invested the amount of \$15,269 and \$5,328 in the nine months ended September 30, 2023 and 2022, respectively.
- (vi) The Group invested \$63,519 in an unlisted company, Shenzhen Mees Hi-Tech Co., Ltd. in January 2022.

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

- (vii) The Group's investments in Grove Ventures, L.P., Grove Ventures II, L.P., and Grove Ventures III, L.P. are investments with duration. The Group's investments in the above limited partnership was designated as a financial asset at fair value through other comprehensive income at the time of the initial recognition.

Although, in accordance with the IFRS Q&A released by the Accounting Research and Development Foundation on June 15, 2023, wherein the financial asset cannot be designated at fair value through other comprehensive income, the accounting treatment need not be applied retroactively to investments in limited partnership companies prior to June 30, 2023, according to the Q&A of the FSC. Therefore, the Group continues to measure its investment in these limited partnership companies at fair value through other comprehensive income.

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

- (d) Financial assets at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits	<u>\$ 191,575</u>	<u>130,023</u>	<u>1,784,938</u>
Annual interest rates	<u>0.54%~6.10%</u>	<u>0.88%~0.98%</u>	<u>0.76%~3.54%</u>
Maturity date	<u>2023.10.19~2024.07.10</u>	<u>2023.01.16~2023.02.20</u>	<u>2022.10.19~2022.12.29</u>

- (i) The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$ -	-	986
Accounts receivable	14,105,063	14,442,722	16,704,381
Accounts receivable – related parties	118,230	54,587	100,657
Less: allowance for doubtful accounts	<u>(71,118)</u>	<u>(104,638)</u>	<u>(66,599)</u>
Total	<u>\$ 14,152,175</u>	<u>14,392,671</u>	<u>16,739,425</u>

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

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

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

	September 30, 2023		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 13,077,489	0%~0.17%	22,404
0 to 30 days past due	1,026,391	0%~3%	19,256
31 to 60 days past due	61,324	0%~5%	2,271
61 to 90 days past due	6,809	0%~10%	564
91 to 180 days past due	28,303	0%~25%	3,655
181 to 360 days past due	22,951	0%~100%	22,942
More than 361 days past due	26	0%~100%	26
	\$ 14,223,293		71,118
	December 31, 2022		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 12,459,350	0%~0.02%	2,244
0 to 30 days past due	1,460,646	0%~3%	27,161
31 to 60 days past due	320,558	0%~5%	15,060
61 to 90 days past due	28,285	0%~10%	2,829
91 to 180 days past due	228,022	0%~25%	56,985
181 to 360 days past due	444	0%~80%	355
More than 361 days past due	4	0%~100%	4
	\$ 14,497,309		104,638

(Continued)

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

	September 30, 2022		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 15,424,269	0%~0.01%	1,745
0 to 30 days past due	1,021,561	0%~3%	30,437
31 to 60 days past due	91,183	0%~5%	4,365
61 to 90 days past due	193,374	0%~10%	19,337
91 to 180 days past due	74,831	0%~25%	10,681
181 to 360 days past due	53	0%~80%	30
More than 361 days past due	753	0%~100%	4
	\$ 16,806,024		66,599

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

	For the nine months ended September 30	
	2023	2022
Balance on January 1, 2023 and 2022	\$ 104,638	29,635
Impairment losses recognized (reversed)	(35,718)	31,370
Effect of exchange rate changes	2,198	5,594
Balance on September 30, 2023 and 2022	\$ 71,118	66,599

- (iv) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Group shall pay handling charges based on a fixed rate. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of September 30, 2023, December 31 and September 30, 2022, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

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

September 30, 2023						
Purchaser	Amount Derecognized	Amount Advanced		Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
HSBC Bank	\$ -	-	-	-	-	US\$ 18,000
DBS Bank	1,264,787	1,138,308	-	1,264,787	-	-
Bank of Taiwan	-	-	-	-	-	NT\$ 297,000
Mega International Commercial Bank	-	-	-	-	-	US\$ 2,500
	<u>\$ 1,264,787</u>	<u>1,138,308</u>	<u>-</u>	<u>1,264,787</u>		

December 31, 2022						
Purchaser	Amount Derecognized	Amount Advanced		Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
HSBC Bank	\$ 686,846	387,560	299,286	387,560	4.34%~4.86%	US\$ 56,940
DBS Bank	2,199,261	891,005	1,088,331	1,110,930	4.79%~5.32%	-
Bank of Taiwan	-	-	-	-	-	NT\$ 297,000
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
	<u>\$ 2,886,107</u>	<u>1,278,565</u>	<u>1,387,617</u>	<u>1,498,490</u>		

September 30, 2022						
Purchaser	Amount Derecognized	Amount Advanced		Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
HSBC Bank	\$ 1,572,520	521,523	1,030,574	541,946	2.790%~3.751%	US\$ 56,940
DBS Bank	2,516,801	356,617	1,913,402	603,399	3.130%~3.990%	-
Bank of Taiwan	-	-	-	-	-	NT\$ 135,000
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
	<u>\$ 4,089,321</u>	<u>878,140</u>	<u>2,943,976</u>	<u>1,145,345</u>		

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

(f) Other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Other receivables - factoring of accounts receivable	\$ 1,264,787	1,498,490	1,145,345
Other receivables - tax refund receivable	535,313	381,800	461,978
Other receivables - others	181,696	80,641	77,295
Less: allowance for doubtful accounts	(16,859)	(16,540)	(16,772)
	<u>\$ 1,964,937</u>	<u>1,944,391</u>	<u>1,667,846</u>

(Continued)

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

The movement in the allowance for other receivables was as follows:

	For the nine months ended September 30	
	2023	2022
Balance on January 1, 2023 and 2022	\$ 16,540	-
Impairment losses recognized	-	16,594
Effect of exchange rate changes	319	178
Balance on September 30, 2023 and 2022	\$ 16,859	16,772

(g) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 2,841,657	3,724,911	4,537,384
Semi-finished goods and work in process	1,861,807	1,956,621	2,084,397
Finished goods and merchandise	2,832,700	3,671,972	3,679,990
	\$ 7,536,164	9,353,504	10,301,771

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Gain (losses) on inventory valuation and disposal of inventories	\$ 12,615	(214,276)	(2,527)	(301,042)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(12,774)	(12,853)	(33,269)	(44,011)
Gains (losses) on physical inventories	(1,300)	783	(1,121)	(3,234)
	\$ (1,459)	(226,346)	(36,917)	(348,287)

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

(h) Investments accounted for using equity method

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

	<u>September 30,</u> <u>2023</u>		<u>December 31,</u> <u>2022</u>		<u>September 30,</u> <u>2022</u>	
	2023		2022		2022	
Carrying amount of individually insignificant associates' equity	\$ -		-		-	
	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>			
	2023		2022		2023	
Attributable to the Group:						
Loss	\$ -	(14,406)	-	-	(42,489)	(42,489)
Other comprehensive income	-	-	-	-	28,662	28,662
Comprehensive income	\$ -	(14,406)	-	-	(13,827)	(13,827)

- (i) The Group did not provide any investment accounted for using equity method as collateral.
- (ii) The investments accounted for using 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.
- (iii) The revenue of AIC did not turn out as expected due to intensive industrial competition, resulting in the impairment of the intangible assets and carrying amounts related to this equity investment after the Group's evaluation. The Group evaluated the recoverable amounts of its investments accounted for using equity method, which is based on its value-in-use, for impairment testing at each reporting date. Value-in-use is based on five years of the estimated future cash flow of the Group, discounted to their present value using the yearly discount rate, which reflects the risks specific to cash generating units by 21.70% and recognized impairment loss of \$157,740 under other gains and losses in the nine months ended September 30, 2022.

