

**PRIMAX ELECTRONICS LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
for the Years Ended
December 31, 2021 and 2020**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of PRIMAX ELECTRONICS LTD. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PRIMAX ELECTRONICS LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: PRIMAX ELECTRONICS LTD.

Chairman: LIANG LI SHENG

Date: February 25, 2022



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. (the “Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements section of our report. We are independent of the Group 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2021 and 2020, the assets of these subsidiaries constitute 35% and 37%, respectively, of the consolidated total assets. For the years ended December 31, 2021 and 2020, the operating revenue of these subsidiaries constitute 34% and 42%, respectively, of the consolidated operating revenue.

We did not audit the financial statements of ALT International Co., Ltd (Cayman), which represented the investments accounted for using equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ALT International Co., Ltd (Cayman), is based solely on the report of another auditor. The investment in ALT International Co., Ltd (Cayman) accounted for using the equity method constituted 0% and 1%, respectively, of the consolidated total assets at December 31, 2021 and 2020, and the related share of loss of associates accounted for using equity method constituted (2)% and (3)%, respectively, of consolidated profit after tax for the years then ended.

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion with other matter paragraph.

Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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(h) "Inventories", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(f) "Inventories" of the consolidated financial statements.

Description of key audit matter:

Inventories of the Group 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 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, 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 Group; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyze the changes of the aging of inventories; inspecting the reasonableness of the allowance provided for inventory valuation in the past and comparing it to the current year to ensure that the measurements and assumptions are appropriate.

In addition, the consolidated financial statements of certain subsidiaries were audited by other auditors, therefore, we have issued audit instructions to their auditors as guidelines to communicate the above key audit matters with them and reviewed other auditors' working papers, as well as obtained the feedbacks required in the audit instructions.

2. Impairment assessment of intangible assets

Please refer to note 4(n) "Impairment of non-financial assets", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(l) "Intangible assets" of the consolidated financial statements.

Description of key audit matter:

In 2014, the Company acquired Tymphony Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd. The transaction mentioned above resulted in the Group to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained estimation uncertainty; therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the assessment of impairment of intangible assets included: evaluating the identification of cash generating units and any indication of impairment relating to intangible assets made by the management; acquiring impairment assessment report from external expert engaged by the Group; reviewing the impairment assessment report 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 consolidated financial reports.

3. Impairment assessment of investments accounted for using equity method

Please refer to note 4(i) “Investments in subsidiaries”, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and note 6(g) “Investments accounted for using equity method” of the financial statements.

Description of key audit matter:

The Company recognized its loss of control over ALT International Co., Ltd (Cayman) in 2019 as repurchase after disposal, resulting in the reclassification of its investment in ALT International Co., Ltd (Cayman) from subsidiary to investment accounted for using equity method.

Due to intensive industrial competition, there is a probability that the abovementioned investment is under the risk of impairment. Therefore, the management decided to perform an impairment assessment of investment accounted for using equity method which contain a significant estimation uncertainty; thus, the assessment of impairment of investment accounted for using equity method is one of the key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the assessment of recoverable amount of the investments accounted for using equity method included: evaluating the identification of cash generating units regarding the abovementioned investment and any indication of internal and external impairment made by management; acquiring impairment assessment reports from external expert engaged by the Group ; reviewing the impairment assessment 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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 MEI-PIN WU and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)

February 25, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 4,839,241	10	6,935,353	15	2100	Short-term borrowings (note 6(m))	\$ 2,030,829	4	905,059	2
1110	Current financial assets at fair value through profit or loss (note 6(b))	156,238	-	313,758	1	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	603,054	1	432,171	1
1137	Current financial assets at amortized cost (notes 6(d) and 8)	1,665,744	3	855,238	1	2170	Notes and accounts payable	17,693,261	36	19,001,057	40
1170	Notes and accounts receivable, net (notes 6(e) and (v))	13,374,675	27	13,578,841	29	2201	Salaries payable	1,481,957	4	1,131,627	2
1180	Accounts receivable from related parties, net (notes 6(e), (v) and 7)	130,280	-	198,189	-	2219	Other payables	3,667,627	7	3,949,526	8
1200	Other receivables (note 6(e))	1,301,019	3	1,349,362	3	2280	Current lease liabilities (note 6(o))	228,720	1	271,483	1
1310	Inventories (note 6(f))	13,164,601	27	10,247,463	22	2320	Long-term borrowings, current portion (notes 6(n) and 8)	435,435	1	74,833	-
1470	Other current assets (note 8)	1,097,669	2	1,631,887	4	2365	Current refund liabilities	1,699,517	3	1,421,407	3
		35,729,467	72	35,110,091	75	2399	Other current liabilities (note 6(v))	691,824	1	753,750	2
								28,532,224	58	27,940,913	59
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	240,397	1	121,672	-	2540	Long-term borrowings (notes 6(n) and 8)	1,025,520	2	680,626	1
1550	Investments accounted for using equity method (note 6(g))	171,567	-	536,303	1	2580	Non-current lease liabilities (note 6(o))	1,879,350	4	981,436	2
1600	Property, plant and equipment (notes 6(i) and 8)	7,604,823	15	6,542,015	14	2630	Long-term deferred revenue (note 6(i))	1,003,576	2	1,499,072	3
1755	Right-of-use assets (note 6(j))	2,380,370	5	1,568,052	3	2670	Other non-current liabilities (notes 6(q) and (r))	591,016	1	704,445	2
1760	Investment property (note 6(k))	33,363	-	33,826	-			4,499,462	9	3,865,579	8
1780	Intangible assets (note 6(l))	2,256,589	5	2,370,578	5		Total liabilities	33,031,686	67	31,806,492	67
1840	Deferred tax assets (note 6(r))	692,823	1	658,289	1		Equity attributable to owners of parent:				
1990	Other non-current assets (note 8)	364,799	1	366,256	1	3110	Ordinary shares (note 6(s))	4,552,633	9	4,508,983	10
		13,744,731	28	12,196,991	25	3200	Capital surplus (note 6(s))	1,758,780	3	1,567,628	3
						3310	Legal reserve (note 6(s))	1,769,946	4	1,578,473	3
						3320	Special reserve (note 6(s))	1,046,360	2	1,058,941	2
						3350	Unappropriated retained earnings (note 6(s))	6,492,401	13	5,733,458	12
						3400	Other equity interest	(1,444,608)	(3)	(1,159,650)	(2)
						36XX	Non-controlling interests (note 6(h))	2,267,000	5	2,212,757	5
							Total equity	16,442,512	33	15,500,590	33
Total assets		\$ 49,474,198	100	47,307,082	100	Total liabilities and equity		\$ 49,474,198	100	47,307,082	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(v) and 7)	\$ 71,649,849	100	68,240,939	100
5000	Operating costs (notes 6(f), (o), (q), (w) and 12)	<u>62,270,246</u>	<u>87</u>	<u>60,129,865</u>	<u>88</u>
	Gross profit from operation	<u>9,379,603</u>	<u>13</u>	<u>8,111,074</u>	<u>12</u>
	Operating expenses (notes 6(l), (o), (q), (t), (w) and 12):				
6100	Selling expenses	1,654,914	2	1,354,432	2
6200	Administrative expenses	2,015,183	3	1,910,310	3
6300	Research and development expenses	2,907,911	4	2,555,565	4
6450	Reversal of expected credit loss (note 6(e))	<u>(11,010)</u>	<u>-</u>	<u>(9,030)</u>	<u>-</u>
	Total operating expenses	<u>6,566,998</u>	<u>9</u>	<u>5,811,277</u>	<u>9</u>
	Net operating income	<u>2,812,605</u>	<u>4</u>	<u>2,299,797</u>	<u>3</u>
	Non-operating income and expenses:				
7100	Interest income	118,339	-	141,456	-
7010	Other income (note 6(x))	14,662	-	13,127	-
7020	Other gains and losses (notes 6(g), (i) and (y))	327,460	-	292,611	1
7060	Shares of loss of associates accounted for using equity method (note 6(g))	<u>(61,551)</u>	<u>-</u>	<u>(84,179)</u>	<u>-</u>
7050	Finance costs (note 6(o))	<u>(181,552)</u>	<u>-</u>	<u>(184,375)</u>	<u>-</u>
	Total non-operating income and expenses	<u>217,358</u>	<u>-</u>	<u>178,640</u>	<u>1</u>
	Profit before tax	<u>3,029,963</u>	<u>4</u>	<u>2,478,437</u>	<u>4</u>
7950	Less: Income tax expenses (note 6(r))	<u>636,742</u>	<u>1</u>	<u>534,170</u>	<u>1</u>
	Profit	<u>2,393,221</u>	<u>3</u>	<u>1,944,267</u>	<u>3</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Losses on remeasurements of defined benefit plans (note 6(q))	(5,574)	-	(4,533)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	89,862	-	(13,757)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>84,288</u>	<u>-</u>	<u>(18,290)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operation's financial statements	(307,997)	-	13,627	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(307,997)</u>	<u>-</u>	<u>13,627</u>	<u>-</u>
8300	Other comprehensive income after tax	<u>(223,709)</u>	<u>-</u>	<u>(4,663)</u>	<u>-</u>
	Comprehensive income	<u>\$ 2,169,512</u>	<u>3</u>	<u>1,939,604</u>	<u>3</u>
	Profit attributable to:				
8610	Owners of parent	\$ 2,298,282	3	1,919,265	3
8620	Non-controlling interests (note 6(h))	<u>94,939</u>	<u>-</u>	<u>25,002</u>	<u>-</u>
		<u>\$ 2,393,221</u>	<u>3</u>	<u>1,944,267</u>	<u>3</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 2,121,938	3	1,927,312	3
8720	Non-controlling interests (note 6(h))	<u>47,574</u>	<u>-</u>	<u>12,292</u>	<u>-</u>
		<u>\$ 2,169,512</u>	<u>3</u>	<u>1,939,604</u>	<u>3</u>
	Earnings per share (note 6(u))				
9710	Basic earnings per share (NT dollars)	<u>\$ 5.13</u>		<u>4.30</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 5.09</u>		<u>4.27</u>	

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**Consolidated Statement of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
	Retained earnings					Other equity interest					
						Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings							
Balance at January 1, 2020	\$ 4,485,808	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	12,308,002	2,195,638	14,503,640
Profit	-	-	-	-	1,919,265	-	-	-	1,919,265	25,002	1,944,267
Other comprehensive income	-	-	-	-	(4,533)	26,337	(13,757)	-	8,047	(12,710)	(4,663)
Comprehensive income	-	-	-	-	1,914,732	26,337	(13,757)	-	1,927,312	12,292	1,939,604
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	208,003	-	(208,003)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	396,593	(396,593)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,076,876)	-	-	-	(1,076,876)	-	(1,076,876)
Changes in shares of investment accounted for using equity method	-	11,802	-	-	-	-	-	-	11,802	4,827	16,629
Amortization expense of restricted stock	-	-	-	-	-	-	-	117,593	117,593	-	117,593
Retirement of restricted stock	(1,225)	(6,750)	-	-	-	-	-	7,975	-	-	-
Issuance of restricted stock	24,400	79,531	-	-	-	-	-	(103,931)	-	-	-
Balance at December 31, 2020	4,508,983	1,567,628	1,578,473	1,058,941	5,733,458	(1,004,528)	(41,833)	(113,289)	13,287,833	2,212,757	15,500,590
Profit	-	-	-	-	2,298,282	-	-	-	2,298,282	94,939	2,393,221
Other comprehensive income	-	-	-	-	(5,574)	(260,632)	89,862	-	(176,344)	(47,365)	(223,709)
Comprehensive income	-	-	-	-	2,292,708	(260,632)	89,862	-	2,121,938	47,574	2,169,512
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	191,473	-	(191,473)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	(12,581)	12,581	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,354,873)	-	-	-	(1,354,873)	-	(1,354,873)
Changes in shares of investment accounted for using equity method	-	10,186	-	-	-	-	-	-	10,186	6,669	16,855
Amortization expense of restricted stock	-	-	-	-	-	-	-	110,428	110,428	-	110,428
Retirement of restricted stock	(1,750)	(6,446)	-	-	-	-	-	8,196	-	-	-
Issuance of restricted stock	45,400	187,412	-	-	-	-	-	(232,812)	-	-	-
Balance at December 31, 2021	\$ 4,552,633	1,758,780	1,769,946	1,046,360	6,492,401	(1,265,160)	48,029	(227,477)	14,175,512	2,267,000	16,442,512

