

# 2020 Annual Report




**PRIMAX**  
Primax Electronics Ltd.

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Taipei City 114, Taiwan(R.O.C)  
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Information website : <https://mops.twse.com.tw>

Company website : <https://www.primax.com.tw>

Printing Date : April 19, 2021

■ Names, titles, telephone numbers and e-mail addresses of the Spokesperson and Deputy Spokesperson:

Spokesperson: Hsiao, Yin-Yi  
 Title: Chief Financial Officer  
 Telephone: 886-2-2798-9008  
 E-mail: IR@primax.com.tw

Deputy Spokesperson: Tseng, Ya-Lan  
 Title: Investor Relation Assistant Vice General Manager  
 Telephone: 886-2-2798-9008  
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■ Registered address and telephone of corporate headquarters

Registered address of corporate headquarters: No. 669, Ruiguang Road, Neihu District, Taipei City  
 Telephone: 886-2-2798-9008

■ Name, address, website, and telephone number of share registration and transfer agent

Name: SinoPac Securities  
 Address: 3F, No. 17, Bo'ai Road, Zhongzheng District, Taipei City  
 Website: <https://www.sinotrade.com>  
 Telephone: 886-2-2381-6288

■ Names, address, website, and telephone number of the CPA, CPA firms retained for service in the most recent period

Names of CPAs: Wu, Mei-Pin ; Yu, Chi-Long  
 Name of CPA firm: KPMG Taiwan  
 Address: 68F., No.7, Section 5, Sinyi Road, Sinyi District, Taipei City  
 Website: <https://www.kpmg.com.tw>  
 Telephone: 886-2-8101-6666

■ Names of the exchanges in foreign countries where the stock of PRIMAX is listed for trading and the means for inquiry of the securities: None.

■ Company website:  
<https://www.primax.com.tw>



AiOT



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# Chapter 1. Letter to Shareholders

Dear shareholders,

The year of 2020 was a year affected by the COVID-19 pandemic. Raging the world without warning, it has caused a huge impact on all societies, politics, economies, and financial markets. This pandemic has affected people's lifestyles and habits without warning. Enterprises have begun to introduce new work models internally and actively accelerated the development of new business fields externally. However, looking around Taiwan's industries, facing the continuing stalemate and conflicts of the US-China trade war and the economic downturn caused by the pandemic, the resilience and risk diversification capabilities of enterprises have gradually become the qualities needed to respond to the crisis in the next stage.

After the outbreak of the pandemic in 2020, PRIMAX quickly adopted a series of positive actions to stabilize employees, supply chains, cash flow, and other aspects, so as to restore production capacity to the level before the pandemic occurred in a very short time. Meanwhile, the factory in Thailand also began to contribute to shipments officially, which has stabilized the Group's production and supply of various products. In the general global economic recession, PRIMAX has shown great resilience, which has significantly reduced the impact on the operations and profitability.

In terms of business operations, benefiting from the effect of the stay-at-home economy on the market, the shipments and revenues of PRIMAX's customized e-sports products and computer peripheral equipment products for home office in the computer peripheral business group have

shown a significant growth as a critical pillar of profitability for the Group in 2020. Meanwhile in the application of optical products, the stable shipment of automotive camera modules and police camera products has diversified the risks of the mobile phone market. In particular, PRIMAX has continued to deepen cooperation with major international electric vehicle manufacturers in automotive camera modules, which facilitates the development of components for smart driving. In the second half of the year, the demand for home entertainment audio system market recovered. The subsidiary TYMPHANY's acoustic products, including smart speakers and smart headphones, begun to have stable shipments, and continued to mass-produce new products in high-end acoustics, home audio products, and video conference-related products, to gather momentum for growth in the next year.

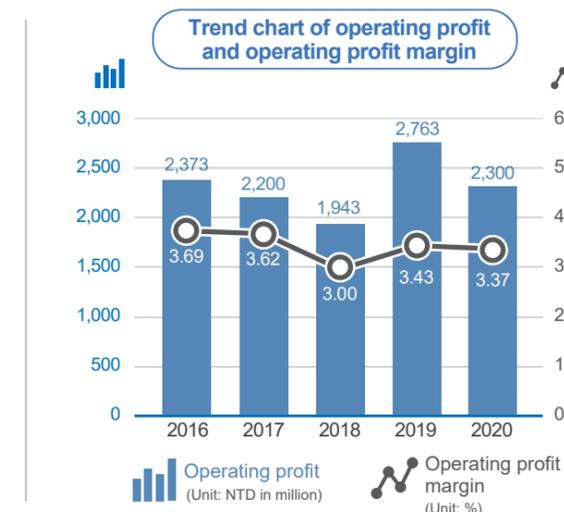
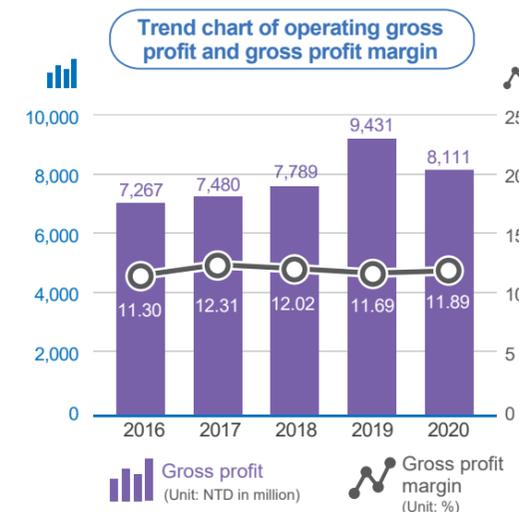
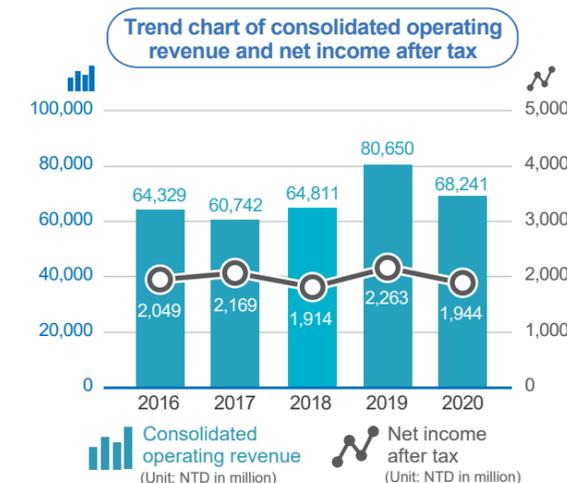
In terms of the manufacturing and production layout, the production base in Thailand has contributed to the Group's revenue through production and shipment in 2020. Meanwhile, a new plant in Thailand is also expected to be completed by the end of 2021, which will further contribute to the Group's production capacity.

The following is the Company's 2020 business report.

## 1. Business Operation Performance in 2020

### (1) Implementation Results of Business Plan

The Company's net consolidated operating revenue for 2020 was NT\$68,240,939 thousand, which was a decrease of approximately 15.4% compared with NT\$80,649,608 thousand in 2019. The net consolidated income after tax for 2020 was NT\$1,944,267 thousand, which was a decrease of approximately 14.1% compared with the NT\$2,262,919 thousand in 2019.





## (2) Budget execution status

The Company did not disclose financial forecasts for 2020, so it is not applicable.

## (3) Cash flow analysis

Unit: NT\$ thousand

Item	2020	2019	Net change
Net cash inflows from operating activities	3,961,005	6,628,011	(2,667,006)
Net cash outflows from investing activities	(2,795,916)	(3,578,919)	783,003
Net cash outflows from financing activities	(974,633)	(1,098,408)	123,775

### Operating cash and its major purpose distribution diagram



### Trend chart of net cash position and current ratio



### Trend chart of earnings per share, dividends per share, and dividend payout ratio



Note: The surplus distribution for 2020 will be handled in accordance with the regulations after the resolution was adopted at the general shareholders' meeting on May 28, 2021.

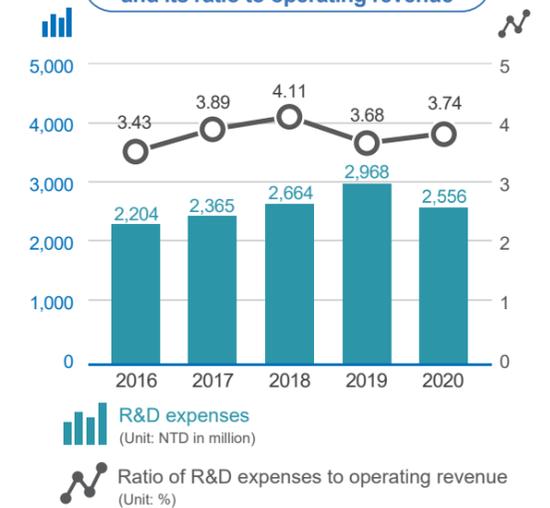
## (4) Profitability analysis

Item	2020	2019
Return on shareholders' equity (%)	12.96	15.36
Ratio of operation profit to paid-in capital (%)	51.00	61.59
Ratio of Income before Tax to Paid-in capital (%)	54.97	64.96
Net profit margin (%)	2.85	2.81
Earnings per Share (NT\$)	4.30	4.80

## (5) Research and development

In order to continuously strengthen the Company's R&D and technological competitiveness, it invested NT\$2,555,565 thousand in R&D in 2020 for the development and design of new products and technologies, as well as the upgrade and improvement of production processes.

### Trend chart of R&D expenses and its ratio to operating revenue





## 2. 2021 Business Plan and Business Development Strategies

Looking into the future, the Group will continue to focus on the steady growth of overall revenue in the development of strategy and product planning and develop with a high-quality product assortment; meanwhile, under the trend of Industry 4.0, it will further enhance its introduction of applications in smart manufacturing while enhancing the core competitiveness of its overall manufacturing capabilities.

### Consolidation of the cornerstones of computer peripherals, expansion of smart interface products and electro-acoustic markets, and entry into automotive electronics markets

In terms of business development, the Company will continue to deepen technology-oriented business development and focus on the application of new products with three senses in one (visual, auditory, and tactile) and market-leading technological advantages to provide customers with one-stop new products and applications in relevant fields. Looking ahead to 2021, the endeavor in strategic development of commercial and industrial applications, such as automotive applications, Internet of Things (IoT), and smart homes will gradually to pay off and contribute to the next wave of growth momentum for the Company.

In the development of vision-related optical products, PRIMAX will actively extend to new fields of camera module applications, including smart driving systems and biometric applications, and continue to develop new functions and processes for the visual image software and hardware, such as structured light 3D sensing, multi-lens automatic focus, and image processing software, and then cut into the relevant fields, such as smart surveillance, smart home, and network multimedia applications.

In the development of auditory products, the subsidiary TYMPHANY's acoustic products, including headphones, new high-end acoustic projects, and video conferencing products, are expected to contribute to the profit and growth of the audio business in 2021. Meanwhile, TYMPHANY will continue to focus on the improvement of product quality and performance, while entering the fields of technology R&D and integration of new products, to enhance its competitive advantage in the field of acoustics.

The tactile-related computer peripheral business group, based on the human-machine interface, will continue to stabilize the revenue and profit of e-sports and PC-related products in 2021, while integrating the visual and auditory technology capabilities of the Group to develop products related to smart homes, such as door locks, monitoring, and security systems, to actively assist brand customers in introducing new products and technologies so as to extend the product field from the computer generation to the Internet of Everything.



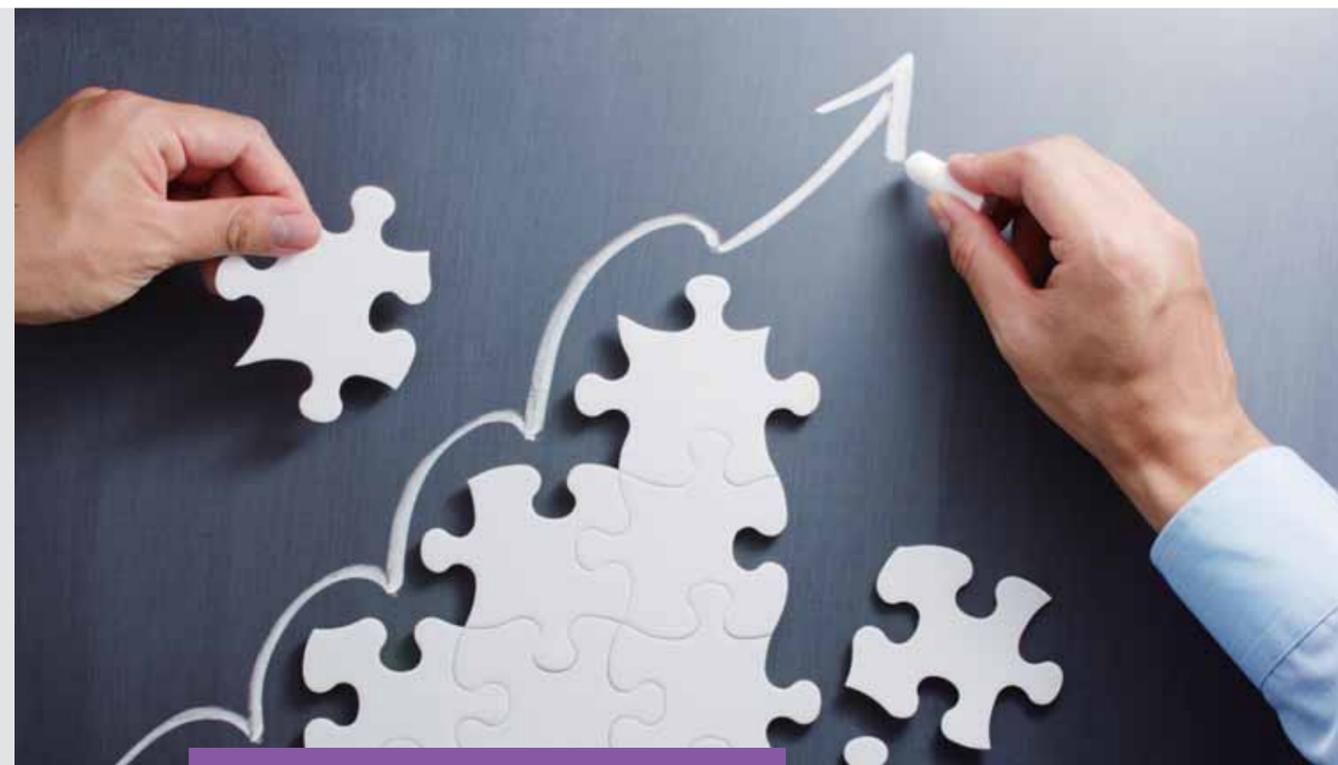
### Strengthening of the advantages of automated processes and moving toward smart manufacturing and Industry 4.0

In terms of production and manufacturing management, in 2021, the Company will continue to actively upgrade its manufacturing capabilities in line with the concepts of smart manufacturing and Industry 4.0, to increase productivity per capita. With regard to the manufacturing base in Thailand, based on the solid foundation of successful production and shipment, the production capacity will increase rapidly in 2021, and a large-scale production base outside mainland China will be established while maintaining high standards of product yield and quality.