(i) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2023	December 31, 2022	September 30, 2022
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	22.99 %	22.99 %	22.99 %

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

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

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Current assets	\$ 12,189,336	12,433,413	13,032,178
Non-current assets	5,960,012	6,358,816	6,307,074
Current liabilities	(8,159,316)	(9,618,839)	(9,789,099)
Non-current liabilities	(663,537)	(706,703)	(1,230,138)
Net assets	<u>\$ 9,326,495</u>	<u>8,466,687</u>	<u>8,320,015</u>
Non-controlling interests	<u>\$ 2,144,161</u>	<u>1,946,491</u>	<u>1,912,771</u>

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$ 5,896,413</u>	<u>9,351,088</u>	<u>18,258,900</u>	<u>23,261,581</u>
Profit	\$ 273,563	269,851	658,135	411,011
Other comprehensive income	207,357	95,246	159,462	267,456
Comprehensive income	<u>\$ 480,920</u>	<u>365,097</u>	<u>817,597</u>	<u>678,467</u>
Profit attributable to non-controlling interests	<u>\$ 62,891</u>	<u>62,039</u>	<u>151,305</u>	<u>99,155</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 110,564</u>	<u>83,934</u>	<u>187,966</u>	<u>166,060</u>

	<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities	\$ 1,683,719	1,296,809
Cash flows from investing activities	1,355	952,485
Cash flows used in financing activities	(23,244)	(2,098,067)
Effect of exchange rate changes	130,024	301,019
Net increase in cash and cash equivalents	<u>\$ 1,791,854</u>	<u>452,246</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

- (ii) Tymphany Huizhou repurchased shares from the employee stocks ownership plans in cash and cancelled such shares for a capital reduction in May 2022, resulting in a decrease in the proportion of ownership held by non-controlling interests from 28.57% to 22.99%. Please note 6(t) and (u) for details.

The impact of the change in the Group's ownership interest in Tymphany Huizhou on equity attributable to owners of parent was as follows:

Decrease in carrying amount of non-controlling interests	\$ 534,606
Consideration paid to non-controlling interests	(348,287)
Capital surplus – Long-term equity investments	<u>\$ 186,319</u>

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

(j) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the nine months ended September 30, 2023 and 2022, 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, 2023	\$ 1,077,437	6,714,735	7,407,901	1,176,279	459,164	16,835,516
Additions	-	43,511	108,068	30,460	886,050	1,068,089
Disposals	-	(36,702)	(367,192)	(47,927)	(6,740)	(458,561)
Reclassifications	-	119,090	289,491	21,768	(502,815)	(72,466)
Reclassification to investment property	-	(651,596)	-	(2,133)	(4,149)	(657,878)
Effect of changes in exchange rate	(567)	84,620	127,658	19,103	2,457	233,271
Balance on September 30, 2023	<u>\$ 1,076,870</u>	<u>6,273,658</u>	<u>7,565,926</u>	<u>1,197,550</u>	<u>833,967</u>	<u>16,947,971</u>
Balance on January 1, 2022	\$ 1,065,753	3,979,270	6,666,371	1,181,926	2,372,934	15,266,254
Additions	-	19,999	175,237	53,261	1,142,071	1,390,568
Disposals	-	(77,390)	(355,453)	(39,595)	(9,009)	(481,447)
Reclassifications	-	2,503,336	505,407	(69,032)	(2,950,819)	(11,108)
Effect of changes in exchange rate	1,348	109,319	178,142	31,028	43,632	363,469
Balance on September 30, 2022	<u>\$ 1,067,101</u>	<u>6,534,534</u>	<u>7,169,704</u>	<u>1,157,588</u>	<u>598,809</u>	<u>16,527,736</u>
Depreciation and impairments loss:						
Balance on January 1, 2023	\$ -	2,345,364	5,496,266	747,063	-	8,588,693
Depreciation	-	224,451	718,534	125,998	-	1,068,983
Disposals	-	(34,068)	(341,109)	(45,899)	-	(421,076)
Reclassifications	-	217	(12,149)	(377)	-	(12,309)
Reclassification to investment property	-	(45,332)	-	(2,133)	-	(47,465)
Effect of changes in exchange rate	-	43,439	108,738	15,345	-	167,522
Balance on September 30, 2023	<u>\$ -</u>	<u>2,534,071</u>	<u>5,970,280</u>	<u>839,997</u>	<u>-</u>	<u>9,344,348</u>
Balance on January 1, 2022	\$ -	2,191,333	4,780,194	689,904	-	7,661,431
Depreciation	-	141,609	747,856	129,407	-	1,018,872
Disposals	-	(76,659)	(338,729)	(33,305)	-	(448,693)
Reclassifications	-	(648)	76,961	(75,179)	-	1,134
Effect of changes in exchange rate	-	57,656	134,361	20,216	-	212,233
Balance on September 30, 2022	<u>\$ -</u>	<u>2,313,291</u>	<u>5,400,643</u>	<u>731,043</u>	<u>-</u>	<u>8,444,977</u>
Carrying amounts:						
Balance on January 1, 2023	<u>\$ 1,077,437</u>	<u>4,369,371</u>	<u>1,911,635</u>	<u>429,216</u>	<u>459,164</u>	<u>8,246,823</u>
Balance on September 30, 2023	<u>\$ 1,076,870</u>	<u>3,739,587</u>	<u>1,595,646</u>	<u>357,553</u>	<u>833,967</u>	<u>7,603,623</u>
Balance on January 1, 2022	<u>\$ 1,065,753</u>	<u>1,787,937</u>	<u>1,886,177</u>	<u>492,022</u>	<u>2,372,934</u>	<u>7,604,823</u>
Balance on September 30, 2022	<u>\$ 1,067,101</u>	<u>4,221,243</u>	<u>1,769,061</u>	<u>426,545</u>	<u>598,809</u>	<u>8,082,759</u>

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

- (i) The unamortized deferred revenue of equipment subsidy amounted to \$594,398, \$723,418 and \$780,222 were classified as long-term deferred revenue, as of September 30, 2023, December 31 and September 30, 2022, respectively.
- (ii) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.
- (k) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2023	\$ 371,616	2,523,498	40,756	2,106	2,937,976
Additions	-	192,624	16,997	-	209,621
Disposals	(90,273)	(37,979)	(7,770)	(2,106)	(138,128)
Lease modification	-	44,330	-	-	44,330
Reclassification to investment property	(30,814)	-	-	-	(30,814)
Effect of changes in exchange rates	4,069	24,597	651	-	29,317
Balance on September 30, 2023	<u>\$ 254,598</u>	<u>2,747,070</u>	<u>50,634</u>	<u>-</u>	<u>3,052,302</u>
Balance on January 1, 2022	\$ 401,900	2,689,447	20,124	2,106	3,113,577
Additions	-	168,525	16,884	-	185,409
Disposals	(17,305)	(113,886)	(2,196)	-	(133,387)
Lease modification	(18,911)	-	-	-	(18,911)
Effect of changes in exchange rates	11,141	28,306	(28)	-	39,419
Balance on September 30, 2022	<u>\$ 376,825</u>	<u>2,772,392</u>	<u>34,784</u>	<u>2,106</u>	<u>3,186,107</u>
Depreciation:					
Balance on January 1, 2023	\$ 34,845	745,246	21,462	2,106	803,659
Depreciation	5,839	188,687	9,067	-	203,593
Disposals	(8,435)	(37,979)	(7,473)	(2,106)	(55,993)
Lease modification	-	(766)	-	-	(766)
Reclassification to investment property	(8,732)	-	-	-	(8,732)
Effect of changes in exchange rates	382	10,238	221	-	10,841
Balance on September 30, 2023	<u>\$ 23,899</u>	<u>905,426</u>	<u>23,277</u>	<u>-</u>	<u>952,602</u>
Balance on January 1, 2022	\$ 39,013	678,513	13,747	1,934	733,207
Depreciation	7,156	201,315	7,663	172	216,306
Disposals	(12,747)	(101,653)	(1,292)	-	(115,692)
Lease modification	(1,423)	-	-	-	(1,423)
Effect of changes in exchange rates	1,177	11,406	30	-	12,613
Balance on September 30, 2022	<u>\$ 33,176</u>	<u>789,581</u>	<u>20,148</u>	<u>2,106</u>	<u>845,011</u>
Carrying amounts:					
Balance on January 1, 2023	<u>\$ 336,771</u>	<u>1,778,252</u>	<u>19,294</u>	<u>-</u>	<u>2,134,317</u>
Balance on September 30, 2023	<u>\$ 230,699</u>	<u>1,841,644</u>	<u>27,357</u>	<u>-</u>	<u>2,099,700</u>
Balance on January 1, 2022	<u>\$ 362,887</u>	<u>2,010,934</u>	<u>6,377</u>	<u>172</u>	<u>2,380,370</u>
Balance on September 30, 2022	<u>\$ 343,649</u>	<u>1,982,811</u>	<u>14,636</u>	<u>-</u>	<u>2,341,096</u>

