Stock Code:4915

(English Translation of Financial Statements and Report Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

FINANCIAL STATEMENTS

December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

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

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

Table of contents

Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the financial statements of PRIMAX ELECTRONICS LTD.("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain investees accounted for under the equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the reports of the other auditors. The Company's investment in these companies constituting 4% of the total assets, as of December 31, 2016 and 2015. The related share of profit of associates accounted for using the equity method amounted constituting 11% and 9% of the profit before tax, for the years ended December 31, 2016 and 2015, respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

   Our principal audit procedures included: understanding the policies of evaluating the inventories of the Company; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories; inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in subsequent period to assess whether the allowance for inventories are reasonable.

2. Investments accounted for using equity method

   Please refer to Note 4(h) "Investments in subsidiaries", and Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements.

   Description of key audit matter:

   The Company's investments accounted for using equity method are all subsidiaries of the Company. Based on the scope and nature of their businesses which may influence the outcome of their operations, the net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty. Therefore, the valuation of inventories of the investments accounted for using equity method is one of the key audit matters for our audit.

   In 2014, the Company acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd., and recognized its goodwill, technologies and customer relations as intangible assets. Due to the rapid industrial transformation, and the assessment of imapirment contains estimation uncertainty. Therefore, the assessment of impairment of intangible assets, recognized from the business combination by the subsidiary accounted for using equity method, is one of the key audit matters for our audit.

   How the matter was addressed in our audit:

   For the principal audit procedures on the valuation of inventories of the investments accounted for using equity method, please refer to key audit matters 1 "Evaluation of invetories". In addition, the consolidated financial statements of Tymphany Worldwide Enterprises Ltd. and its subsidiaries were audited by other auditors; therefore, we issued audit instructions to their auditors as guidelines to communicate the key audit matters with them and obtained the feedbacks required in the audit instructions.

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

3. Disposal of subsidiaries

   Please refer to Note 4(h) “Investments in subsidiaries”, Note 6(c) “Available-for-sale financial assets-noncurrent of the financial statements”, and Note 6(f) “Investments accounted for using equity method” of the consolidated financial statements.

   Description of key audit matter:

   The Company sold parts of its shares in its subsidiary, Global TEK Fabrication Co., Ltd, and lost control over the subsidiary on October 3, 2016. This is a non-recurring transaction to the Company, wherein the trading parties are its related parties. Therefore, the disposal of subsidiaries is one of the key audit matters for our audit.

   How the matter was addressed in our audit:

   The principal audit procedures on the disposal of its subsidiary included: assessing whether the transactions complies with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Regulations of Internal Control System of PRIMAX ELECTRONICS LTD.; reading the contracts to fully understand the trading parties involved, prices, and other agreements; inspecting the external materials of cash proceeds and amendment of shares register; obtaining the audit report from other auditors on the date the Company lost its control over the subsidiary to be the base to recognize its profit (loss) using equity method accordingly; and evaluating the completeness of disclosure in the financial reports.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are YUNG-HUA HUANG and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)
March 7, 2017

Notes to Readers

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

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 4,751,198	18	2,267,560	8
1110	Current financial assets at fair value through profit or loss (note 6(b))	141,317	1	79,052	-
1170	Accounts receivable, net (note 6(d))	7,339,708	27	9,321,764	34
1180	Accounts receivable from related parties, net (notes 6(d) and 7)	513,446	2	2,052,505	8
1200	Other receivables, net (notes 6(d) and 7)	1,050,923	4	28,841	-
1310	Inventories (note 6(e))	2,293,419	8	2,551,571	9
1470	Other current assets	33,532	-	28,453	-
		16,123,543	60	16,329,746	59
	Non-current assets:				
1523	Available-for-sale financial assets-non-current (note 6(c))	873,921	3	567,897	2
1550	Investments accounted for using equity method (note 6(f))	9,317,894	35	10,088,961	37
1600	Property, plant and equipment (note 6(g))	68,785	-	65,554	-
1760	Investment property (note 6(h))	255,149	1	258,709	1
1780	Intangible assets (note 6(i))	22,966	-	29,514	-
1840	Deferred tax assets (note 6(n))	348,269	1	293,519	1
1990	Other non-current assets	73,776	-	62,016	-
		10,960,760	40	11,366,170	41
	Total assets	**$ 27,084,303**	**100**	**27,695,916**	**100**

	Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(j))	$ -	-	1,120,518	4
2170	Notes and accounts payable	783,593	3	264	-
2180	Accounts payable to related parties (note 7)	9,352,640	35	11,340,202	41
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	150,430	1	52,765	-
2200	Other payables (note 7)	2,331,760	8	1,583,478	6
2201	Salary payable (note 6(p))	359,279	1	411,680	1
2300	Other current liabilities	219,856	1	147,176	1
2320	Long-term borrowings, current portion (note 6(k))	382,222	1	548,889	2
		13,579,780	50	15,204,972	55
	Non-Current liabilities:				
2622	Long-term accounts payable to related parties (note 7)	781,263	3	-	-
2540	Long-term borrowings (note 6(k))	218,889	1	767,778	3
2630	Long-term deferred revenue (note 6(g))	1,159,073	4	1,018,732	3
2600	Other non-current liabilities (notes 6(m) and (n))	345,574	1	274,053	1
		2,504,799	9	2,060,563	7
	Total liabilities	16,084,579	59	17,265,535	62
3110	Ordinary shares (note 6(o))	4,421,343	16	4,411,877	16
3140	Capital collected in advance (note 6(o))	3,024	-	15,174	-
3200	Capital surplus (note 6(o))	791,466	3	777,368	3
3310	Legal reserve (note 6(o))	788,634	3	611,322	2
3320	Special reserve (note 6(o))	97,300	-	97,300	-
3350	Unappropriated retained earnings (note 6(o))	4,779,419	18	3,951,934	15
3400	Other equity interest	118,538	1	565,406	2
	Total equity	10,999,724	41	10,430,381	38
	Total liabilities and equity	**$ 27,084,303**	**100**	**27,695,916**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016 Amount	2016 %	2015 Amount	2015 %
4000	**Operating revenue (notes 6(r) and 7)**	$ 45,739,783	100	51,638,181	100
5000	**Operating costs (notes 6(e), (m), (o), (p), (s), 7 and 12)**	42,106,442	92	48,703,633	94
	Gross profit	3,633,341	8	2,934,548	6
	Operating expenses (notes 6(m), (o), (p), (s), 7 and 12):				
6100	Selling expenses	670,475	2	610,013	1
6200	Administrative expenses	442,145	1	414,570	1
6300	Research and development expenses	970,860	2	983,295	2
	Total operating expenses	2,083,480	5	2,007,878	4
	Net operating income	1,549,861	3	926,670	2
	Non-operating income and expenses:				
7010	Other income (notes 6(t) and 7)	33,468	-	22,053	-
7020	Other gains and losses (notes 6(c), (u) and 7)	371,406	1	283,488	-
7070	Share of profit of subsidiaries accounted for using equity method	424,575	1	755,092	1
7050	Finance costs	(31,786)	-	(53,380)	-
	Total non-operating income and expenses	797,663	2	1,007,253	1
	Profit from operations before tax	2,347,524	5	1,933,923	3
7950	Less: Income tax expense (note 6 (n))	413,454	1	160,801	-
	Profit	1,934,070	4	1,773,122	3
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Actuarial gains (losses) on defined benefit plans	(1,340)	-	(8,100)	-
		(1,340)	-	(8,100)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operation's financial statements	(610,956)	(1)	(71,337)	-
8362	Unrealised gains on available-for-sale financial assets (notes 6(c) and (v))	110,706	-	294,053	-
	Components of other comprehensive income that will be reclassified to profit or loss	(500,250)	(1)	222,716	-
8300	**Other comprehensive income after tax**	(501,590)	(1)	214,616	-
	Comprehensive income	**$ 1,432,480**	**3**	**1,987,738**	**3**
	Earnings per share (note 6(q))				
9710	Basic earnings per share (NT dollars)	**$ 4.40**		**4.06**	
9810	Diluted earnings per share (NT dollars)	**$ 4.36**		**4.01**	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings						
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity
Balance at January 1, 2015	$ 4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	707	(18,241)	9,150,513
Profit	-	-	-	-	-	1,773,122	-	-	-	1,773,122
Other comprehensive income	-	-	-	-	-	(8,100)	(71,337)	294,053	-	214,616
Comprehensive income	-	-	-	-	-	1,765,022	(71,337)	294,053	-	1,987,738
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	154,469	-	(154,469)	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	(791,107)	-	-	-	(791,107)
Issuance of restricted employee stock	30,000	-	91,693	-	-	-	-	-	(121,693)	-
Retirement of restricted employee stock	(2,800)	-	(10,258)	-	-	-	-	-	13,058	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	46,477	46,477
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	-	4,087
Exercise of employee stock option	-	32,673	-	-	-	-	-	-	-	32,673
Issuance of ordinary shares for employee stock options and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-	-
Balance at December 31, 2015	4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,399)	10,430,381
Profit	-	-	-	-	-	1,934,070	-	-	-	1,934,070
Other comprehensive income	-	-	-	-	-	(1,340)	(610,956)	110,706	-	(501,590)
Comprehensive income	-	-	-	-	-	1,932,730	(610,956)	110,706	-	1,432,480
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	177,312	-	(177,312)	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	(927,933)	-	-	-	(927,933)
Retirement of restricted employee stock	(3,850)	-	(6,350)	-	-	-	-	-	10,200	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	43,182	43,182
Compensation cost of share-based payment	-	-	2,517	-	-	-	-	-	-	2,517
Exercise of employee stock option	-	19,097	-	-	-	-	-	-	-	19,097
Issuance of ordinary shares for employee stock option and abandonment	13,316	(31,247)	17,931	-	-	-	-	-	-	-
Balance at December 31, 2016	**$ 4,421,343**	**3,024**	**791,466**	**788,634**	**97,300**	**4,779,419**	**(259,911)**	**405,466**	**(27,017)**	**10,999,724**

Note1：For the years ended December 31, 2016 and 2015, the Directors' remuneration amounted to 36,803 and 31,907, and the employee remuneration amounted to 74,000 and 78,269, respectively. The amounts were deducted from the statements of comprehensive income in 2016 and 2015, respectively.