Looking ahead to the future, it is expected that geopolitical risks, global economy, and business are still highly uncertain. The Company will continue to focus on technological capabilities, enhance the added value of the development of products for customers, deepen the development capabilities for system products, and accelerate the development of smart manufacturing, while stabilizing the manufacturing base in Thailand and expanding the supply chain, to diversify the overall operational risks and to achieve the sustainable development of the Company.

Chairman and General Manager

**Liang, Li-Sheng**



# Chapter 2. Company Profile

## 1. Date of Incorporation: March 20, 2006

## 2. Company History

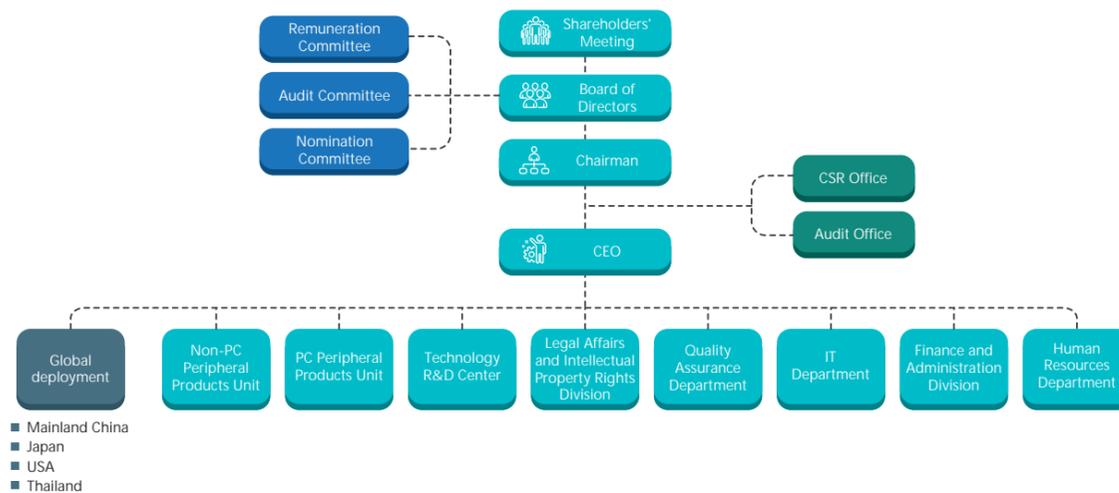
Date	Event
March 2006	The Company was approved to be established on March 20, 2006, formerly known as Primax Electronics Ltd., with a capital of NT\$1,000,000.
October 2007	The Company was renamed Primax Electronics Ltd.
December 2007	The Company acquired PRIMAX Technology Co., Ltd. (hereinafter referred to as "former PRIMAX"). After the acquisition, the Company remains to be the acquirer and former PRIMAX was the acquiree.
February 2008	The Company was renamed PRIMAX Electronics Limited with Mr. Liang, Li-Sheng as the Chairman.
December 2009	IPO of the Company's shares.
December 2009	The Company listed its stock for trading in Taiwan's emerging stock market.
December 2009	The Investment Commission, MOEA, approved PRIMAX to invest in the establishment of Primax Electronics (KunShan) Co., Ltd. via a third place.
February 2011	The Investment Commission, MOEA, approved PRIMAX to invest in the establishment of Primax Electronics (ChongQing) Co., Ltd. via a third place.
October 2012	The stock was listed for trading on TWSE.
October 2012	New capital of NT\$235,290,000 raised through issuing new shares with its registered capital amounting to NT\$4,269,698,210.
January 2014	The Company successfully acquired 70% of the equity issued by Tymphany Group, a speaker driver manufacturer, and registered the shareholding change.
January 2015	The Company successfully acquired 30% of the equity issued by GLOBALTEK, an automobile and aerospace precision machinery manufacturer.
October 2016	The Company disposed 20% of the equity of GLOBALTEK, thus losing its power of control of GLOBALTEK.
June 2017	The Company completed the acquisition of 100% of the equity of Bang & Olufsen s.r.o. through Tymphany Worldwide Enterprise Limited.
November 2017	The Company established Primax AE (Cayman) Holdings Ltd.
January 2018	The Company acquired 37% of the equity of Belfast Limited through Primax AE (Cayman) Holdings Ltd.
August 2019	The Company invested in the establishment of Primax Electronics (SINGAPORE) and through its investment in the establishment of Primax Electronics (Thailand) Co., Ltd.



# Chapter 3. Corporate Governance Report

## 1. Organizational System

### (1) Organizational Structure



### (2) Department Functions

Department	Major responsibilities
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Formulate policies, systems, standards, and structure of remuneration to Directors (including the Chairman), General Manager, and Vice General Manager and review them as necessary based on factors, including the Company's goals, operational performance, and competitive environment.</li> <li>2. Periodically assess the performance of the Chairman, General Manager, and Vice General Manager and verify the content and amount of their individual remuneration.</li> <li>3. Assess and approve the standards of benefits for General Manager, and Vice General Manager.</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. Supervise the adequate presentation of the Company's financial statements.</li> <li>2. Supervise the appointment (dismissal) of CPAs and their independence and performance.</li> <li>3. Supervise the effective implementation of the Company's internal control.</li> <li>4. Supervise the Company's compliance with relevant laws and regulations.</li> <li>5. Supervise the Company's control over existing or potential risks.</li> <li>6. Supervise the performance of the Company's internal audit department.</li> </ol>
Nomination Committee	<ol style="list-style-type: none"> <li>1. Seek the right persons to the seats of Directors and senior managers and propose a list of qualified candidates to the Board.</li> <li>2. Review the list of candidates recommended by shareholders or the Board, and provide suggestions to the Board to determine if replacement is necessary.</li> </ol>
CSR Office	<p>The CSR Office is established by the Chairman with the authorization by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. Responsible for formulating CSR policies, systems, or relevant management approaches.</li> <li>2. Assist each department to promote and implement corporate social responsibility projects in response to the Company's economic, environmental and social issues.</li> <li>3. Learn from the best practices of sustainable operation of benchmarking companies at home and abroad, provide suggestions and guide relevant departments to implement accordingly, in order to continuously strengthen the Company's competitiveness in sustainable operation.</li> </ol>
Audit Office	Review and audit the implementation of the internal control system and regularly report it to the Board of Directors and the management, while measuring operational efficiency and providing timely suggestions for improvement, to ensure effective implementation of the internal control system and to improve the effectiveness of the overall organization.
Quality Assurance Department	<ol style="list-style-type: none"> <li>1. Plan and supervise quality systems.</li> <li>2. Upgrade design quality and technology.</li> <li>3. Improve product quality.</li> <li>4. Handle and improve customer complaints.</li> <li>5. Plan and implement employee quality training.</li> </ol>
Legal Affairs and Intellectual Property Rights Division	Manage intellectual property rights-related affairs and handle legal affairs.
Finance and Administration Division	<ol style="list-style-type: none"> <li>1. Responsible for accounting, finance, taxation, and shareholder service matters.</li> <li>2. Assist in implementing and promoting projects.</li> <li>3. In charge of a spokesperson system and its operation; hold investor relations events and handle opinions; disclose information and publish information on media while responsible for media communication.</li> </ol>
Human Resources Department	<ol style="list-style-type: none"> <li>1. Manage employees and human resource.</li> <li>2. Manage salary and benefits.</li> <li>3. Responsible for education and training and development.</li> <li>4. Offer general affairs services.</li> <li>5. Responsible for health and safety management.</li> </ol>
Product Business Group	<p>It is divided into two business groups: PC peripheral products and non-PC peripheral products. Each business group is in charge of its own R&amp;D and marketing.</p> <ul style="list-style-type: none"> <li>■ R&amp;D:           <ul style="list-style-type: none"> <li>New product research, design, and development.</li> <li>New product project assessment, analysis, and planning.</li> <li>New product manufacturing technology and document and data transfer.</li> </ul> </li> <li>■ Marketing:           <ul style="list-style-type: none"> <li>Product planning, marketing, and market development.</li> </ul> </li> </ul>
Technology R&D Center	Responsible for the research, design, and development of forward-looking core technologies in various product areas.
IT Department	<ol style="list-style-type: none"> <li>1. Coordinate and plan the security, implementation, and system integration of the Company's electronic information.</li> <li>2. Establish and maintain computerized information management system while analyzing current manual processes and designing future operating processes.</li> <li>3. Plan and develop new application systems as well as expand and update the functionality of the developed application systems.</li> <li>4. Plan user education and training and operations.</li> <li>5. Plan and execute disaster recovery management.</li> <li>6. Plan and manage equipment.</li> <li>7. Manage computer operations.</li> </ol>



## 2. Profiles of the Directors, Supervisors, General Manager, Vice General Manager, Assistant General Manager, Head of Each Department, and Branch Officers

### (1) Information on Directors and Supervisors

#### Information on Directors and Supervisors (1)

April 19, 2021 / Unit: Shares / %

Title	Nationality/Place of Registration	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Education and Work Experiences	Other positions concurrently held at the Company or other companies	Other executives, directors, or supervisors who are spouses or within the second degree of kinship			Notes
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and General Manager	Republic of China	Liang, Li-Sheng	Male	2018.5.30	3 years	2009.10.23 (Note 8)	1,500,001	0.34	3,791,001	0.84	0	0	130,000	0.03	Business Administration, Tamkang University Chairman of PRIMAX	Note 1	-	-	-	Note 9
Directors	Republic of China	Yang, Chi-Ting	Male	2018.5.30	3 years	2011.3.11	1,926,963	0.43	1,926,963	0.43	1,905,962	0.42	0	0	Master of Business Administration, University of Southern California Internal Audit Officer at Chailase Holding Company Limited	Note 2	-	-	-	-
Directors	Republic of China	Pan, Yung-Chung	Male	2018.5.30	3 years	2014.9.5	7,455,046	1.67	7,455,046	1.65	0	0	0	0	Department of Electronics, Feng Chia University General Manager of Business Department of PRIMAX	Note 3	Director and General Manager of Business Department	Pan, Yung-Tai	Brothers	-
Director and General Manager of Business Department	Republic of China	Pan, Yung-Tai	Male	2018.5.30	3 years	2014.9.5	4,766,599	1.09	4,982,599	1.10	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 4	Directors	Pan, Yung-Chung	Brothers	-
Independent Director	Republic of China	Ku, Tai-Chao	Male	2018.5.30	3 years	2010.03.30	0	0	0	0	0	0	0	0	Bachelor of Law, National Taiwan University Vice President of Taiwan Stock Exchange Corporation	None	-	-	-	-
Independent Director	Republic of China	Cheng, Chih-Kai	Male	2018.5.30	3 years	2015.6.29	0	0	0	0	0	0	0	0	Department of Management Science, National Chiao Tung University Senior Vice President of Synnex USA	Note 5	-	-	-	-
Independent Director	Republic of China	Wu, Chun-Pang	Male	2018.10.25	2.6 years	2018.10.25	0	0	0	0	0	0	0	0	MBA, University of Missouri, U.S.A General Manager, Taiwan Branch, Deutsche Bank	Note 6	-	-	-	-
Independent Director	Republic of China	Wang, Jia-Qi	Female	2019.06.18	2 years	2019.6.18	0	0	0	0	0	0	0	0	MBA, Kellogg School of Management, Northwestern University, USA Managing Director and Director of Zenith Consulting Company limited	Note 7	-	-	-	-

Note 1: Primax Tech.(Cayman Holding) Ltd. Director; Polaris Electronics, Inc. Director; Destiny Tech Holding Co., Ltd. Director; Primax Ind. (Cayman Holding) Ltd. Director; Primax Ind (HK) Ltd. Director; DongGuan Primax Electronic & Telecommunication Products Ltd. Chairman; Primax Electronics (KunShan) Co., Ltd. Chairman; Primax Electronics (ChongQing) Co., Ltd. Chairman; Beijing Destiny Electronic Technology Co., Ltd. Chairman; Primax Destiny Co., Ltd (Japan) Director; Representative of Institutional Director of Diamond (Cayman) Holdings Ltd.; Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Alpine Asia Investment Limited Director; Tymphany Logistics, Inc. Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Chairman; Tymphany Acoustic Technology Limited Director; Tymphany Acoustic Technology (Thailand) Co., Ltd. Director; Primax AE (Cayman) Holdings Ltd. Director; Primax Electronics (SINGAPORE) PTE.LTD. Director; Primax Electronics(Thailand) Co.,Ltd. Director.

Note 2: Chailase Auto Rental Co., Ltd. Chairman and General Manager; Apex Credit Chairman and General Manager; Fina Finance & Trading Co., Ltd. Supervisor; Asia Sermkij Leasing Public Co., Ltd. Chairman; Bangkok Grand Pacific Lease Public Co., Ltd. Chairman.

Note 3: Primax Ind. (HK) Ltd. Director; Primax Tech. (Cayman Holding) Ltd. Director; Primax Ind. (Cayman Holding) Ltd. Director; Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Tymphany HK Ltd. Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Director and General Manager; Dongguan Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager; Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager; Tymphany Acoustic Technology HK Ltd. Director; Tymphany Acoustic Technology Limited Director; Gratus Technology Corp. Director; Tymphany Acoustic Technology (Thailand) Co., Ltd. Director; Primax Electronics (SINGAPORE) PTE. LTD. Director; Primax Electronics (Thailand) Co., Ltd. Director.