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

(l) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Right-of-use assets — Land</u>	<u>Total</u>
Cost or deemed cost:				
Balance on January 1, 2023	\$ 50,190	31,735	-	81,925
Reclassifications	-	657,878	30,814	688,692
Effect of changes in exchange rates	-	16,860	790	17,650
Balance on September 30, 2023	<u>\$ 50,190</u>	<u>706,473</u>	<u>31,604</u>	<u>788,267</u>
Balance on January 1, 2022 and September 30, 2022	<u>\$ 50,190</u>	<u>31,735</u>	<u>-</u>	<u>81,925</u>
Depreciation and impairment losses:				
Balance on January 1, 2023	\$ 33,941	15,084	-	49,025
Reclassifications	-	47,465	8,732	56,197
Depreciation	-	3,049	51	3,100
Effect of changes in exchange rates	-	1,285	225	1,510
Balance on September 30, 2023	<u>\$ 33,941</u>	<u>66,883</u>	<u>9,008</u>	<u>109,832</u>
Balance on January 1, 2022	\$ 33,941	14,621	-	48,562
Depreciation	-	347	-	347
Balance on September 30, 2022	<u>\$ 33,941</u>	<u>14,968</u>	<u>-</u>	<u>48,909</u>
Carrying amounts:				
Balance on January 1, 2023	<u>\$ 16,249</u>	<u>16,651</u>	<u>-</u>	<u>32,900</u>
Balance on September 30, 2023	<u>\$ 16,249</u>	<u>639,590</u>	<u>22,596</u>	<u>678,435</u>
Balance on January 1, 2022	<u>\$ 16,249</u>	<u>17,114</u>	<u>-</u>	<u>33,363</u>
Balance on September 30, 2022	<u>\$ 16,249</u>	<u>16,767</u>	<u>-</u>	<u>33,016</u>
Fair value:				
Balance on January 1, 2023			<u>\$ 117,774</u>	
Balance on September 30, 2023			<u>\$ 1,063,099</u>	

(i) The fair value of the investment property listed above is evaluated based on third-party quotation information, which are third-level fair value. There are no significant changes for the nine months ended September 30, 2022. Please refer to note 6(l) of the consolidated financial report of 2022.

(ii) The Group provided the aforementioned investment property as collateral. Please refer to note 8.

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

(m) 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, 2023	\$ <u>2,008,135</u>	<u>73,620</u>	<u>42,943</u>	<u>5,561</u>	<u>2,130,259</u>
Balance on September 30, 2023	\$ <u>2,015,564</u>	<u>19,709</u>	<u>11,497</u>	<u>559</u>	<u>2,047,329</u>
Balance on January 1, 2022	\$ <u>2,020,049</u>	<u>145,500</u>	<u>84,873</u>	<u>6,167</u>	<u>2,256,589</u>
Balance on September 30, 2022	\$ <u>2,043,595</u>	<u>91,589</u>	<u>53,427</u>	<u>6,292</u>	<u>2,194,903</u>

(i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2023 and 2022. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

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

(n) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ 1,543,759	489,370	3,509,595
Secured bank loans	322,682	-	-
	<u>\$ 1,866,441</u>	<u>489,370</u>	<u>3,509,595</u>
Unused credit lines	<u>\$ 26,809,874</u>	<u>27,873,579</u>	<u>27,302,027</u>
Annual interest rates	<u>1.60%~5.86%</u>	<u>1.95%~4.98%</u>	<u>1.05%~3.71%</u>

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

(o) Long-term borrowings

	<u>September 30, 2023</u>			
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.1%~1.65%	2026~2028	\$ 707,979
Less: current portion				-
				<u>\$ 707,979</u>
Unused credit lines				<u>\$ 2,060,066</u>

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

December 31, 2022

	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.03%~1.40%	2026	\$ 464,000
Less: current portion				-
				<u>\$ 464,000</u>
Unused credit lines				<u>\$ 1,950,166</u>

September 30, 2022

	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	USD	3.77%~4.90%	2023	\$ 949,116
Secured bank loans	TWD	0.90%~1.26%	2026	464,000
Less: current portion				(434,877)
				<u>\$ 978,239</u>
Unused credit lines				<u>\$ 3,126,333</u>

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

(ii) Please refer to note 9 for the details of the outstanding guarantee notes.

(p) Lease liabilities

The carrying amounts of lease liabilities of the Group were as follow:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	\$ <u>241,259</u>	<u>193,405</u>	<u>205,119</u>
Non-current	\$ <u>1,752,450</u>	<u>1,704,857</u>	<u>1,906,593</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	\$ <u>14,816</u>	<u>17,675</u>	<u>44,392</u>	<u>53,246</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>21,800</u>	<u>29,198</u>	<u>71,540</u>	<u>80,259</u>

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

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

	For the nine months ended September 30	
	2023	2022
Rental paid in operating activities	\$ (71,540)	(80,259)
Interest on lease liabilities paid in operating activities	(44,392)	(53,246)
Payment made on lease liabilities in financing activities	(174,988)	(181,965)
Total cash outflow for leases	\$ (290,920)	(315,470)

(i) Real estate leases

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

(ii) Other leases

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

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

(q) 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(l) 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Less than one year	\$ 61,073	1,497	1,602
One to five years	113,634	417	-
Total undiscounted lease payments	\$ 174,707	1,914	1,602

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

(r) 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, 2022 and 2021.

(ii) Defined contribution plans

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

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

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Defined benefit plans	\$ 189	166	567	499
Defined contribution plans	<u>96,451</u>	<u>105,802</u>	<u>300,687</u>	<u>327,741</u>
Total	<u>\$ 96,640</u>	<u>105,968</u>	<u>301,254</u>	<u>328,240</u>

(s) Income taxes

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

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

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Income tax expense	<u>\$ 193,584</u>	<u>250,093</u>	<u>519,489</u>	<u>595,797</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 2020.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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- (v) The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax.

The International Accounting Standards Board issued amendments to IAS 12 that provide a temporary mandatory exception from deferred tax accounting for the top-up tax and require new disclosures in the annual financial statements. However, since none of the jurisdictions in which the Group operates had enacted or substantively enacted the tax legislation related to the top-up tax at the date when the consolidated financial statements for the nine months ended September 30, 2023 were authorized for issue, there was no impact on the consolidated financial statements in the said period.

In light of the exception from deferred tax accounting, the Group is focusing its assessment on the potential current tax impacts of the top-up tax. Once changes to the tax laws in any jurisdiction in which the Group operates are enacted or substantively enacted and its effective tax rate is less than 15%, the Group may be potentially subject to the top-up tax and pay complementary tax. On September 30, 2023, the Group did not have sufficient information to determine the potential quantitative impact.

- (t) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 2023 and 2022. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2022.

- (i) Ordinary shares

As of September 30, 2023, December 31 and September 30, 2022, the nominal ordinary shares both amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 463,075, 458,289 and 458,339 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding were as follows:

	Ordinary shares	
	(in thousands of shares)	
	For the nine months ended	
	September 30	
	2023	2022
Balance on January 1	458,289	455,263
Issuance of restricted stock	4,885	3,555
Cancellation of restricted stock	(99)	(479)
Balance on September 30	463,075	458,339

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Additional paid-in capital	\$ 1,034,037	945,508	873,080
Employee stock options	259,401	259,401	259,401
Restricted employee stock options	507,834	351,458	426,334
Long-term investments	<u>563,837</u>	<u>573,541</u>	<u>577,284</u>
	<u>\$ 2,365,109</u>	<u>2,129,908</u>	<u>2,136,099</u>

Tymphony Huizhou, a subsidiary of the Company, repurchased shares from the employee stock ownership plan in cash and cancelled such shares for a capital reduction in May 2022, resulting in an increase of the shareholding of the Company from 71.43% to 77.01%. The Company recognized the change in its ownership interest in the subsidiary as capital surplus/long-term equity investments. Please refer to notes 6(i) and (u) for details.

(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 earnings 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.

On May 25, 2023 and May 26, 2022, the shareholders' meeting resolved to distribute the 2022 and 2021 earnings, respectively. The distributions for 2022 and 2021 were NT\$3.9(dollars) and NT\$3.1(dollars) per share, which amounted to \$1,791,794 and \$1,411,230, respectively.

(u) Share-based payment

Except for the following disclosure, there were no significant changes on share-based payment for the nine months ended September 30, 2023 and 2022. Please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2022 for further information.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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After the shareholders' meeting on July 13, 2021, the Company decided to issue 4,000 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The Board of Directors' meeting resolved to issue 3,800 and 200 thousand shares on August 24, 2021 and January 21, 2022, respectively.