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**Consolidated Statement of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,029,963	2,478,437
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,940,959	2,229,636
Loss related to inventories	161,605	284,439
Reversal of expected credit loss	(11,010)	(9,030)
Interest expense	177,287	176,799
Interest income	(118,339)	(141,456)
Compensation cost of share-based payment	127,283	134,222
Impairment loss of associates accounted for using equity method	300,274	279,716
Shares of loss of associates accounted for using equity method	61,551	84,179
Loss on disposal of property, plant and equipment	26,746	116,532
Impairment loss of property, plant and equipment (reversal)	(16,476)	56,507
Gain on disposal of right-of-use assets	(6,560)	(2)
Other	-	(1,081)
Total adjustments to reconcile profit	2,643,320	3,210,461
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	157,520	(126,742)
Notes and accounts receivable	216,314	5,629,639
Accounts receivable from related parties	67,909	(17,718)
Other receivables	43,485	(308,306)
Inventories	(3,078,743)	(38,656)
Other current assets	522,565	(122,121)
Other operating assets	(10,290)	1,014
Changes in operating assets	(2,081,240)	5,017,110
Financial liabilities at fair value through profit or loss	170,883	224,960
Notes and accounts payable	(1,307,796)	(4,743,832)
Salaries payable	350,331	(390,426)
Other payables	(412,471)	(135,168)
Other current liabilities	(67,669)	175,762
Refund liabilities	278,110	(130,868)
Other operating liabilities	(256,961)	(523,077)
Changes in operating liabilities	(1,245,573)	(5,522,649)
Total changes in operating assets and liabilities	(3,326,813)	(505,539)
Total adjustments	(683,493)	2,704,922
Cash inflow generated from operations	2,346,470	5,183,359
Interest received	118,339	141,456
Interest paid	(177,211)	(176,725)
Income taxes paid	(614,122)	(331,847)
Net cash flows from operating activities	1,673,476	4,816,243
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(35,097)	(28,894)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,234	-
Increase in financial assets measured at amortised cost	(810,506)	(855,238)
Acquisition of property, plant and equipment	(3,044,488)	(3,089,333)
Proceeds from disposal of property, plant and equipment	25,738	400,410
Decrease (increase) in refundable deposits	36,006	(4,169)
Dividends received	4,858	191
Acquisition of unamortized expense	(58,083)	(74,121)
Proceeds from disposal of unamortized expense	1,680	-
Net cash flows used in investing activities	(3,873,658)	(3,651,154)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	1,125,770	(187,067)
Increase in long-term borrowings	705,496	577,153
Increase in guarantee deposits received	28	-
Payment of lease liabilities	(249,172)	(287,843)
Cash dividends	(1,354,873)	(1,076,876)
Net cash flows from (used in) financing activities	227,249	(974,633)
Effect of exchange rate changes on cash and cash equivalents	(123,179)	44,387
Net increase (decrease) in cash and cash equivalents	(2,096,112)	234,843
Cash and cash equivalents at beginning of period	6,935,353	6,700,510
Cash and cash equivalents at end of period	\$ 4,839,241	6,935,353

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

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

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

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

The consolidated financial statements of the Company as at and for the years ended December 31, 2021, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and related parts, as well as other electronic components. Please refer to note 14 for further information.

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

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

The consolidated financial statements were authorized for issuance by the board of directors on February 25, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

The Group assesses that the adoption of the following new amendments effective for annual period beginning on April 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The following new and amended standards, which may be relevant to the Group, have been issued by IASB, but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

(Continued)

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (“the IFRSs endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are measured at fair value of plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated 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.

(Continued)

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests at their carrying amounts at the date when control is lost. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2021	December 31, 2020	
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 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2021	December 31, 2020	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development of and customer service for computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development of and customer service for computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Sale of computer peripherals and mobile device components	100.00 %	100.00 %	
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacturing and sale of computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Production of computer peripheral products	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Production of computer peripheral products	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale and purchase of computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	R&D of computer peripherals and business devices	100.00 %	100.00 %	
Primax Singapore	Primax Electronics (Thailand) Co., Ltd. (Primax Thailand)	Manufacturing and sale of computer peripherals, mobile device components, and business devices	99.99 %	99.99 %	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	
TWEL	Tymphany Acoustic Technology (Huizhou) Co., Ltd (Tymphany Huizhou)	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components	71.43 %	71.43 %	
Tymphany Huizhou	Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	R&D, design, and sales of various speaker accessories, speakers, and their components, as well as holding business	100.00 %	100.00 %	
Tymphany Huizhou	Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	Manufacturing, R&D, design and sales of various speaker accessories, speakers, and their components	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2021	December 31, 2020	
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	R&D and design of various speaker accessories as well as speakers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacturing, installation, and maintenance of various speaker accessories and their components	100.00 %	100.00 %	
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development of and customer service for speakers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	R&D and design of various speaker accessories as well as speakers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology (Thailand) Co., Ltd (TYTH)	Manufacturing and sales of various speaker accessories, speakers, and their components	99.99 %	99.99 %	
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sales of various speaker accessories, speakers, and their components	100.00 %	100.00 %	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components	100.00 %	100.00 %	

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the differences relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(Continued)

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the consolidated financial statements, New Taiwan Dollar, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the consolidated financial statements, New Taiwan Dollar, at the average rate. Foreign currency differences are recognized in other comprehensive income.

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 Group 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 Group 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.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

(e) 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)

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

(f) 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.

(g) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI) ; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

(Continued)

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

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets, etc.).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 61 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 361 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

(Continued)

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 361 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) **Derecognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences the 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.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(Continued)

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

(h) 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.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital surplus.

Unrealized Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated party's interests in the associate.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of its associates.

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued, is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if its associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

(Continued)

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

(j) Investment property

Investment property is the 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 at cost, less accumulated depreciation and accumulated impairment losses. 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.

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

Rental income from investment property is recognized as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

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, leasehold improvement, and additional equipment: 1 ~ 51 years
- 2) Machinery and equipment: 1 ~ 10 years
- 3) Office and other equipment: 1 ~ 5 years

(Continued)

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

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) 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 property.

(l) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

(Continued)

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of its assessment on purchase option; or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of machinery and other equipment that have a short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- 4) there is no substantive change to other terms and conditions of the lease.

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

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, technology, patents and trademarks, that are acquired by the Group and have finite useful lives, are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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.

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1)	Customer relationships	10 years
2)	Technology	10 years
3)	Trademarks	10 years
4)	Patents	2.5~10 years
5)	Copyrights	15 years

Amortization methods, useful lives and residual values, are reviewed at each annual reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each annual reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value, less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

(i) Sale of goods

The Group manufactures computer peripherals and non-computer peripherals and sales them to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liabilities is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 120 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Rendering of services

The Group provides services, such as model research, development, and design to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

(p) Deferred grant revenue

Deferred grant revenue with additional conditions shall be recognized if the Group fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Group's expenses that have been incurred or to supply immediate financial support to the Group and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Group's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as related service are provided. A liability is recognized for the amount expected to be paid if the Group 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.

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

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized 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.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of shares that employees can subscribe for.

(s) Income taxes

Income taxes 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 are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(t) Earnings per share

The Group 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 dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee remuneration, and restricted stock.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

The 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 following period.

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

Information about critical judgments made in applying the accounting policies that have significant effects on amounts recognized in the consolidated financial statements is as follows:

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group 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. Please refer to note 6(f) for valuation of inventories.

(b) Assessment of impairment of intangible assets (including goodwill) and investments accounted for using equity method

The assessment of impairment of intangible assets and investments accounted for using equity method required the Group 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 Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Group 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 Group 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 Group 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:

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

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

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

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

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 6,889	7,750
Demand accounts and checking deposits	4,075,538	4,417,720
Time deposits	<u>756,814</u>	<u>2,509,883</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 4,839,241</u>	<u>6,935,353</u>

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

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

(i) Details of financial instruments were as follows:

	December 31, 2021	December 31, 2020
Mandatorily measured at FVTPL:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 75,563	67,252
Foreign exchange swap contracts	<u>80,675</u>	<u>246,506</u>
	<u>\$ 156,238</u>	<u>313,758</u>
	December 31, 2021	December 31, 2020
Financial liabilities held-for-trading:		
Derivative instrument not used for hedging		
Forward exchange contracts	\$ (597,226)	(399,762)
Foreign exchange swap contracts	<u>(5,828)</u>	<u>(32,409)</u>
	<u>\$ (603,054)</u>	<u>(432,171)</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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- (ii) The Group held the following derivative instruments as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities, without the application of edge accounting, as of December 31, 2021 and 2020:

December 31, 2021			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 715,000	January 5, 2022~ July 29, 2022	26.890~27.946
Forward exchange contracts — buy CNY/ sell USD	USD 150,500	January 4, 2022~ April 1, 2022	6.3832~6.4773
Forward exchange contracts — buy CNY/ sell EUR	EUR 1,900	January 6, 2022	7.215
Forward exchange contracts — buy USD/ sell THB	USD 25,000	January 24, 2022	33.480
Forward exchange contracts — buy THB/ sell USD	USD 9,000	January 12, 2022~ June 1, 2022	33.630~33.730
Forward exchange contracts — buy CZK/ sell EUR	EUR 1,000	January 25, 2022	25.485
Forward exchange swap contracts — swap in TWD/ swap out USD	USD 585,000	January 5, 2022~ July 28, 2022	27.574~28.092

December 31, 2020			
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts — buy USD / sell TWD	USD 764,000	January 6, 2021~ June 23, 2021	27.150~28.942
Forward exchange contracts — buy TWD / sell USD	USD 11,500	January 13, 2021~ January 28, 2021	28.490~28.501
Forward exchange contracts — buy CNY / sell USD	USD 262,300	January 4, 2021~ May 19, 2021	6.5273~6.6415
Foreign exchange swap contracts — swap in TWD / swap out USD	USD 593,000	January 6, 2021~ June 23, 2021	28.075~29.424

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

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

(c) Financial assets at FVOCI

	December 31, 2021	December 31, 2020
Equity investments at FVOCI		
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	\$ 60	1,263
Stocks unlisted in domestic markets–Changing Information Technology Inc.	8,201	6,002
Stocks unlisted in domestic markets–Syntronix Corp.	350	49
Equities unlisted in foreign markets–Grove Ventures L.P.	155,618	60,722
Equities unlisted in foreign markets–Grove Ventures II, L.P.	57,318	26,227
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	18,850	27,409
Total	\$ 240,397	121,672

- (i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale.
- (ii) During the years ended December 31, 2021 and 2020, the dividends of \$4,858 and \$191, respectively, related to equity investments at FVOCI held were recognized.
- (iii) Grove Venture, L.P. executed capital increases, wherein the Group had participated and invested the amounts of \$10,967 and \$9,006 in the years ended December 31, 2021 and 2020, respectively.
- (iv) Grove Ventures II, L.P. executed capital increases, where in the Group had participated and invested the amounts of \$24,130 and \$19,888 in the years ended December 31, 2021 and 2020, respectively.
- (v) WK Technology Fund IV Ltd. refunded the amount of \$1,210 to the Group due to its capital reduction in March 2021.
- (vi) WK Global Investment III Ltd. refunded the amount of \$5,024 to the Group due to its capital reduction in June 2021.
- (vii) The Group did not provide any of the aforementioned financial assets as collateral.