Note 4: Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Tymphany Acoustic Technology Limited Director; Tymphany Acoustic Technology (Thailand) Co., Ltd. Director; Primax Electronics (SINGAPORE) PTE. LTD. Director; Primax Electronics (Thailand) Co., Ltd. Director.

Note 5: Eureka Therapeutics(California) Director; B Current Impact Investment Inc. Chairman; Social Enterprise Insights Director; H3 Platform Director; B Current Impact Investment Inc. II Chairman; Acorn Pacific Ventures Partner.

Note 6: Far Eastern International Commercial Bank Director.

Note 7: Zenith Consulting Company limited Managing Director and Director; CITIC Capital Holdings Limited Managing Partner.

Note 8: The date of the first election after the base date of merger of former PRIMAX shall prevail.

Note 9: Description of the reasons, reasonableness, necessity, and response measures where the Chairman and the General Manager are same person:

- Reasons and necessities: In response to rapid changes in the industry, more long-term technology development strategies and investments as well as a global layout are required; thus, it is necessary to maintain this model temporarily.
- Reasonableness: Mr. Liang, Li-Sheng is the original founder of the Company. He had also served as the General Manager of the Company for a long time. With more than 40 years of experience in the industry, he has a very complete grasp of the industry and the Company.
- Response measures:
  - More than half of the Directors of the Board of Directors do not serve as employees or managerial officers concurrently, and the number of Independent Directors have been increased to strengthen the structure of the Board of Directors.
  - Considering the needs for long-term corporate governance, the Board of Directors has passed a succession plan and is actively training candidates for the succession of the General Manager, and will appoint a candidate as the General Manager at an appropriate time according to actual needs.

#### Information on Directors and Supervisors (2)

April 19, 2021

Name	Qualification	Meet one of the following professional qualifications, with at least five years of work experience			Independence Status (Note)												Number of other public companies where the individual concurrently serves as an independent director								
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10	11	12									
Liang, Li-Sheng	-	-	-	✓																				0	
Yang, Chi-Ting	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Pan, Yung-Tai	-	-	-	✓																					0
Pan, Yung-Chung	-	-	-	✓																					0
Ku, Tai-Chao	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng, Chih-Kai	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu, Chun-Pang	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Jia-Qi	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions.

- Is not an employee of the Company or its affiliates.
- Is not a director or supervisor of the Company or its affiliates (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- Does not directly or indirectly own more than 1% of the Company's outstanding shares, nor is one of the top ten non-institutional shareholders of the Company.
- Is not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship of managers specified in the column (1) or any person specified in the column(2)and(3).
- Is not a director, supervisor or employee of a legal entity which directly owns more than 5% of the Company's issued shares or are the top five owners of the Company's issued shares, nor a director, supervisor or employee of a legal entity which designates a representative to serve as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- Is not a director, supervisor or employee of other company, and more than half of directors or voting shares of other company are controlled by the same person (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- Is not a director, supervisor or employee of other company, and Chairman, President or Manager with equivalent position of other company are the same person or spouse (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- Is not a director, supervisor, or manager of a company which has a business relationship with the Company, nor a shareholder who owns more than 5% of such a company (the same does not apply, however, in cases where a company owns more than 20% but less than 50% of the Company's issued shares and the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Company and its affiliates with auditing or services of finance, business consult and legal affairs for which the accumulated remuneration in the past two years does not exceed NTD 500,000, provided that this restriction does not apply to any member of the compensation committee, public tender offer review committee, or special committee on mergers and acquisitions who exercises powers pursuant to related regulation such as the "Securities and Exchange Act" or the "Business Mergers And Acquisitions Act."
- Is not a spouse or relative within the second degree of kinship of any of the directors.
- Is not under any condition pursuant to Article 30 of the Company Act.
- Is not a legal entity owner or its representative pursuant to Article 27 of the Company Act.



## (2) Profiles of the General Manager, Vice General Manager, Assistant General Manager, Head of Each Department, and Branch Officers

April 19, 2021 / Unit: Shares / %

Title	Nationality	Name	Gender	Date taking office	Shareholding		Spouse/Minor shareholding		Shareholding by Nominees		Education and Work Experiences	Other positions concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Notes
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and General Manager	Republic of China	Liang, Li-Sheng	Male	2018.10.01	3,791,001	0.84	0	0	130,000	0.03	Business Administration, Tamkang University Chairman of PRIMAX	Note 1	-	-	-	Note 9
Director and General Manager of Business Department	Republic of China	Pan, Yung-Tai	Male	2007.12.28 (Note 7)	4,982,599	1.10	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 2	-	-	-	-
General Manager of Operations	Republic of China	Kuo, You-Min	Male	2018.01.15	600,000	0.13	0	0	0	0	MBA, Industrial Marketing, University of North Carolina at Chapel Hill Senior Vice President, Hon Hai Group	Note 3	-	-	-	-
Senior Vice General Manager	Republic of China	Hsiao, Yin-Yi	Male	2016.09.19	310,000	0.07	0	0	0	0	EMBA, Swiss Business School CFO of CMC Magnetics co., Ltd.	Note 4	-	-	-	-
Senior Vice General Manager	Republic of China	Chou, Yen-Chou	Male	2011.01.17	182,000	0.04	0	0	0	0	Doctoral of Industrial Engineering, University of Cincinnati, USA Senior Assistant General Manager of Operations, Hon Hai Group	Note 5	-	-	-	--
Vice General Manager	Republic of China	Chiang, Yan-Ying	Female	2015.04.01	652,106	0.14	0	0	0	0	Department of Labor Relations, Chinese Culture University; EMBA, National Chengchi University Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	Republic of China	Chang, Ching-Kai	Male	2015.04.01	839,703	0.19	0	0	0	0	Department of Information Engineering, Tamkang University Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	Republic of China	Chang, Yao-Han	Male	2015.10.07	190,000	0.04	0	0	0	0	Graduate Institute of International Affairs and Strategic Studies, Tamkang University Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	Republic of China	Wei, Hao-San	Male	2015.10.07	749,732	0.17	0	0	0	0	Electrical Engineering Institute, California State University, Long Beach, USA Senior Assistant General Manager, PRIMAX	Note 6	-	-	-	-
Vice General Manager	Republic of China	Chang, Chen-Te	Male	2020.04.15	254,880	0.06	0	0	0	0	Department of Mechanical Engineering, China University of Science and Technology Senior Assistant Vice General Manager in Administration Management, PRIMAX	Note 8	-	-	-	-
Vice General Manager	Republic of China	Hsu, Chia Chih	Male	2020.10.01	54,000	0.01	0	0	0	0	Master's in Finance, University of Texas at Arlington Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	Republic of China	Chen, Ying-Shou	Male	2020.10.01	106,000	0.02	0	0	0	0	Master's in Mechanical Engineering, National Chiao Tung University Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	Republic of China	Zhuo, Yi-Li	Male	2020.10.01	15,000	0.003	0	0	0	0	Ph.D, Claremont Graduate University Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	Republic of China	Wang, Ching-Der	Male	2020.10.05	0	0	0	0	0	0	Mechanical Engineering, University of California at Berkeley Vice General Manager, Accton Technology Corporation	None	-	-	-	-
Assistant Vice General Manager	Republic of China	Chang, Shu-Chuen	Female	2017.11.15	27,000	0.01	0	0	0	0	Institute of Accounting, National Cheng Kung University Assistant General Manager, Finance Department, Lian Hwa Foods Corp.	None	-	-	-	-
Assistant Vice General Manager	Republic of China	Su, Yu-Chen	Male	2020.08.06	30,000	0.01	0	0	0	0	Master's in Business Administration, Case Western Reserve University, USA Assistant Vice General Manager, PRIMAX	None	-	-	-	-

Note 1: Primax Tech.(Cayman Holding) Ltd. Director; Polaris Electronics, Inc. Director; Destiny Tech Holding Co., Ltd. Director; Primax Ind. (Cayman Holding) Ltd. Director; Primax Ind (HK) Ltd. Director; DongGuan Primax Electronic & Telecommunication Products Ltd. Chairman; Primax Electronics (KunShan) Co., Ltd. Chairman; Primax Electronics (ChongQing) Co., Ltd. Chairman; Beijing Destiny Electronic Technology Co., Ltd. Chairman; Primax Destiny Co., Ltd (Japan) Director; Representative of Institutional Director of Diamond (Cayman) Holdings Ltd.; Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Alpine Asia Investment Limited Director; Tymphany Logistics, Inc. Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Chairman; Tymphany Acoustic Technology Limited Director; Tymphany Acoustic Technology (Thailand) Co., Ltd. Director; Primax AE (Cayman) Holdings Ltd. Director; Primax Electronics (SINGAPORE) PTE.LTD. Director; Primax Electronics(Thailand) Co.,Ltd. Director.

Note 2: Representative of Institutional Director of Tymphany Worldwide Enterprises Ltd.; Tymphany Acoustic Technology Limited Director; Tymphany Acoustic Technology (Thailand) Co., Ltd. Director; Primax Electronics (SINGAPORE) PTE. LTD. Director; Primax Electronics (Thailand) Co., Ltd. Director.

Note 3: Polaris Electronics, Inc. Director; Gratus Technology Corp. Director.

Note 4: DongGuan Primax Electronic & Telecommunication Products Ltd. Supervisor; Primax Electronics (KunShan) Co., Ltd. Supervisor; Primax Electronics (ChongQing) Co., Ltd. Supervisor; Beijing Destiny Electronic Technology Co., Ltd. Director; Primax Destiny Co., Ltd (Japan) Director; Primax Technology (Cayman Holding) Ltd. Director; Primax Ind. (Cayman Holding) Ltd. Director; Representative of Institutional Director of Diamond (Cayman) Holdings Ltd.; Tymphany Worldwide Enterprises Ltd. Director; Tymphany Acoustic Technology (Huizhou) Co., Ltd. Supervisor; Dongguan Tymphany Acoustic Technology Co., Ltd. Supervisor; Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. Supervisor; Tymphany Acoustic Technology Limited Supervisor; Primax AE (Cayman) Holdings Ltd. Director.

Note 5: Primax Destiny Co., Ltd (Japan) Supervisor.

Note 6: Primax Destiny Co., Ltd (Japan) Director and Beijing Destiny Electronic Technology Corporation Director.

Note 7: The date of appointment is based on the base date of merger of former PRIMAX.

Note 8: DongGuan Primax Electronic & Telecommunication Products Ltd. Director and General Manager; Primax Electronics (KunShan) Co., Ltd. Director and General Manager; Representative of Institutional Director of Primax Electronics (ChongQing) Co., Ltd. and General Manager; Beijing Destiny Electronic Technology Co., Ltd. Supervisor.

Note 9: Description of the reasons, reasonableness, necessity, and response measures where the Chairman and the General Manager are same person:

- Reasons and necessities: In response to rapid changes in the industry, more long-term technology development strategies and investments as well as a global layout are required; thus, it is necessary to maintain this model temporarily.
- Reasonableness: Mr. Liang, Li-Sheng is the original founder of the Company. He had also served as the General Manager of the Company for a long time. With more than 40 years of experience in the industry, he has a very complete grasp of the industry and the Company.
- Response measures:
  - More than half of the Directors of the Board of Directors do not serve as employees or managerial officers concurrently, and the number of Independent Directors have been increased to strengthen the structure of the Board of Directors.
  - Considering the needs for long-term corporate governance, the Board of Directors has passed a succession plan and is actively training candidates for the succession of the General Manager, and will appoint a candidate as the General Manager at an appropriate time according to actual needs.



**(2) Remuneration paid to the General Manager and Vice General Managers in the most recent year (2020)**

Unit: NT\$1,000 / thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing Employee Bonus (D) (Note 1)				Ratio of total remuneration (A+B+C+D) to net income (%) (Note 2)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company
		The Company	All companies listed in the consolidated financial statements	The Company	All companies listed in the consolidated financial statements	The Company	All companies listed in the consolidated financial statements	The Company		All companies listed in the consolidated financial statements		The Company	All companies listed in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman and General Manager	Liang, Li-Sheng													
General Manager of Operations	Kuo, You-Min													
Director and General Manager of Business Department	Pan, Yung-Tai													
Senior Vice General Manager	Hsiao, Yin-Yi													
Vice General Manager	Wei, Hao-San													
Vice General Manager (Note 3)	Cho, Yu-Shan													
Senior Vice General Manager (Note 4)	Chou, Yen-Chou	33,250	34,070	0	0	67,805	67,805	0	0	0	0	5.27%	5.31%	None
Vice General Manager	Chang, Yao-Han													
Vice General Manager	Chiang, Yan-Ying													
Vice General Manager	Chang, Ching-Kai													
Vice General Manager (Note 5)	Chen, Ying-Shou													
Vice General Manager (Note 6)	Hsu, Chia Chih													
Vice General Manager (Note 7)	Zhuo, Yi-Li													
Vice General Manager (Note 8)	Chang, Chen-Te													
Vice General Manager (Note 9)	Wang, Ching-Der													

Note 1: Refers to the most recent year's (2020's) earnings distribution proposal approved by the Board of Directors (February 26, 2021) to distribute remuneration to employees totaling NT\$72,645 thousand. As of the publication date of this report, the remuneration paid to the General Manager and Vice General Managers has not been discussed by the Remuneration Committee; thus, the amount to be distributed in the current year is based on the proportion of the actual amount distributed last year.

Note 2: The net income of the Company for 2020 was NT\$1,919,265 thousand.