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016	2015
Cash flows from (used in) operating activities:			
Profit before tax	$	2,347,524	1,933,923
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation and amortization		41,765	36,999
Losses related to inventories		32,516	175,361
Amortization of long-term deferred revenue		(336,211)	(121,262)
Provision (reversal of provision) for bad debt expense and sales returns and discounts		43,345	(4,603)
Interest expense		31,383	53,380
Interest income		(11,599)	(13,235)
Compensation cost of share-based payment		43,182	49,041
Share of profit of subsidiaries accounted for using equity method		(424,575)	(755,092)
Gain on disposal of subsidiaries		(248,006)	-
Loss from disposal of property, plan and equipment		474	269
Gain on disposal of available-for-sale financial assets		(140,969)	-
Impairment losses on financial assets		-	939
Total adjustments to reconcile profit (loss)		(968,695)	(578,203)
Changes in operating assets and liabilities:			
Accounts receivable, including related parties		3,477,770	(2,686,191)
Other receivables		(1,022,082)	(19,177)
Inventories		225,636	(1,268,443)
Other current assets		(5,079)	(4,688)
Deferred tax assets		(54,750)	(229,498)
Other operating assets		(62,265)	(58,729)
Changes in operating assets		2,559,230	(4,266,726)
Notes and accounts payable, including related parties		(422,970)	3,306,055
Salary payable		(52,401)	23,768
Other payables		569,820	679,328
Other current liabilities		72,680	86,321
Other operating liabilities		132,613	51,366
Changes in operating liabilities		299,742	4,146,838
Total adjustments		1,890,277	(698,091)
Cash inflow generated from operations		4,237,801	1,235,832
Interest received		11,599	13,235
Interest paid		(31,315)	(53,265)
Income taxes paid		(234,992)	(159,152)
Net cash flows from operating activities		3,983,093	1,036,650
Cash flows from (used in) investing activities:			
Proceeds from disposal and settle of share of subsidiaries using equity method		559,498	-
Acquisition of share of subsidiaries using equity method		-	(808,020)
Proceeds from capital reduction of available-for-sale financial assets		1,280	1,600
Proceeds from disposal of available-for-sale financial assets		220,270	-
Acquisition of property, plant and equipment		(23,062)	(23,292)
Acquisition of long-term deferred revenue		476,552	1,076,851
Acquisition of unamortized expense		(23,710)	(9,862)
Decrease in refundable deposits		(441)	(684)
Other investing activities		91	(35)
Net cash flows from investing activities		1,210,478	236,558
Cash flows from (used in) financing activities:			
Decrease in short-term borrowings		(1,120,518)	(1,028,282)
Repayment of long-term borrowings		(715,556)	(183,333)
Increase (decrease) in guarantee deposits		34,977	(37,478)
Cash dividends		(927,933)	(791,107)
Exercise of employee stock options		19,097	32,673
Net cash flows used in financing activities		(2,709,933)	(2,007,527)
Net increase (decrease) in cash and cash equivalents		2,483,638	(734,319)
Cash and cash equivalents at beginning of period		2,267,560	3,001,879
Cash and cash equivalents at end of period	$	**4,751,198**	**2,267,560**

See accompanying notes to financial statements.

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

(1) Company history

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

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

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

The major business activities of the Company were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products and shredders.

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 financial statements:

The financial statements were authorized for issuance by the board of directors on March 7, 2017.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the FSC but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is listed below. As of the date the Company’s financial statements were issued, except for IFRS 9 and IFRS 15, which should be applied starting January 1, 2018, the FSC has yet to announce the effective dates of the other IFRSs.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts"	January 1, 2018

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRSs 2014 - 2016 Cycle :	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
IAS 40 "Transfers of Investment Property"	January 1, 2018

Those standards that possibly impact the Company's financial statements are listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
January 29, 2016	Amendments to IAS 7 "Disclosure Initiative"	The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.
June 20, 2016	Amendments to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: • the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; • share-based payment transactions with a net settlement feature for withholding tax obligations; and • a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
December 8, 2016	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the Company initially recognizes the prepayment or deferred income arising from the advance consideration.

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

(Continued)

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(b) Basis of preparation

(i) Basis of measurement

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

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

2) Available-for-sale financial assets are measured at fair value; and

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

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

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

(Continued)

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

(e) Cash and cash equivalents

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

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

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: available-for-sale financial assets, and loans and receivables.

1) Available-for-sale financial assets

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

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

2) Loans and receivables

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

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

3) Impairment of financial assets

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

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

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

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

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

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

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

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

(Continued)

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

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Other financial liabilities

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

(g) Inventories

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

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

(h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Company loses control over its subsidiaries, the Company derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(i) Investment property

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(Continued)

(iv) Depreciation

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

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

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

1) Buildings and additional equipment: 1 ~ 51 years

2) Machinery and equipment: 1 ~4 years

3) Other equipment: 1 ~5 years

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

(k) Lease

(i) Lessor

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

(ii) Lessee

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

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

(l) Intangible assets

Intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

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

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

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(i) Trademarks 10 years

(ii) Patents 2.5~10 years

(iii) Copyrights 15 years

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

(m) Impairment of non-financial assets

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

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

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

(n) Revenue

(i) Goods sold

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

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

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(ii) Services

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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

(Continued)

(p) Share-based payment

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

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

(q) Income taxes

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

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

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

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

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

(iii) Initial recognition of goodwill.

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

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

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

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

1) levied by the same taxing authority; or

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

(Continued)

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

(r) Earnings per share

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

(s) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2016 and 2015, for further details.

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

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

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

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

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

(a) Valuation of inventories

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

(Continued)

(b) Valuation of inventories and assessment of impairment of intangible assets of investments using equity method

Please refer to note 5(a) for inventories valuation. The Company's investments accounted for using equity method include intangible assets from premium investment. The assessment of imapirment of intangible assets required the Company to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

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

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

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

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

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

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 543	625
Checking accounts and demand deposits	931,183	1,075,455
Time deposits	3,819,472	1,191,480
	$ 4,751,198	**2,267,560**

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

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

(i) The derivative financial instruments was as follows:

	December 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss – current:		
Forward exchange contracts	$ 141,317	79,052
Foreign exchange swap contracts	-	-
	$ 141,317	79,052
Financial liabilities at fair value through profit or loss – current:		
Forward exchange contracts	$ (72,909)	(52,765)
Foreign exchange swap contracts	(77,521)	-
	$ (150,430)	(52,765)

(ii) The Company held the following derivative financial instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2016 and 2015:

December 31, 2016

Derivative financial instruments	Nominal amount		Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD	252,000	January 5, 2017~ March 27, 2017	31.157~32.015
Forward exchange contracts – buy TWD/sell USD	USD	189,500	January 5, 2017~ March 27, 2017	31.765~32.290
Forward exchange contracts – swap in TWD/swap out USD	USD	81,000	January 5, 2017~ January 19, 2017	31.245~31.920

December 31, 2015

Derivative financial instruments	Nominal amount		Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD	205,000	January 7, 2016~ February 26, 2016	32.754~32.892
Forward exchange contracts – buy CNY / sell USD	USD	40,000	January 19, 2016	6.6380
Forward exchange contracts – buy TWD/sell USD	USD	205,000	January 7, 2016~ February 26, 2016	32.802~33.010

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

(iv) The Company did not provide any of the aforementioned financial assets at fair value through profit or loss – current as collateral.

(c) Available-for-sale financial assets – non-current

	December 31, 2016	December 31, 2015
Stocks listed in domestic markets	$ 586,404	551,600
Stocks unlisted in domestic markets	287,517	16,297
	$ 873,921	**567,897**

(i) WK Technology Fund IV Ltd. refunded $1,600 and $1,280 to the Company due to capital reduction in July, 2015 and April, 2016, respectively.

(ii) Titan 1 Venture Capital Co., Ltd. and Neosonica Technologies Inc. were closed and finished the liquidation process in August and March 2015, respectively. The Company received $175 due to the liquidation and recorded it as other gains and losses.

(iii) The impairment loss was $939 for the years ended December 31, 2015 and was recognized as other gains and losses.

(iv) The Company held 30% shares of Global TEK Fabrication Co., Ltd's shares and sold 20% of them at $50 per share on October 3, 2016. The total proceeds of $549,347 were received. The Company recorded the total gain of $248,004 under other gains or losses, including the amount of $83,219 from the remaining shares measured at fair value due to losing its control over Global TEK Fabrication Co., Ltd. The Company reclassified the carrying amounts of the remaining shares to available-for-sale financial asset－non-current. Please refer to the Company's consolidated financial statements for further information on losing control of subsidiaries.

(v) In the second quarter of 2016, the Company sold 841 thousand shares of Nien Made Enterprise Co., Ltd. for $220,270. The gain on disposal which was recognized as other gains and losses, amounted to $140,969, deducting the cost of $79,301.

(vi) The unrealized gains were $111,105 and $294,900 for the years ended December 31, 2016 and 2015, respectively, and were recognized as unrealized gains on available-for-sale financial assets.

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

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(d) Accounts receivable, and other receivables (including related parties)

	December 31, 2016	December 31, 2015
Accounts receivable	$ 7,437,179	9,376,338
Accounts receivable – related parties	513,446	2,052,505
Other receivables	1,050,923	28,841
Less: allowance for doubtful accounts	(76,977)	(19,647)
allowance for sales returns and discounts	(20,494)	(34,927)
Total	$ 8,904,077	11,403,110

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

(ii) Please refer to note 6(w) for the movements in the allowance for doubtful accounts and the credit risk and currency risk for the years ended December 31, 2016 and 2015.