On February 14 and March 1, 2022, the Group resolved through the Board of directors and shareholders' meeting of Tymphany Huizhou to adjust the share incentive plan, where all the shares from the employee ownership plan were repurchased and cancelled in 2022.

After the shareholders' meeting on May 26, 2022, the Company decided to issue 4,500 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The Board of Directors' meeting resolved to issue 3,355 and 1,145 thousand shares on August 5, 2022 and January 17, 2023, respectively.

After the shareholders' meeting on May 25, 2023, the company decided to issue 4,500 thousand shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the securities and Futures Bureau of the FSC. The Board of Directors' meeting resolved to issue 3,740 thousand shares on August 3, 2023.

(i) Expenses attributable to share-based payment were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Employee stock options	\$ -	-	-	15,480
Restricted stock	65,821	58,849	183,559	125,783
Total	<u>\$ 65,821</u>	<u>58,849</u>	<u>183,559</u>	<u>141,263</u>

(v) Earnings per share

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

(i) Basic earnings per share

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit attributable to owners of parent	<u>\$ 736,596</u>	<u>877,612</u>	<u>1,990,712</u>	<u>2,140,946</u>
Weighted-average number of ordinary shares (thousand shares)	<u>452,394</u>	<u>449,352</u>	<u>451,712</u>	<u>449,094</u>
Basic earnings per share (NT dollars)	<u>\$ 1.63</u>	<u>1.95</u>	<u>4.41</u>	<u>4.77</u>

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ii) Diluted earnings per share

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit attributable to owners of parent	\$ <u>736,596</u>	<u>877,612</u>	<u>1,990,712</u>	<u>2,140,946</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>457,624</u>	<u>453,804</u>	<u>457,689</u>	<u>453,945</u>
Diluted earnings per share (NT dollars)	\$ <u>1.61</u>	<u>1.93</u>	<u>4.35</u>	<u>4.72</u>

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Weighted-average number of ordinary shares on September 30 (basic)	452,394	449,352	451,712	449,094
Estimated effect of employee stock bonuses	1,025	1,174	1,406	1,542
Effect of restricted stock	<u>4,205</u>	<u>3,278</u>	<u>4,571</u>	<u>3,309</u>
Weighted-average number of ordinary shares on September 30 (diluted)	<u>457,624</u>	<u>453,804</u>	<u>457,689</u>	<u>453,945</u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the three months ended September 30, 2023</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 5,686,943	9,736,306	15,423,249
Service rendered	61,717	238,254	299,971
	<u>\$ 5,748,660</u>	<u>9,974,560</u>	<u>15,723,220</u>
	<u>For the three months ended September 30, 2022</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 6,773,289	15,175,897	21,949,186
Service rendered	4,366	385,816	390,182
	<u>\$ 6,777,655</u>	<u>15,561,713</u>	<u>22,339,368</u>

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

	For the nine months ended September 30, 2023		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 16,502,330	29,023,263	45,525,593
Service rendered	132,328	807,726	940,054
	<u>\$ 16,634,658</u>	<u>29,830,989</u>	<u>46,465,647</u>

	For the nine months ended September 30, 2022		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 21,688,278	37,535,539	59,223,817
Service rendered	98,701	1,194,552	1,293,253
	<u>\$ 21,786,979</u>	<u>38,730,091</u>	<u>60,517,070</u>

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Mainland China	\$ 6,040,749	7,811,187	17,289,122	23,338,715
Europe	4,032,992	6,020,768	12,195,369	15,142,867
America	4,572,383	6,368,536	13,383,291	16,382,429
Other	1,077,096	2,138,877	3,597,865	5,653,059
	<u>\$ 15,723,220</u>	<u>22,339,368</u>	<u>46,465,647</u>	<u>60,517,070</u>

(ii) Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable (including related parties)	\$ 14,223,293	14,497,309	16,806,024
Less: allowance for impairment	(71,118)	(104,638)	(66,599)
	<u>\$ 14,152,175</u>	<u>14,392,671</u>	<u>16,739,425</u>
Contract liabilities (classified as other current liabilities)	<u>\$ 903,349</u>	<u>889,320</u>	<u>594,521</u>

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

The amount of revenue recognized for the nine months ended September 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$625,434 and \$196,113, 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
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(x) Employee's and directors' and supervisors' remuneration

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

Details of remuneration to employees and directors for the three and nine months ended September 30, 2023 and 2022 were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Employee remuneration	\$ 26,426	30,005	70,911	74,918
Directors' remuneration	<u>13,212</u>	<u>15,002</u>	<u>35,455</u>	<u>37,459</u>
	<u>\$ 39,638</u>	<u>45,007</u>	<u>106,366</u>	<u>112,377</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 2022 and 2021 were as follows:

	<u>2022</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration–Cash	\$ 99,830	99,830	-
Director's remuneration	49,915	49,915	-
	<u>2021</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration–Cash	\$ 85,798	85,799	1
Director's remuneration	42,899	42,899	-

The difference in 2021 was accounted for as changes in accounting estimates and recognized as profit or loss in 2022. 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.

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

(y) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Government grants	\$ 3,297	11,709	13,801	30,534
Rent income	661	2,059	1,706	6,221
Dividend income	689	2,989	689	2,989
Other	139	303	490	725
	<u>\$ 4,786</u>	<u>17,060</u>	<u>16,686</u>	<u>40,469</u>

(z) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Net income (losses) on financial assets/liabilities measured at FVTPL	\$ 352,112	(234,777)	(182,216)	(549,391)
Foreign currency exchange gains (losses), net	(283,434)	454,558	483,189	1,137,897
Net income (losses) on disposal of property, plant and equipment	14,229	(3,832)	21,394	1,968
Impairment losses of investments accounted for using equity method	-	-	-	(157,740)
Net gains (losses) on disposal of right-of-use assets	5,745	-	5,746	(6,409)
Other	8,465	(3,182)	(3,469)	(8,948)
	<u>\$ 97,117</u>	<u>212,767</u>	<u>324,644</u>	<u>417,377</u>