Note 3: Resigned on May 1, 2020

Note 4: Promoted to Senior Vice General Manager on October 1, 2020

Note 5: Promoted to Vice General Manager on October 1, 2020

Note 6: Promoted to Vice General Manager on October 1, 2020

Note 7: Promoted to Vice General Manager on October 1, 2020

Note 8: Promoted to Vice General Manager on April 1, 2020

Note 9: Newly appointed as Vice General Manager on October 5, 2020

Range of remuneration paid to the General Manager and Vice General Managers	Name of General Manager and Vice General Managers	
	The Company	All companies listed in the consolidated financial statements
Less than NT\$1,000,000	Wang, Ching-Der; Cho, Yu-Shan	Wang, Ching-Der; Cho, Yu-Shan
NT\$1,000,000 (inclusive) to 2,000,000 (not inclusive)	-	-
NT\$2,000,000 (inclusive) to 3,500,000 (not inclusive)	Chiang, Yan-Ying; Chen, Ying-Shou	Chiang, Yan-Ying; Chen, Ying-Shou
NT\$3,500,000 (inclusive) to 5,000,000 (not inclusive)	Chang, Yao-Han; Hsu, Chia Chih; Zhuo, Yi-Li	Chang, Yao-Han; Hsu, Chia Chih; Zhuo, Yi-Li
NT\$5,000,000 (inclusive) to 10,000,000 (not inclusive)	Liang, Li-Sheng; Wei, Hao-San; Chang, Chen-Te; Chang, Ching-Kai	Liang, Li-Sheng; Wei, Hao-San; Chang, Chen-Te; Chang, Ching-Kai
NT\$10,000,000 (inclusive) to 15,000,000 (not inclusive)	Pan, Yung-Tai; Chou, Yen-Chou; Hsiao, Yin-Yi	Pan, Yung-Tai; Chou, Yen-Chou; Hsiao, Yin-Yi
NT\$15,000,000 (inclusive) to 30,000,000 (not inclusive)	Kuo, You-Min	Kuo, You-Min
NT\$30,000,000 (inclusive) to 50,000,000 (not inclusive)	-	-
NT\$50,000,000 (inclusive) to 100,000,000 (not inclusive)	-	-
More than NT\$100,000,000	-	-
Total	NT\$101,055 thousand	NT\$101,875 thousand

**(3) Names of managerial officers who receive employee remuneration and the distribution in the most recent year (2020)**

Unit: NT\$1,000 / thousand shares

Title	Name	Value of Shares (Note 1)	Amount of Cash (Note 1)	Total	Total remuneration as a percentage of earnings after tax (%) (Note 2)
Chairman and General Manager	Liang, Li-Sheng				
General Manager of Operations	Kuo, You-Min				
Director and General Manager of Business Department	Pan, Yung-Tai				
Senior Vice General Manager	Hsiao, Yin-Yi				
Vice General Manager	Wei, Hao-San				
Vice General Manager (Note 3)	Cho, Yu-Shan				
Senior Vice General Manager (Note 4)	Chou, Yen-Chou				
Vice General Manager	Chang, Yao-Han				
Vice General Manager	Chiang, Yan-Ying	0	0	0	0%
Vice General Manager	Chang, Ching-Kai				
Vice General Manager (Note 5)	Chen, Ying-Shou				
Vice General Manager (Note 6)	Hsu, Chia Chih				
Vice General Manager (Note 7)	Zhuo, Yi-Li				
Vice General Manager (Note 8)	Chang, Chen-Te				
Vice General Manager (Note 9)	Wang, Ching-Der				
Assistant Vice General Manager	Chang, Shu-Chuen				
Assistant Vice General Manager (Note 10)	Su, Yu-Chen				

Note 1: Refers to the most recent year's (2020's) earnings distribution proposal approved by the Board of Directors (February 26, 2021) to distribute remuneration to employees totaling NT\$72,645 thousand. As of the publication date of this report, the remuneration paid to the General Manager and Vice General Managers has not been discussed by the Remuneration Committee; thus, the amount to be distributed in the current year is based on the proportion of the actual amount distributed last year.

Note 2: The net income of the Company for 2020 was NT\$1,919,265 thousand.

Note 3: Resigned on May 1, 2020

Note 4: Promoted to Senior Vice General Manager on October 1, 2020

Note 5: Promoted to Vice General Manager on October 1, 2020

Note 6: Promoted to Vice General Manager on October 1, 2020

Note 7: Promoted to Vice General Manager on October 1, 2020

Note 8: Promoted to Vice General Manager on April 1, 2020

Note 9: Newly appointed as Vice General Manager on October 5, 2020

Note 10: Newly appointed as corporate governance officer on August 6, 2020

**(4) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company Only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, the General Manager, and Vice General Managers, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and its Linkage to Operating Performance and Future Risks**

1. Analysis of total remuneration of Directors, Supervisors, General Manager and Vice General Managers as a percentage of net income during the past 2 fiscal years:

Personal Status	Ratio of total remuneration to net income (loss) after tax			
	2019		2020	
	The Company	Consolidated	The Company	Consolidated
Directors	3.00%	3.00%	3.53%	3.53%
Supervisors	N/A	N/A	N/A	N/A
General Manager/Vice General Managers	5.66%	5.66%	5.27%	5.31%



2. The remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance:

(1) The Company's remuneration to Directors includes Directors' compensation and bonuses. The remuneration to Directors is stipulated in the Company's Articles of Association. No more than 2% of profit, if applicable, shall be allocated as remuneration to Directors. After the Remuneration Committee approves the remuneration proposal, it shall be submitted to the Board of Directors for resolution and reported to the shareholders' meeting; Reasonable remuneration shall be given based on the Company's operating results and sustainable development as well as Directors' contribution to the Company's performance and the results of the Board's performance evaluation. The remuneration to the Chairman shall be proposed by the Human Resources Department in view of the competitive environment and operational risks and in line with the corporate management policy and bonus plan, and then is sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approves the proposal. Such performance evaluation and the reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors. The remuneration system is also reviewed constantly based on actual business operations and applicable laws.

(2) The remuneration policy for the General Manager and Vice General Managers of the Company is proposed by the Human Resources Department based on the position held, the operating scale, the competitive environment, the salary standard in the industry, the Company's overall operating performance, and individual performance achievement rate and in line with the corporate management policy and bonus plan; after evaluated and approved by the Remuneration Committee, the proposal is sent to the Board of Directors for resolution. The remuneration consists of fixed salary and variable rewards. The fixed salary is the basic salary of employees, and the variable rewards are mainly linked to the Company's (or various business units') operational performance and strategic goal achieving status, and there are short-term and long-term incentives, deferred compensation, and peer company comparison mechanisms, to avoid risks caused by managerial officers' excessive pursuit of short-term benefits, to effectively guide long-term business performance, and to increase the Company's value. The main operating performance and strategic objectives covered include but are not limited to:

- Revenue, gross profit, net income, free cash flow, return on invested capital, productivity, earnings per share (EPS), and return on shareholders' equity (ROE).
- Achieving specific strategic goals for specific important technologies, products, clients, and markets within a specified period.
- Other major strategic objectives related to the sustainable development of the Company.

The aforementioned performance evaluation and reasonableness of the remuneration to the General Manager, Vice General Managers, and managerial officers are all reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed at any time according to the actual operating conditions and relevant laws and regulations.

## 4. Status of Corporate Governance

### (1) Operations of Board of Directors

In 2020 (10 times) and 2021 (3 times) as of the publication date of this Annual Report, the Company's Board of Directors held a total of 13 meetings (A); the attendance of the Directors and Supervisors is as follows:

Title	Name	Attendance in Person B	By proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Liang, Li-Sheng	13	0	100	
Directors	Yang, Chi-Ting	13	0	100	
Directors	Pan, Yung-Tai	12	1	92.3	
Directors	Pan, Yung-Chung	13	0	100	
Directors	Sunshine Coast Representative: Chen, Jie-Chi	0	0	0	Resigned on January 7, 2020; required number of attendances: 0
Independent Director	Ku, Tai-Chao	13	0	100	

Title	Name	Attendance in Person B	By proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Cheng, Chih-Kai	13	0	100	
Independent Director	Wu, Chun-Pang	13	0	100	
Independent Director	Wang, Jia-Qi	13	0	100	

#### Other matters:

- With regard to the operation of the Board of Directors, if any of the following circumstances occur, the date, term of the meetings, content of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:
  - The matters listed in Article 14-3 of the Securities and Exchange Act: As of the date of publication of the Annual Report, the resolutions of the Company's Board of Directors were approved by all the directors present.
  - In addition to the aforementioned matter, other resolutions at the Board meetings about which independent directors expressed objection or reservations, which are recorded on the record or in a written statement: None.
- For avoidance of any resolution involving a director's conflicts of interest, the director's name, the content of the resolution, the reason for the avoidance of conflicts of interest, and participation in voting shall be specified: The Company's Directors attendance at meetings encountered no problem and participated in voting based on their powers and responsibilities; the following is the implementation of avoidance of proposals involving personal conflicts of interest:
  - On January 16, 2020, for the first proposal discussed by the Board of Directors on 2019 bonus distribution to the Company's senior managerial officers, Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting; for the second proposal for annual bonus to the Chairman, the Chairman did not participate in the discussion and voting to avoid conflicts of interest.
  - On March 10, 2020, for the 11th proposal discussed by the Board of Directors on 2020 bonus plan for senior executives and important leaders, Director Pan, Yung-Tai was a party involved in this proposal, and director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting; for the 12th proposal for 2020 Chairman's performance standards and bonus plan, as the Chairman was the main party discussed, he did not participate in the discussion and voting to avoid conflicts of interest.
  - On July 30, 2020, for the second proposal discussed by the Board of Directors on the Company's first distribution of new restricted employee shares in 2020. Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting.
  - On November 6, 2020, for the eighth proposal discussed by the Board of Directors on the Company's adjustment to senior managerial officers' salary in 2020. Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting.
  - On January 22, 2021, for the 12th proposal discussed by the Board of Directors for 2020 second distribution of restricted employee shares, Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting. For the 13th proposal to distribute bonuses to the Company's senior managerial officers, Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting. For the 14th proposal to distribute bonuses to the Company's Chairman, the Chairman was the main party discussed, he recused himself from the discussion and voting to avoid the conflicts of interest.
  - On March 16, 2021, for the third proposal discussed by the Board of Directors for a bonus plan for senior executives and important leaders and the fourth proposal for 2020 annual senior managerial officers' salary survey report and 2021 annual salary adjustment, Director Pan, Yung-Tai was a party involved in this proposal, and director Pan, Yung-Chung avoided said proposals and did not participate in the discussion and voting; for the fifth proposal for the Chairman's 2021 performance standards and bonus plan, as the Chairman was the main party discussed, he recused himself from the discussion and voting to avoid the conflicts of interest.
- Goals for strengthening the functions of the Board of Directors (such as establishing an Audit Committee and enhancing information transparency) in the current and the most recent fiscal year and assessing implementation thereof.
  - Goals for strengthening the functions of the Board of Directors
    - The Company has established a Remuneration Committee under the Board of Directors on January 12, 2011 upon approval of the Board of Directors and appointed members of the Remuneration Committee in accordance with Article 5 of the Company's Remuneration Committee Charter. On March 10, 2020, the amendments to the Remuneration Committee Charter were approved so as to strengthen the functions of the Board of Directors.
    - The Company has set up an Audit Committee on July 7, 2015 upon approval of the Board of Directors and appointed members of the Audit Committee in accordance with Article 4 of the Company's Audit Committee Charter. On March 10, 2020, the amendments to the Audit Committee Charter were approved so as to strengthen the functions of the Board of Directors.
    - The Company has established a Nomination Committee under the Board of Directors on March 7, 2017 upon approval of the Board of Directors and appointed members of the Nomination Committee in accordance with Article 4 of the Company's Nomination Committee Charter. On March 18, 2019 and November 6, 2020, the amendments to the Nomination Committee Charter were approved by the Board of Directors so as to strengthen the functions of the Board of Directors.
    - On March 28, 2019, a resolution of the Board of Directors was adopted to formulate the Company's Standard Operating Procedures for Handling Directors' Requests, to assist Directors in performing their duties and enhance the effectiveness of the Board of Directors.
    - Implementation of corporate governance and improvement of information transparency: The Board of Directors operate in accordance with the Rules of Procedure for Board of Directors Meetings. In order to improve the supervision function and strengthen the management function, the amendments to the Rules of Procedure for Board of Directors Meetings were approved by the Board of Directors on March 10, 2020, based on which the Company's Board of Directors is convened adequately.
    - The Company's Board of Directors resolved to pass the formulation of the Regulations on the Scope of Duties of Independent Directors on July 2, 2007. On November 14, 2017 and November 6, 2020, the amendments to the Regulations on the Scope of Duties of Independent Directors were approved, to enable the Company's independent directors to perform their functions for the Board of Directors and the Company's operations so as to strengthen the functions of the Board of Directors.
    - Directors' further training: The Company arranges further training sessions for Directors to obtain relevant information in order to maintain their core values and professional advantages and capabilities.
    - The Company's Board of Directors has passed a resolution on January 25, 2016 to establish the Company's Corporate Governance Best Practice Principles. To protect shareholders' rights and interests. On May 7, 2020, the amendments to the Corporate Governance Best Practice Principles were approved to strengthen the functions of the Board of Directors and enhance information transparency.
  - Assessment of the implementation: The Company upholds the principle of operational transparency and posts important resolutions on the Market Observation Post System (MOPS) right after a Board meeting to protect shareholders' rights.



## (2) Operations of the Audit Committee or Supervisors' participation in the operations of Board meetings:

- The Company's Audit Committee consists of four members. This current term of office is from June 12, 2018 to May 29, 2021.
- There were five meetings (A) of the Audit Committee in 2020 and plus two meetings held as of the publication date of this Annual Report in 2021; the Audit Committee of the Company held a total of seven meetings. The attendance of independent directors is as follows

Title	Name	Attendance in Person (B)	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Ku, Tai-Chao	7	100	
Independent Director	Cheng, Chih-Kai	7	100	
Independent Director	Wu, Chun-Pang	7	100	
Independent Director	Wang, Jia-Qi	7	100	

### Other matters:

- If the Audit Committee has any of the following circumstances, the date, session, proposal content, the resolution of the Audit Committee and the Company's response toward the Audit Committee's opinions shall be specified.