(iii) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. As of December 31, 2016 and 2015, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

December 31, 2016

Buyer	Amount sold NT$	Credit facilities US$ (expressed in thousand)	Cash received in advance NT$	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NT$	Amount not received NT$
Mega International Commercial Bank	$ 374,057	20,000	336,651	1.75 %	US 5,000	336,651	37,406
HSBC Bank	592,397	64,400	533,157	1.42 %	US 58,000	533,157	59,240
Bank of Taiwan	449,051	26,000	404,146	2.10 %	NT 772,200	404,146	44,905
	$ 1,415,505	110,400	1,273,954			1,273,954	141,551

December 31, 2015

Buyer	Amount sold NT$	Credit facilities US$ (expressed in thousand)	Cash received in advance NT$	Interest rate	Guarantee (promissory note) expressed in thousands	Amount derecognized NT$	Amount not received NT$
Mega International Commercial Bank	$ -	25,000	-		US 7,000	-	-
HSBC Bank	-	64,400	-		US 58,000	-	-
Bank of Taiwan	-	26,000	-		NT 725,400	-	-
	$ -	115,400	-			-	-

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

(e) Inventories

		December 31, 2016	December 31, 2015
Raw materials	$	102,684	1,188
Finished goods and merchandise		2,190,735	2,550,383
	$	**2,293,419**	**2,551,571**

The Company did not provide any of the aforementioned inventories as collateral.

For the years ended December 31, 2016 and 2015, the Company recognized the following items as cost of goods sold:

		2016	2015
Gains (losses) on inventory valuation	$	(10,601)	9,500
Loss on disposal of inventories		(19,737)	(184,276)
Losses on physical inventories, net		(2,178)	(585)
	$	**(32,516)**	**(175,361)**

(f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates comprise:

		December 31, 2016	December 31, 2015
Subsidiaries	**$**	**9,317,894**	**10,088,961**

(i) Please refer to the Company's consolidated financial statements for the years ended December 31, 2016, for details of subsidiaries.

(ii) The Company did not provide investments accounted for using the equity method as collateral.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(g) Property, plant and equipment

The cost, and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2016 and 2015, were as follows:

		Land	Buildings and additional equipment	Machinery and equipment	Other equipment	Testing equipment	Total
Cost or deemed cost:							
Balance on January 1, 2016	$	22,879	141,789	67,355	44,743	204	276,970
Additions		-	-	10,148	4,580	8,334	23,062
Disposals		-	-	(8,759)	(3,059)	-	(11,818)
Reclassifications		-	-	2,770	-	(3,892)	(1,122)
Balance on December 31, 2016	**$**	**22,879**	**141,789**	**71,514**	**46,264**	**4,646**	**287,092**
Balance on January 1, 2015	$	22,879	141,789	49,896	44,152	889	259,605
Additions		-	-	15,268	2,756	5,268	23,292
Disposals		-	-	(513)	(2,469)	-	(2,982)
Reclassifications		-	-	2,704	304	(5,953)	(2,945)
Balance on December 31, 2015	**$**	**22,879**	**141,789**	**67,355**	**44,743**	**204**	**276,970**
Depreciation:							
Balance on January 1, 2016	$	-	131,577	44,394	35,445	-	211,416
Depreciation		-	358	12,712	4,995	-	18,065
Disposals		-	-	(8,590)	(2,584)	-	(11,174)
Balance on December 31, 2016	**$**	**-**	**131,935**	**48,516**	**37,856**	**-**	**218,307**
Balance on January 1, 2015	$	-	131,218	34,829	32,271	-	198,318
Depreciation		-	359	10,078	5,374	-	15,811
Disposals		-	-	(513)	(2,200)	-	(2,713)
Balance on December 31, 2015	**$**	**-**	**131,577**	**44,394**	**35,445**	**-**	**211,416**
Carrying amounts:							
Balance on December 31, 2016	**$**	**22,879**	**9,854**	**22,998**	**8,408**	**4,646**	**68,785**
Balance on December 31, 2015	**$**	**22,879**	**10,212**	**22,961**	**9,298**	**204**	**65,554**
Balance on January 1, 2015	**$**	**22,879**	**10,571**	**15,067**	**11,881**	**889**	**61,287**

(i) The unamortized deferred revenue of equipment subsidy amounted to $1,159,073 and $1,018,732 for the years ended December 31, 2016 and 2015, respectively.

(ii) The Company did not provide property, plant and equipment as collateral.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(h) Investment property

	Land	Buildings and other equipment	Total
Cost or deemed cost:			
Balance on January 1, 2016	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2016	**$ 162,012**	**172,167**	**334,179**
Balance on January 1, 2015	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2015	**$ 162,012**	**172,167**	**334,179**
Depreciation and impairment losses:			
Balance on January 1, 2016	$ 33,941	41,529	75,470
Depreciation	-	3,560	3,560
Balance on December 31, 2016	**$ 33,941**	**45,089**	**79,030**
Balance on January 1, 2015	$ 33,941	37,969	71,910
Depreciation	-	3,560	3,560
Balance on December 31, 2015	**$ 33,941**	**41,529**	**75,470**
Carrying amounts:			
Balance on December 31, 2016	**$ 128,071**	**127,078**	**255,149**
Balance on December 31, 2015	**$ 128,071**	**130,638**	**258,709**
Balance on January 1, 2015	**$ 128,071**	**134,198**	**262,269**
Fair value:			
Balance on December 31, 2016			**$ 629,690**
Balance on December 31, 2015			**$ 592,092**
Balance on January 1, 2015			**$ 561,338**

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

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

(iii) The Company did not provide any of the aforementioned investment property as collateral.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(i) Intangible assets

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2016 and 2015, were as follows:

	Trademarks	Patents	Copyrights	Total
Cost:				
Balance at January 1, 2016	$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance at December 31, 2016	**$ 25,584**	**64,271**	**30,832**	**120,687**
Balance at January 1, 2015	$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance at December 31, 2015	**$ 25,584**	**64,271**	**30,832**	**120,687**
Amortization:				
Balance at January 1, 2016	$ 15,990	62,337	12,846	91,173
Amortization	2,558	1,934	2,056	6,548
Balance at December 31, 2016	**$ 18,548**	**64,271**	**14,902**	**97,721**
Balance at January 1, 2015	$ 13,431	58,468	10,791	82,690
Amortization	2,559	3,869	2,055	8,483
Balance at December 31, 2015	**$ 15,990**	**62,337**	**12,846**	**91,173**
Carrying amount:				
Balance at December 31, 2016	**$ 7,036**	**-**	**15,930**	**22,966**
Balance at December 31, 2015	**$ 9,594**	**1,934**	**17,986**	**29,514**
Balance at January 1, 2015	**$ 12,153**	**5,803**	**20,041**	**37,997**

The Company did not provide any of the aforementioned intangible assets as collateral.

(j) Short-term borrowings

The details were as follows:

	December 31, 2016	December 31, 2015
Unsecured bank loans	**$ -**	**1,120,518**
Unused credit lines	**$ 10,044,220**	**6,960,042**
Annual interest rates	**0.93%~1.27%**	**0.85%~1.38%**

(k) Long-term borrowings

	December 31, 2016			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	0.95%~1.56%	2017~2020	$ 601,111
Less: current portion				(382,222)
Total				$ **218,889**
Unused credit lines				$ **-**

	December 31, 2015			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	0.95%~1.56%	2017~2020	$ 1,316,667
Less: current portion				(548,889)
Total				$ **767,778**
Unused credit lines				$ **150,000**

(i) Pursuant to the loan agreements with Industrial Bank of Taiwan, The Export-Import Bank of the ROC and CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. As of December 31, 2016, the Company had not violated the financial covenants. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) stockholders' equity of not less than $4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.

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

(l) Operating lease

(i) Lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 90,708	90,708
Between one and five years	93,430	184,138
	$ **184,138**	**274,846**

The Company leases a number of offices under operating leases. The lease terms are 15 years.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(ii) Lessor

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

		December 31, 2016	December 31, 2015
Less than one year	$	10,957	1,060
between two and five years		37,775	-
More than five years		84,857	-
	$	**133,589**	**1,060**

(m) Employee benefits

(i) Defined benefit plans

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

		December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$	160,593	160,913
Fair value of plan assets		96,865	97,683
Deficit in the plan		63,728	63,230
Asset ceiling		-	-
Net defined benefit liability	$	**63,728**	**63,230**

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $96,865 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Defined benefit obligation on January 1	$	160,913	162,598
Business combinations			
Benefits paid		(4,995)	(14,885)
Current service costs and interest cost		3,417	4,685
Remeasurement of net defined benefit liabilities		1,258	8,515
Defined benefit obligation on December 31	**$**	**160,593**	**160,913**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Fair value of plan assets on January 1	$	97,683	104,919
Interest income		942	2,167
Remeasurement of net defined liabilities		(271)	603
Contributions paid		3,506	4,879
Benefits paid		(4,995)	(14,885)
Fair value of plan assets on December 31	**$**	**96,865**	**97,683**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Current service costs	$	1,401	1,322
Net interest of net liabilities for defined benefit		1,074	1,196
Expenses	**$**	**2,475**	**2,518**

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

5) Remeasurement of net defined liability (asset) recognized in other comprehensive income

The Company's remeasurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2016 and 2015, was as follows:

		2016	2015
Balance on January 1	$	2,892	(5,020)
Recognized during the period		1,529	7,912
Balance on December 31	**$**	**4,421**	**2,892**

6) Actuarial assumptions

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

	December 31, 2016	December 31, 2015
Discount rate	1.375 %	1.750 %
Future salary increase rate	3.250 %	3.250 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date was $3,336. The weighted-average lifetime of the defined benefit plans is 12 years.

7) Sensitivity analysis

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

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2016			
Discount rate	$	(3,586)	3,708
Future salary increase rate	$	3,545	(3,447)
December 31, 2015			
Discount rate	$	(3,835)	3,971
Future salary increase rate	$	3,811	(3,701)

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

There were no change in the method and assumptions used in the preparation of the sensitivity analysis for 2016 and 2015.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounting to $41,230 and $39,743 for the years ended December 31, 2016 and 2015, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

(n) Income taxes

(i) The components of income tax expenses for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Current tax expense	$ 432,225	366,500
Deferred tax expense	(18,771)	(205,699)
Income tax expense	**$ 413,454**	**160,801**

(ii) The Company had no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2016 and 2015.

(iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Profit before tax	$ 2,347,524	1,933,923
Income tax calculated based on the Company's domestic tax rate	399,079	328,767
Overseas investment gains recognized under the equity method	(47,655)	(105,331)
Investment tax credits accrued	(41,196)	(83,224)
Prior year's income tax adjustment	7,106	157
10% surtax on unappropriated earnings	65,978	60,246
Gains on disposal of stocks	(50,023)	-
Others	80,165	(39,814)
Income taxes expense	**$ 413,454**	**160,801**

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

	December 31, 2016	December 31, 2015
Aggregate amount of temporary differences related to investments in subsidiaries	$ 422,133	475,399

2) Unrecognized deferred tax assets

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

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 109,500	60,300

The deductible temporary differences cannot be realized. Therefore, they were not recognized as deferred tax assets.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, were as follows:

	Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2016	$ 112,054	-	5,528	117,582
Recognized in profit or loss	24,523	-	11,456	35,979
Balance on December 31, 2016	**$ 136,577**	**-**	**16,984**	**153,561**
Balance on January 1, 2015	$ 89,222	3,500	1,061	93,783
Recognized in profit or loss	22,832	(3,500)	4,467	23,799
Balance on December 31, 2015	**$ 112,054**	**-**	**5,528**	**117,582**

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

	Bad debt in excess of tax limit	Unfunded pension fund contribution	Unrealized sales returns and allowances	Loss on inventory valuation	Deferred granted revenue	Unrealized exchange losses	Others	Total
Deferred tax assets:								
Balance on January 1, 2016	$ 20,939	14,473	44,241	3,267	173,185	17,339	20,075	293,519
Recognized in profit or loss	4,515	(175)	13,374	1,303	23,857	(17,290)	29,166	54,750
Balance on December 31, 2016	**$ 25,454**	**14,298**	**57,615**	**4,570**	**197,042**	**49**	**49,241**	**348,269**
Balance on January 1, 2015	$ 11,521	14,875	29,977	4,382	-	-	3,266	64,021
Recognized in profit or loss	9,418	(402)	14,264	(1,115)	173,185	17,339	16,809	229,498
Balance on December 31, 2015	**$ 20,939**	**14,473**	**44,241**	**3,267**	**173,185**	**17,339**	**20,075**	**293,519**

(v) The Company's income tax returns have been examined by the tax authority through the years up to 2013. However, the Company disagreed with the examination of the income tax returns for 2008 and requested an administrative remedy. The tax effect of the administrative remedy has been recognized by the Company.

(vi) Information related to the unappropriated earnings and tax deduction ratio is summarized below:

	December 31, 2016	December 31, 2015
Unappropriated earnings in 1998 and after	**$ 4,779,419**	**3,951,934**
Balance of imputation credit account	**$ 508,028**	**420,838**
	2016 (estimated)	**2015 (actual)**
Creditable ratio for earnings distribution to ROC residents stockholders	**19.06 %**	**13.69 %**

The above information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance, ROC, on October 17, 2013.

(o) Capital and other equity

As of December 31, 2016 and 2015, the nominal ordinary shares amounted to $5,000,000. Face value of each share is $10 (dollars), which means in total there were 500,000 thousand authorized ordinary shares, of which 442,134 and 441,188 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

Reconciliation of shares outstanding for the years ended December 31, 2016 and 2015, was as follows:

	Ordinary shares	
(in thousands of shares)	**2016**	**2015**
Balance on January 1	441,188	434,658
Exercise of employee stock options	1,331	3,810
Issued for restricted stock	-	3,000
Redemption of restricted stock	(385)	(280)
Balance on December 31	**442,134**	**441,188**

(i) Ordinary shares

1) The Company issued 1,331 thousand and 3,810 thousand new shares of ordinary shares for the exercise of employee stock options in 2016 and 2015, respectively. The related registration procedures were also completed.

2) Employee stock options exercised without registration procedures were recorded as capital collected in advance. The exercise price and units as of December 31, 2016 and 2015, were as follows:

	December 31, 2016	
	Exercised shares (in thousands)	**Exercise price**
Exercise price per share: $25.20	**120**	**$ 3,024**

	December 31, 2015	
	Exercised shares (in thousands)	**Exercise price**
Exercise price per share: $11.42	235	$ 2,679
Exercise price per share: $26.50	472	12,495
	707	**$ 15,174**

(ii) Capital surplus

The balances of capital surplus as of December 31, 2016 and 2015, were as follows:

	December 31, 2016	**December 31, 2015**
Additional paid-in capital	$ 508,583	447,630
Employee stock options	229,175	236,277
Restricted employee stock options	53,708	93,461
	$ 791,466	**777,368**

(Continued)

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

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by $97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $97,300 on December 31, 2016.

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

3) Earnings distribution

On June 20, 2016, and June 29, 2015, the stockholders' meeting resolved the distribution of earnings for 2015 and 2014, respectively. The distribution was NT$2.1 and 1.8 (dollars) per share, which amounted to $927,933 thousand and $791,107 thousand, respectively.

(p) Share-based payment

(i) Employee stock options and share-based payment

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

a) Exercise period:

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

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

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

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

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

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

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 ordinary shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to $2,517 and $1,523 in 2016 and 2015, respectively.

7) As of December 31, 2016, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

			Plan 3 (note 3)	
	Plan 1 (note 1)	**Plan 2 (note 2)**	**Issued in November 2011**	**Issued in October 2012**
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	11.42	11.42	16.20	25.2
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~ November11, 2017)	5 years (November 24, 2011~ November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

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

Note 2: Stock options under Plan 2 included those granted by Primax Holdings in January and May 2008, and those granted by the Company in November 2009.

Note 3: Stock options under Plan 3 included those granted by the Company in November 2011 and October 2012.

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

Period of stock options	Plan 1	Plan 2
Exercise price of Primax Holdings's stock options (USD)	0.2	0.2
Expected time until expiration (years)	2.37~5	6~8
Stock price per share of Primax Holdings (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665%	2.509%~2.538%

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

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

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

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

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

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

9) The related information on compensatory employee stock option plans was as follows:

	2016		2015	
	Weighted-average exercise price	**Stock options (in thousands)**	**Weighted-average exercise price**	**Stock options (in thousands)**
Outstanding at January 1	24.66	1,728	22.66	3,724
Granted during the year	-	-	-	-
Forfeited during the year	25.20	(25)	25.66	(169)
Exercised during the year	25.62	(746)	18.67	(1,750)
Expired during the year	-	-	27.70	(77)
Outstanding at December 31	22.16	**957**	24.66	**1,728**
Exercisable at December 31	22.16	**957**	24.66	**1,728**

As of December 31, 2016 and 2015, the information on the employee stock option plans outstanding was as follows:

	December 31, 2016	**December 31, 2015**
Employee stock option plan 1	-	-
Employee stock option plan 2	211	211
Employee stock option plan 3 -Issued in November 2011	-	-
Employee stock option plan 3 -Issued in October 2012	746	1,517
Outstanding at end of year	**957**	**1,728**
Weighted-average expected time remaining until expiration (years)	**0.82**	**1.82**

(ii) Restricted stock

1) As of December 31, 2016, the outstanding restricted stock of the Company was as follows:

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

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

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

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

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

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

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

2) The related information on restricted stock of the Company for 2016 and 2015 was as follows:

(Thousand shares)	2016	2015
Outstanding at January 1	3,270	1,310
Granted during the year	-	3,000
Forfeited during the year	-	-
Vesting during the year	(1,214)	(660)
Expired during the year	(285)	(380)
Outstanding at December 31	**1,771**	**3,270**

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(iii) Expenses and liabilities attributable to share-based payment for 2016 and 2015 were as follows:

	2016	2015
Expenses attributable to employee stock options	$ -	2,564
Restricted stock	43,182	46,477
Total	$ **43,182**	**49,041**
Salary payable:		
Current	$ **1,938**	**4,092**

(q) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2016 and 2015, based on the profit and the weighted-average number of ordinary shares outstanding was as follows:

	2016	2015
Profit of the Company for the year	$ **1,934,070**	**1,773,122**
Weighted-average number of ordinary shares (thousand shares)	**439,169**	**436,372**
Basic earnings per share (NT dollars)	$ **4.40**	**4.06**

Weighted-average number of ordinary shares (thousand shares)

	2016	2015
Ordinary shares at January 1	437,818	433,348
Exercise of employee stock options	760	2,818
Vesting of restricted stock	591	206
Ordinary shares at December 31	**439,169**	**436,372**

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2016 and 2015, based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2016	2015
Profit of the Company for the year	$ **1,934,070**	**1,773,122**
Weighted-average number of ordinary shares (diluted / thousand shares)	**443,212**	**441,810**
Diluted earnings per share (NT dollars)	$ **4.36**	**4.01**

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

	2016	2015
Weighted-average number of ordinary shares at December 31 (basic)	439,169	436,372
Effect of employee stock options	745	1,707
Effect of employee stock bonuses	2,174	2,769
Effect of restricted stock	1,124	962
Weighted-average number of ordinary shares at December 31 (diluted)	**443,212**	**441,810**

(r) Operating revenue

The details of operating revenue for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Goods sold	$	44,778,842	50,323,410
Services rendered		960,941	1,314,771
Total	**$**	**45,739,783**	**51,638,181**

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

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

Details of remuneration to employees and directors for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Employee remuneration	$	74,000	78,269
Directors' remuneration		36,803	31,907
	$	**110,803**	**110,176**

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 2016 and 2015. Any differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as a change in accounting estimate and recognized in the distribution year.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2015 were as follows:

	2015		
Employee remuneration	**Actual earnings distributed**	**Accrued in the financial statements**	**Difference**
Stock	$ -	-	-
Cash	78,500	78,269	(231)
Directors' remuneration	32,000	31,907	(93)

The differences were accounted for as changes in accounting estimates and recognized as profit or loss in the year 2016. Information about the remuneration to employee and directors approved in the board of directors' meetings can be accessed in the Market Observation Post System website.