(d) Financial assets at amortized cost

	December 31, 2021	December 31, 2020
Time deposits	\$ 1,665,744	855,238
Annual interest rates	1.20%~1.75%	1.40%
Maturity date	January, 2022~ March, 2022	June, 2021

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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- (i) The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- (ii) For credit risk, please refer to note (z).
- (iii) Please refer to note 8 for further information on financial assets as collateral.
- (e) Notes and accounts receivable (including related parties)

	December 31, 2021	December 31, 2020
Notes receivable	\$ 1,284	5,618
Accounts receivable	13,403,026	13,615,378
Accounts receivable – related parties	130,280	198,189
Less: allowance for doubtful accounts	(29,635)	(42,155)
Total	<u>\$ 13,504,955</u>	<u>13,777,030</u>

- (i) The Group did not provide any of the aforementioned notes and accounts receivable (including related parties) as collateral.
- (ii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	December 31, 2021		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 12,439,211	0%~0.03%	4,072
0 to 30 days past due	953,704	0%~3%	14,476
31 to 60 days past due	101,393	0%~5.34%	5,413
61 to 90 days past due	25,164	0%~10%	1,625
91 to 180 days past due	9,412	0%~25%	1,356
181 to 360 days past due	4,768	0%~80%	2,408
More than 361 days past due	938	0%~100%	285
	<u>\$ 13,534,590</u>		<u>29,635</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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	December 31, 2020		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 12,834,801	0%~0.04%	5,505
0 to 30 days past due	924,894	0%~3.4%	31,282
31 to 60 days past due	44,042	0%~5%	2,202
61 to 90 days past due	8,682	0%~10%	814
91 to 180 days past due	4,067	0%~25%	325
181 to 360 days past due	-	0%~80%	-
More than 361 days past due	2,699	0%~100%	2,027
	<u>\$ 13,819,185</u>		<u>42,155</u>

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

	2021	2020
Balance on January 1, 2021 and 2020	\$ 42,155	75,725
Impairment losses reversed	(11,010)	(9,030)
Amounts written off	(374)	(22,445)
Effect of exchange rate changes	(1,136)	(2,095)
Balance on December 31, 2021 and 2020	<u>\$ 29,635</u>	<u>42,155</u>

- (iv) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Group shall pay handling charges based on a fixed rate. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of December 31, 2021 and 2020, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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December 31, 2021							
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)	
		Unpaid	Paid				
HSBC Bank	\$ 3,490,836	28,802	3,261,631	229,205	0.580%~0.760%	US\$	56,940
EnTie Bank	54,818	-	-	54,818	-	-	-
DBS Bank	1,693,596	1,570	1,522,665	170,931	0.944%~0.960%	-	-
Bank of Taiwan	162,034	-	145,830	16,204	0.741%~0.997%	NT\$	135,000
Mega International Commercial Bank	-	-	-	-	-	US\$	3,750
	<u>\$ 5,401,284</u>	<u>30,372</u>	<u>4,930,126</u>	<u>471,158</u>			

December 31, 2020							
Purchaser	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)	
		Unpaid	Paid				
HSBC Bank	\$ 3,917,358	382,018	3,416,322	501,036	0.795%~0.849%	US\$	37,440
EnTie Bank	158,092	-	-	158,092	-	-	-
Bank of Taiwan	-	-	-	-	-	NT\$	58,000
Mega International Commercial Bank	-	-	-	-	-	US\$	3,750
	<u>\$ 4,075,450</u>	<u>382,018</u>	<u>3,416,322</u>	<u>659,128</u>			

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

(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 5,596,206	2,540,293
Semi-finished goods and work in process	2,360,593	1,805,774
Finished goods and merchandise	5,207,802	5,901,396
	<u>\$ 13,164,601</u>	<u>10,247,463</u>

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

	2021	2020
Losses on inventory valuation and disposal of inventories	\$ (63,612)	(234,662)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(105,368)	(55,356)
Gains on physical inventories	7,375	5,579
	<u>\$ (161,605)</u>	<u>(284,439)</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(g) Investments accounted for using equity method

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

	December 31, 2021	December 31, 2020
Carrying amount of individually insignificant associates' equity	<u>\$ 171,567</u>	<u>536,303</u>
	<u>2021</u>	<u>2020</u>
Attributable to the Group:		
Loss	\$ (61,551)	(84,179)
Other comprehensive loss	(2,911)	(4,556)
Comprehensive loss	<u>\$ (64,462)</u>	<u>(88,735)</u>

- (i) The Group did not provide any investment accounted for using equity method as collateral.
- (ii) The revenue of AIC did not turn out as expected due to intensive industrial competition, resulting in the impairment of the intangible assets and carrying amounts related to this equity investment after the Group's evaluation, the Group recognized impairment loss of \$300,274 and \$279,716, respectively, under other gains and losses for the years ended December 31, 2021 and 2020.

(h) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non- controlling Interests	
		December 31, 2021	December 31, 2020
Tymphony Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	28.57 %	28.57 %

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

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

	December 31, 2021	December 31, 2020
Current assets	\$ 13,429,241	13,510,184
Non-current assets	6,152,529	6,161,757
Current liabilities	(10,206,489)	(10,030,285)
Non-current liabilities	(1,439,803)	(1,896,051)
Net assets	<u>\$ 7,935,478</u>	<u>7,745,605</u>
Non-controlling interests	<u>\$ 2,267,000</u>	<u>2,212,757</u>

(Continued)

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

	2021	2020
Operating revenue	\$ 24,546,301	28,404,163
Profit	\$ 332,327	87,518
Other comprehensive income (loss)	(165,707)	(44,105)
Comprehensive income	\$ 166,620	43,413
Profit attributable to non-controlling interests	\$ 94,939	25,002
Comprehensive income attributable to non-controlling interests	\$ 47,574	12,292
	2021	2020
Cash flows used in operating activities	\$ (212,774)	1,307,136
Cash flows used in investing activities	(1,716,818)	(1,978,242)
Cash flows from financing activities	810,465	9,621
Effect of exchange rate changes	(158,700)	(46,872)
Net increase (decrease) in cash and cash equivalents	\$ (1,277,827)	(708,357)
Dividends paid to non-controlling interests	\$ -	-

(i) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2021	\$ 320,069	4,062,652	7,145,610	1,161,191	1,860,752	14,550,274
Additions	769,580	149,594	244,209	113,782	1,710,021	2,987,186
Disposals	-	(308,010)	(1,376,265)	(143,723)	(8,541)	(1,836,539)
Reclassifications	-	102,739	719,760	72,909	(1,107,564)	(212,156)
Effect of changes in exchange rate	(23,896)	(27,705)	(66,943)	(22,233)	(81,734)	(222,511)
Balance on December 31, 2021	\$ 1,065,753	3,979,270	6,666,371	1,181,926	2,372,934	15,266,254
Balance on January 1, 2020	\$ 134,701	4,014,529	7,508,088	2,089,856	1,111,056	14,858,230
Additions	281	14,507	301,543	104,913	1,800,479	2,221,723
Disposals	-	(78,283)	(1,389,899)	(1,110,209)	(9,167)	(2,587,558)
Reclassifications	187,451	68,061	645,951	68,661	(1,056,708)	(86,584)
Effect of changes in exchange rate	(2,364)	43,838	79,927	7,970	15,092	144,463
Balance on December 31, 2020	\$ 320,069	4,062,652	7,145,610	1,161,191	1,860,752	14,550,274

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

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Depreciation and impairments loss:						
Balance on January 1, 2021	\$ -	2,271,799	5,084,215	652,245	-	8,008,259
Depreciation	-	233,940	1,021,840	165,874	-	1,421,654
Impairment loss (reversal)	-	(7,691)	(2,452)	(6,333)	-	(16,476)
Disposals	-	(287,684)	(1,157,478)	(102,289)	-	(1,547,451)
Reclassifications	-	(4,150)	(135,917)	(10,042)	-	(150,109)
Effect of changes in exchange rate	-	(14,881)	(30,014)	(9,551)	-	(54,446)
Balance on December 31, 2021	<u>\$ -</u>	<u>2,191,333</u>	<u>4,780,194</u>	<u>689,904</u>	<u>-</u>	<u>7,661,431</u>
Balance on January 1, 2020	\$ -	2,035,962	4,894,405	564,123	-	7,494,490
Depreciation	-	259,159	1,144,119	259,467	-	1,662,745
Impairment loss	-	22,574	19,198	14,735	-	56,507
Disposals	-	(71,792)	(1,037,680)	(193,177)	-	(1,302,649)
Effect of changes in exchange rate	-	25,896	64,173	7,097	-	97,166
Balance on December 31, 2020	<u>\$ -</u>	<u>2,271,799</u>	<u>5,084,215</u>	<u>652,245</u>	<u>-</u>	<u>8,008,259</u>
Carrying amounts:						
Balance on December 31, 2021	<u>\$ 1,065,753</u>	<u>1,787,937</u>	<u>1,886,177</u>	<u>492,022</u>	<u>2,372,934</u>	<u>7,604,823</u>
Balance on December 31, 2020	<u>\$ 320,069</u>	<u>1,790,853</u>	<u>2,061,395</u>	<u>508,946</u>	<u>1,860,752</u>	<u>6,542,015</u>
Balance on January 1, 2020	<u>\$ 134,701</u>	<u>1,978,567</u>	<u>2,613,683</u>	<u>1,525,733</u>	<u>1,111,056</u>	<u>7,363,740</u>