- (1) Matters listed in Article 14-5 of the Securities and Exchange Act: As of the publication date of this Annual Report, the resolutions of the Audit Committee of the Company were approved by all Audit Committee members present. The following are the Committee's operation and implementation results:

No.	Highlight of Operation	Actual Operating Situation and Content of Proposal	Resolution
1.	Appropriate expressions of the Company's financial statements	1. Resolved to approve the 2020 and 2019 business report and financial statements. 2. Resolved to approve the 2020 and 2019 consolidated financial statements. 3. Communicated with CPAs on the results of the financial statements audit and updated important regulations. 4. Resolved to approve the proposal to submit a report on the Company's and its affiliated companies' accounts receivable overdue for three months to the Board of Directors to revolve whether they belonged to the loaning of funds on August 6, 2020.	Approved by all members present
2.	Appointment (and dismissal), independence, and performance of CPAs.	1. Resolved to approve the regular assessment of the independence of CPAs on November 6, 2020.	Approved by all members present
3.	Effective implementation of the Company's internal control	1. Resolved to approve the Statement on Internal Control on March 10, 2020. 2. Reported on the revision of the financial statement preparation process management on February 26, 2021.	Approved by all members present
4.	The Company's compliance with relevant laws and rules	1. Resolved to approve the amendments to the Audit Committee Charter on March 10, 2020. 2. Resolved to approve the partial amendments to the "Operational Procedures for Ethical Management and Guidelines for Conduct" on April 8, 2020.	Approved by all members present
5.	Management and control of the Company's existing or potential risks	1. Perform internal control every year to self-assess operations and identify risks. 2. Formulate an annual audit plan based on the level of risk, which shall be implemented accordingly, and various 2020 annual audit tasks shall be completed.	Approved by all members present
6.	Performance of the Company's Internal Audit Department	1. The audit officer attends the meeting every quarter to report on the audit operations and the implementation results of the audit plan while bringing up findings of materiality. 2. Resolved to approve the 2021 annual audit plan on November 6, 2020.	Approved by all members present
7.	Others	1. Resolved to approve the 2019 earnings distribution proposal on April 8, 2020. 2. The Company proposed to increase the capital of Primax Electronics (Thailand) Co., Ltd. in cash through Primax Electronics (Singapore) Pte. Ltd.	Approved by all members present

- (2) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but approved by two-thirds of all Board of Directors members: None.
- With regard to the recusal of Independent Directors from voting due to conflicts of interest, the name of the Independent Directors, the proposal content, reasons for recusal due to conflicts of interest, and voting outcomes shall be specified: None.
- The communication between Independent Directors and internal audit officer, and CPAs
  - (1) The Company's internal audit officer regularly reports at the meeting of the Audit Committee to the Independent Directors the auditing results and its follow-up. It is required that the auditing report for the meeting contain the risk level for identification and that a presentation on internal audit be given at the Audit Committee meeting based on the risk attributes of the operational cycle. The suggestions made by the Independent Directors have been implemented immediately, and the execution of the audit business and results have been fully communicated.
  - (2) The Company's CPAs report the results of the financial report audit or review and other matters communicated as required by relevant laws and regulations with Independent Directors. Before performing an audit of the 2020 annual financial statements, the CPAs had explained and discussed the significant accounting policy and key matters to be audited with Independent Directors. Both the Company's Independent Directors and CPAs have maintained good communication.
  - (3) In order to facilitate the implementation of the corporate governance mechanism, the Audit Committee reported the situation of the Company's restatement of financial reports on March 10, 2020; reported on the improvement plan and schedule on November 6, 2020, and reported on the amendments to the report preparation process management operations on February 26, 2021. And reported it to the Board of Directors on March 10, 2020; November 6, 2020; February 26, 2021 as required.

## 3. Evaluation of the performance of the Board of Directors

The Company has formulated the Board Performance Evaluation Regulations to conduct board performance evaluation in December each year, and external evaluation of board performance shall performed at least every three years.

According to the aforementioned regulations, the measurement items of the performance evaluation shall cover at least the following aspects:

Scope	Board of Directors	Board members	Functional committees
Aspects the measurement items shall at least cover	Five major aspects: 1. Participation in the Company's operations; 2. Improvement of the quality of the Board's decision-making; 3. Composition and structure of the Board; 4. Election and continuing education of the Directors; 5. Internal control.	Six major aspects: 1. Management of the goals and missions of the Company; 2. Awareness of Directors' duties; 3. Participation in the Company's operations; 4. Management of internal relationship and communication; 5. The Director's professionalism and continuing education; 6. Internal control.	Five major aspects: 1. Participation in the Company's operations; 2. Awareness of functional committees' duties; 3. Improvement of the decision-making quality of functional committees; 4. The composition of the functional committees and the election of their members; 5. Internal control.

The evaluation results are divided into five levels, and the executive unit will also report the evaluation results to the Board of Directors for review and improvement.

Level content description



In accordance with the aforementioned regulations, the Company's board evaluation scope covers the board as a whole, individual directors, and functional committees (the Audit Committee and the Remuneration Committee).

The performance evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Directors, appointment of external professional institutions or experts, or other appropriate methods.

The internal evaluation of the board performance in 2020 was carried out in accordance with the aforementioned regulations. Evaluation unit: Finance and Administration Division. The evaluation was conducted through questionnaire. The results of the performance evaluation of the board, Directors, the Audit Committee and the Remuneration Committee, were all between excellent and extremely excellent. The Directors obtained an average score of 4.96 points at excellent level (agree)–5 points extremely excellent level (strongly agree) for various indicators in the questionnaire, showing that the directors recognized the complete functions and smooth operations of the current system of the Company's Board of Directors in charge of various functional committees.

The Company's most recent external evaluation was conducted by KPMG Advisory Services Co., Ltd. (KPMG) as the external unit of evaluating the Company's board performance. Because it is an external professional organization in line with Article 7 of the Sample Template of "Self-Evaluation or Peer Evaluation of the Board of Directors of XX Co., Ltd.", the services provided by KPMG included organizing relevant education and training courses for the board, improving corporate governance, risk management, internal control, and internal auditing, etc. Its evaluation team is of Independence and professionalism.

KPMG completed the evaluation in December 2020 in accordance with the best practice development tools for performance evaluation at home and abroad. The evaluation method combined data analysis, questionnaire, and interview.



The measurement items include the following aspects:

Scope	Board of Directors	Board members	Audit Committee	Remuneration Committee
Measurement item	89 measurement items in nine dimensions	27 measurement items in six dimensions	85 measurement items in six dimensions	52 measurement items in five dimensions
Dimensions	<ol style="list-style-type: none"> <li>1. Establishment of a competent Board.</li> <li>2. Effective operation of the Board of Directors.</li> <li>3. Professional development and continuing education.</li> <li>4. Foresight in corporate management.</li> <li>5. Execution of assigned duties.</li> <li>6. Administration of the management.</li> <li>7. Creation of corporate culture.</li> <li>8. Communication with stakeholders.</li> <li>9. Performance evaluation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Alignment of the Company's goals and tasks.</li> <li>2. Awareness of Director's duties.</li> <li>3. Professional development and continuing education.</li> <li>4. Execution of assigned duties.</li> <li>5. Participation in the Company's operations.</li> <li>6. Management of internal relationships and communication.</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishment of a competent Audit Committee.</li> <li>2. Effective operation of the Audit Committee.</li> <li>3. Execution of assigned duties.</li> <li>4. Establishment of complaint channels.</li> <li>5. Relationship with the Board of Directors.</li> <li>6. Performance evaluation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishment of a competent Remuneration Committee.</li> <li>2. Effective operation of the Remuneration Committee.</li> <li>3. Execution of assigned duties.</li> <li>4. Relationship with the Board of Directors.</li> <li>5. Performance evaluation.</li> </ol>

Results of the external comprehensive evaluation of the board performance in 2020:

Relevant policies and procedures have been formulated in accordance with relevant laws and regulations and domestic corporate governance indicators for the Board of Directors and individual Directors. The Board of Directors are composed of Directors with relevant expertise and capabilities, and appropriate duties were assigned based on their experience to effectively operate the Board and functional committees (the Audit Committee and the Remuneration Committee), and the overall evaluation results ranged from good to excellent.

The Company's 2020 Board of Directors' external performance evaluation suggestions for items to be optimized and improved in the future:

Scope	Board of Directors and individual Directors	Audit Committee	Remuneration Committee
Suggestions	<ol style="list-style-type: none"> <li>1. The Company may refer to the best practices abroad and arrange the annual work focus in the agenda of the board meeting every year to keep abreast of and perform duties more effectively.</li> <li>2. The Company may refer to the corporate risk management works of the international standard US COSO Committee and the corporate governance 3.0 sustainable development blueprint—promotion of public companies to conduct optimization, for the corporate risk management mechanism.</li> </ol>	<p>The Company may arrange the annual work focus every year to keep abreast of and perform duties more effectively, to enable the Company to ensure the performance of the duties of the Audit Committee more prudently.</p>	<p>The Company may set the annual work focus of the Remuneration Committee, review items and frequency regularly, and arrange the annual work highlights every year to keep abreast of and perform duties more effectively.</p>
Improvement plan	<ol style="list-style-type: none"> <li>1. The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.</li> <li>2. The Company presented a corporate risk assessment report at a meeting of the Board of Directors in July 2020. In the future, the Company will integrate and manage all potential risks that may affect operations and profitability, such as various strategies, operations, finances, and harmful climate change in an active and cost-effective manner. The purpose is to conduct proper risk management for all stakeholders.</li> </ol>	<p>The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.</p>	<p>The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.</p>

The results of the external comprehensive performance evaluation and the internal performance evaluation above were submitted to the Board of Directors on January 22, 2021.

The Company's Board Performance Evaluation Regulations have been disclosed on the MOPS and the Company's website.

### (3) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Best Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the Corporate Governance Best Practice Principles and disclosed them on the official website and MOPS.	No significant difference.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
II. Shareholding structure & shareholders' rights				
1. Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations, and does the Company implement these procedures accordingly?	✓			<ol style="list-style-type: none"> <li>1. The Company has engaged spokespersons and deputy spokespersons. There are share affairs and legal departments set up handling shareholders' suggestions or disputes.</li> <li>2. The Company has entrusted a professional share affair agency to keep abreast of the shareholding status of directors, managers, and major shareholders.</li> <li>3. The Company has established relevant guidelines in the internal control system, so as to set up an appropriate risk control mechanism and the firewall.</li> <li>4. The Company has established management regulations for prevention of insider trading using undisclosed information to buy and sell securities.</li> </ol>
2. Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓			
3. Has the Company established, and does it execute, a risk management and firewall system between the Company and its affiliated companies?	✓			
4. Has the Company established internal rules against insiders using undisclosed information to trade securities with?	✓			
III. Composition and responsibilities of the Board of Directors				
1. Has the Board developed, and does it implement, a diversity policy for the composition of its members?	✓			<ol style="list-style-type: none"> <li>1. The Company has formulated the Corporate Governance Best Practice Principles and disclosed the complete information on the Company's website and MOPS. Of them, Article 20 stipulates that the policy of board member diversity shall include but not limited to the following two aspects:               <ol style="list-style-type: none"> <li>(1) Basic requirements and values: Gender, age, nationality, and culture.</li> <li>(2) Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and experience in the industry.</li> </ol>               In addition, to achieve the ideal goal of corporate governance, the entire Board of Directors shall possess the following abilities:               <ol style="list-style-type: none"> <li>(1) Operational judgment capability</li> <li>(2) Accounting and financial analysis capability.</li> <li>(3) Business management capability.</li> <li>(4) Crisis management capability.</li> <li>(5) Industry knowledge.</li> <li>(6) An international market perspective.</li> <li>(7) Leadership.</li> <li>(8) Decision-making capability.</li> </ol>               The Company attaches great importance to the diversity in gender composition and set specific stage-based goals for Board diversity: The ratio of female or foreign Directors shall reach 10% or more (achieved) before 2021, 20% or more during 2024 and 2027, and 30% or more during 2030 and 2033. The Company's implementation of the Board diversity policy is described as follows: The Company's Board of Directors currently has a total of eight Directors, including four independent directors (accounting for 50%), of which two independent directors have served for fewer than three years, another one for four to six years, the remaining one for nine to twelve years. There are seven male Directors (accounting for 87.5%) and one female Director (accounting for 12.5%). Besides, there is two Directors aged 71–75 (accounting for 25%), another five aged 61–70 (accounting for 62.5%), and another one aged 51–60 (accounting for 12.5%). It is composed of different age groups, and the gradual alternation of generation is taking place.             </li> <li>In terms of the professional background which the Directors are from, all of them (eight in total) have knowledge of the industry and management (accounting for 100%), one of them is specialized in R&amp;D (accounting for 12.5%), another two of them are from the marketing background (accounting for 25%), and another three of them have a specialty in finance (accounting for 37.5%). As for professional knowledge and skills possessed by Directors, all of them (eight in total) have the knowledge and skills to lead decision-making and business management (accounting for 100%), six of them are specialized in risk management (accounting for 75%), three of them in information technology (accounting for 37.5%), five of them in financial accounting (accounting for 62.5%) and two of them possess legal knowledge and skills (accounting for 25%).</li> </ol>
2. In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?	✓			
3. Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?	✓			
4. Does the Company regularly evaluate the independence of the CPAs?	✓			



Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof																																																																																																																																																																																																																																														
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Does the Company regularly evaluate the independence of the CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<table border="1"> <thead> <tr> <th rowspan="3">Category</th> <th rowspan="3">Name of Director</th> <th colspan="6">Basic Information</th> </tr> <tr> <th rowspan="2">Gender</th> <th rowspan="2">Nationality</th> <th rowspan="2">Age</th> <th colspan="3">Years of Service as Independent Director</th> </tr> <tr> <th>3年以下</th> <th>3-9年</th> <th>9年以上</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>Liang, Li-Sheng</td> <td>Male</td> <td>R.O.C.</td> <td rowspan="2">71-75</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Independent Directors</td> <td>Ku, Tai-Chao (Note 1)</td> <td>Male</td> <td>R.O.C.</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Directors</td> <td>Yang, Chi-Ting</td> <td>Male</td> <td>R.O.C.</td> <td rowspan="4">61-70</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Directors</td> <td>Pan, Yung-Tai</td> <td>Male</td> <td>R.O.C.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Directors</td> <td>Pan, Yung-Chung</td> <td>Male</td> <td>R.O.C.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Independent Director</td> <td>Cheng, Chih-Kai</td> <td>Male</td> <td>R.O.C.</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Independent Director</td> <td>Wu, Chun-Pang</td> <td>Male</td> <td>R.O.C.</td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Independent Director</td> <td>Wang, Jia-Qi</td> <td>Female</td> <td>R.O.C.</td> <td>51-60</td> <td>✓</td> <td></td> <td></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th rowspan="2">Name of Director</th> <th colspan="5">Professional Experience</th> </tr> <tr> <th>Industry</th> <th>R&amp;D</th> <th>Marketing</th> <th>Finance</th> <th>Administration</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>Liang, Li-Sheng</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> </tr> <tr> <td>Independent Directors</td> <td>Ku, Tai-Chao (Note 1)</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Directors</td> <td>Yang, Chi-Ting</td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Directors</td> <td>Pan, Yung-Tai</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Directors</td> <td>Pan, Yung-Chung</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> </tr> <tr> <td>Independent Director</td> <td>Cheng, Chih-Kai</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Independent Director</td> <td>Wu, Chun-Pang</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Independent Director</td> <td>Wang, Jia-Qi</td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th rowspan="2">Name of Director</th> <th colspan="6">Professional Knowledge and Skills</th> </tr> <tr> <th>Decision-Making</th> <th>Business Administration</th> <th>Risk Management</th> <th>Information Technology</th> <th>Finance and Accounting</th> <th>Law</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>Liang, Li-Sheng</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Independent Directors</td> <td>Ku, Tai-Chao (Note 1)</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Directors</td> <td>Yang, Chi-Ting</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Directors</td> <td>Pan, Yung-Tai</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Directors</td> <td>Pan, Yung-Chung</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Independent Director</td> <td>Cheng, Chih-Kai</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Independent Director</td> <td>Wu, Chun-Pang</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Independent Director</td> <td>Wang, Jia-Qi</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> </tbody> </table> <p>Note 1: Mr. Ku, Tai-Chao has served as an independent director of the Company for more than three terms as he has financial expertise and is familiar with relevant laws and regulations while experienced in corporate governance. Thus, he is obviously helpful to the Company's operations, and having him perform his duties as an independent director enables him to leverage his expertise and to provide his professional advice to the Board of Directors.</p> <p>Note 2: For the Company's Board diversity policy, please refer to Article 20 of the Company's Corporate Governance Best Practice Principles.</p> <p>2. The Company has established a Nomination Committee on March 7, 2017. In the future, it will also set up other functional committees according to actual needs.</p> <table border="1"> <thead> <tr> <th colspan="5">Nomination Committee</th> </tr> <tr> <th>Convener</th> <th>Member</th> <th>Member</th> <th>Member</th> <th>Member</th> </tr> </thead> <tbody> <tr> <td>Liang, Li-Sheng</td> <td>Yang, Chi-Ting</td> <td>Ku, Tai-Chao</td> <td>Cheng, Chih-Kai</td> <td>Wang, Jia-Qi</td> </tr> </tbody> </table>	Category	Name of Director	Basic Information						Gender	Nationality	Age	Years of Service as Independent Director			3年以下	3-9年	9年以上	Directors	Liang, Li-Sheng	Male	R.O.C.	71-75				Independent Directors	Ku, Tai-Chao (Note 1)	Male	R.O.C.			✓	Directors	Yang, Chi-Ting	Male	R.O.C.	61-70				Directors	Pan, Yung-Tai	Male	R.O.C.				Directors	Pan, Yung-Chung	Male	R.O.C.				Independent Director	Cheng, Chih-Kai	Male	R.O.C.			✓	Independent Director	Wu, Chun-Pang	Male	R.O.C.		✓			Independent Director	Wang, Jia-Qi	Female	R.O.C.	51-60	✓			Category	Name of Director	Professional Experience					Industry	R&D	Marketing	Finance	Administration	Directors	Liang, Li-Sheng	✓		✓		✓	Independent Directors	Ku, Tai-Chao (Note 1)	✓			✓	✓	Directors	Yang, Chi-Ting	✓				✓	Directors	Pan, Yung-Tai	✓	✓			✓	Directors	Pan, Yung-Chung	✓		✓		✓	Independent Director	Cheng, Chih-Kai	✓			✓	✓	Independent Director	Wu, Chun-Pang	✓			✓	✓	Independent Director	Wang, Jia-Qi	✓				✓	Category	Name of Director	Professional Knowledge and Skills						Decision-Making	Business Administration	Risk Management	Information Technology	Finance and Accounting	Law	Directors	Liang, Li-Sheng	✓	✓	✓	✓	✓		Independent Directors	Ku, Tai-Chao (Note 1)	✓	✓	✓		✓	✓	Directors	Yang, Chi-Ting	✓	✓	✓				Directors	Pan, Yung-Tai	✓	✓		✓			Directors	Pan, Yung-Chung	✓	✓		✓			Independent Director	Cheng, Chih-Kai	✓	✓	✓		✓		Independent Director	Wu, Chun-Pang	✓	✓	✓		✓	✓	Independent Director	Wang, Jia-Qi	✓	✓	✓		✓		Nomination Committee					Convener	Member	Member	Member	Member	Liang, Li-Sheng	Yang, Chi-Ting	Ku, Tai-Chao	Cheng, Chih-Kai	Wang, Jia-Qi	No significant difference.
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Independent Director	Cheng, Chih-Kai	Male	R.O.C.				✓																																																																																																																																																																																																																																											
Independent Director	Wu, Chun-Pang	Male	R.O.C.		✓																																																																																																																																																																																																																																													
Independent Director	Wang, Jia-Qi	Female	R.O.C.	51-60	✓																																																																																																																																																																																																																																													
Category	Name of Director	Professional Experience																																																																																																																																																																																																																																																
		Industry	R&D	Marketing	Finance	Administration																																																																																																																																																																																																																																												
Directors	Liang, Li-Sheng	✓		✓		✓																																																																																																																																																																																																																																												
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		Decision-Making	Business Administration	Risk Management	Information Technology	Finance and Accounting	Law																																																																																																																																																																																																																																											
Directors	Liang, Li-Sheng	✓	✓	✓	✓	✓																																																																																																																																																																																																																																												
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<p>III. Composition and responsibilities of the Board of Directors</p> <p>1. Has the Board developed, and does it implement, a diversity policy for the composition of its members?</p> <p>2. In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>3. Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</p> <p>4. Does the Company regularly evaluate the independence of the CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The main functions of the nomination committee are:</p> <p>a. Search for qualified directors and senior managers, and propose the lists to the board of directors, include the company's directors, general manager, chief executive officer, chief financial officer, and directors and supervisors of important subsidiaries.</p> <p>b. Review the qualifications of the nominated objects, and suggest to the board of directors whether replacement is necessary.</p> <p>c. The committee members include three independent directors, of which Ku, Tai-Chao and Cheng, Chih-Kai have the financial and leadership decision-making capabilities required by the nomination committee.</p> <p>(2) The meeting was held on November 6, 2020.</p> <p>(3) The Nomination Committee Charter and meeting attendance of the Company's Nomination Committee, please refer to the nomination Committee organizational regulations of the Company or MOPS.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Attendance in Person (A)</th> <th>By proxy</th> <th>Attendance in Total (B)</th> <th>Actual attendance rate (%) (B/A)</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>Liang, Li-Sheng</td> <td>1</td> <td>0</td> <td>1</td> <td>100</td> </tr> <tr> <td>Directors</td> <td>Yang, Chi-Ting</td> <td>1</td> <td>0</td> <td>1</td> <td>100</td> </tr> <tr> <td>Independent Director</td> <td>Ku, Tai-Chao</td> <td>1</td> <td>0</td> <td>1</td> <td>100</td> </tr> <tr> <td>Independent Director</td> <td>Cheng, Chih-Kai</td> <td>1</td> <td>0</td> <td>1</td> <td>100</td> </tr> <tr> <td>Independent Director</td> <td>Wang, Jia-Qi</td> <td>1</td> <td>0</td> <td>1</td> <td>100</td> </tr> </tbody> </table> <p>3. The Company has formulated the Rules Governing the Performance Evaluation of the Board of Directors on November 10, 2016 and disclosed it on the Company's website and MOPS. In particular, the Rules stipulate that the Company shall perform an internal performance evaluation of the Board of Directors at least once a year, and at least every three years by an independent external professional agency or a team of external experts and scholars, and the annual performance evaluation shall be performed at the end of the year. The results of the performance evaluation of the Board of Directors shall be completed before the most recent Board meeting held in the following year. The scope of the evaluation includes the performance evaluation of the overall Board of Directors, individual Director, and the functional committee (Audit Committee and Remuneration Committee); the evaluation method includes the internal self-evaluation of the Board of Directors, Directors' self-evaluation, or other appropriate methods. The results of the performance evaluations of the individual directors and functional committees mentioned above shall be used as a reference for reviewing Directors' remuneration as well as selecting and nominating Directors.</p> <p>The Company's most recent evaluation by an external agency was the 2020 performance evaluations of the Board of Directors, individual Directors, and the functional committees (the Audit Committee and the Remuneration Committee), which were conducted by Chu, Cheng-Huang, Vice general manager at KPMG and Huang, Yu-Hsin, Assistant Vice general manager at KPMG. The evaluation combined questionnaires, data analysis, and interviews; the evaluation results and the direction of continuous improvement for 2021 were presented at the meeting of the Board of Directors held in January 22, 2021.</p>	Title	Name	Attendance in Person (A)	By proxy	Attendance in Total (B)	Actual attendance rate (%) (B/A)	Directors	Liang, Li-Sheng	1	0	1	100	Directors	Yang, Chi-Ting	1	0	1	100	Independent Director	Ku, Tai-Chao	1	0	1	100	Independent Director	Cheng, Chih-Kai	1	0	1	100	Independent Director	Wang, Jia-Qi	1	0	1	100	No significant difference.
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<p>III. Composition and responsibilities of the Board of Directors</p> <p>1. Has the Board developed, and does it implement, a diversity policy for the composition of its members?</p> <p>2. In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>3. Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</p> <p>4. Does the Company regularly evaluate the independence of the CPAs?</p>	✓		<p>The evaluation results were divided into five levels by KMPG on the evaluation report.</p> <table border="1"> <thead> <tr> <th>Significant improvement required</th> <th>Improvement required</th> <th>Fair</th> <th>Good</th> <th>Excellent</th> <th>N/A</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>Not included in scoring</td> </tr> </tbody> </table> <p>Comprehensive evaluation results: The Company's performance evaluations of the Board of Directors, individual Directors, and the Audit Committee, and Remuneration Committee are all between good and excellent. Level content description:</p> <table border="1"> <tbody> <tr> <td>Excellent</td> <td>In line with best practices at an international standard of corporate governance.</td> </tr> <tr> <td>Good</td> <td>In line with best practices at a domestic standard of corporate governance.</td> </tr> <tr> <td>Fair</td> <td>In line with domestic laws or general standards.</td> </tr> <tr> <td>Improvement required</td> <td>Failure to comply with laws and regulations or general standards, but not at a significance level.</td> </tr> <tr> <td>Significant improvement required</td> <td>With severe deficiencies</td> </tr> </tbody> </table> <p>The measurement items of the performance evaluation of the Company's Board of Directors include a total of 89 measurement topics in the following nine dimensions. The content of each dimension is as follows:</p> <ol style="list-style-type: none"> <li>Establishment of a competent Board.</li> <li>Effective operation of the Board of Directors.</li> <li>Professional development and continuing education.</li> <li>Foresight in corporate management.</li> <li>Execution of assigned duties.</li> <li>Administration of the management.</li> <li>Creation of corporate culture.</li> <li>Communication with stakeholders.</li> <li>Performance evaluation.</li> </ol> <p>The measurement items of the performance evaluation of individual Directors include a total of 27 measurement topics in the following six dimensions. The content of each dimension is as follows:</p> <ol style="list-style-type: none"> <li>Alignment of the Company's goals and tasks.</li> <li>Awareness of Director's duties.</li> <li>Professional development and continuing education.</li> <li>Execution of assigned duties.</li> <li>Participation in the Company's operations.</li> <li>Management of internal relationships and communication.</li> </ol> <p>The measurement items of the performance evaluation of the Audit Committee include a total of 85 measurement topics in the following six dimensions. The content of each dimension is as follows:</p> <ol style="list-style-type: none"> <li>Establishment of a competent Audit Committee.</li> <li>Effective operation of the Audit Committee.</li> <li>Execution of assigned duties.</li> <li>Establishment of complaint channels.</li> <li>Relationship with the Board of Directors.</li> <li>Performance evaluation.</li> </ol> <p>The measurement items of the performance evaluation of the Remuneration Committee include a total of 52 measurement topics in the five dimensions. The content of each dimension is as follows</p>			Significant improvement required	Improvement required	Fair	Good	Excellent	N/A	1	2	3	4	5	Not included in scoring	Excellent	In line with best practices at an international standard of corporate governance.	Good	In line with best practices at a domestic standard of corporate governance.	Fair	In line with domestic laws or general standards.	Improvement required	Failure to comply with laws and regulations or general standards, but not at a significance level.	Significant improvement required	With severe deficiencies					No significant difference.
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Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>1. Has the Board developed, and does it implement, a diversity policy for the composition of its members?</p> <p>2. In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>3. Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</p> <p>4. Does the Company regularly evaluate the independence of the CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>The individual Directors' performance evaluation items cover the following six dimensions:</p> <p>(1) Alignment of the Company's goals and tasks;</p> <p>(2) Awareness of Directors' duties;</p> <p>(3) Participation in the Company's operations;</p> <p>(4) Management of internal relationship and communication;</p> <p>(5) The Director's professionalism and continuing education;</p> <p>(6) Internal control.</p> <p>The Audit Committee's performance evaluation items cover the following five dimensions:</p> <p>(1) Participation in the Company's operations;</p> <p>(2) Improvement of the decision-making quality of the Audit Committee.</p> <p>(3) The composition and structure of the Audit Committee.</p> <p>(4) Selection and continuing education of members of the Audit Committee.</p> <p>(5) Internal control.</p> <p>The Remuneration Committee's performance evaluation items cover the following five dimensions:</p> <p>(1) Participation in the Company's operations;</p> <p>(2) Improvement of the decision-making quality of the Remuneration Committee.</p> <p>(3) The composition and structure of the Remuneration Committee.</p> <p>(4) Selection and continuing education of members of the Remuneration Committee.</p> <p>(5) Internal control.</p> <p>The 2020 comprehensive internal evaluation results: It was completed by December 2020, and the evaluation results were presented at the meeting of the Board of Directors held on January 22, 2021. The performance evaluation results of the Board of Directors which achieve the goal, during the evaluation period were between five points (extremely excellent) and four points (excellent). The average score of the overall evaluation was 4.98 points.</p> <p>The performance evaluation results of the individual Directors, during the evaluation period were between five points (extremely excellent) and four points (excellent). The average score of the overall evaluation was 4.96 points, which was still at the excellent level; Items with high scores: 1. The Board of Directors is operating normally. 2. The management is very dedicated, and the interaction on the board is excellent.</p> <p>The performance evaluation results of Audit Committee which achieve the goal. The average score of the overall evaluation was 5 points(extremely excellent). Items with high scores: Audit Committee is operating normally.</p> <p>The performance evaluation results of Remuneration Committee, which achieve the goal. The average score of the overall evaluation was 5 points(extremely excellent). The job is well done for: Remuneration Committee, is operating normally. Items with high scores: The system is very complete and sound.</p> <p>The Company has nominated and elected a female Independent Director in a by-election at the 2019 general shareholders' meeting, that is to increase of the number of female directors to achieve the goal of diversification and to increase the number of independent directors to strengthen the effectiveness of corporate governance.</p> <p>4. The Company's Audit Committee assesses the independence and performance of CPAs contracted at least once a year in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Audit Committee Charter. The assessment content is as follows:</p> <p>(1) The CPAs' personal resume and whether the CPAs are involved in any lawsuit or disciplinary actions or penalties imposed by competent authorities are examined.</p> <p>(2) The CPAs who have not served as a director or supervisor or manager in a company or are not involved in a circumstance, which leads to a significant impact on the job and conflicts of interest.</p>	<p>No significant difference.</p>