(t) Other income

The other income for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Interest revenue of cash in banks	$ 11,599	13,235
Rent revenue	7,177	8,555
Cash dividend revenue	14,692	263
	$ 33,468	**22,053**

(u) Other gains and losses

The details of other gains and losses for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Net gains (losses) on financial assets/liabilities measured at fair value through profit or loss	$ (9,113)	26,287
Foreign currency exchange gains, net	160,646	263,893
Impairment loss on available-for-sale financial assets	-	(939)
Gain on sale of or liquidate of available-for-sale financial assets	140,969	175
Gain on disposal of subsidiaries	248,006	-
Compensation loss	(180,000)	-
Other	10,898	(5,928)
	$ 371,406	**283,488**

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(v) Reclassification adjustments of components of other comprehensive income

The reclassification adjustment for other comprehensive income for the year ended December 31, 2016 and 2015 were as follows:

		2016	2015
Unrealized gains or losses of available-for-sale financial assets, net of tax:			
Net changes in fair value	$	251,675	294,053
Net changes in fair value reclassified to profit or loss		(140,969)	-
Net changes in fair value recognized in other comprehensive income	**$**	**110,706**	**294,053**

(w) Financial instruments

(i) Credit risk

The aging analysis of accounts, and other receivables (including related parties) that were past due but not impaired was as follows:

		December 31, 2016	December 31, 2015
Past due 0-30 days	$	505,192	989,857
Past due 31-90 days		208,462	8,870
Past due 91-180 days		10,926	7,107
Past due 181-365 days		4,028	855
	$	**728,608**	**1,006,689**

The Company assesses the uncollectible amount of accounts and other receivables (including related parties) based on the aging analysis, the collection history, and the customers' current financial status, and recognizes an allowance for doubtful debts accordingly. After the Company's assessment, there is no significant change in the customers' credit quality and the collectability of related receivables.

The movements in the allowance for the year ended December 31, 2016 and 2015, were as follows:

		Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	$	-	19,647	19,647
Impairment loss recognized		-	57,778	57,778
Amounts written off		-	-	-
Exchange differences on translation of foreign currency		-	(448)	(448)
Balance on December 31, 2016	**$**	**-**	**76,977**	**76,977**

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	$ -	19,430	19,430
Impairment loss recognized	-	-	-
Amounts written off	-	(625)	(625)
Exchange differences on translation of foreign currency	-	842	842
Balance on December 31, 2015	**$ -**	**19,647**	**19,647**

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2016							
Non-derivative financial liabilities:							
Notes and accounts payable	$ 783,593	783,593	783,593	-	-	-	-
Accounts payable - related parties	9,352,640	9,352,640	9,352,640	-	-	-	-
Other payables	1,520,893	1,520,893	1,520,893	-	-	-	-
Long-term accounts payable to related parties	781,263	781,263	-	-	-	781,263	-
Long-term borrowings	601,111	609,653	277,546	110,096	137,431	84,580	-
Guarantee deposits	125,703	125,703	-	-	-	-	125,703
Derivative financial liabilities:	150,430	-	-	-	-	-	-
Outflow	-	2,766,941	2,766,941	-	-	-	-
Inflow	-	(2,615,359)	(2,615,359)	-	-	-	-
	$ 13,315,633	**13,325,327**	**12,086,254**	**110,096**	**137,431**	**865,843**	**125,703**
December 31, 2015							
Non-derivative financial liabilities:							
Short-term borrowings	$ 1,120,518	1,120,518	1,120,518	-	-	-	-
Notes and accounts payable	264	264	264	-	-	-	-
Accounts payable - related parties	11,340,202	11,340,202	11,340,202	-	-	-	-
Other payables	1,025,313	1,025,313	1,025,313	-	-	-	-
Long-term borrowings	1,316,667	1,342,525	282,503	280,977	555,552	223,493	-
Guarantee deposits	90,726	90,726	-	-	-	-	90,726
Derivative financial liabilities:	52,765	-	-	-	-	-	-
Outflow	-	52,765	52,765	-	-	-	-
Inflow	-	-	-	-	-	-	-
	$ 14,946,455	**14,972,313**	**13,821,565**	**280,977**	**555,552**	**223,493**	**90,726**

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

		December 31, 2016			December 31, 2015	
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rat	TWD
Financial assets						
Monetary items						
USD:TWD	$ 416,943	32.279	13,458,517	411,446	33.066	13,604,883
Financial liabilities						
Monetary items						
USD:TWD	376,297	32.279	12,146,505	392,674	33.066	12,984,166

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables (including related parties), loans and borrowings, notes and accounts payable (including related parties), and other payables (including related parties) that are denominated in foreign currency.

A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2016 and 2015, would have increased or decreased the net profit after tax by $54,449 and $25,760, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses on monetary items

The Company's exchange gains and losses on monetary items (including realized and unrealized) translated to the Company's functional currency were as follows:

	2016		2015	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
TWD	$ 160,646	1	263,893	1

(iv) Interest rate analysis

Please refer to note 6(x) for the interest rate exposure of 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 liabilities with variable interest rates, the analysis is based on the assumption that the amount 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 Company management's assessment of the reasonably possible interest rate change.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant the net profit before tax would have increased or decreased by $6,678 and decreased or increased by $2,585 for the years ended December 31, 2016 and 2015, respectively. This is mainly due to bank savings and borrowings with variable interest rates.

(v) Other price risk

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

	2016	2015
Securities' price on December 31	**Other ecomprehensive income after tax**	**Other ecomprehensive income after tax**
10% rise	$ 58,640	55,160
10% fall	$ (58,640)	(55,160)

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2016				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss – current	$ 141,317	-	-	141,317	141,317
Available-for-sale financial assets – non-current	$ 873,921	586,404	-	287,517	873,921
Loans and receivables					
Cash and cash equivalents	$ 4,751,198				
Notes and accounts receivable (including related parties)	7,853,154				
Other receivables	1,050,923				
Refundable deposits	26,209				
Total	$ 13,681,484				
Financial liabilities at fair value through profit or loss – current	$ 150,430	-	-	150,430	150,430

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

	December 31, 2016				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities carried at amortized cost					
Borrowings	$ 601,111				
Notes and accounts payable (including related parties)	10,136,233				
Other payables	2,331,760				
Long-term accounts payable to related parties	781,263				
Salary payable	359,279				
Gurantee deposits	125,703				
Total	**$ 14,335,349**				

	December 31, 2015				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss – current	**$ 79,052**	**-**	**-**	**79,052**	**79,052**
Available-for-sale financial assets – non-current	**$ 567,897**	**551,600**	**-**	**16,297**	**567,897**
Loans and receivables					
Cash and cash equivalents	$ 2,267,560				
Notes and accounts receivable (including related parties)	11,374,269				
Other receivables	28,841				
Refundable deposits	25,768				
Total	**$ 13,696,438**				
Financial liabilities at fair value through profit or loss – current	**$ 52,765**	**-**	**-**	**52,765**	**52,765**
Financial liabilities carried at amortized cost					
Borrowings	$ 2,437,185				
Notes and accounts payable (including related parties)	11,340,466				
Other payables	1,583,478				
Salary payable	411,680				
Gurantee deposits	90,726				
Total	**$ 15,863,535**				

(Continued)

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 stock exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

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

The Company 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) Available-for-sale financial assets – non-current are investments in domestic or foreign non-listed stocks. The fair value is based on a valuation technique in the emerging market of stocks, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

3) Transfers between Level 1 and 3

The fair value of shares of Nien Made Enterprise Co., Ltd. amounted to $586,404 and $551,600 as of December 31, 2016 and 2015, respectively. The shares of Nien Made Enterprise Co., Ltd. have been listed on the TWSE since December 2015 and have quoted prices. Thus, the fair value measurement transferred from Level 3 to Level 1 on December 31, 2015.

4) Reconciliation of Level 3 fair values

	2016			2015		
	Fair value through profit or loss	**Available for sale**	**Total**	**Fair value through profit or loss**	**Available for sale**	**Total**
Balance on January 1	$ 26,287	16,297	42,584	(1,737)	275,536	273,799
Recognized in profit or loss	(9,113)	-	(9,113)	26,287	(939)	25,348
Recognized in other comprehensive income	-	(3,000)	(3,000)	-	294,900	294,900
Transfer out of Level 3	-	-	-	-	(551,600)	(551,600)
Acquisition / disposal	(26,287)	274,220	247,933	1,737	(1,600)	137
Balance on December 31	**$ (9,113)**	**287,517**	**278,404**	**26,287**	**16,297**	**42,584**

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

The fair value measurements of the Company which are categorized within Level 3 are classified as financial assets and liabilities at fair value through profit or loss – derivative financial instruments and available-for-sale financial assets – equity securities. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets – equity securities not listed on emerging stock market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at fair value through profit or loss	(note 2)	(note 2)	(note 2)

note 1: The fair value is based on unadjusted prior trade prices, therefore there is no need to show the sensitivity analysis of unobservable inputs.

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.

(x) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversees the management's monitoring of the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, accounts and other receivables (including related parties), and derivative instruments.

1) Cash and cash equivalents

The Company had deposited $4,634,282 (including restricted deposits) in DBS Bank and 7 other financial institutions, and $1,909,353 (including restricted deposits) in CTBC Bank and 3 other financial institutions, representing 17% and 7% of total assets, as of December 31, 2016 and 2015, respectively. The Company believes that there is no significant credit risk from the above-mentioned financial institutions.

2) Accounts receivable

Sales to individual customers (including related parties) constituting over 10% of total revenue for the years ended December 31, 2016 and 2015, totaled 21% and 26%, respectively. As of December 31, 2016 and 2015, 7% and 15%, respectively, of the ending balance of accounts receivable (including related parties) was accounted for by those customers. In order to reduce credit risk, the Company assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Company did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

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

(iv) Liquidity risk

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

(Continued)

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused bank facilities of $10,044,220 and $7,110,042 as of December 31, 2016 and 2015, respectively.

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currency. These transactions are denominated in USD.