- (i) The unamortized deferred revenue of equipment subsidy amounted to \$922,320 and \$1,415,511 as of December 31, 2021 and 2020, respectively.
- (ii) The factory of the Group's subsidiary in China was relocated to a new site in 2021, where parts of its property, plant and equipment were disposed, resulting in the Group to measure the carrying amount by using the recoverable amount and recognized reversal of impairment loss of \$16,476 and impairment loss of \$56,507, respectively, under other gains and losses for the years ended December 31, 2021 and 2020.
- (iii) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2021	\$ 406,195	1,773,581	30,703	5,349	2,215,828
Additions	-	148,470	5,897	-	154,367
Disposals	-	(261,402)	(16,138)	(3,243)	(280,783)
Lease modification	-	1,066,315	-	-	1,066,315
Effect of changes in exchange rates	(4,295)	(37,517)	(338)	-	(42,150)
Balance on December 31, 2021	<u>\$ 401,900</u>	<u>2,689,447</u>	<u>20,124</u>	<u>2,106</u>	<u>3,113,577</u>
Balance on January 1, 2020	\$ 402,455	1,718,180	17,685	3,431	2,141,751
Additions	-	53,316	13,740	4,159	71,215
Disposals	-	-	(906)	(2,244)	(3,150)
Effect of changes in exchange rates	3,740	2,085	184	3	6,012
Balance on December 31, 2020	<u>\$ 406,195</u>	<u>1,773,581</u>	<u>30,703</u>	<u>5,349</u>	<u>2,215,828</u>
Depreciation:					
Balance on January 1, 2021	\$ 25,790	596,500	21,645	3,841	647,776
Depreciation	14,670	273,781	8,421	1,336	298,208
Disposals	-	(174,074)	(16,138)	(3,243)	(193,455)
Lease modification	-	(4,703)	-	-	(4,703)
Effect of changes in exchange rates	(1,447)	(12,991)	(181)	-	(14,619)
Balance on December 31, 2021	<u>\$ 39,013</u>	<u>678,513</u>	<u>13,747</u>	<u>1,934</u>	<u>733,207</u>
Balance on January 1, 2020	\$ 10,627	277,503	8,753	1,715	298,598
Depreciation	14,989	315,688	12,922	3,049	346,648
Disposals	-	-	(189)	(935)	(1,124)
Effect of changes in exchange rates	174	3,309	159	12	3,654
Balance on December 31, 2020	<u>\$ 25,790</u>	<u>596,500</u>	<u>21,645</u>	<u>3,841</u>	<u>647,776</u>
Carrying amounts:					
Balance on December 31, 2021	<u>\$ 362,887</u>	<u>2,010,934</u>	<u>6,377</u>	<u>172</u>	<u>2,380,370</u>
Balance on December 31, 2020	<u>\$ 380,405</u>	<u>1,177,081</u>	<u>9,058</u>	<u>1,508</u>	<u>1,568,052</u>
Balance on January 1, 2020	<u>\$ 391,828</u>	<u>1,440,677</u>	<u>8,932</u>	<u>1,716</u>	<u>1,843,153</u>

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

(k) Investment property

	Land	Buildings and other equipment	Total
Cost or deemed cost:			
Balance on January 1, 2021	\$ 50,190	31,735	81,925
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2021	<u><u>\$ 50,190</u></u>	<u><u>31,735</u></u>	<u><u>81,925</u></u>
Balance on January 1, 2020	\$ 50,190	31,735	81,925
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2020	<u><u>\$ 50,190</u></u>	<u><u>31,735</u></u>	<u><u>81,925</u></u>
Depreciation and impairment losses:			
Balance on January 1, 2021	\$ 33,941	14,158	48,099
Depreciation	<u>-</u>	<u>463</u>	<u>463</u>
Balance on December 31, 2021	<u><u>\$ 33,941</u></u>	<u><u>14,621</u></u>	<u><u>48,562</u></u>
Balance on January 1, 2020	\$ 33,941	13,695	47,636
Depreciation	<u>-</u>	<u>463</u>	<u>463</u>
Balance on December 31, 2020	<u><u>\$ 33,941</u></u>	<u><u>14,158</u></u>	<u><u>48,099</u></u>
Carrying amounts:			
Balance on December 31, 2021	<u><u>\$ 16,249</u></u>	<u><u>17,114</u></u>	<u><u>33,363</u></u>
Balance on December 31, 2020	<u><u>\$ 16,249</u></u>	<u><u>17,577</u></u>	<u><u>33,826</u></u>
Balance on January 1, 2020	<u><u>\$ 16,249</u></u>	<u><u>18,040</u></u>	<u><u>34,289</u></u>
Fair value:			
Balance on December 31, 2021			<u><u>\$ 102,412</u></u>
Balance on December 31, 2020			<u><u>\$ 93,195</u></u>
Balance on January 1, 2020			<u><u>\$ 92,171</u></u>

- (i) The fair value of the investment property is based on the quotation from 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(p) for further information.
- (iii) The Group did not provide any of the aforementioned investment property as collateral.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(l) Intangible assets

The carrying amounts of the intangible assets of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Cost or deemed cost:					
Balance on January 1, 2021	\$ 2,026,084	718,800	357,271	112,441	3,214,596
Reclassifications	-	-	-	15,244	15,244
Effect of changes in exchange rate	(6,035)	-	-	(4,977)	(11,012)
Balance on December 31, 2021	<u>\$ 2,020,049</u>	<u>718,800</u>	<u>357,271</u>	<u>122,708</u>	<u>3,218,828</u>
Balance on January 1, 2020	\$ 2,035,095	718,800	357,271	119,851	3,231,017
Effect of changes in exchange rate	(9,011)	-	-	(7,410)	(16,421)
Balance on December 31, 2020	<u>\$ 2,026,084</u>	<u>718,800</u>	<u>357,271</u>	<u>112,441</u>	<u>3,214,596</u>
Amortization and impairment loss:					
Balance on January 1, 2021	\$ -	501,420	230,468	112,130	844,018
Amortization	-	71,880	41,930	2,202	116,012
Reclassifications	-	-	-	3,591	3,591
Effect of changes in exchange rate	-	-	-	(1,382)	(1,382)
Balance on December 31, 2021	<u>\$ -</u>	<u>573,300</u>	<u>272,398</u>	<u>116,541</u>	<u>962,239</u>
Balance on January 1, 2020	\$ -	429,540	188,538	111,783	729,861
Amortization	-	71,880	41,930	1,846	115,656
Effect of changes in exchange rate	-	-	-	(1,499)	(1,499)
Balance on December 31, 2020	<u>\$ -</u>	<u>501,420</u>	<u>230,468</u>	<u>112,130</u>	<u>844,018</u>
Carrying amounts:					
Balance on December 31, 2021	<u>\$ 2,020,049</u>	<u>145,500</u>	<u>84,873</u>	<u>6,167</u>	<u>2,256,589</u>
Balance on December 31, 2020	<u>\$ 2,026,084</u>	<u>217,380</u>	<u>126,803</u>	<u>311</u>	<u>2,370,578</u>
Balance on January 1, 2020	<u>\$ 2,035,095</u>	<u>289,260</u>	<u>168,733</u>	<u>8,068</u>	<u>2,501,156</u>

- (i) In 2021 and 2020, the amortizations of intangible assets amounted to \$116,012 and \$115,656, respectively, recorded as operating expenses.

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

- (ii) The Group evaluated the recoverable amounts of its goodwill, which is based on its value-in-use, for impairment testing at each annual reporting date. Value-in-use is based on five years of the estimated future cash flow of the Group, and discounted to their present value using the yearly discount rate, which reflects the risks specific to CGU, by 16.21% and 16.22% for the years ended December 31, 2021 and 2020, respectively. There were no impairment losses of goodwill in 2021 and 2020.

(m) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 2,030,829	905,059
Unused credit lines	\$ 22,607,988	22,857,597
Annual interest rates	0.67%~4.45%	0.70%~0.95%

(n) Long-term borrowings

December 31, 2021				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	USD	1.37%~1.60%	2023	\$ 1,031,455
Secured bank loans	TWD	0.40%~0.85%	2026	429,500
Less: current portion				(435,435)
				\$ 1,025,520
Unused credit lines				\$ 2,754,254

December 31, 2020				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	USD	1.46%~1.67%	2023	\$ 755,459
Less: current portion				(74,833)
				\$ 680,626
Unused credit lines				\$ 2,237,873

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(o) Lease liabilities

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

	December 31, 2021	December 31, 2020
Current	<u>\$ 228,720</u>	<u>271,483</u>
Non-current	<u>\$ 1,879,350</u>	<u>981,436</u>

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u>\$ 68,893</u>	<u>59,421</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 122,194</u>	<u>115,776</u>
Covid-19-related rent concessions (recognized as deduction of rent expenses)	<u>\$ -</u>	<u>1,066</u>

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

	2021	2020
Rental paid in operating activities	<u>\$ (122,194)</u>	<u>(115,776)</u>
Interest on lease liabilities paid in operating activities	<u>(68,893)</u>	<u>(59,421)</u>
Payment made on lease liabilities in financing activities	<u>(249,172)</u>	<u>(287,843)</u>
Total cash outflow for leases	<u>\$ (440,259)</u>	<u>(463,040)</u>

(i) Real estate leases

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

(ii) Other leases

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

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

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(p) Operating lease

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

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

	December 31, 2021	December 31, 2020
Less than one year	\$ 1,672	1,770
One to five years	69	774
Total undiscounted lease payments	<u><u>\$ 1,741</u></u>	<u><u>2,544</u></u>

Rental income from investment property amounted to \$1,286 and \$1,416 in 2021 and 2020, respectively.

(q) 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, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 134,375	150,927
Fair value of plan assets	<u>69,942</u>	<u>82,982</u>
Deficit in the plan	64,433	67,945
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability (recorded as other non-current liabilities)	<u><u>\$ 64,433</u></u>	<u><u>67,945</u></u>

The Group 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 Group 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.

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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The Group's Bank of Taiwan labor pension reserve account balance amounted to \$69,942 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.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Defined benefit obligation at January 1	\$ 150,927	163,560
Benefits paid	(24,093)	(22,029)
Current service costs and interest cost	708	1,843
Remeasurement of net defined liabilities	6,833	7,553
Defined benefit obligation at December 31	<u><u>\$ 134,375</u></u>	<u><u>150,927</u></u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Fair value of plan assets at January 1	\$ 82,982	95,623
Interest income	286	751
Remeasurement of net defined liabilities	1,259	3,020
Contribution paid	2,800	2,953
Benefits paid	(17,385)	(19,365)
Fair value of plan assets at December 31	<u><u>\$ 69,942</u></u>	<u><u>82,982</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Current service costs	\$ 189	562
Net interest of net liabilities for defined benefit	233	531
Expenses	<u><u>\$ 422</u></u>	<u><u>1,093</u></u>

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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- 5) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income.

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Balance on January 1	\$ 17,482	12,949
Recognized during the period	5,574	4,533
Balance on December 31	\$ 23,056	17,482

- 6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.750 %	0.350 %
Future salary increase rate	2.750 %	2.750 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was \$2,745.

The weighted-average duration of the defined benefit plans is 9 years.

- 7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group 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, 2021		
Discount rate	\$ (2,528)	2,604
Future salary increase rate	\$ 2,482	(2,423)
December 31, 2020		
Discount rate	\$ (2,963)	3,053
Future salary increase rate	\$ 2,902	(2,831)

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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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 changes in the method and assumptions used in the preparation of the sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The continuing operations allocate 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 these defined contribution plans, the Group contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounting to \$390,804 and \$306,646 for the years ended December 31, 2021 and 2020, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

(r) Income taxes

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

	2021	2020
Current tax expense	\$ 792,314	496,052
Deferred tax expense (benefit)	(155,572)	38,118
Income tax expense	<u><u>\$ 636,742</u></u>	<u><u>534,170</u></u>

(Continued)

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

- (ii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Profit before income tax	<u>\$ 3,029,963</u>	<u>2,478,437</u>
Income tax calculated based on domestic tax rate of individual entity of the Group	837,755	572,620
Overseas investment gains recognized under the equity method	(184,335)	(171,988)
Non-taxable income	(5,268)	(9,267)
Prior year's income tax adjustment	91,135	101,886
Surtax on unappropriated earnings	18,374	18,052
Investment tax credits accrued	(160,357)	(115,878)
Other	<u>39,438</u>	<u>138,745</u>
Income tax expense	<u><u>\$ 636,742</u></u>	<u><u>534,170</u></u>

- (iii) 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, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	<u><u>\$ 1,122,704</u></u>	<u><u>1,025,729</u></u>

2) Unrecognized deferred tax assets

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u><u>\$ 178,800</u></u>	<u><u>160,000</u></u>

The deductible temporary differences and losses cannot be realized, or there may not be sufficient taxable profit to utilize after the Group's evaluation. Therefore, they were not recognized as deferred tax assets.