(aa) 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(aa) of the consolidated financial statements for the year ended December 31, 2022 for further information.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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
September 30, 2023						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 1,866,441	1,870,460	1,870,460	-	-	-
Notes and accounts payable	12,669,120	12,669,120	12,669,120	-	-	-
Other payables	3,067,701	3,067,701	3,067,701	-	-	-
Salaries payable	1,380,741	1,380,741	1,380,741	-	-	-
Lease liabilities	1,993,709	2,299,667	296,115	286,047	669,749	1,047,756
Refund liabilities	2,263,043	2,263,043	2,263,043	-	-	-
Long-term borrowings	707,979	734,641	10,020	145,876	578,745	-
Guarantee deposits	35,372	35,372	-	-	-	35,372
Derivative financial liabilities:	1,010,693	-	-	-	-	-
Outflow	-	18,032,223	18,032,223	-	-	-
Inflow	-	(17,021,530)	(17,021,530)	-	-	-
	<u>\$ 24,994,799</u>	<u>25,331,438</u>	<u>22,567,893</u>	<u>431,923</u>	<u>1,248,494</u>	<u>1,083,128</u>
December 31, 2022						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 489,370	502,282	502,282	-	-	-
Notes and accounts payable	14,038,527	14,038,527	14,038,527	-	-	-
Other payables	3,365,325	3,365,325	3,365,325	-	-	-
Salaries payable	1,678,657	1,678,657	1,678,657	-	-	-
Lease liabilities	1,898,262	2,213,790	246,684	223,907	587,179	1,156,020
Refund liabilities	1,912,359	1,912,359	1,912,359	-	-	-
Long-term borrowings	464,000	482,562	6,256	22,923	453,383	-
Guarantee deposits	12,126	12,126	-	-	-	12,126
Derivative financial liabilities:	1,016,661	-	-	-	-	-
Outflow	-	16,739,065	16,739,065	-	-	-
Inflow	-	(15,722,404)	(15,722,404)	-	-	-
	<u>\$ 24,875,287</u>	<u>25,222,289</u>	<u>22,766,751</u>	<u>246,830</u>	<u>1,040,562</u>	<u>1,168,146</u>
September 30, 2022						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 3,509,595	3,517,512	3,517,512	-	-	-
Notes and accounts payable	16,177,378	16,177,378	16,177,378	-	-	-
Other payables	3,257,958	3,257,958	3,257,958	-	-	-
Salaries payable	1,595,043	1,595,043	1,595,043	-	-	-
Lease liabilities	2,111,712	2,582,650	266,936	238,672	619,006	1,458,036
Refund liabilities	1,943,308	1,943,308	1,943,308	-	-	-
Long-term borrowings	1,413,116	1,467,026	472,512	523,680	470,834	-
Guarantee deposits	16,108	16,108	-	-	-	16,108
Derivative financial liabilities:	1,793,133	-	-	-	-	-
Outflow	-	27,426,917	27,426,917	-	-	-
Inflow	-	(25,633,784)	(25,633,784)	-	-	-
	<u>\$ 31,817,351</u>	<u>32,350,116</u>	<u>29,023,780</u>	<u>762,352</u>	<u>1,089,840</u>	<u>1,474,144</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2023			December 31, 2022			September 30, 2022			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
<u>Monetary items</u>										
USD:CNY	\$	536,176	7.1798	17,301,330	484,442	6.9646	14,876,249	519,797	7.0998	16,499,921
USD:HKD		280,319	7.8243	9,045,338	278,389	7.7967	8,548,784	264,258	7.8499	8,388,346
USD:TWD		365,178	32.2680	11,783,572	345,280	30.7080	10,602,846	402,332	31.7430	12,768,045
EUR:CZK		5,121	24.5237	174,565	5,063	24.2078	165,707	6,710	25.0425	209,674
USD:CZK		15,018	23.2140	484,601	16,806	22.7180	516,079	13,180	25.4400	418,373
USD:THB		39,558	36.5300	1,276,462	19,139	34.6530	587,708	18,165	38.0920	576,619
EUR:HKD		7,127	8.2656	242,945	11,806	8.3098	386,399	13,111	7.7276	409,693
CZK:HKD		76,103	0.3370	105,783	135,484	0.3433	183,174	111,921	0.3086	139,655
Financial liabilities										
<u>Monetary items</u>										
USD:CNY	\$	276,625	7.7198	8,926,148	291,417	6.9646	8,948,836	380,408	7.0998	12,075,286
USD:HKD		196,255	7.8243	6,332,765	214,250	7.7967	6,579,182	202,026	7.8499	6,412,896
USD:TWD		425,583	32.2680	13,732,702	421,099	30.7080	12,931,116	462,598	31.7430	14,684,264
EUR:CZK		3,785	24.5237	129,023	5,871	24.2078	192,152	6,234	25.0425	194,800
USD:THB		54,140	36.5300	1,746,977	63,027	34.6530	1,935,447	51,364	38.0920	1,630,457
EUR:HKD		397	8.2656	13,533	2,646	8.3098	86,601	4,551	7.7276	142,210
USD:CZK		2,560	23.2140	82,606	10,461	22.7180	321,236	14,014	25.4400	444,846

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY, HKD, CZK and THB against the USD; the HKD against CZK; as well as HKD and CZK against the EUR, as of September 30, 2023 and 2022, would have increased or decreased the net profit before tax by \$472,542 and \$191,278, respectively. The analysis is performed on the same basis for both periods.

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Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three and nine months ended September 30, 2023 and 2022, foreign exchange gain (losses) (including realized and unrealized portions) amounted to \$(283,434), \$454,558, \$483,189 and \$1,137,897, 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 \$6,410 and \$423 for the nine months ended September 30, 2023 and 2022, respectively. This is mainly due to borrowings and demand deposits 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 nine months ended September 30		For the nine months ended September 30	
	2023		2022	
Price of securities at the reporting date	Other comprehensive income before tax	Income before tax	Other comprehensive income before tax	Income before tax
Increasing 10%	\$ 36,391	1,168	36,801	266
Decreasing 10%	\$ (36,391)	(1,168)	(36,801)	(266)

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(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:

	September 30, 2023				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL	<u>\$ 840,783</u>	-	-	840,783	840,783
Financial assets at FVOCI – non-current	<u>\$ 363,912</u>	-	-	363,912	363,912
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 9,652,864				
Financial assets at amortized cost – current	191,575				
Notes and accounts receivable (including related parties)	14,152,175				
Other receivables	1,964,937				
Refundable deposits	<u>131,094</u>				
Total	<u>\$ 26,092,645</u>				
Financial liabilities at FVTPL – current	<u>\$ 1,010,693</u>	-	-	1,010,693	1,010,693
Financial liabilities measured at amortized cost:					
Borrowings	\$ 2,574,420				
Notes and accounts payable	12,669,120				
Other payables	3,067,701				
Salaries payable	1,380,741				
Lease liabilities	1,993,709				
Refund liabilities	2,263,043				
Guarantee deposits	<u>35,372</u>				
Total	<u>\$ 23,984,106</u>				

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

	December 31, 2022				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ <u>399,646</u>	-	-	399,646	399,646
Financial assets at FVOCI – non-current	\$ <u>350,788</u>	-	-	350,788	350,788
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 6,284,887				
Financial assets at amortized cost – current	130,023				
Notes and accounts receivable (including related parties)	14,392,671				
Other receivables	1,944,391				
Refundable deposits	<u>130,474</u>				
Total	\$ <u>22,882,446</u>				
Financial liabilities at FVTPL – current	\$ <u>1,016,661</u>	-	-	1,016,661	1,016,661
Financial liabilities measured at amortized cost:					
Borrowings	\$ 953,370				
Notes and accounts payable	14,038,527				
Other payables	3,365,325				
Salaries payable	1,678,657				
Lease liabilities	1,898,262				
Refund liabilities	1,912,359				
Guarantee deposits	<u>12,126</u>				
Total	\$ <u>23,858,626</u>				

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

	September 30, 2022				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ <u>1,246,404</u>	-	-	1,246,404	1,246,404
Financial assets at FVOCI – non-current	\$ <u>368,013</u>	-	-	368,013	368,013
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 6,713,025				
Financial assets at amortized cost – current	1,784,938				
Notes and accounts receivable (including related parties)	16,739,425				
Other receivables	1,667,846				
Refundable deposits	<u>130,200</u>				
Total	\$ <u>27,035,434</u>				
Financial liabilities at FVTPL – current	\$ <u>1,793,133</u>	-	-	1,793,133	1,793,133
Financial liabilities measured at amortized cost :					
Borrowings	\$ 4,922,711				
Notes and accounts payable	16,177,378				
Other payables	3,257,958				
Salaries payable	1,595,043				
Lease liabilities	2,111,712				
Refund liabilities	1,943,308				
Guarantee deposits	<u>16,108</u>				
Total	\$ <u>30,024,218</u>				

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

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

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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 FVTPL – non-derivative financial assets and Financial assets at FVOCI without an active market are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and adjusted for the lack of liquidity. When prices are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.
- 3) In the nine months ended September 30, 2023, there were no transfers between Levels.
 - 4) Reconciliation of Level 3 fair values

	<u>For the nine months ended September 30, 2023</u>			<u>For the nine months ended September 30, 2022</u>		
	<u>FVTPL</u>	<u>FVOCI</u>	<u>Total</u>	<u>FVTPL</u>	<u>FVOCI</u>	<u>Total</u>
Balance on January 1	\$ (617,015)	350,788	(266,227)	(446,816)	240,397	(206,419)
Recognized in profit or loss	(182,216)	-	(182,216)	(549,391)	-	(549,391)
Recognized in other comprehensive income	-	(15,493)	(15,493)	-	30,784	30,784
Acquisition /disposal	629,321	27,419	656,740	449,478	97,363	546,841
Effect of changes on exchange rate	-	1,198	1,198	-	(531)	(531)
Balance on September 30	<u>\$ (169,910)</u>	<u>363,912</u>	<u>194,002</u>	<u>(546,729)</u>	<u>368,013</u>	<u>(178,716)</u>

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

The fair value measurements of the Group which are categorized within level 3 are classified as financial assets and liabilities at FVTPL – non-derivative financial assets and derivative instruments not used for hedging and financial assets at FVOCI – equity investment without an active market. 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 – non-derivative financial assets	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL – derivative instruments not used for hedging	(note 2)	(note 2)	(note 2)

(Continued)

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

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.

(ab) Financial risk management

The Group's objectives and policies on financial risk management are consistent with note 6(ab) of the consolidated financial statement ended December 31, 2022.