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

2) Interest rate risk

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

3) Other market price risk

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

(y) Capital management

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

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

The Company's debt ratio as of December 31, 2016 and 2015, was 59% and 62%, respectively.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(7) Related-party transactions:

(a) The Company and its subsidiaries

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2016	Percentage of shareholding December 31, 2015	Description
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	
The Company	Primax Electronics Korea Co., Ltd. (Primax Korea)	Market development and customer service	- %	100.00 %	Primax Korea was closed and finished the liquidation process in March 2016
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	
The Company	Global TEK Fabrication Co., Ltd. (Global TEK)	Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts and aerospace components	- %	30.00 %	(notes 2 & 3)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Export and import trading	100.00 %	100.00 %	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	70.00 %	70.00 %	(note 1)
Global TEK	Global TEK Co., Ltd. (GT)	Manufacture of sophisticated machinery components and automotive parts	- %	100.00 %	(notes 2 & 3)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	- %	100.00 %	(notes 2 & 3)
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2016	Percentage of shareholding December 31, 2015	Description
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	
TWEL	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	(note 1)
TWEL	TYP Enterprises, Inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	(note 1)
TYM HK	Premium Loudspeakers (Hui Zhou) Co., Ltd. (Premium Hui Zhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	(note 1)
TYM HK	TYMPHANY LOGISITCS, INC. (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	TYML was incorporated in May 2015
TYM HK	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	Tymphany Dongguan was incorporated in September 2015
Tymphany Dongguan	Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	- %	TYDC was incorporated in October 2016
GT	GP Tech, Inc. (GP)	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	- %	100.00 %	(notes 2 & 3)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	- %	100.00 %	(notes 2 & 3)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	- %	100.00 %	(notes 2 & 3)
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	- %	100.00 %	(notes 2 & 3)
GTS	GLOBAL TEK (XI’ AN) CO., LTD. (GLOBAL TEK XI’ AN)	Manufacture of industrial automation parts, communication parts and aerospace components	- %	100.00 %	(notes 2 & 3)
GTS and WUXI GLOBAL TEK	GLOBAL TEK CO. (WUXI), LTD. (GLOBAL TEK WUXI)	Manufacture of sophisticated machinery components and automotive parts	- %	100.00 %	(notes 2 & 3)

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

Note 1: TWEL was incorporated in October 2013, acquiring all shares of TYM HK by issuing new ordinary shares. The Company acquired 70% of the shares of TWEL by cash through its subsidiary Diamond on January 10, 2014. Therefore, the Company indirectly acquired all shares of TWEL's subsidiaries, and included them in the consolidated financial statements from the same date.

Note 2: The Company acquired 30% of the shares of Global TEK by cash on January 5, 2015. Therefore, the Company indirectly acquired all shares of Global TEK's subsidiaries. The Company has control over its relevant activities by acquiring more than 50% of the board of directors' voting rights based on the resolution of its interim meeting of shareholders held on February 13, 2015. The Company included all Global TEK's subsidiaries in the consolidated financial statements from the same date. Before the Company has control, investments in subsidiaries are accounted for using the equity method.

Note 3: The Board resolved to dispose 20% of the shares of Global TEK on June 21 and September 21, 2016. The disposal transaction has been settled on October 3, 2016, and the Company lost control over Global TEK on the same date.

(b) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(c) Significant transactions with related-party

(i) Sales

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

	Sales		Accounts receivable – related parties	
	2016	**2015**	**December 31, 2016**	**December 31, 2015**
Subsidiaries	$ 4,445,229	6,264,761	513,446	2,052,505

The sales prices for related parties and other customers were not significantly different. The credit terms for other customers are within 90 days, but they can be lengthened for related parties.

(ii) Purchases

The amounts of significant purchases by the Company from related parties and the outstanding balances were as follows:

	Purchases		Accounts payable – related parties	
	2016	**2015**	**December 31, 2016**	**December 31, 2015**
Subsidiaries	$ 41,258,401	49,233,250	9,352,640	11,340,202

The prices of purchases were determined based on the cost plus a reasonable profit margin. The payment terms of related parties and other vendors are 60 days and 45 or 90 days, respectively.

Accounts payable to subsidiaries over normal payment terms agreed by both sides was reclassified to long-term payable. On December 31, 2016, long-term accounts payable to related parties is $781,263.

The Company's sales of products to subsidiaries' customers on behalf of its subsidiaries amounted to $883,662 and $1,209,503 for the years ended December 31, 2016 and 2015, respectively. Related sales and purchases were eliminated and recorded on a net basis.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(iii) Purchase of service

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

	Purchase of service		Other payables	
	2016	2015	December 31, 2016	December 31, 2015
Subsidiaries	$ 28,448	45,293	1,540	3,490

(iv) Receivable and payable on behalf of related parties

The other payables arising from receiving the equipment subsidy on behalf of subsidiaries amounted to $9,828 and 60,958 for the years ended December 31, 2016 and 2015.

The other receivables arising from the materials purchased on behalf of the subsidiaries amounted to $854,518 and 17,018 for the years ended December 31, 2016 and 2015.

(v) Property transaction- disposal of equity securities

Details of the Company's disposal of its investment accounted by equity method to its related parties were as follows:

		2016				2015			
Relationship	Account	Trading quantities	Trading targets	Proceeds from disposal (note)	Gains or losses from disposal	Trading quantities	Trading targets	Proceeds from disposal	Gains or losses from disposal
Other related parties	Investment using equity method	11,020 (thousand)	Shares	549,347	164,785	-	-	-	-

Note: Pricing was based on the Global TEK's financial statements audited by other auditors and the opinion for reasonable transaction price issued by Sosian accounting firm.

The Company had received all the proceeds as of December 31, 2016.

(vi) Guarantees and endorsements

The amounts of guarantee the Company provided to related parties were as follows:

	December 31, 2016	December 31, 2015
Purchasing of raw materials	$ 338,930	384,227

(vii) Lease

The Company leased out its investment properties to its subsidiaries as office buildings and entered into 15-years lease contract by reference of the rental price of the nearby offices. The rental income in 2016 amounted to $8,640 and there were no receivables on December 31, 2016. Please refer to note 6(l) for non-cancellable receivable.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(d) Key management personnel compensation

	2016	2015
Short-term employee benefits	$ 121,107	123,092
Post-employment benefits	1,129	721
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	17,088	15,124
	$ 139,324	**138,937**

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

(8) Pledged assets:None

(9) Commitments and contingencies:

(a) Please refer to notes 7 and 13 for guarantees and endorsements provided to subsidiaries.

(b) The following are savings accounts provided by the Company to the banks in order for the bank to issue a guarantee letter to customs as guarantee deposits.

	December 31, 2016	December 31, 2015
Guarantee letters	**$ 6,000**	**-**

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

	December 31, 2016	December 31, 2015
Sales of accounts receivable	**$ 2,805,777**	**2,874,690**
Long-term borrowings	**$ 2,160,000**	**2,160,000**

(d) The Company entered into lease agreements for its office. Please refer to note 6(l) for future rent payables.

(10) Losses due to major disasters:None

(11) Subsequent events:None

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(12) Other:

Employee benefit, depreciation, and amortization expenses are summarized by function as below:

By function / By item	2016 Operating cost	2016 Operating expenses	2016 Total	2015 Operating cost	2015 Operating expenses	2015 Total
Employee benefits						
Salaries	153,736	1,178,444	1,332,180	121,905	1,209,513	1,331,418
Labor and health insurance	6,883	68,929	75,812	6,190	66,821	73,011
Pension	3,699	40,006	43,705	3,415	38,846	42,261
Others	5,963	53,531	59,494	4,040	57,451	61,491
Depreciation	7	18,058	18,065	10	15,801	15,811
Amortization	-	20,140	20,140	-	17,628	17,628

The average number of the Company's employees for the years ended December 31, 2016 and 2015, was 783 and 752, respectively.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required to be disclosed by the Regulations for the Company:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	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 Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
1	PKS1	The Company	Other accounts receivable	781,263	781,263	781,263	-	Necessary to loan to other parties	-	Operating capital	-		-	920,598	920,598
2	Global TEK	GLOBAL TEK WUXI	Other accounts receivable	96,846	47,049	47,049	0%~2%	〃	-	〃	-		-	217,391	434,782
〃	〃	GT	Other accounts receivable	101,353	30,000	30,000	2.896%	〃	-	〃	-		-	217,391	434,782
〃	〃	GTS	Other accounts receivable	30,000	-	-	2.000%	〃	-	〃	-		-	217,391	434,782

Note 1: The Board of directors approved PKS1 to extend loan to any indiviual of the parent company or subsidiaries having 100% voting share, with the loan amount and the total amount not exceeding its net worth in the latest financial statements.

Note 2: The loan amount and the total loan amount for the Company shall not exceed 10% and 20%, respectively, of its net worth in the latest financial statements. The Company lost control over Global TEK group in October 2016. The information on Global TEK group was disclosed as of September 30, 2016.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	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
0	The Company	PCH2	The subsidiary of PHK1 and PTH2	3,299,917	390,432	338,930	20,917	-	3.08 %	8,799,779	Y	-	Y
1	PCH2	PCQ1	The same parent company	1,336,851	235,200	193,674	26,560	-	4.35 %	3,564,936	-	-	Y
〃	〃	PKS1	〃	1,336,851	100,800	96,837	56,676	-	2.17 %	3,564,936	-	-	Y
2	Global TEK	GT	The same parent company	217,391	30,000	-	-	-	- %	543,478	Y	-	-
3	GT	Global TEK	The same parent company	50,761	50,000	-	-	-	- %	91,370	-	Y	-
〃	〃	Global TEK WUXI	〃	50,761	50,400	47,049	27,445	-	46.34 %	91,370	-	-	Y

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 80%, respectively, of its net worth in the latest financial statements.
Note 2: The amount and the total amount of the guarantee to a company shall not exceed 30% and 80%, respectively, of PCH2's net worth in the latest financial statements.
Note 3: The amount and the total amount of the guarantee to a company shall not exceed 20% and 50%, respectively, of Global TEK's net worth in the latest financial statements. The Company lost control over Global TEK group in October, 2016. The information for Global TEK group ended on September 30, 2016.
Note 4: The amount and the total amount of the guarantee to a company shall not exceed 50% and 90%, respectively, of GT's net worth in the latest financial statements. The Company lost control over Global TEK group in October 2016. The information on Global TEK group was disclosed as of September 30, 2016.