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

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, were as follows:

	Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Amortization of appraised value adjustment of intangible assets	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2021	\$ 286,350	95,620	31,701	14,967	428,638
Recognized in profit or loss	(63,965)	(46,919)	(10,482)	328	(121,038)
Balance on December 31, 2021	<u>\$ 222,385</u>	<u>48,701</u>	<u>21,219</u>	<u>15,295</u>	<u>307,600</u>
Balance on January 1, 2020	\$ 369,676	24,955	42,184	7,275	444,090
Recognized in profit or loss	(83,326)	70,665	(10,483)	7,692	(15,452)
Balance on December 31, 2020	<u>\$ 286,350</u>	<u>95,620</u>	<u>31,701</u>	<u>14,967</u>	<u>428,638</u>

	Bad debt in excess of tax limit	Loss carryforward	Unfunded pension fund contribution	Refund liabilities	Loss on inventory valuation	Deferred granted revenue	Unrealized revenue from disposal of assets	Gain on valuation of financial assets / liabilities	Others	Total
Deferred tax assets:										
Balance on January 1, 2021	\$ 39,958	10,735	15,052	193,039	104,388	194,259	24,206	34,237	42,415	658,289
Recognized in profit or loss	-	2,788	(1,817)	34,196	(10,067)	(33,750)	(3,090)	55,623	(9,349)	34,534
Balance on December 31, 2021	<u>\$ 39,958</u>	<u>13,523</u>	<u>13,235</u>	<u>227,235</u>	<u>94,321</u>	<u>160,509</u>	<u>21,116</u>	<u>89,860</u>	<u>33,066</u>	<u>692,823</u>
Balance on January 1, 2020	\$ 39,958	6,525	15,957	187,650	107,202	254,056	27,296	6,881	66,334	711,859
Recognized in profit or loss	-	4,210	(905)	5,389	(2,814)	(59,797)	(3,090)	27,356	(23,919)	(53,570)
Balance on December 31, 2020	<u>\$ 39,958</u>	<u>10,735</u>	<u>15,052</u>	<u>193,039</u>	<u>104,388</u>	<u>194,259</u>	<u>24,206</u>	<u>34,237</u>	<u>42,415</u>	<u>658,289</u>

(iv) The Company's income tax returns have been examined by the tax authority through the years to 2019.

(s) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the nominal ordinary shares both amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 455,263 thousand and 450,898 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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Reconciliation of shares outstanding for the years ended December 31, 2021 and 2020 were as follows:

	Ordinary shares (in thousands of shares)	
	2021	2020
Balance on January 1	450,898	448,581
Issuance of restricted stock	4,540	2,440
Retirement of restricted stock	(175)	(123)
Balance on December 31	455,263	450,898

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 846,187	759,070
Employee stock options	259,401	259,401
Restricted employee stock options	263,389	169,540
Long-term investment	389,803	379,617
	\$ 1,758,780	1,567,628

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 ordinary shares 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 earning left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for resolution.

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.

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

1) Legal reserve

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 stockholders' 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 the FSC, 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. As of December 31, 2021 and 2020, the carrying amount of special reserve both amounted to \$97,300.

In accordance with the FSC, 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

The appropriation of earnings for 2020 reached legal requirement through the electronic voting on May 25, 2021, and was resolved during the shareholders' meeting on July 13, 2021. On June 23, 2020, the shareholders' meeting resolved to distribute the 2019 earnings. The distributions were NT\$3(dollars) and NT\$2.4(dollars) per share, which amounted to \$1,354,873 and \$1,076,876, respectively.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(t) Share-based payment

(i) Employee stock options and share-based payment

1) As of December 31, 2021, the Group had share-based payment arrangements as follows:

	Employee stocks ownership plans September 2017
Grant date	September 29, 2017
Exercise price	CNY\$1.1952
Granted units (thousand)	40,310
Service period	15 years
Vesting period	12 months after Tymphany Huizhou listed

The Group measured the fair value of the aforementioned share-based payment. The measurement basis of the fair value was as follows:

	Issnance of ordinary shares for employee stocks September 2017
Exercise price	CNY\$1.1952
Expected time until expiration (years)	0.26
Stock price per share	CNY\$1.7784
Expected volatility of stock price	37.53%
Expected volatility of stock price	-
Risk-free interest rate	3.17%

As of 2021 and 2020, total stock options outstanding were both 33,591 thousand shares.

(ii) Restricted stock

1) As of December 31, 2021, the outstanding restricted stock of the Group was as follows:

	Plan 3 (note 1)		Plan 4 (note 1)		Plan 5 (note 1)		Plan 6 (note 1)		Plan 7 (note 1)
Grant date	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018	November 21, 2019	February 20, 2020	July 30, 2020	January 25, 2021	October 18, 2021
Fair value on grant date (per share)	45.80	72.40	76.70	46.85	64.30	53.20	41.75	55.80	50.40
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	2,450	550	1,100	900	1,820	180	2,260	740	3,800
Vesting period	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (notes 2 and 4)	1~3 years (note 2)	1~5 years (notes 2, 3, 4 and 5)	1~3 years (notes 2, 3 and 4)	1~3 years (note 2)

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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Note 1: Plan 3 was resolved by the stockholders' meeting held on June 20, 2016, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,450 thousand shares and 550 thousand shares on January 23 and August 10, 2017, respectively.

Plan 4 was resolved by the stockholders' meeting held on May 25, 2017, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

Plan 5 was resolved by the stockholders' meeting held on June 18, 2019, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,820 thousand shares and 180 thousand shares on November 12, 2019 and February 18, 2020, respectively.

Plan 6 was resolved by the stockholders' meeting held on June 23, 2020, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,260 thousand and 740 thousand shares on July 30, 2020 and January 22, 2021, respectively.

Plan 7 was resolved by the stockholders' meeting held on July 13, 2021a, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 3,800 thousand shares on August 24, 2021.

Note 2: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 30%, 30% and 40% shall be vested in the first year, second year and third year, respectively, after the grant date.

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

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

Note 5: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 15%, 15%, 20%, 20% and 30% shall be vested in the first year, second year, third year, fourth year and fifth year, respectively, after the grant date.

The restricted stock is kept by a trust, which is appointed by the Group, 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 Group will cancel the unvested shares thereafter.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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2) The related information on restricted stock of the Group was as follows:

(Thousand shares)	2021	2020
Outstanding on January 1	4,103	3,816
Granted during the year	4,540	2,440
Vesting during the year	(1,995)	(2,017)
Expired during the year	(161)	(136)
Outstanding on December 31	<u>6,487</u>	<u>4,103</u>

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

	2021	2020
Employee stock options	\$ 16,855	16,629
Restricted stock	110,428	117,593
Total	<u>\$ 127,283</u>	<u>134,222</u>

(u) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2021 and 2020, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	2021	2020
Profit attributable to owners of parent	<u>\$ 2,298,282</u>	<u>1,919,265</u>
Weighted-average number of ordinary shares (thousand shares)	<u>447,640</u>	<u>445,829</u>
Basic earnings per share (NT dollars)	<u>\$ 5.13</u>	<u>4.30</u>
	2021	2020
Ordinary shares at January 1	446,782	444,765
Vesting of restricted stock	858	1,064
Ordinary shares at December 31	<u>447,640</u>	<u>445,829</u>

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

The calculation of diluted earnings per share for the years ended December 31, 2021 and 2020, based on the profit attributable to owners of parent of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	<u>2021</u>	<u>2020</u>
Profit attributable to owners of parent	<u>\$ 2,298,282</u>	<u>1,919,265</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>451,819</u>	<u>449,909</u>
Diluted earnings per share (NT dollars)	<u>\$ 5.09</u>	<u>4.27</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)		
	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares on December 31 (basic)	447,640	445,829
Estimated effect of employee stock bonuses	1,702	1,935
Effect of restricted stock	<u>2,477</u>	<u>2,145</u>
Weighted-average number of ordinary shares on December 31 (diluted)	<u>451,819</u>	<u>449,909</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 32,751,833	36,863,876	69,615,709
Service rendered	<u>174,662</u>	<u>1,859,478</u>	<u>2,034,140</u>
	<u>\$ 32,926,495</u>	<u>38,723,354</u>	<u>71,649,849</u>
	<u>2020</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 26,182,559	40,001,770	66,184,329
Service rendered	<u>108,735</u>	<u>1,947,875</u>	<u>2,056,610</u>
	<u>\$ 26,291,294</u>	<u>41,949,645</u>	<u>68,240,939</u>

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

	2021	2020
Mainland China	\$ 33,587,191	28,628,366
Europe	16,606,343	14,745,306
America	16,701,890	20,826,899
Other	<u>4,754,425</u>	<u>4,040,368</u>
	<u>\$ 71,649,849</u>	<u>68,240,939</u>

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable (including related parties)	\$ 13,534,590	13,819,185	19,453,551
Less: allowance for impairment	<u>(29,635)</u>	<u>(42,155)</u>	<u>(75,725)</u>
	<u>\$ 13,504,955</u>	<u>13,777,030</u>	<u>19,377,826</u>
Contract liabilities (classified as other current liabilities)	<u>\$ 196,113</u>	<u>226,063</u>	<u>133,028</u>

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

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$224,610 and \$107,344, respectively.

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

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

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

Details of remuneration to employees and directors for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Employee remuneration	\$ 85,799	72,645
Directors' remuneration	<u>42,899</u>	<u>36,323</u>
	<u>\$ 128,698</u>	<u>108,968</u>

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

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2020 and 2019 were as follows:

2020			
	Actual earnings distributed	Accrued in the financial statement	Difference
Employee remuneration–Cash	\$ 72,645	72,645	-
Director's remuneration	36,322	36,323	1
2019			
	Actual earnings distributed	Accrued in the financial statement	Difference
Employee remuneration–Cash	\$ 75,520	75,526	6
Director's remuneration	26,430	37,763	11,333

The aforementioned differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2021 and 2020. Information on the remuneration to employees and directors, approved in the Board of Directors' meetings, can be accessed in the Market Observation Post System website.

(x) Other income

The details of other income were as follows:

	2021	2020
Rent income	\$ 8,373	9,431
Dividend income	4,858	191
Other	1,431	3,505
	\$ 14,662	13,127

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(y) Other gains and losses

The details of other gains and losses were as follows:

	2021	2020
Net losses on financial assets/liabilities measured at FVTPL	\$ (446,216)	(115,752)
Reversal of impairment losses/(impairment losses) of property, plant and equipment	16,476	(56,507)
Foreign currency exchange gains, net	971,984	589,985
Net losses on disposal of property, plant and equipment	(26,746)	(116,532)
Impairment losses of investments accounted for using equity method	(300,274)	(279,716)
Net gains on disposal of right-of-use assets	6,560	2
Government grants	97,660	130,885
Other	8,016	140,246
	<u>\$ 327,460</u>	<u>292,611</u>

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

For information on the Group's concentration of credit risk, please refer to note 6(aa).