(ac) 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, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to note 6(ac) of the consolidated financial statements for the year ended December 31, 2022 for further details.

(ad) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Effect of changes in exchange rate	Changes in lease payments	September 30, 2023
Short-term borrowings	\$ 489,370	1,377,071	-	-	1,866,441
Long-term borrowings	464,000	243,979	-	-	707,979
Guarantee deposits	12,126	23,246	-	-	35,372
Lease liabilities	<u>1,898,262</u>	<u>(174,988)</u>	<u>16,048</u>	<u>254,387</u>	<u>1,993,709</u>
Total liabilities from financing activities	<u>\$ 2,863,758</u>	<u>1,469,308</u>	<u>16,048</u>	<u>254,387</u>	<u>4,603,501</u>
	January 1, 2022	Cash flows	Effect of changes in exchange rate	Changes in lease payments	September 30, 2022
Short-term borrowings	\$ 2,030,829	1,478,766	-	-	3,509,595
Long-term borrowings	1,460,955	(47,839)	-	-	1,413,116
Guarantee deposits	12,253	3,855	-	-	16,108
Lease liabilities	<u>2,108,070</u>	<u>(181,965)</u>	<u>28,972</u>	<u>156,635</u>	<u>2,111,712</u>
Total liabilities from financing activities	<u>\$ 5,612,107</u>	<u>1,252,817</u>	<u>28,972</u>	<u>156,635</u>	<u>7,050,531</u>

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

(ae) Supplementary information of cash flow

- (i) The Group acquired property, plant and equipment amounting to \$1,068,089 and \$1,390,568, respectively, and the payables on equipment increased \$46,535 and decreased \$53,386, respectively, generating cash outflow of \$1,021,554 and \$1,443,954 for the nine months ended September 30, 2023 and 2022, respectively.
- (ii) For the nine months ended September 30, 2023 and 2022, the Group's disposal of property, plant and equipment included the write-off of the unamortized deferred revenue of equipment subsidy amounting to \$5,014 and \$14,587, respectively.

(7) Related-party transactions:

(a) Names and relationship of the related parties

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

Name	Relationship
Specialty Technologies, LLC (Specialty)	Substantive related party

(b) Significant transactions with related parties

(i) Sales

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

	Sales				Notes and accounts receivable		
	For the three months ended September 30		For the nine months ended September 30		September 30, 2023	December 31, 2022	September 30, 2022
	2023	2022	2023	2022			
Other related parties	\$ 163,735	129,934	\$ 495,593	234,561	118,230	54,587	100,657

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 60 days, and the trading terms to other customers were 45 days to 120 days.

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 23,902	44,190	164,133	133,182
Post-employment benefits	339	297	1,069	955
Share-based payments	35,317	26,722	85,200	61,913
	<u>\$ 59,558</u>	<u>71,209</u>	<u>250,402</u>	<u>196,050</u>

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Other non-current assets – restricted assets	Guarantee letters issued by bank	<u>\$ 3,414</u>	<u>3,414</u>	<u>3,414</u>
Property, plant and equipment	Loan collateral	<u>\$ 1,583,208</u>	<u>769,580</u>	<u>769,580</u>
Investment property	Loan collateral	<u>641,626</u>	<u>-</u>	<u>-</u>

(9) Commitments and contingencies:

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

(b) The following are guarantee letters issued by the bank to customs, business partner and Power Supply Bureau as guarantee deposits and power supply guarantee, respectively.

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Guarantee letters	<u>\$ 58,879</u>	<u>57,333</u>	<u>27,448</u>

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Sales of accounts receivable	<u>\$ 958,494</u>	<u>2,160,669</u>	<u>2,061,482</u>
Long-term borrowings	<u>\$ 1,800,400</u>	<u>1,800,400</u>	<u>5,292,144</u>

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment	\$ 1,501,344	965,744	556,631

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

(a) A summary of employee benefit, depreciation, and amortization expenses by function, was as follows:

By item	By function		For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total		
Employee benefits								
Salaries	889,118	1,056,632	1,945,750	1,088,691	1,296,363	2,385,054		
Labor and health insurance	37,557	54,880	92,437	39,377	53,555	92,932		
Pension	55,004	41,636	96,640	62,418	43,550	105,968		
Others	16,625	46,867	63,492	17,509	66,983	84,492		
Depreciation	319,582	95,886	415,468	330,043	83,207	413,250		
Amortization	4,616	44,860	49,476	5,880	51,743	57,623		

By item	By function		For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total		
Employee benefits								
Salaries	2,654,215	3,158,129	5,812,344	3,083,449	3,364,006	6,447,455		
Labor and health insurance	118,392	181,431	299,823	116,632	174,189	290,821		
Pension	171,223	130,031	301,254	195,066	133,174	328,240		
Others	30,411	130,401	160,812	73,556	177,573	251,129		
Depreciation	981,814	290,762	1,272,576	1,000,739	234,439	1,235,178		
Amortization	15,499	138,829	154,328	17,320	156,173	173,493		

Note: Excluding the depreciation of the investment property-buildings (classified as other gains and losses) amounted to \$3,100 thousand and \$347 thousand for the nine months ended September 30, 2023 and 2022, respectively.

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

(b) Seasonality of Operation

The Group's operation were not affected by seasonality or cyclicity factors.

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKS1	The Company	Other receivables	Y	327,475	156,616	156,616	0	Short-term loan to other parties	-	Operating capital	-	-	-	795,945	795,945

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	5,118,516	322,680	322,680	-	-	1.89 %	13,649,376	Y	N	Y
"	"	Primax Electronics (Singapore) Pte. Ltd.	Subsidiary	5,118,516	2,700,000	2,700,000	478,317	-	15.82 %	13,649,376	Y	N	N
1	Tymphony Huizhou	TYM Acoustic HK	"	2,234,317	4,840	4,840	-	-	0.06 %	3,723,861	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 50% 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 September 30, 2023 (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	Stocks (equities):								
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-		
	Changing Information Technology Inc.	-	"	223	9,266	1.29	9,266		
	Formosoft International Inc.	-	"	11	-	0.41	-		
	Syntronix Corp.	-	"	7	250	0.02	250		
	Ricavision International Inc.	-	"	917	-	2.04	-		
	Grove Ventures L.P.	-	"	-	165,954	2.73	165,954		
	Grove Ventures II, L.P.	-	"	-	98,473	3.29	98,473		
	Grove Ventures III, L.P.	-	"	-	26,653	2.21	26,653		
	Storm Ventures Fund VII, L.P.	-	Financial assets at FVTPL	-	4,324	0.44	4,324		
	Thin Line Capital fund II, L.P.	-	"	-	7,357	9.80	7,357		
						<u>312,277</u>			
	Primax Tech.	Stocks: Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
Tymphony Huizhou	Stocks: Shenzhen Mees Hi- Tech Co., Ltd.	-	"	556	<u>63,316</u>	10.00	63,316		

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the Company's paid-in capital: None
- (v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the Company's issued capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the Company's issued capital: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Singapore	Subsidiary	(Sale)	(7,901,795)	(32) %	60 days	Price agreed by both sides	The same as general selling	3,160,890	38%	Note 1
"	PCH2	The subsidiary of Primax HK	Purchase	13,194,341	61 %	"	"	The same as general purchasing	(5,419,161)	(53)%	Note 1
"	PKS1	"	Purchase	1,080,818	5 %	"	"	"	(792,622)	(8)%	Note 1
"	PCQ1	"	Purchase	4,604,529	21 %	"	"	"	(2,690,028)	(26)%	Note 1