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>1. Has the Board developed, and does it implement, a diversity policy for the composition of its members?</p> <p>2. In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>3. Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</p> <p>4. Does the Company regularly evaluate the independence of the CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(3) The CPAs who are not entrusted as auditors for seven consecutive years.</p> <p>(4) A declaration of independence issued by the CPAs obtained each year.</p> <p>(5) Service quality and timeliness of audit and taxation services.</p> <p>(6) Whether the CPAs meet the requirement for continuing education every year.</p> <p>(7) Scale and reputation of the accounting firm commissioned.</p> <p>(8) The amount of non-audit fees paid to the CPAs and the affiliates of the accounting firm to which they belong does not exceed that of audit fees paid.</p> <p>(9) Whether the Company's Chairman, General Manager, and managers in charge of financial or accounting affairs have not worked at the accounting firm to which the current CPAs belong or affiliates of the accounting firm within the most recent year.</p> <p>The most recent assessment was completed by the Audit Committee on November 6, 2020. After review, the CPAs contracted are in line with the requirements above, and approved by the Board of Directors.</p>	<p>No significant difference.</p>
<p>IV. Has the Company (list on a stock or OTC market) engaged an appropriate number of qualified corporate governance personnel, and designated the corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders' meeting according to laws, and taking the minutes of board and shareholders' meetings)?</p>	<p>✓</p>		<p>The Company's CSR Office is the unit dedicated to corporate governance, and dedicated personnel are responsible for implementing and promoting corporate governance-related matters. The Company's Board of Directors passed a resolution on May 14, 2019 that Chun-Hsien Lin, Assistant Vice General Manager (former special assistant to the Chairman), would serve as the Company's corporate governance officer on a full-time basis, the highest executive position in charge of matters related to corporate governance, to protect shareholders' rights and strengthen the functions of the Board of Directors; he shall report to the Chairman directly. Subsequently, on August 6, 2020, due to job adjustment, the Board of Directors resolved to appoint Assistant Vice General Manager Su, Yu-Chen, as the Company's corporate governance officer. Su, Yu-Chen been a supervisor in charge of finance in public companies for more than three years, and he is qualified as required by laws. The powers and duties of the corporate governance officer are as follows:</p> <ol style="list-style-type: none"> <li>Report on the progress of corporate governance and the improvement plans to the Board of Directors regularly (at least once a year)</li> <li>Proceed with the affairs related to meetings of Board of Directors and shareholders' meetings in compliance with the laws</li> <li>Produce meeting minutes for the meetings of the Board of Directors and shareholders' meetings</li> <li>Assist in directors' and supervisors' compliance of laws</li> <li>Assist directors in taking office and continuing education</li> <li>Provide directors with information required for performing duties</li> <li>Other matters stipulated in the Company's Articles of Association or contracts, such as the evaluation of corporate governance of the TWSE, the trend of better corporate governance practices, and the amendments to the domestic corporate governance laws and regulations.</li> </ol> <p>Implementation status in 2020 is as follows:</p> <ol style="list-style-type: none"> <li>Arranged and planned the timetable for the annual Board meetings and each functional committee, to ensure compliance with relevant laws and regulations.</li> <li>Arranged regular communication meetings between the independent directors, CPAs, and the head of internal audit.</li> <li>Assisted in arranging suitable continuing education classes for directors, to ensure that all directors have completed the number of annual training hours.</li> <li>Registered the date of the shareholders' meeting for 2020 in accordance with the laws and prepared the relevant materials for the meeting and the annual report in both Chinese and English.</li> <li>Assisted in confirming the relevant qualifications of independent director candidates.</li> <li>Reported to the Board of Directors on the results of corporate governance implementation in the previous year, the current year's status, and the 2021 governance plan on May 7, 2020.</li> </ol>	<p>No significant difference.</p>



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IV. Has the Company (list on a stock or OTC market) engaged an appropriate number of qualified corporate governance personnel, and designated the corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders' meeting according to laws, and taking the minutes of board and shareholders' meetings)?	✓		<p>7. Arranged and planed the external evaluation of the performance evaluation of the Board of Directors, individual Directors, and functional committees for the year of 2020, and it is expected report to the Board of Directors on said matters in January 2021.</p> <p>8. Compiled the contents of the recent amendments to laws and regulations and confirmed that the relevant units were aware of such amendments and had appropriate response measures.</p> <p>The situation of continuing education of the corporate governance officer: After appointed as the corporate governance officer by the Board of Directors, the officer shall complete 18 hours of continuing education classes within one year after the appointment date on August 6, 2020 in accordance with the laws. As of the end of Mach 24,2020, Su, Yu-Chen, corporate governance officer of the Company, had completed 18 hours of continuing education classes. The contents of the classes are as follows:</p> <table border="1"> <thead> <tr> <th>Training date</th> <th>Organizer</th> <th>Class title</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>September 16, 2020</td> <td>Securities and Futures Institute</td> <td>Relevant Norms and Operational Practices of the Audit Committee</td> <td>3</td> </tr> <tr> <td>September 30, 2020</td> <td>Securities and Futures Institute</td> <td>Prevention of Insider Trading and Promotion of Insider Equity Trading</td> <td>3</td> </tr> <tr> <td>October 8, 2020</td> <td>Corporate Operation Association</td> <td>Corporate Governance 3.0-Enhancement Corporate Governance Functions</td> <td>3</td> </tr> <tr> <td>October 16, 2020</td> <td>Taiwan Corporate Governance Association</td> <td>Business Group Tax Management Trends in The Post-pandemic Era</td> <td>3</td> </tr> <tr> <td>November 25, 2020</td> <td>Securities and Futures Institute</td> <td>Futures Derivatives Hedging Trading and Operation Practices for Public Companies to Enhance Sustainable Development</td> <td>3</td> </tr> <tr> <td>March 24, 2021</td> <td>Taiwan Academy of Financial</td> <td>Global Economic Situation in the Post-COVID-19 Era</td> <td>3</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td>18</td> </tr> </tbody> </table>	Training date	Organizer	Class title	Hours	September 16, 2020	Securities and Futures Institute	Relevant Norms and Operational Practices of the Audit Committee	3	September 30, 2020	Securities and Futures Institute	Prevention of Insider Trading and Promotion of Insider Equity Trading	3	October 8, 2020	Corporate Operation Association	Corporate Governance 3.0-Enhancement Corporate Governance Functions	3	October 16, 2020	Taiwan Corporate Governance Association	Business Group Tax Management Trends in The Post-pandemic Era	3	November 25, 2020	Securities and Futures Institute	Futures Derivatives Hedging Trading and Operation Practices for Public Companies to Enhance Sustainable Development	3	March 24, 2021	Taiwan Academy of Financial	Global Economic Situation in the Post-COVID-19 Era	3	Total			18	No significant difference.
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V. Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established on the company's website? Are major Corporate Social Responsibility (CSR) topics about which the stakeholders are concerned addressed appropriately by the company?	✓		<p>Through various tools and channels, the Company has managed to accept valuable feedback from all stakeholders; six categories of stakeholders have been identified based on the principles of AA1000 SES 2015, namely from employees, non-profit organizations, shareholders, customers, suppliers, and the government, to communicate key corporate responsibility issues and potential business opportunities.</p> <p>The CSR Office sends out a questionnaire survey on the issues of concern to all stakeholders every two years as a reference for identifying and prioritizing material issues, and in the year when the questionnaire is sent, the CSR Office will report on the effectiveness of the implementation to the Board of Directors while explaining the communication situation with stakeholders.</p> <p>The main concerns and communication channels for the six categories of stakeholders are as follows:</p> <table border="1"> <thead> <tr> <th>Stakeholders</th> <th>Issues of concern</th> <th>Communication channels, point of contact, and frequency</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td> <ul style="list-style-type: none"> <li>Labor-management relations</li> <li>Employment and labor relations</li> <li>Training and education</li> <li>Occupational safety and health</li> <li>Employee diversity and equal opportunities</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Labor-management meeting-quarterly</li> <li>Employee performance interview-three times a year</li> <li>Employee Welfare Committee meeting-quarterly</li> <li>Employee opinion survey-from time to time</li> <li>Internal awareness-raising channels (e-mail, electronic billboards, posters, and bulletin boards)-real time</li> </ul> <p>Point of contact: Hsu, Chia Chih, Vice General Manager (Tel.: 02-2798-9008 ext.1003)</p> </td> </tr> </tbody> </table>	Stakeholders	Issues of concern	Communication channels, point of contact, and frequency	Employee	<ul style="list-style-type: none"> <li>Labor-management relations</li> <li>Employment and labor relations</li> <li>Training and education</li> <li>Occupational safety and health</li> <li>Employee diversity and equal opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Labor-management meeting-quarterly</li> <li>Employee performance interview-three times a year</li> <li>Employee Welfare Committee meeting-quarterly</li> <li>Employee opinion survey-from time to time</li> <li>Internal awareness-raising channels (e-mail, electronic billboards, posters, and bulletin boards)-real time</li> </ul> <p>Point of contact: Hsu, Chia Chih, Vice General Manager (Tel.: 02-2798-9008 ext.1003)</p>	No significant difference.																										
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VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company commissioned the SinoPac Securities Stock Affairs Agency to handle relevant matters.	No significant difference.																		
VII. Information disclosure			<ol style="list-style-type: none"> <li>1. Has the company established a website to disclose information on financial operations and corporate governance? ✓</li> <li>2. Does the company have other information disclosure channels (e.g., setting up an English website, appointing designated people to collect and disclose information, creating a spokesperson system, and webcasting investor conferences)? ✓</li> <li>3. Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month in advance of the specified deadline? ✓</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company has set up a website with a section dedicated to "investment" and "Corporate Social Responsibility" which contains complete information on financial business activities and corporate governance.</li> <li>2. The Company has set up an official website in both Chinese and English languages and has appointed dedicated personnel to disclose material information on MOPS in both Chinese and in English simultaneously, including information on the financial business activities and corporate governance. The Company has also engaged spokespersons and acting spokespersons, who are responsible for communication with the outside on corporate information and holding investor conferences.</li> <li>3. The Company announced the self-closing profit and loss information in advance within 45 days after the end of fiscal year 2020 and before the end of the following month after the end of each quarter, and published each quarterly financial report one to two days before the prescribed period. The annual financial report was announced in advance on February 26, 2021. The operating situation in each month is announced on average five days earlier than the prescribed period.</li> </ol>	No significant difference.																	



Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
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VIII Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of client policies, and participation in liability insurance by directors and supervisors)?	✓		<ol style="list-style-type: none"> <li>The Company protects employees' basic rights and interests in accordance with the Labor Standards Act and has established the Employee Welfare Committee in accordance with the Enforcement Rules of the Employee Welfare Fund Act. The current benefit system covers regular health checkups, bonuses (coupons) for birthday and three major holidays, marriage and funeral subsidies, scholarships, domestic and overseas travel subsidies, emergency relief loans, year-end party and luck draw, and club activities.</li> <li>The Company attaches great importance to the harmony of labor-management relations. In order to protect employees' rights and benefits, employees can engage in two-way communication through departmental meetings, employee seminars, labor-management meetings, an employee suggestion box, and other channels to communicate the Company's various systems and work environment issues and to inspect and maintain the safety and health in the work environment regularly so as to ensure employees' safety and health while at work.</li> <li>The Company has established smooth and effective communication channels and designated specific points of contact for employees, non-profit organizations, shareholders, clients, business partners, and the government, to protect their rights and interests.</li> <li>The Company has established client service management procedures, client satisfaction surveys, and client complaints procedures, including identifying client complaints and determining the applicable responsibility for the complaints, while evaluating client satisfaction periodically, to ensure that the best service is provided to clients.</li> <li>The Company has established various internal regulations and internal control systems in accordance with the laws, and conducts various risk management and evaluations, while the internal audit unit engages in both periodical and occasional review of the implementation of internal control systems.</li> <li>For Directors' status of continuing education, please refer to "Directors' Continuing Education in 2020" in this annual report (page 33).</li> <li>The Company has purchased liability insurance for Directors and Supervisors. The current policy is valid until December 31, 2021, and the amount insured is US\$20 million.</li> <li>The Company's Chairman and management succession plan has been approved by the Board of Directors in November 2018. The Human Resources Department is the dedicated unit responsible for the planning and execution of the plan, and shall report to the Board of Directors at least once a year. The most recent report on the implementation status to the Board of Directors was on November 6, 2020. In the Company's Chairman and management succession plan, the successors must have excellent work and strategic thinking abilities, whose values must be consistent with the those of the Company, including decency, honesty, humbleness, pragmatism, respect, promise keeping, and sharing. In 2020, the positions for successors in the first stage had been selected according to the needs in the organizational development, and candidates will be selected in three to five years. The succession training model will be based on "work rotation" and "project assignment" within the Group, to strengthen their strategic thinking and strategy formulation capabilities.</li> </ol>	No significant difference.