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2021						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 2,030,829	2,042,224	2,042,224	-	-	-
Notes and accounts payable	17,693,261	17,693,261	17,693,261	-	-	-
Other payables	2,463,296	2,463,296	2,463,296	-	-	-
Salaries payable	1,481,957	1,481,957	1,481,957	-	-	-
Lease liabilities	2,108,070	2,576,992	289,193	224,087	575,004	1,488,708
Refund liabilities	1,699,517	1,699,517	1,699,517	-	-	-
Long-term borrowings	1,460,955	1,494,676	451,504	606,773	436,399	-
Guarantee deposits	12,253	12,253	-	-	-	12,253
Derivative financial liabilities:	603,054	-	-	-	-	-
Outflow	-	3,950,961	3,950,961	-	-	-
Inflow	-	(3,347,907)	(3,347,907)	-	-	-
	<u>\$ 29,553,192</u>	<u>30,067,230</u>	<u>26,724,006</u>	<u>830,860</u>	<u>1,011,403</u>	<u>1,500,961</u>

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2020						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 905,059	905,704	905,704	-	-	-
Notes and accounts payable	19,001,057	19,001,057	19,001,057	-	-	-
Other payables	3,013,224	3,013,224	3,013,224	-	-	-
Salaries payable	1,131,626	1,131,626	1,131,626	-	-	-
Lease liabilities	1,252,919	1,569,900	314,226	274,753	403,365	577,556
Refund liabilities	1,421,407	1,421,407	1,421,407	-	-	-
Long-term borrowings	755,459	781,146	85,851	250,101	445,194	-
Guarantee deposits	12,225	12,225	-	-	-	12,225
Derivative financial liabilities:	432,171	-	-	-	-	-
Outflow	-	4,601,941	4,601,941	-	-	-
Inflow	-	(4,169,770)	(4,169,770)	-	-	-
	<u>\$ 27,925,147</u>	<u>28,268,460</u>	<u>26,305,266</u>	<u>524,854</u>	<u>848,559</u>	<u>589,781</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:CNY	\$	582,084	6.3674	16,117,906	702,844	6.5249	20,036,689
USD:HKD		277,722	7.7981	7,690,109	334,958	7.7526	9,548,984
USD:TWD		360,652	27.6900	9,986,444	383,595	28.5080	10,935,538
EUR:CZK		9,709	25.2143	305,028	9,948	26.4220	348,783
USD:CZK		5,347	22.2250	148,058	5,347	21.4820	152,421
USD:THB		29,420	33.5060	814,647	18,653	30.0500	531,753
EUR:HKD		10,778	8.8476	338,612	9,403	9.5350	329,688
CZK:HKD		156,010	0.3509	194,388	92,339	0.3609	125,119
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:CNY	\$	458,414	6.3674	12,693,487	519,840	6.5249	14,819,609
USD:HKD		213,774	7.7981	5,919,412	284,168	7.7526	8,101,051
USD:TWD		453,829	27.6900	12,566,531	500,374	28.5080	14,264,668
EUR:CZK		6,386	25.2143	200,629	6,624	26.4220	232,256
USD:THB		71,455	33.5060	1,978,583	26,614	30.0500	758,706
EUR:HKD		7,912	8.8476	248,571	7,003	9.5350	245,554

(Continued)

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY, HKD, CZK and THB against the USD; the HKD against CZK; as well as HKD and CZK against the EUR, as of December 31, 2021 and 2020, would have increased or decreased the net profit before tax by \$99,399 and \$179,356, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (including realized and unrealized portions) amounted to \$971,984 and \$589,985, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant, the profit before tax would have increased or decreased by \$3,586 and \$15,507 for the years ended December 31, 2021 and 2020, respectively. This is mainly due to borrowings, demand deposits and time deposits with variable interest rates.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(v) Fair value

1) Kinds of financial instruments and fair value

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

		December 31, 2021			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	<u><u>\$ 156,238</u></u>	-	-	156,238	156,238
Financial assets at FVOCI – non-current	<u><u>\$ 240,397</u></u>	-	-	240,397	240,397
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 4,839,241				
Financial assets at amortized cost – current	1,665,744				
Notes and accounts receivable (including related parties)	13,504,955				
Other receivables	1,301,019				
Refundable deposits	83,086				
Total	<u><u>\$ 21,394,045</u></u>				
Financial liabilities at FVTPL – current	<u><u>\$ 603,054</u></u>	-	-	603,054	603,054
Financial liabilities measured at amortized cost:					
Borrowings	\$ 3,491,784				
Notes and accounts payable	17,693,261				
Other payables	2,463,296				
Salaries payable	1,481,957				
Lease liabilities	2,108,070				
Refund liabilities	1,699,517				
Guarantee deposits	12,253				
Total	<u><u>\$ 28,950,138</u></u>				

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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		December 31, 2020			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>313,758</u>	-	-	313,758	313,758
Financial assets at FVOCI – non-current	\$ <u>121,672</u>	-	-	121,672	121,672
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 6,935,353				
Financial assets at amortized cost – current	855,238				
Notes and accounts receivable (including related parties)	13,777,030				
Other receivables	1,349,362				
Refundable deposits	<u>119,092</u>				
Total	\$ <u>23,036,075</u>				
Financial liabilities at FVTPL – current	\$ <u>432,171</u>	-	-	432,171	432,171
Financial liabilities measured at amortized cost :					
Borrowings	\$ 1,660,518				
Notes and accounts payable	19,001,057				
Other payables	3,013,224				
Salaries payable	1,131,626				
Lease liabilities	1,252,919				
Refund liabilities	1,421,407				
Guarantee deposits	<u>12,225</u>				
Total	\$ <u>27,492,976</u>				

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

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

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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The Group uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

- a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.
 - b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and adjusted for the lack of liquidity. When prices are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.
- 3) In the 2021 and 2020, there were no transfers between Levels.
 - 4) Reconciliation of Level 3 fair values

	2021			2020		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
Balance on January 1	\$ (118,413)	121,672	3,259	(20,195)	106,535	86,340
Recognized in profit or loss	(446,216)	-	(446,216)	(115,752)	-	(115,752)
Recognized in other comprehensive income	-	89,862	89,862	-	(13,757)	(13,757)
Acquisition /disposal	117,813	28,863	146,676	17,534	28,894	46,428
Balance on December 31	<u>\$ (446,816)</u>	<u>240,397</u>	<u>(206,419)</u>	<u>(118,413)</u>	<u>121,672</u>	<u>3,259</u>

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

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

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

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

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(aa) Financial risk management

(i) Briefings

The Group 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 Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Company's board of directors oversees the management's monitoring of the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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 Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents; notes and accounts receivables (including related parties), and other receivables; and derivative instruments.

1) Cash and cash equivalents

The Group had deposited \$4,485,534 (including restricted deposits) in HSBC Bank and 14 other financial institutions, and \$7,534,707 (including restricted deposits) in HSBC Bank and 11 other financial institutions, representing 9% and 16% of total assets, as of December 31, 2021 and 2020, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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2) Notes and accounts receivable

Sales to individual customers constituting over 10% of total revenue for the years ended December 31, 2021 and 2020, totaled 23% and 24%, respectively; also 37% and 23%, respectively, of the ending balance of accounts receivable (including related parties) were accounted for by those customers. In order to reduce credit risk, the Group assesses the financial status of each customer and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record; hence, the Group did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group 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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused credit line of \$25,362,242 and \$25,095,470 as of December 31, 2021 and 2020, 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 Group'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 Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, USD, HKD, CNY, CZK and THB. These transactions are denominated in USD.

The Group uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Group 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.

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

2) Interest rate risk

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

(ab) 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 Group 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 Group's debt ratio as of December 31, 2021 and 2020, were both 67%.

(ac) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Effect of changes in exchange rate	Changes in lease payments	December 31, 2021
Short-term borrowings	\$ 905,059	1,125,770	-	-	2,030,829
Long-term borrowings	755,459	705,496	-	-	1,460,955
Lease liabilities	1,252,919	(249,172)	(22,735)	1,127,058	2,108,070
Total liabilities from financing activities	<u>\$ 2,913,437</u>	<u>1,582,094</u>	<u>(22,735)</u>	<u>1,127,058</u>	<u>5,599,854</u>
	January 1, 2020	Cash flows	Effect of changes in exchange rate	Changes in lease payments	December 31, 2020
Short-term borrowings	\$ 1,092,126	(187,067)	-	-	905,059
Long-term borrowings	178,306	577,153	-	-	755,459
Lease liabilities	1,474,353	(287,843)	(2,763)	69,172	1,252,919
Total liabilities from financing activities	<u>\$ 2,744,785</u>	<u>102,243</u>	<u>(2,763)</u>	<u>69,172</u>	<u>2,913,437</u>

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

(ad) Supplementary information of cash flow

- (i) The Group acquired property, plant and equipment amounting to \$2,987,186 and \$2,221,723, respectively, and the payables on equipment decreased \$57,302 and \$867,610, respectively, generating cash outflow of \$3,044,488 and \$3,089,333 for the years ended December 31, 2021 and 2020, respectively.
- (ii) For the years ended December 31, 2021 and 2020, the Group's disposal of property, plant and equipment included the write-off of the unamortized deferred revenue of equipment subsidy amounting to \$236,604 and \$767,967, respectively.

(7) Related-party transactions:

(a) Names and relationship of the related parties

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

<u>Name</u>	<u>Relationship</u>
Specialty Technologies, LLC (Specialty)	Substantive related party

(b) Significant transactions with related parties

(i) Sales

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

	<u>Sales</u>		<u>Notes and accounts receivable</u>	
	<u>2021</u>	<u>2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other related parties	\$ <u><u>867,061</u></u>	<u><u>579,656</u></u>	<u><u>130,280</u></u>	<u><u>198,189</u></u>

There were no significant differences in the selling prices between the related parties and other customers. The trading terms offered to other related parties were 60 days, and the trading terms to other customers were 45 days to 120 days.

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 158,643	179,688
Post-employment benefits	1,397	871
Share-based payments	<u>65,318</u>	<u>63,910</u>
	<u><u>\$ 225,358</u></u>	<u><u>244,469</u></u>

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at amortized cost – current	Guarantee letters issued by bank	\$ <u>4,349</u>	<u>-</u>
Other non-current assets – restricted assets	Guarantee letters issued by bank	\$ <u>3,414</u>	<u>57,763</u>
Property, plant and equipment	Loan collateral	\$ <u>769,580</u>	<u>-</u>

(9) Commitments and contingencies:

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

(b) The following are savings accounts provided by the Group to the bank in order for the bank to issue a guarantee letter to customs and Power Supply Bureau as guarantee deposits and power supply guarantee, respectively.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Guarantee letters	\$ <u>27,078</u>	<u>63,012</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sales of accounts receivable	\$ <u>1,815,507</u>	<u>1,232,245</u>
Long-term borrowings	\$ <u>4,846,300</u>	<u>3,135,880</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ <u>360,673</u>	<u>877,391</u>

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	2021			2020		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		3,991,483	3,819,237	7,810,720	3,933,778	3,450,411	7,384,189
Labor and health insurance		130,666	198,896	329,562	111,850	175,080	286,930
Pension		231,379	159,847	391,226	179,844	127,895	307,739
Others		55,457	202,702	258,159	156,236	191,547	347,783
Depreciation		1,429,885	289,977	1,719,862	1,817,110	192,283	2,009,393
Amortization		17,142	203,492	220,634	26,505	193,275	219,780

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKS1	The Company	Other receivables	Y	293,440	217,399	217,399	0	Short-term loan to other parties	-	Operating capital	-	-	-	795,628	795,628

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

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

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PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
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(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	4,252,654	285,310	276,900	534	-	1.95 %	11,340,410	Y	N	Y
"	"	Primax Singapore	Subsidiary	4,252,654	2,700,000	2,700,000	552,627	-	19.05 %	11,340,410	Y	N	N
1	Tymphony Huizhou	TYM UK	The subsidiary of TYM	1,762,767	6,942	6,536	6,536	-	0.12 %	4,700,715	N	N	N
"	"	TYM Acoustic HK.	Subsidiary	1,762,767	4,172	4,154	-	-	0.07 %	4,700,715	N	N	N

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

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

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

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Shares:									
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	359	3.59	
	WK Technology Fund IV LTD.	-	"	40	60	0.38	60	161	0.38	
	Changing Information Technology Inc.	-	"	223	8,201	1.42	8,201	223	1.48	
	Formosoft	-	"	11	-	0.41	-	11	0.41	
	International Inc.	-	"	7	350	0.02	350	7	0.02	
	Syntronix Corp.	-	"	917	-	2.04	-	917	2.04	
	Ricavision	-	"	-	155,618	2.73	155,618	-	2.73	
	International Inc. L.P.	-	"	-	57,318	3.31	57,318	-	3.31	
					<u>221,547</u>					
Primax Tech.	Shares:									
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	400	11.90	
	WK Global Investment III Ltd.	-	"	181	18,850	1.32	18,850	361	1.32	
					<u>18,850</u>					

(Continued)

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
PCQ1	Money market funds of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	363,150	-	363,449	363,105	299 (note 1)	-	-

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

- (v) Acquisition of individual real estate with amount exceeding the lower of TWD\$300 million or 20% of the Company's issued capital:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	August 24, 2021	760,000	760,000	Non-related person.	None.	N/A	N/A	N/A	-	Note 1	For operation	None

Note 1: Obtain an appraisal report from a professional appraiser as required by Article 9 of the Regulations Governing the Acquisition and Disposal Assets by Public Companies.