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
The Company	Shares:							
	Green Rich Technology Co., Ltd.	-	Available-for-sale financial asset-non-current	359	4,000	3.59	4,000	
	WK Technology Fund IV LTD.	-	〃	512	3,820	0.38	3,820	
	Changing Information Technology Inc.	-	〃	179	2,802	1.66	2,802	
	Formosoft International Inc.	-	〃	53	646	0.76	646	
	Syntronix Corp.	-	〃	6	749	0.02	749	
	Ricavision International Inc.	-	〃	917	-	2.04	-	
	Nien Made Enterprise Co., Ltd.	-	〃	1,764	586,404	0.60	586,404	
	Global TEK	-	〃	5,510	275,500	10.00	275,500	
					873,921			
Primax Tech.	Shares:							
	Echo. Bahn.	-	Available-for-sale financial asset-non-current	400	-	11.90	-	
	WK Global Investment III Ltd.	-	〃	630	13,880	1.32	13,880	
					13,880			

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

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

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Shares:													
	Global TEK	Available-for-sale financial assets	Related parties	Other related parties	16,530	555,091	-	-	11,020	549,347	384,562	248,004 (note 1)	5,510	275,500
PCH2	Financial instruments of floating income and capital guaranteed	Held-for-trading financial assets	Initial offerings	None	-	-	-	7,308,498	-	7,315,451	7,308,498	6,953 (note 1)	-	-
PCH2	Money market fund of RMB	〃	〃	〃	-	-	-	667,960	-	667,774	666,565	(186) (note 1)	-	-
PCQ1	Money market fund of RMB	〃	〃	〃	-	-	-	559,312	-	558,388	557,754	(924) (note 1)	-	-
Premium Huizhou	Money market fund of RMB	〃	〃	〃	-	-	-	534,061	-	527,401	526,428	(6,660) (note 1)	-	-

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

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

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

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Cayman	Subsidiary	Purchase	429,806	1 %	60 days	Price agreed by both side	The same as general purchasing	(49,873)	-%	
〃	Primax HK	The subsidiary of Primax Cayman	Purchase	16,357,886	39 %	〃	〃	〃	-	-%	
〃	PCH2	The subsidiary of Primax HK	Purchase	18,234,471	45 %	〃	〃	〃	(6,971,192)	(69)%	
〃	PKS1	The subsidiary of Primax HK	Purchase	1,012,723	2 %	〃	〃	〃	(409,294)	(4)%	
〃	PCQ1	The subsidiary of Primax HK	Purchase	5,189,828	13 %	〃	〃	〃	(1,922,281)	(19)%	
〃	Polaris	The subsidiary of Primax Tech	(Sale)	(3,804,963)	(8) %	90 days	〃	The same as general selling	226,050	3%	
〃	TYM HK	The subsidiary of TWEL	(Sale)	(400,149)	(1) %	60 days	〃	〃	165,384	2%	
〃	Tymphany Dongguan	The subsidiary of TYM HK	(Sale)	(239,956)	(1) %	〃	〃	〃	-	-%	

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to 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)	
Primax Cayman	The Company	Parent	(Sale)	(429,806)	(100) %	〃	〃	〃	49,873	100%	
Primax HK	The Company	Parent	(Sale)	(16,357,886)	(100) %	〃	〃	〃	-	-%	
〃	PCH2	Subsidiary	Purchase	16,272,682	100 %	30 days	〃	The same as general purchasing	(305,434)	(100)%	
PCH2	Primax HK	Parent	(Sale)	(16,272,682)	(36) %	〃	〃	The same as general selling	305,434	3%	
〃	The Company	The parent of Primax Cayman	(Sale)	(18,234,471)	(40) %	60 days	〃	〃	6,971,192	65%	
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,012,723)	(100) %	〃	〃	〃	409,294	34%	
PCQ1	The Company	The parent of Primax Cayman	(Sale)	(5,189,828)	(88) %	〃	〃	〃	1,922,281	89%	
Polaris	The Company	The parent of Primax Tech	Purchase	3,804,963	99 %	90 days	〃	The same as general purchasing	(226,050)	(24)%	
TYM HK	Premium Hui Zhou	Subsidiary	Purchase	3,825,446	47 %	60 days	〃	〃	(986,123)	(40)%	
〃	The Company	The parent of Diamond	Purchase	400,149	5 %	〃	〃	〃	(165,384)	(7)%	
〃	Tymphany Dongguan	Subsidiary	Purchase	3,871,980	48 %	〃	〃	〃	(1,191,888)	(49)%	
Premium Hui Zhou	TYM HK	Parent	(Sale)	(3,825,446)	(94) %	〃	〃	The same as general selling	986,123	98%	
Tymphany Dongguan	The Company	Parent	Purchase	239,956	6 %	〃	〃	The same as general purchasing	-	-%	
〃	TYM HK	Parent	(Sale)	(3,871,980)	(100) %	〃	〃	The same as general selling	1,191,888	99%	
Global TEK	Global TEK XI'AN	The subsidiary of GTS	Purchase	122,441	32 %	〃	〃	The same as general purchasing	(35,080)	(27)%	
GT	Global TEK WUXI	The subsidiary of GTS and WUXI Global TEK	Purchase	393,728	63 %	90 days	〃	〃	(236,385)	(42)%	
Global TEK XI'AN	Global TEK	The parent of GTF-HK	(Sale)	(122,441)	(71) %	〃	〃	The same as general selling	35,080	58%	
Global TEK WUXI	GT	The subsidiary of Global TEK	(Sale)	(393,728)	(37) %	〃	〃	〃	236,385	40%	

Note 1: Accounts receivables over payment terms has been classified as other receivables-non-current.
Note 2: The Company has lost control over Global TEK in October, 2016. The information for Global TEK group are disclosed as of September 30, 2016.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the Company's issued capital:

Name of company	Counter-party	Nature of relationship	Ending balance (note 2)	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The Subsidiary of Primax Tech	226,050	12.72	-		226,050	-
〃	TYM HK	The Subsidiary of TWEL	165,384	0.43	-		86,141	-
PCH2	Primax HK	Parent	305,434	3.11	-		1,316	-
〃	The Company	The Parent of Primax Cayman	6,971,192	5.23	-		6,550,647	-
PKS1	The Company	The Parent of Primax Cayman	1,190,557	1.36	781,263	Reclassify to Long-term payable, and enhance the control of receivables	241,863	-
PCQ1	The Company	The Parent of Primax Cayman	1,922,281	3.92	-		1,241,674	-
Premium Hui Zhou	TYM HK	Parent	986,123	4.37	-		600,391	-
Tymphany Dongguan	TYM HK	Parent	1,191,888	6.50	-		426,604	-
Global TEK WUXI	GT	The Subsidiary of Global TEK	236,385	2.41	-		19,726	-

Note 1: Amounts collected as of March 7, 2017.
Note 2: The Company has lost control over Global TEK in October, 2016. The information for Global TEK group are disclosed as of September 30, 2016.

(ix) Trading in derivative instruments: Please refer to note 6(b) in the consolidated financial statements for the year ened December 31, 2016.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2016 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of wnership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	4,336,069	211,690	251,896	
〃	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	1,922,225	(24,669)	11,354	
〃	Destiny BVI.	Virgin Island	Holding company	30,939	30,939	1,050	100.00	26,320	(3,452)	(3,452)	
〃	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	16,146	242	242	
〃	Primax Korea	Korea	Market development and customer service	-	9,101	-	-	-	-	-	(note 3)
〃	Diamond	Cayman Islands	Holding company	2,517,298	2,517,298	84,050	100.00	3,007,259	144,863	145,891	
〃	Global TEK	Taiwan	Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts, and aerospace components	-	545,490	-	-	-	79,912	18,569	(note 4)
〃	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	9,875	75	75	
	Total			6,002,608	6,557,199			9,317,894	408,661	424,575	

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2016	Original investment amount December 31, 2015	Balance as of December 31, 2016 Shares (thousands)	Balance as of December 31, 2016 Percentage of wnership	Balance as of December 31, 2016 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
Primax Cayman	Primax HK	Hong Kong	Sale of multi-function printers and computer peripheral devices	2,375,164	2,375,164	602,817	100.00	4,433,962	213,540	213,540	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	394,322	11,071	11,071	
Diamond	TWEL	Cayman Islands	Holding company	2,515,800	2,515,800	38,501	70.00	2,904,380	349,720	166,285	
TWEL	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,540,112	337,425	337,425	
〃	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	4,876	2,692	2,692	
TYM HK	TYML	USA	Sales audio accessories, amplifiers and their components	6,628	6,628	200	100.00	(10,786)	3,436	4,674	
Global TEK	GT	Taiwan	Manufacture of sophisticated machinery components and automotive parts	-	166,000 (note 2)	-	-	-	(31,844)	(31,844)	(note 4)
〃	GTF-S	Samoa Islands	Holding company	-	360,029 (note 2)	-	-	-	116,707	116,543	(note 4)
GT	GP	USA	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	-	641 (note 2)	-	-	-	(110)	(110)	(note 4)
GTF-S	GTS	Samoa Islands	Holding company	-	330,650 (note 2)	-	-	-	94,849	94,849	(note 4)
〃	GTF-HK	Hong Kong	Holding company	-	123,916 (note 2)	-	-	-	22,001	22,001	(note 4)

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 2: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Global TEK.
Note 3: The liquidation of Primax Korea was completed in March 2016.
Note 4: The Company has lost control over Global TEK in October 2016.