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Polaris	The subsidiary of Primax Tech.	(Sale)	(2,514,129)	(10) %	90 days	Price agreed by both sides	The same as general selling	231,560	3%	Note 1
"	Primax Thailand	The subsidiary of Primax Singapore	Purchase	1,738,599	8 %	60 days	"	The same as general purchasing	(442,397)	(4)%	Note 1
Primax Singapore	The Company	Parent	Purchase	7,901,795	99 %	"	"	"	(3,160,890)	(99)%	Note 1
"	PCH2	The subsidiary of Primax HK	Purchase	116,195	1 %	"	"	"	(22,301)	(1)%	Note 1
PCH2	The Company	The parent of Primax Cayman	(Sale)	(13,194,341)	(77) %	"	"	The same as general selling	5,419,161	78%	Note 1
"	Primax Singapore	The subsidiary of the Company	(Sale)	(116,195)	(1) %	"	"	"	22,301	-%	Note 1
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,080,818)	(100) %	"	"	"	792,622	83%	Note 1
PCQ1	"	"	(Sale)	(4,604,529)	(75) %	"	"	"	2,690,028	82%	Note 1
Primax Thailand	"	The parent of Primax Singapore	(Sale)	(1,738,599)	(87) %	"	"	"	442,397	89%	Note 1
Polaris	"	The parent of Primax Tech.	Purchase	2,514,129	100 %	90 days	"	The same as general purchasing	(231,560)	(100)%	Note 1
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	(Sale)	(2,351,805)	(46) %	60 days	"	The same as general selling	730,858	33%	Note 1
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(2,338,841)	(46) %	"	"	"	1,270,762	58%	Note 1
"	TYM Acoustic Europe	"	(Sale)	(186,859)	(4) %	"	"	"	63,776	3%	Note 1
"	Tymphony Dongguan	Subsidiary	Purchase	115,630	3 %	"	"	The same as general purchasing	(44,168)	(3)%	Note 1
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	216,478	5 %	"	"	"	(61,612)	(4)%	Note 1
"	"	"	(Sale)	(3,393,902)	(64) %	"	"	The same as general selling	1,438,961	79%	Note 1
"	TYM Acoustic Europe	"	(Sale)	(265,305)	(5) %	"	"	"	96,352	5%	Note 1
"	Tymphony Huizhou	Parent	(Sale)	(115,630)	(2) %	"	"	"	44,168	2%	Note 1
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(776,599)	(15) %	"	"	"	144,979	8%	Note 1
"	TYDC	Subsidiary	(Sale)	(399,856)	(8) %	"	"	"	50,036	3%	Note 1
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,200,658)	(33) %	"	"	"	237,008	27%	Note 1
"	"	"	Purchase	197,812	6 %	"	"	The same as general purchasing	(42,663)	(5)%	Note 1
"	Tymphony Dongguan	Parent	Purchase	399,856	13 %	"	"	"	(50,036)	(6)%	Note 1
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(2,193,145)	(60) %	"	"	The same as general selling	634,151	72%	Note 1

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,574,798	23 %	60 days	Price agreed by both sides	The same as general purchasing	(423,440)	(21)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	776,599	11 %	"	"	"	(144,979)	(7)%	Note 1
"	Tymphony Huizhou	Parent	Purchase	2,351,805	34 %	"	"	"	(730,858)	(35)%	Note 1
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,193,145	32 %	"	"	"	(634,151)	(31)%	Note 1
"	Specialty	The other related party	(Sale)	(495,593)	(7) %	"	"	The same as general selling	118,230	5%	
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(1,574,798)	(100) %	"	"	"	423,440	100%	Note 1
"	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	186,859	15 %	"	"	The same as general purchasing	(63,776)	(19)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	265,305	22 %	"	"	"	(96,352)	(28)%	Note 1
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	2,338,841	24 %	"	"	"	(1,270,762)	(31)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	3,393,902	35 %	"	"	"	(1,438,961)	(35)%	Note 1
"	"	"	(Sale)	(216,478)	(2) %	"	"	The same as general selling	61,612	2%	Note 1
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	1,200,658	12 %	"	"	The same as general purchasing	(237,008)	(6)%	Note 1
"	"	"	(Sale)	(197,812)	(2) %	"	"	The same as general selling	42,663	1%	Note 1
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	2,932,005	30 %	"	"	The same as general purchasing	(738,193)	(18)%	Note 1
TYTH	TYM HK	"	(Sale)	(2,932,005)	(100) %	"	"	The same as general selling	738,193	99%	Note 1

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

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Primax Singapore	Subsidiary	3,160,890 (note 5)	3.82	-	-	805,947	-
"	Polaris	The subsidiary of Primax Tech.	231,560 (note 5)	12.39	-	-	-	-
"	PCH2	The subsidiary of Primax HK	491,300 (note 2) (note 5)	3.23	-	-	67	-
"	"	"	49,343 (note 5)	(note 3)	-	-	2,675	-
PCH2	The Company	The parent of Primax Cayman	5,419,161 (note 5)	3.09	-	-	833,184	-
"	Primax Thailand	The subsidiary of Primax Singapore	272,003 (note 5)	(note 3)	-	-	38,424	-

(Continued)

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
PKS1	The Company	The parent of Primax Cayman	792,622 (note 5)	2.19	-	-	7,868	-
"	"	"	156,616 (note 5)	(note 4)	-	-	36,624	-
PCQ1	"	"	2,690,028 (note 5)	2.37	-	-	-	-
Primax Thailand	"	The parent of Primax Singapore	442,397 (note 5)	9.16	-	-	-	-
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	730,858 (note 5)	3.67	-	-	112,938	-
"	TYM HK	The subsidiary of TYM Acoustic HK	1,270,762 (note 5)	2.66	-	-	327,633	-
Tymphony Dongguan	"	"	1,438,961 (note 5)	3.64	-	-	242,942	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	144,979 (note 5)	8.87	-	-	-	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	237,008 (note 5)	3.27	-	-	178,873	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	634,151 (note 5)	3.81	-	-	-	-
TYM Acoustic HK	Tymphony Huizhou	The parent of TYM Acoustic HK	168,351 (note 5)	(note 3)	-	-	112,938	-
"	Specialty	The other related party	118,230	7.65	-	-	38,524	-
TYM Acoustic Europe	TYM Acoustic HK	Parent	423,440 (note 5)	4.37	-	-	128,465	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	61,612 (note 5)	2.23	-	-	61,612	-
"	"	"	1,289,073 (note 5)	(note 3)	-	-	134,156	-
"	TYDC	The subsidiary of Tymphony Dongguan	42,663 (note 5)	4.29	-	-	42,663	-
"	"	"	61,082 (note 5)	(note 3)	-	-	38,007	-
"	TYM Acoustic HK	Parent	122,256 (note 5)	(note 3)	-	-	3,409	-
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	738,193 (note 5)	6.48	-	-	279,118	-
TYAT	"	"	353,643 (note 5)	(note 3)	-	-	96,804	-

Note 1: Amounts were collected as of October 20, 2023.

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 nine months ended September 30, 2023 was \$1,161,983, 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: The other receivables arise from intercompany loans.

Note 5: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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

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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	Primax Singapore	Subsidiary	Sale	7,901,795	Price agreed by both sides	17.01 %
"	"	"	"	Accounts Receivable	3,160,890	60 days	6.48 %
"	"	PCH2	The subsidiary of Primax HK	Purchase	13,194,341	Price agreed by both sides	28.40 %
"	"	"	"	Accounts Payable	5,419,161	60 days	11.11 %
"	"	"	"	Accounts Receivable	491,300	"	1.01 %
"	"	"	"	Other Receivable	49,343	(note 2)	0.10 %
"	"	PKS1	"	Purchase	1,080,818	Price agreed by both sides	2.33 %
"	"	"	"	Accounts Payable	792,622	60 days	1.62 %
"	"	"	"	Other Payable	156,616	(note 3)	0.32 %
"	"	PCQ1	"	Purchase	4,604,529	Price agreed by both sides	9.91 %
"	"	"	"	Accounts Payable	2,690,028	60 days	5.51 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	2,514,129	Price agreed by both sides	5.41 %
"	"	"	"	Accounts Receivable	231,560	90 days	0.47 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Purchase	1,738,599	Price agreed by both sides	3.74 %
"	"	"	"	Accounts Payable	442,397	60 days	0.91 %
1	PCH2	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Service Revenue	200,693	Price agreed by both sides	0.43 %
"	"	Primax Singapore	The subsidiary of the Company	Sale	116,195	"	0.25 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Accounts Receivable	272,003	(note 2)	0.56 %
2	Tymphony Huizhou	TYM Acoustic HK	Subsidiary	Sale	2,351,805	Price agreed by both sides	5.06 %
"	"	"	"	Accounts Receivable	730,858	60 days	1.50 %
"	"	"	"	Other Payable	168,351	(note 2)	0.35 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	2,338,841	Price agreed by both sides	5.03 %
"	"	"	"	Accounts Receivable	1,270,762	60 days	2.61 %
"	"	TYM Acoustic Europe	"	Sale	186,859	Price agreed by both sides	0.40 %
"	"	Tymphony Dongguan	Subsidiary	Purchase	115,630	"	0.25 %