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

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Singapore	Subsidiary	(Sale)	(10,236,528)	(24) %	60 days	Price agreed by both side	The same as general selling	1,886,842	24%	Note 1
"	PCH2	The subsidiary of Primax HK	Purchase	26,145,940	68 %	"	"	The same as general purchasing	(5,894,516)	(60)%	Note 1
"	PKS1	"	Purchase	2,293,035	6 %	"	"	"	(1,216,447)	(12)%	Note 1
"	PCQ1	"	Purchase	8,761,385	23 %	"	"	"	(2,778,070)	(28)%	Note 1
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(3,752,062)	(9) %	90 days	"	The same as general selling	420,223	5%	Note 1
"	Primax Thailand	The subsidiary of Primax Singapore.	Purchase	1,268,153	3 %	60 days	"	The same as general purchasing	(128,050)	(1)%	Note 1
Primax Singapore	The Company	Parent	Purchase	10,236,528	98 %	"	"	"	(1,886,842)	(94)%	Note 1
"	PCH2	The subsidiary of Primax HK	Purchase	229,444	2 %	"	"	"	(115,948)	(6)%	Note 1
PCH2	The Company	The parent of Primax Cayman	(Sale)	(26,145,940)	(88) %	"	"	The same as general selling	5,894,516	85%	Note 1
"	Primax Singapore	The subsidiary of the Company	(Sale)	(229,444)	(1) %	"	"	"	115,948	2%	Note 1
"	PCQ1	The subsidiary of Primax HK	(Sale)	(109,853)	- %	"	"	"	76,008	1%	Note 1
PKS1	The Company	The parent of Primax Cayman	(Sale)	(2,293,035)	(100) %	"	"	"	1,216,447	100%	Note 1
PCQ1	"	"	(Sale)	(8,761,385)	(77) %	"	"	"	2,778,070	75%	Note 1

(Continued)

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
PCQ1	PCH2	The subsidiary of Primax HK	Purchase	109,853	1 %	60 days	Price agreed by both side	The same as general purchasing	(76,008)	(2)%	Note 1
Primax Thailand	The Company	The parent of Primax Singapore.	(Sale)	(1,268,153)	(98) %	"	"	The same as general selling	128,050	70%	Note 1
Polaris	"	The parent of Primax Tech.	Purchase	3,752,062	100 %	90 days	"	The same as general purchasing	(420,223)	(100)%	Note 1
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	(Sale)	(1,089,071)	(13) %	60 days	"	The same as general selling	677,267	36%	Note 1
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(6,185,173)	(74) %	"	"	"	896,147	47%	Note 1
"	TYM Acoustic Europe	"	(Sale)	(339,638)	(4) %	"	"	"	117,225	6%	Note 1
"	Tymphony Dongguan	Subsidiary	Purchase	171,581	3 %	"	"	The same as general purchasing	(70,340)	(3)%	Note 1
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	290,750	4 %	"	"	"	(91,460)	(4)%	Note 1
"	"	"	(Sale)	(7,605,000)	(88) %	"	"	The same as general selling	1,265,098	69%	Note 1
"	Tymphony Huizhou	Parent	(Sale)	(171,581)	(2) %	"	"	"	70,340	4%	Note 1
"	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(311,715)	(4) %	"	"	"	82,964	5%	Note 1
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(125,935)	(1) %	"	"	"	123,592	7%	Note 1
"	TYTH	The subsidiary of TYM Acoustic HK	(Sale)	(168,284)	(2) %	"	"	"	162,086	9%	Note 1
"	TYDC	Subsidiary	(Sale)	(137,870)	(2) %	"	"	"	87,720	5%	Note 1
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,942,058)	(82) %	"	"	"	683,739	79%	Note 1
"	Tymphony Dongguan	Parent	Purchase	137,870	7 %	"	"	The same as general purchasing	(87,720)	(9)%	Note 1
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(406,235)	(17) %	"	"	The same as general selling	177,381	21%	Note 1
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,542,528	59 %	90 days	"	The same as general purchasing	(430,028)	(29)%	Note 1
"	Tymphony Huizhou	Parent	Purchase	1,089,071	25 %	60 days	"	"	(677,267)	(45)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	125,935	3 %	"	"	"	(123,592)	(8)%	Note 1
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	406,235	9 %	"	"	"	(177,381)	(12)%	Note 1
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(2,542,528)	(84) %	90 days	"	The same as general selling	430,028	89%	Note 1
"	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	339,638	14 %	60 days	"	The same as general purchasing	(117,225)	(19)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	311,715	13 %	"	"	"	(82,964)	(13)%	Note 1

(Continued)

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	6,185,173	34 %	60 days	Price agreed by both side	The same as general purchasing	(896,147)	(25)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	7,605,000	42 %	"	"	"	(1,265,098)	(36)%	Note 1
"	"	"	(Sale)	(290,750)	(1) %	"	"	The same as general selling	91,460	3%	Note 1
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	1,942,058	11 %	"	"	The same as general purchasing	(683,739)	(19)%	Note 1
"	TYML	Subsidiary	(Sale)	(114,947)	(1) %	90 days	"	The same as general selling	-	-%	Note 1
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	2,661,243	15 %	60 days	"	The same as general purchasing	(584,237)	(16)%	Note 1
"	"	"	(Sale)	(433,651)	(2) %	"	"	The same as general selling	261,645	7%	Note 1
"	Specialty	Other related party	(Sale)	(867,061)	(4) %	"	"	"	130,280	4%	
TYML	TYM HK	Parent	Purchase	114,947	100 %	90 days	"	The same as general purchasing	-	-%	Note 1
TYTH	"	The subsidiary of TYM Acoustic HK	Purchase	433,651	18 %	60 days	"	"	(261,645)	(15)%	Note 1
"	"	"	(Sale)	(2,661,243)	(100) %	"	"	The same as general selling	584,237	100%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	168,284	7 %	"	"	The same as general purchasing	(162,086)	(10)%	Note 1

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

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Primax Singapore	Subsidiary	1,886,842 (note 5)	10.85	-	-	590,883	-
"	Polaris	The subsidiary of Primax Tech.	420,223 (note 5)	9.38	-	-	360,446	-
"	PCH2	The subsidiary of Primax HK.	146,218 (note 2) (note 5)	3.37	-	-	25,142	-
"	"	"	35,989 (note 5)	(note 3)	-	-	12,328	-
PCH2	The Company	The parent of Primax Cayman	5,894,516 (note 5)	3.88	-	-	4,484,400	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	133,354 (note 5)	(note 3)	-	-	45,531	-
"	Primax Thailand	The subsidiary of Primax Singapore	159,977 (note 5)	"	-	-	-	-
"	Primax Singapore	The subsidiary of the Company	115,948 (note 5)	3.96	-	-	41,590	-
PKS1	The Company	The parent of Primax Cayman	999,048 (note 5)	1.78	-	-	36,407	-
"	"	"	217,399 (note 5)	(note 4)	-	-	217,399	-

(Continued)

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
PCQ1	The Company	The parent of Primax Cayman	2,778,070 (note 5)	3.14	-	-	1,006,844	-
Primax Thailand	"	The parent of Primax Singapore	128,050 (note 5)	8.48	-	-	128,050	-
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	677,267 (note 5)	3.12	-	-	126,585	-
"	TYM HK	The subsidiary of TYM Acoustic HK	896,147 (note 5)	4.40	-	-	716,026	-
"	TYM Acoustic Europe	"	117,225 (note 5)	4.34	-	-	56,784	-
Tymphony Dongguan	TYM HK	"	1,265,098 (note 5)	3.00	-	-	224,767	-
"	"	"	254 (note 5)	(note 3)	-	-	-	-
"	TYTH	"	162,086 (note 5)	2.08	-	-	2,449	-
"	"	"	8,527 (note 5)	(note 3)	-	-	998	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	123,592 (note 5)	2.02	-	-	-	-
TYDC	TYM HK	The subsidiary of TYM Accoustic HK	683,739 (note 5)	3.53	-	-	137,005	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	177,381 (note 5)	2.04	-	-	-	-
TYM Acoustic Europe	"	Parent	430,028 (note 5)	7.07	-	-	298,140	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	91,460 (note 5)	1.93	-	-	-	-
"	"	"	1,607,597 (note 5)	(note 3)	-	-	4,644	-
"	TYDC	The subsidiary of Tymphony Dongguan	48,789 (note 5)	2.17	-	-	2,486	-
"	"	"	221,627 (note 5)	(note 3)	-	-	20	-
"	Tymphony Huizhou	The parent of TYM Accoustic HK	542,837 (note 5)	"	-	-	179,499	-
"	TYTH	The subsidiary of TYM Accoustic HK	261,645 (note 5)	2.76	-	-	64,222	-
"	Specialty	Other related party	130,280	5.28	-	-	47,847	-
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	584,237 (note 5)	6.91	-	-	473,268	-

Note 1: Amounts collected as of February 11, 2022.

Note 2: The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company and sold to the customers. The amount of semi-finished products sold in the year ended December 31, 2021 was \$505,233, which was written off with related cost of goods sold, and not regarded as sales for the Company.

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

Note 4: The other receivables arise from intercompany loans.

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

- (ix) Trading in derivative instruments: Please refer to note 6(b) in the consolidated financial statements for the year ended December 31, 2021.