(c) Information on investments in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	2,075,044	Indirect investment through Primax Cayman and Primax Tech.	1,817,427 (note 2)	-	-	1,773,902 (note 2)	(103,572)	100%	(103,572)	4,456,136	-
Destiny Bejing	Research and development of computer peripheral devices and software	41,105	Indirect investment through Destiny BVI.	34,719 (note 2)	-	-	33,893 (note 2)	(3,452)	100%	(3,452)	26,316	-
PKS1	Manufacture of computer, peripherals and keyboards	908,593	Indirect investment through Primax Cayman	727,452 (note 2)	-	-	710,138 (note 2)	69,114	100%	69,114	920,591	-

PRIMAX ELECTRONICS LTD.
Notes to 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, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow						
PCQ1	Manufacture of computer, peripherals and keyboards	583,149	Indirect investment through Primax Cayman	661,320 (note 2)	-	-	645,580 (note 2)	246,273	100%	246,273	915,196	-
Premiurn Hui Zhou	Research and development, design, and sale of audio accessories, amplifiers and their components	146,303 (note 3)	Indirect investment through Diamond	2,777,544	-	-	2,711,436	125,942	70%	88,159	410,738	-
Tymphany Dongguan	Research and development, design, and sale of audio accessories, amplifiers and their components	16,140	Indirect investment through Diamond	16,533	-	-	16,140	35,972	70%	25,180	33,904	-
TYDC	〃	93,064	〃	-	-	-	-	-	70%	-	65,144	-
WUXI Global TEK	Manufacture of sophisticated machinery components	-	Indirect investment through Global TEK	102,306 (note 4)	-	102,306	-	24,478	30%	7,343	-	-
Global TEK XI'AN	Manufacture of industrial automation parts, communication parts and aerospace components	-	Indirect investment through Global TEK	21,245 (note 4)	-	21,245	-	7,238	30%	2,171	-	-
Global TEK WUXI	Manufacture of sophisticated machinery components and automotive parts	-	Indirect investment through Global TEK	286,467 (note 4)	-	286,467	-	124,651	30%	37,395	-	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD $4.1623; USD:TWD 32.279; CNY:TWD 4.6532.
Note 2: The difference 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: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.
Note 4: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Global TEK.
Note 5: The Company has lost control over Global TEK in October 2016.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	5,980,672	6,797,921	None (Note 1)

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

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

(iii) Significant transactions:

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

(14) Segment information:

Please refer to the Company's consolidated financial statements for the years ended December 31, 2016 and 2015, for details.

PRIMAX ELECTRONICS LTD.

Statement of cash and cash equivalents

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		$ 543
Checking accounts and demand deposits		931,183
Time deposits	USD118,327 thousand ; Exchange rate32.279	3,819,472
		$ 4,751,198

Statement of accounts receivable

Item	Description	Amount
Accounts receivable:		
Corporation A	Operating revenue	$ 567,098
Corporation S	〃	509,727
Corporation P	〃	477,199
Corporation T	〃	439,073
Corporation Q	〃	419,081
Other (individual amount not exceeding 5%)	〃	5,025,001
Total		7,437,179
Less: Allowance for doubtful accounts		(76,977)
Allowance for sales returns and discounts		(20,494)
Net accounts receivable		**$ 7,339,708**

PRIMAX ELECTRONICS LTD.

Statement of other receivables

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other receivables－related parties	Payable on behalf of related parties	$ 854,518
Other receivables－other	Remaining receivable due to sale of accounts receivable	141,551
Taxes receivables	Income and sales tax refund receivable	48,272
Other (individual amount not exceeding 5%)		6,582
Total		**$ 1,050,923**

Statement of inventories

Item	Cost	Net realizable value
Finished goods and merchandises	$ 2,228,739	2,424,891
Less: Provision for finished goods and merchandises	(38,004)	
Subtotal	2,190,735	
Raw material	102,736	98,207
Less: Provision for raw material	(52)	**2,523,098**
Subtotal	102,684	
Net amount	**$ 2,293,419**	

PRIMAX ELECTRONICS LTD.

Statement of changes in available-for-sale financial asset－non-current

From January 1 to December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments (note)		Ending Balance		Pledged or guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Green Rich Technology Co., Ltd.	1,680	$ 7,000	-	-	-	-	(1,321)	(3,000)	359	4,000	None
WK Technology Fund IV Ltd.	640	5,100	-	-	-	-	(128)	(1,280)	512	3,820	〃
Changing Information Technology Inc.	179	2,802	-	-	-	-	-	-	179	2,802	〃
Formosoft International Inc.	53	646	-	-	-	-	-	-	53	646	〃
Syntronix Corp.	6	749	-	-	-	-	-	-	6	749	〃
Global TEK Co., Ltd.	-	-	-	-	-	-	5,510	275,500	5,510	275,500	〃
Nien Made Enterprise Co., Ltd.	2,605	551,600	-	-	(841)	(79,301)	-	114,105	1,764	586,404	〃
Ricavision International Inc.	917	-	-	-	-	-	-	-	917	-	〃
		$ 567,897		-		(79,301)		385,325		873,921	

Note: Other adjustments comprise capital reduction for covering accumulated deficits, capital reduction to refund, reclassification from using equity method, and unrealized gains or losses on available-for-sale financial assets.

PRIMAX ELECTRONICS LTD.

Statement of changes in investment accounted for using equity method

From January 1 to December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Additions		Disposal		Other adjustments		Ending Balance				
Name of investee	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount (Note1)	Number of shares	Percentage of holding shares	Amount	Market value or book value	Pledged of guaranteed
Primax Industries (Cayman Holding) Ltd.	8,147,636	$ 4,504,851	-	-	-	-	-	(168,782)	8,147,636	100.00 %	4,336,069	4,447,153	None
Primax Technology (Cayman Holding) Ltd.	285,067	2,057,568	-	-	-	-	-	(135,343)	285,067	100.00 %	1,922,225	1,955,366	〃
Destiny Technology Holding Co., Ltd	1,050	32,943	-	-	-	-	-	(6,623)	1,050	100.00 %	26,320	26,320	〃
Primax Destiny Co., Ltd.	0.5	15,746	-	-	-	-	-	400	0.5	100.00 %	16,146	16,146	〃
Primax Electronics Korea Co.,Ltd	67	10,468	-	-	(67)	(10,149)	-	(319)	-	- %	-	-	〃
Diamond (Cayman) Holdings Ltd.	84,050	2,902,254	-	-	-	-	-	105,005	84,050	100.00 %	3,007,259	3,007,259	〃
Global TEK Co., Ltd.	16,530	555,091	-	-	(16,530)	(576,843)	-	21,752	-	- %	-	-	〃
Gratus Technolgy Corp.	300	10,040	-	-	-	-	-	(165)	300	100.00 %	9,875	9,875	〃
		$10,088,961		-		(586,992)		(184,075)			9,317,894	9,462,119	

Note 1: Adjustments under equity method valuation.

PRIMAX ELECTRONICS LTD.

Statement of changes in property, plant and equipment

From January 1 to December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(g) for Property, plant and equipment.

Statement of change in investment property

Please refer to note 6(h) for Investment property.

PRIMAX ELECTRONICS LTD.

Statement of other payables

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Expense payables	Payables for allowance for sales return and discount	$ 681,917
	Taxes related to income and tariff	524,832
	Research and development expense for projects and inspection	413,887
	Employee and director remuneration	274,666
	Compensation payment	180,000
Others (note)	Accounts payable for maintenance and equipment, labor and health insurance and employee benefits	256,458
Total		**$ 2,331,760**

Note : individual amount not exceeding 5%

Statement of notes and accounts payable

Item	Description	Amount
Corporation 甲	Operating cost	$ 652,922
Corporation 乙	〃	86,961
Corporation 丙	〃	41,655
Other (individual amount not exceeding 5%)		2,055
		$ 783,593

PRIMAX ELECTRONICS LTD.

Statement of other current liabilities

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Sales revenue received in advance	Advance sales receipts－non-related parties	$ 212,326
Other (note)		7,530
Total		**$ 219,856**

Note : (individual amount not exceeding 5%)

Statement of other non-current liabilities

Item	Amount
Deferred tax liabilities－non-current	$ 153,561
Gurantee deposits	125,703
Accured pension liabilities	63,728
Other (note)	2,582
	$ 345,574

Note : (individual amount not exceeding 5%)

PRIMAX ELECTRONICS LTD.

Statement of long-term borrowings

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest rate	Pledged on guaranteed
Industrial Bank of Taiwan	Long-term borrowings	$ 166,667	2014.1~2017.1	Note 1	None
CTBC Bank	〃	240,000	2015.1~2018.1	Note 1	〃
The Export-Import Bank of the Republic of China	〃	194,444	2015.2~2020.2	Note 2	〃
	Less: Current portion	(382,222)			
Total		**$ 218,889**			

Note 1: Interest rate is calculated by US CD rate plus 0.30% per annum.

Note 2: Interest rate is calculated by TAIBOR plus 0.48% per annum.

PRIMAX ELECTRONICS LTD.

Statement of operating revenue

From January 1 to December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount
Operating revenue:		
Computer peripherals	86,962	$ 24,692,372
Non-Computer peripherals	209,586	20,750,838
		45,443,210
Less: Sales returns		(113,753)
Sales discounts		(550,615)
		44,778,842
Net service revenue		960,941
Net operating revenue		**$ 45,739,783**

PRIMAX ELECTRONICS LTD.

Statement of operating costs

From January 1 to December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material On January 1, 2016	$ 1,240
Add: Purchases	101,496
Less: Raw material on December 31, 2016	(102,736)
Raw material used	-
Manufacturing overhead	184,676
Manufacturing cost	184,676
Add: Finished goods and merchandises on January 1, 2016	2,577,786
Purchases from triangular trade	40,783,089
Less: Finished goods and merchandises on December 31, 2016	(2,228,739)
Losses on physical inventories	(2,178)
Loss on disposal of inventories	(19,737)
Cost of finished goods and merchandises	41,294,897
Service costs	779,029
Loss on inventory valuation, obsolescence and physical inventories	12,779
Loss on disposal of inventories	19,737
Operating costs	**$ 42,106,442**

PRIMAX ELECTRONICS LTD.

Statement of selling, administrative, research and development expenses

From January 1 to December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	$ 278,763	251,619	648,062
Rent expense	17,084	23,207	49,095
Travel allowance	37,934	12,717	59,100
Service expense	31,765	86,955	7,223
Storage fee	57,848	-	-
Bad debt expense	57,778	-	-
Freight expense	46,083	49	872
Other expense (note)	143,220	67,598	206,508
Total	**$ 670,475**	**442,145**	**970,860**

Note : individual amount not exceeding 5%