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

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
3	Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Sale	3,393,902	Price agreed by both sides	7.30 %
"	"	"	"	Purchase	216,478	"	0.47 %
"	"	"	"	Accounts Receivable	1,438,961	60 days	2.95 %
"	"	"	"	Accounts Payable	61,612	"	0.13 %
"	"	"	"	Other Payable	1,289,073	(note 2)	2.64 %
"	"	TYM Acoustic Europe	"	Sale	265,305	Price agreed by both sides	0.57 %
"	"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	Sale	776,599	"	1.67 %
"	"	"	"	Accounts Receivable	144,979	60 days	0.30 %
"	"	TYDC	Subsidiary	Sale	399,856	Price agreed by both sides	0.86 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	1,200,658	"	2.58 %
"	"	"	"	Purchase	197,812	"	0.43 %
"	"	"	"	Accounts Receivable	237,008	60 days	0.49 %
"	"	"	"	Accounts Payable	42,663	"	0.09 %
"	"	"	"	Other Payable	61,082	(note 2)	0.13 %
"	"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	Sale	2,193,145	Price agreed by both sides	4.72 %
"	"	"	"	Accounts Receivable	634,151	60 days	1.30 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,574,798	Price agreed by both sides	3.39 %
"	"	"	"	Accounts Payable	423,440	60 days	0.87 %
"	"	TYM HK	"	Service Expense	398,878	Price agreed by both sides	0.86 %
"	"	"	"	Other Payable	122,256	(note 2)	0.25 %
6	TYM HK	TYTH	The subsidiary of TYM Acoustic HK	Purchase	2,932,005	Price agreed by both sides	6.31 %
"	"	"	"	Accounts Payable	738,193	60 days	1.51 %
"	"	TYAT	"	Service Expense	755,548	Price agreed by both sides	1.63 %
"	"	"	"	Other Payable	353,643	(note 2)	0.73 %
"	"	TYP	"	Service Expense	105,222	Price agreed by both sides	0.23 %

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

Note 2: The receivables arises from service rendering for intercompany or material purchasing on behalf of intercompany or related party.

Note 3: The other receivables arise from intercompany loans.

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

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2023	December 31, 2022	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	8,313,242	475,436	456,632	Note 3
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	3,033,714	115,800	109,530	Note 3
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	10,202	12,164	12,164	Note 3
"	Destiny Japan	Japan	Market development of and customer service for computer peripherals, mobile device components, and business devices	7,032	7,032	0.50	100.00	15,183	295	295	Note 3
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	7,148,217	504,005	501,227	Note 3
"	Gratus Tech.	USA	Market development of and customer service for computer peripherals, mobile device components, and business devices	9,330	9,330	300	100.00	18,073	1,635	1,635	Note 3
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	66,573	4,765	4,765	Note 3
"	Primax Singapore	Singapore	Sale of computer peripherals and mobile device components	1,181,150	1,181,150	40,100	100.00	717,536	(21,232)	(4,724)	Note 3
	Total			9,987,798	9,987,798			19,322,740	1,092,868	1,081,524	
Primax Singapore	Primax Thailand	Thailand	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,162,928	1,162,928	1,244	99.99	706,790	(28,041)	(28,041)	Note 3
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	8,396,204	475,238	475,238	Note 3
Primax Tech.	Polaris	USA	Sale and purchase of computer peripherals, mobile device components, and business devices	52,680	52,680	1,600	100.00	463,746	8,631	8,631	Note 3
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	7,211,025	563,278	503,599	Note 3
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	-	(90,071)	-	Note 4
TWEL	TYM Singapore	Singapore	R&D, design, and sales of various speaker accessories as well as speakers and their components and holding business	-	-	-	100.00	-	-	-	Note 3 Note 5
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	R&D, design, and sales of various speaker accessories as well as speakers and their components and holding business	1,592,954	1,592,954	418,090	100.00	3,085,541	199,847	199,847	Note 3

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
TYM Acoustic HK	TYM HK	Hong Kong	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,076,580	(200,496)	(200,496)	Note 3
"	TYP	USA	Market development of and customer service for speakers and their components	15 (note 1)	15 (note 1)	0.50	100.00	48,801	3,654	3,654	Note 3
"	TYM UK	United Kingdom	R&D and design of various speaker accessories as well as speakers and their components	15,631	15,631	400	100.00	37,919	(265)	(265)	Note 3
"	TYM Acoustic Europe	Czech	Manufacturing, installation, and maintenance of various speaker accessories and their components	653,796	653,796	187,800	100.00	941,469	(2,088)	(2,088)	Note 3
"	TYAT	Taiwan	R&D and design of various speaker accessories as well as speakers and their components	48,318	48,318	5,000	100.00	352,463	28,872	28,872	Note 3
"	TYTH	Thailand	Manufacturing and sales of various speaker accessories, speakers, and their components	725,091	725,091	7,789	99.99	579,382	(14,990)	(14,990)	Note 3
TYM HK	TYML	USA	Sales of various speaker accessories, speakers, and their components	6,628	6,628	200	100.00	8,786	(960)	(960)	Note 3

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 (except for AIC) have been eliminated during the preparation of the consolidated financial statements.

Note 3: The subsidiary of the Company.

Note 4: The associate of the Company.

Note 5: As of September 30, 2023, there was no capital injection from the Company.

(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, 2023 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2023 (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	Manufacturing and sale of computer peripherals, mobile device components, and business devices	2,004,184	Indirect investment through Primax Cayman and Primax Tech.	1,685,001	-	-	1,768,829	298,567	100%	298,567	7,535,644	-
Destiny Beijing	R&D of computer peripheral and business devices	39,702	Indirect investment through Destiny BVI.	32,243	-	-	33,881	12,164	100%	12,164	10,198	-
PKS1	Production of computer peripheral products	877,566	Indirect investment through Primax Cayman	675,576	-	-	709,896	45,645	100%	45,645	857,625	-
PCQ1	"	857,644	"	614,160	-	-	645,360	228,897	100%	228,897	2,430,806	-

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of Investment	Accumulated outflow of investment from Taiwan as of January 1, 2023 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2023 (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						
Tymphony Huizhou	Manufacturing, R&D, design and sale of various speaker accessories, speakers, and their components	1,701,173	Indirect investment through Diamond	3,961,332	-	-	4,162,572	735,632	77.01%	566,511	5,735,535	-
Tymphony Dongguan	"	161,340	"	15,354	-	-	16,134	195,416	77.01%	150,490	805,068	-
TYDC	"	89,886	"	-	-	-	-	165,466	77.01%	127,425	299,848	-

Note 1: The above information on the exchange rate was as follows: HKD:TWD4.1241 ; USD:TWD 32.2680; CNY:TWD 4.4943.

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 September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,813,442	9,146,508	None (note)

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

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the nine months ended September 30, 2023, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	
	Shares	Percentage
Taipei Fubon Bank as Custodian Fuh Hwa Taiwan Technology Dividend Highlight ETF Investment Account	26,343,000	5.68 %

Unit: Shares

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(14) Segment information:

For the three and nine months ended September 30, 2023 and 2022, the Group's segment information had no significant change. Please refer to note 14 of the consolidated financial statement for the year ended December 31, 2022 for the further information.

The Group's segment financial information was as follows:

	For the three months ended September 30, 2023		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 5,748,660	9,974,560	15,723,220
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 5,748,660</u>	<u>9,974,560</u>	<u>15,723,220</u>
Profit before tax from segments reported	<u>\$ 331,362</u>	<u>661,709</u>	<u>993,071</u>
	For the three months ended September 30, 2022		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 6,777,655	15,561,713	22,339,368
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 6,777,655</u>	<u>15,561,713</u>	<u>22,339,368</u>
Profit before tax from segments reported	<u>\$ 533,934</u>	<u>655,810</u>	<u>1,189,744</u>
	For the nine months ended September 30, 2023		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 16,634,658	29,830,989	46,465,647
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 16,634,658</u>	<u>29,830,989</u>	<u>46,465,647</u>
Profit before tax from segments reported	<u>\$ 1,100,579</u>	<u>1,560,927</u>	<u>2,661,506</u>
	For the nine months ended September 30, 2022		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 21,786,979	38,730,091	60,517,070
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 21,786,979</u>	<u>38,730,091</u>	<u>60,517,070</u>
Profit before tax from segments reported	<u>\$ 1,465,395</u>	<u>1,370,503</u>	<u>2,835,898</u>