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

(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	Primax Singapore	Subsidiary	Sales	10,236,528	Price agreed by both sides	14.29 %
"	"	"	"	Accounts Receivable	1,886,842	60 days	3.81 %
"	"	PCH2	The subsidiary of Primax HK	Purchase	26,145,940	Price agreed by both sides	36.49 %
"	"	"	"	Accounts Payable	5,894,516	60 days	11.91 %
"	"	"	"	Accounts Receivable	146,218	"	0.30 %
"	"	"	"	Other Receivable	35,989	(Note 2)	0.07 %
"	"	PKS1	"	Purchase	2,293,035	Price agreed by both sides	3.20 %
"	"	"	"	Accounts Payable	999,048	60 days	2.02 %
"	"	"	"	Other payables	217,399	(Note 3)	0.44 %
"	"	PCQ1	"	Purchase	8,761,385	Price agreed by both sides	12.23 %
"	"	"	"	Accounts payable	2,778,070	60 days	5.62 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	3,752,062	Price agreed by both sides	5.24 %
"	"	"	"	Accounts Receivable	420,223	90 days	0.85 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Purchase	1,268,153	Price agreed by both sides	1.77 %
"	"	"	"	Accounts Payable	128,050	60 days	0.26 %
1	PCH2	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Service Revenue	326,393	Price agreed by both sides	0.46 %
"	"	"	"	Other Receivable	133,354	(Note 2)	0.27 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Other Receivable	159,977	"	0.32 %
"	"	Primax Singapore	The subsidiary of the Company	Sale	229,444	Price agreed by both sides	0.32 %
"	"	"	"	Account Receivable	115,948	60 days	0.23 %
"	"	PCQ1	The subsidiary of Primax HK	Sale	109,853	Price agreed by both sides	0.15 %
2	Tymphony Huizhou	TYM Acoustic HK	Subsidiary	Sale	1,089,071	"	1.52 %
"	"	"	"	Accounts Receivable	677,267	60 days	1.37 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	6,185,173	Price agreed by both sides	8.63 %
"	"	"	"	Accounts Receivable	896,147	60 days	1.81 %
"	"	"	"	Other Payable	542,837	(Note 2)	1.10 %

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

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
2	Tymphany Huizhou	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	Sale	339,638	Price agreed by both sides	0.47 %
"	"	"	"	Accounts Receivable	117,225	60 days	0.24 %
"	"	Tymphany Dongguan	Subsidiary	Purchase	171,581	Price agreed by both sides	0.24 %
3	Tymphany Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	290,750	Price agreed by both sides	0.41 %
"	"	"	"	Sale	7,605,000	"	10.61 %
"	"	"	"	Accounts Receivable	1,265,098	60 days	2.56 %
"	"	"	"	Other Receivable	254	(Note 2)	- %
"	"	"	"	Accounts Payable	91,460	60 days	0.18 %
"	"	"	"	Other payable	1,607,597	"	3.25 %
"	"	TYM Acoustic Europe	"	Sale	311,715	Price agreed by both sides	0.44 %
"	"	TYTH	"	Sale	168,284	"	0.23 %
"	"	"	"	Accounts Receivable	162,086	60 days	0.33 %
"	"	"	"	Other Receivable	8,527	(Note 2)	0.02 %
"	"	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	Sale	125,935	Price agreed by both sides	0.18 %
"	"	"	"	Accounts Receivable	123,592	60 days	0.25 %
"	"	TYDC	Subsidiary	Sale	137,870	Price agreed by both sides	0.19 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	1,942,058	"	2.71 %
"	"	"	"	Accounts Receivable	683,739	60 days	1.38 %
"	"	"	"	Accounts Payable	48,789	"	0.10 %
"	"	"	"	Other Payable	221,627	(Note 2)	0.45 %
"	"	TYM Acoustic HK	The subsidiary of Tymphany Huizhou	Sale	406,235	Price agreed by both sides	0.57 %
"	"	"	"	Accounts Receivable	177,381	60 days	0.36 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,542,528	Price agreed by both sides	3.55 %
"	"	"	"	Accounts Payable	430,028	90 days	0.87 %
"	"	"	"	Service Expense	199,395	Price agreed by both sides	0.28 %
"	"	TYM HK	"	Service Expense	220,868	"	0.31 %

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

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
6	TYM HK	TYAT	The subsidiary of TYM Acoustic HK	Service Expense	919,455	Price agreed by both sides	1.28 %
"	"	TYML	Subsidiary	Sale	114,947	"	0.16 %
"	"	TYP	The subsidiary of TYM Acoustic HK	Service Expense	116,308	"	0.16 %
"	"	TYTH	"	Sale	433,651	"	0.61 %
"	"	"	"	Accounts receivable	261,645	60 days	0.53 %
"	"	"	"	Purchase	2,661,243	Price agreed by both sides	3.71 %
"	"	"	"	Accounts Payable	584,237	60 days	1.18 %

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

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

Note 3: The other receivable arise from intercompany loans.

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (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, 2021			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	6,810,110	8,147,636	100.00	469,815	420,277	Note 3
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,596,462	285,067	100.00	126,669	122,927	Note 3
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(6,120)	1,050	100.00	(3,072)	(3,072)	Note 3
"	Destiny Japan	Japan	Market development of and customer service for computer peripherals, mobile device components, and business devices	7,032	7,032	0.50	100.00	16,148	0.5	100.00	317	317	Note 3
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,615,495	129,050	100.00	233,444	232,471	Note 3
"	Gratus Tech.	USA	Market development of and customer service for computer peripherals, mobile device components, and business devices	9,330	9,330	300	100.00	12,918	300	100.00	961	961	Note 3
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	227,456	48,200	100.00	(366,094)	(366,094)	Note 3
"	Primax Singapore	Singapore	Sale of computer peripherals and mobile device components	904,150	619,150	30,100	100.00	459,641	30,100	100.00	(192,169)	(194,340)	Note 3
Total				9,710,798	9,425,798			15,732,110			269,871	213,447	

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
Primax Singapore	Primax Thailand	Thailand	Manufacturing and sale of computer peripherals, mobile device components, and business devices	872,151	588,291	914	99.99	468,985	914	99.99	(190,455)	(190,455)	Note 3
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,937,229	602,817	100.00	470,295	470,295	Note 3
Primax Tech.	Polaris	USA	Sale and purchase of computer peripherals, mobile device components, and business devices	52,680	52,680	1,600	100.00	379,779	1,600	100.00	7,181	7,181	Note 3
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,700,545	192,551	100.00	307,711	233,902	Note 3
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	171,567	30	37.00	(114,206)	(61,551)	Note 4
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	R&D, design, and sales of various speaker accessories, speakers, and their components, as well as holding business	1,592,954	1,592,954	418,090	100.00	2,521,146	418,090	100.00	264,210	264,210	Note 3
TYM Acoustic HK	TYM HK	Hong Kong	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,500,447	144,395	100.00	192,087	192,087	Note 3
"	TYP	USA	Market development of and customer service for speakers and their components	15 (note 1)	15 (note 1)	0.50	100.00	19,392	0.5	100.00	3,251	3,251	Note 3
"	TYM UK	United Kingdom	R&D and design of various speaker accessories as well as speakers and their components	15,631	15,631	400	100.00	30,519	400	100.00	8,431	8,431	Note 3
"	TYM Acoustic Europe	Czech	Manufacturing, installation, and maintenance of various speaker accessories and their components	653,796	653,796	187,800	100.00	790,110	187,800	100.00	62,855	62,855	Note 3
"	Tymphony Acoustic	Taiwan	R&D and design of various speaker accessories as well as speakers and their components	48,318	48,318	5,000	100.00	184,069	5,000	100.00	63,684	63,684	Note 3
"	TYTH	Thailand	Manufacturing and sales of various speaker accessories, speakers, and their components	583,614	455,877	6,000	99.99	477,120	6,000	99.99	(151,400)	(151,400)	Note 3
TYM HK	TYML	USA	Sales of various speaker accessories, speakers, and their components	6,628	6,628	200	100.00	9,678	200	100.00	275	275	Note 3

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.

Note 2: Related investments (except for AIC) have been eliminated during the preparation of the consolidated financial statements.

Note 3: The subsidiary of the Company.

Note 4: The associate of the Company.

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

(c) Information on investment in Mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
PCH2	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,939,255	Indirect investment through Primax Cayman and Primax Tech.	1,566,806	-	-	1,519,324	358,316	100%	100%	358,316	6,461,528	-
Destiny Beijing	R&D of computer peripheral and business devices	38,415	Indirect investment through Destiny BV1.	29,933	-	-	29,075	(3,072)	100%	100%	(3,072)	(6,124)	-
PKS1	Production of computer peripheral products	849,135	Indirect investment through Primax Cayman	627,176	-	-	609,180	(8,367)	100%	100%	(8,367)	795,628	-
PCQ1	Production of computer peripheral products	829,859	"	570,160	-	-	553,800	237,742	100%	100%	237,742	1,761,819	-
Tymphany Huizhou	Manufacturing, R&D, design and sale of various speaker accessories, speakers, and their components	1,774,574	Indirect investment through Diamond	3,677,532	-	-	3,572,010	435,706	71.43%	71.43%	311,234	4,197,274	-
Tymphany Dongguan	"	138,450	"	14,254	-	-	13,845	36,313	71.43%	71.43%	23,308	562,788	-
TYDC	"	86,974	"	-	-	-	-	(36,351)	71.43%	71.43%	(25,967)	124,247	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.5509 ; USD:TWD 27.6900; CNY:TWD 4.3487.

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

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

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	6,706,362	7,850,299	None (note)

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

The above investment income (losses) in mainland China, except for PCH2, 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.

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the year ended December 31, 2021, are disclosed in “Information on significant transactions”.

(d) Major shareholders: No shareholders represented more than 5% of the total shares outstanding.

(14) Segment information:

(a) General information

The Group’s reported segments are the divisions for computer peripherals and non-computer peripherals. The division for computer peripherals specializes in the manufacture and sale of computer mice, keyboards, track pads, etc. The division for non-computer peripherals specializes in the manufacture and sale of digital camera modules, mobile phone accessories, multi-function printers, scanners, shredders, amplifiers, speakers and audio systems, etc.

The Group’s reported segments consist of strategic business units which provide essentially different products and services. These units have to be separately managed as a result of the different technology and marketing strategies. Most of the business units were acquired, and the original management teams are still operating.

The Group’s segment financial information was as follows:

	2021		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 32,926,495	38,723,354	71,649,849
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 32,926,495</u>	<u>38,723,354</u>	<u>71,649,849</u>
Profit before tax from segments reported	<u>\$ 2,261,208</u>	<u>768,755</u>	<u>3,029,963</u>
2020			
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 26,291,294	41,949,645	68,240,939
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 26,291,294</u>	<u>41,949,645</u>	<u>68,240,939</u>
Profit before tax from segments reported	<u>\$ 1,845,136</u>	<u>633,301</u>	<u>2,478,437</u>

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

(b) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

<u>Geographic Information</u>	<u>2021</u>	<u>2020</u>
Revenues from external customers:		
China	\$ 33,587,191	28,628,366
Europe	16,606,343	14,745,306
America	16,701,890	20,826,899
Other	<u>4,754,425</u>	<u>4,040,368</u>
Total	<u>\$ 71,649,849</u>	<u>68,240,939</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Non-current assets:		
China	\$ 6,219,648	6,539,225
Taiwan	2,625,600	884,135
Thailand	1,273,240	771,159
Other	<u>2,347,766</u>	<u>2,486,804</u>
Total	<u>\$ 12,466,254</u>	<u>10,681,323</u>

(c) Major customer information

	<u>2021</u>	<u>2020</u>
C company — Computer Peripherals	\$ 8,818,167	5,587,271
— Non-computer Peripherals	<u>63,836</u>	<u>88,812</u>
	<u>\$ 8,882,003</u>	<u>5,676,083</u>
A company — Non-computer Peripherals	<u>\$ 7,709,391</u>	<u>7,153,172</u>
B company — Computer Peripherals	\$ 5,621,193	4,207,500
— Non-computer Peripherals	<u>500,157</u>	<u>5,071,853</u>
	<u>\$ 6,121,350</u>	<u>9,279,353</u>