IX Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out. (not required if not an assessed company)

The Company's corporate governance evaluation results in 2016 and 2017 were ranked among the top 5%, among 6-20% in 2018, and 11-20% of listed electronic companies with a market value of more than NT\$10 billion or more. In 2019, it ranked among top 5%.

The Company's corporate governance evaluation results in 2020 was not published as of the publication date (11.04.19) of the annual report. In 2020, the Company strove to improve the deficiencies identified in the corporate governance evaluation, and the main implementation results are as follows:

- Diversified the composition and strengthened the structure and independence of the Board of Directors. At the 2019 general shareholders' meeting, a female Independent Director was elected in a by-election, and the number of independent directors was increased to four.
- Strengthened the disclosure of the operation of each functional committee (the Audit Committee, Remuneration Committee, and Nomination committee).
- The Board of Directors designated a full-time corporate governance officer in charge of matters related to corporate governance, and its operation and execution were fully disclosed.
- Implemented and disclosed in detail the performance evaluation of the Board of Directors as planned, and the evaluation results were reasonably linked to the remuneration paid to Directors.
- Voluntarily prepared the CSR report in both Chinese and English versions, and obtained third-party verification for three consecutive years.

Directors' Continuing Education in 2020:

Title	Name	Training date	Organizer	Class title	Hours of classes	Total hours of classes in 2020
Directors	Liang, Li-Sheng	September 2, 2020	Taiwan Investor Relations Institute	Legal Obligations and Responsibilities in the Capital Market	3	6
		September 18, 2020	Accounting Research and Development Foundation	Analysis of Common Corporate Governance Deficiencies	3	
Directors	Yang, Chi-Ting	August 11, 2020	Taiwan Corporate Governance Association	Compliance with Personal Data Protection, Business Secrets Protection, and Bribery Prohibition Laws	3	6
		August 13, 2020	Taiwan Corporate Governance Association	Development Trends and Standard Practices of Corporate Governance and Corporate Social Responsibility	3	
Directors	Pan, Yung-Tai	September 25, 2020	Accounting Research and Development Foundation	Analysis of Common Corporate Governance Deficiencies	3	6
		November 19, 2020	Taiwan Investor Relations Institute	Directors and Supervisors Performance Evaluation Practices	3	
Directors	Pan, Yung-Chung	October 27, 2020	Taiwan Investor Relations Institute	Green Swan: The Most Important ESG Investment	3	6
		November 6, 2020	Taiwan Investor Relations Institute	Key to Corporate Sustainability: Enterprise and Family Specialization	3	
Independent Director	Ku, Tai-Chao	July 16, 2020	Securities and Futures Institute	Principles and Applications of Artificial Intelligence	3	6
		August 11, 2020	Taiwan Corporate Governance Association	Response Strategies for Corporate Changes	3	
Independent Director	Cheng, Chih-Kai	October 27, 2020	Taiwan Corporate Governance Association	ESG Development Trends and CSR Investments	3	6
		November 5, 2020	Independent Director Association Taiwan	Insider Trading and Unconventional Trading in Domestic Securities Market Regulations and Case Study	3	
Independent Director	Wu, Chun-Pang	February 21, 2020	Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management	3	6
		March 27, 2020	Taiwan Corporate Governance Association	Industry 4.0 and How Companies Lead on Innovation Transformation	3	
Independent Director	Wang, Jia-Qi	February 14, 2020	Taiwan Corporate Governance Association	Key Technologies and Market Applications of 5G and IoT	3	9
		February 19, 2020	Securities and Futures Institute	A Look at the Operation Performance of Enterprises from the Perspective of Manpower and Competence	3	
		March 5, 2020	Securities and Futures Institute	The Principle and Application of Blockchain	3	

(4) The composition, duties, and implementation status of the Company's Remuneration Committee, if applicable:

In order to improve corporate governance and strengthen the functions of the Board of Directors, PRIMAX established the Remuneration Committee in 2011, with the aim of assisting the Board of Directors in assessing and approving the remuneration policies and systems for the Chairman and managerial officers. In accordance with the Company's Remuneration Committee Charter, the Remuneration Committee is composed of three members, who are appointed by the Board of Directors. The Remuneration Committee shall meet at least twice a year, and there have been five meetings in 2020 and two in 2021 as of the publication date of the annual report held; thus, the Remuneration Committee held a total of seven meetings.

1. Information on the members of the Remuneration Committee

Identity	Name	Qualification	Meet one of the following professional qualifications, with at least five years of work experience			Independence criteria (Note)										Number of other public companies where the individual concurrently serves as a remuneration committee member	Remarks		
			Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of a company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10				
Independent Director	Ku, Tai-Chao		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Cheng, Chih-Kai		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Others	Yao, Heng-Shan		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-



Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please place the [✓] sign in the field next to the corresponding condition(s).

- (1) Is not an employee of the Company or its affiliates.
- (2) Is not a director or supervisor of the Company or its affiliates (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- (3) Does not directly or indirectly own more than 1% of the Company's outstanding shares, nor is one of the top ten non-institutional shareholders of the Company.
- (4) Is not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship of managers specified in the column (1) or any person specified in the column (2) and (3).
- (5) Is not a director, supervisor or employee of a legal entity which directly owns more than 5% of the Company's issued shares or are the top five owners of the Company's issued shares, nor a director, supervisor or employee of a legal entity which designates a representative to serve as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company).
- (6) Is not a director, supervisor or employee of other company, and more than half of directors or voting shares of other company are controlled by the same person (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- (7) Is not a director, supervisor or employee of other company, and Chairman, President or Manager with equivalent position of other company are the same person or spouse (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- (8) Is not a director, supervisor, or manager of a company which has a business relationship with the Company, nor a shareholder who owns more than 5% of such a company (the same does not apply, however, in cases where a company owns more than 20% but less than 50% of the Company's issued shares and the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
- (9) Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Company and its affiliates with auditing or services of finance, business consultation and legal affairs for which the accumulated remuneration in the past two years does not exceed NTD 500,000, provided that this restriction does not apply to any member of the compensation committee, public tender offer review committee, or special committee on mergers and acquisitions who exercises powers pursuant to related regulation such as the "Securities and Exchange Act" or the "Business Mergers And Acquisitions Act."
- (10) Is not under any condition pursuant to Article 30 of the Company Act.

## 2. Information on Operation of the Remuneration Committee

- (1) The Company's Remuneration Committee is comprised of three members.
- (2) Tenure of members: From June 12, 2018 to May 29, 2021. (Five) such meetings were held in 2020 and another (two) as of the publication date of this annual report in 2021. Thus, the Remuneration Committee held seven meetings in total (A).The qualifications and attendance of the members are set out as follows:

Title	Name	Number of attendance in person (B)	By proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Cheng, Chih-Kai	7	0	100%	-
Member	Ku, Tai-Chao	7	0	100%	-
Member	Yao, Heng-Shan	7	0	100%	-

### Other matters

1. If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (e.g., if the salary and remuneration approved by the Board of Directors are better than those proposed by the Remuneration Committee, please specify the differences and the reason): None.
2. For the resolutions of the Remuneration Committee, if any member expresses objections or reservations, which are recorded on the record or in a written statement, the date, meeting session, content of the proposal, the opinions of all members, and the handling of the members' opinions shall be stated:
  - (1) The 5th meeting of the fourth Remuneration Committee was held on January 16, 2020, and a total of two proposals and a report, namely "2019 bonus distribution to the Company's senior managerial officers," "2019 bonus to the Chairman," and "2019 Remuneration Committee year-end report," were put forward; the two proposals were resolved to be approved by all Remuneration Committee members.
  - (2) The 6th meeting of the fourth Remuneration Committee was held on March 10, 2020, and a total of five proposals, namely "2020 bonus plan for senior executives and important leaders," "Chairman's 2020 performance standards and bonus plan," "planned issuance of restricted employee shares," "2020 measures for issuance of restricted employee shares," and "amendments to some provisions of the Remuneration Committee Charter," were all resolved to be approved by all Remuneration Committee members.
  - (3) The 7th meeting of the fourth Remuneration Committee was held on April 8, 2020, and a total of three proposals, namely "amendments to planned issuance of restricted employee shares," "amendments to 2020 measures for issuance of restricted employee shares," and "2019 Director's remuneration and employee compensation distribution," were resolved to be approved by all Remuneration Committee members.
  - (4) The 8th meeting of the fourth Remuneration Committee was held on July 30, 2020, the proposal for the "first distribution of restricted employee shares," was resolved to be approved by all Remuneration Committee members.

- (5) The 9th meeting of the fourth Remuneration Committee was held on November 6, 2020, a total of three proposals, namely "2020 senior managerial officer salary adjustment," "amendments to senior executive company car assignment regulations," and "health and welfare measures for senior executives" that were newly formulated, were resolved to be approved by all Remuneration Committee members.
- (6) The 10th meeting of the fourth Remuneration Committee was held on January 22, 2021, a total of six proposals and one report, namely "2020 bonus distribution to the Company's senior managerial officers," "2020 bonus to the Chairman," "2020 second distribution of restricted employee shares," "planned issuance of restricted employee shares," "2021 measures for issuance of restricted employee shares," "amendments to the managerial officers's salary and remuneration regulations," and "2020 annual Remuneration Committee year-end report" were resolved to be approved by all Remuneration Committee members.
- (7) The 11th meeting of the fourth Remuneration Committee was held on February 26, 2021, the proposal for the "2020 Director's remuneration and employee compensation distribution" was resolved to be approved by all Remuneration Committee members.

## (5) CSR implementation: The Company's CSR practices, such as environmental protection, social engagement, social contribution, community service, community welfare, consumer rights, human rights, safety and health, the system and methods used to plan and organize CSR activities and the status of implementation.

Evaluation item	Implementation status		Description	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof								
	Yes	No										
I. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established relevant risk management policies or strategies?	✓		<p>The Company follows the principle of materiality, and has introduced the enterprise risk management (ERM) in accordance with the ISO31000 enterprise risk management framework, in which CSR Office works as a consultant and the Chief Operating Officer's (COO's) Office is responsible for promoting, regularly analyzing and reviewing operational risks, proposing a risk response plan to the COO, and reporting to the Board of Directors. Assessment is conducted according to the procedure above, and relevant risk management and improvement directions are set as follows:</p> <table border="1"> <thead> <tr> <th>Material risk</th> <th>Management and improvement direction</th> </tr> </thead> <tbody> <tr> <td>The unbalanced labor market and unavailability of manpower in real-time may affect product development and production, and increase recruitment costs</td> <td>1. Automation introduction; enhanced planned production 2. Develop high value-added products</td> </tr> <tr> <td>Develop new customers to avoid the lack of momentum for sustainable business development in the future</td> <td>1. Continue to strengthen new customer development 2. Increase (strive for) new products for existing customers</td> </tr> <tr> <td>Supply chain management risks may result in factory downtime, inability to deliver orders, increased material costs, and reduced profitability</td> <td>1. Safe inventory plan 2. Important supply chain strategic alliance 3. Smooth supply of materials</td> </tr> </tbody> </table>	Material risk	Management and improvement direction	The unbalanced labor market and unavailability of manpower in real-time may affect product development and production, and increase recruitment costs	1. Automation introduction; enhanced planned production 2. Develop high value-added products	Develop new customers to avoid the lack of momentum for sustainable business development in the future	1. Continue to strengthen new customer development 2. Increase (strive for) new products for existing customers	Supply chain management risks may result in factory downtime, inability to deliver orders, increased material costs, and reduced profitability	1. Safe inventory plan 2. Important supply chain strategic alliance 3. Smooth supply of materials	No significant difference.
Material risk	Management and improvement direction											
The unbalanced labor market and unavailability of manpower in real-time may affect product development and production, and increase recruitment costs	1. Automation introduction; enhanced planned production 2. Develop high value-added products											
Develop new customers to avoid the lack of momentum for sustainable business development in the future	1. Continue to strengthen new customer development 2. Increase (strive for) new products for existing customers											
Supply chain management risks may result in factory downtime, inability to deliver orders, increased material costs, and reduced profitability	1. Safe inventory plan 2. Important supply chain strategic alliance 3. Smooth supply of materials											
II. Does the company establish a dedicated (or part-time) unit for promoting CSR? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		The Company's CSR Office is established by the Chairman upon the authorization of the Board of Directors, and full-time personnel are designated to be responsible for proposal, formulation, execution, and review of CSR policies, systems, and relevant management guidelines as well as specific implementation plans, and shall report to the Board of Directors on July 2, 2020 at least once a year. Under the CSR Office, task forces for corporate governance, green operation, and social care, have been established to promote and execute issues covering different aspects of CSR.	No significant difference.								
III. Environmental Issues												
1. Has the company established a suitable Environment Management System (EMS) in line with the nature of its industry?	✓		1. The Company has established a green procurement management system and an energy management system (ISO50001), and controls the process and materials to ensure that the products produced in line with the environmental protection requirements; meanwhile, there are dedicated units in place to maintain the environmental quality of the production plants in mainland China and to strengthen the implementation of energy-saving and carbon reduction measures.	No significant difference.								
2. Is the company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓		2. When providing products and services, the Company actively implements the concept of environmental protection in green design and green management. The raw materials used in the products meet international environmental standards and clients' requirements. The Company also tracks the water footprint and material flow regularly, and carries out relevant improvement plans to use resources more effectively.	No significant difference.								



Evaluation item	Implementation status		Description	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
3. Has the company assessed the potential risks and opportunities arising from climate change at present and in the future and taken relevant countermeasures?	✓		3. The Company attaches great importance to the climate change issue and regards climate change as one of the material risks of corporate operations. In 2021, the Company will introduce the Task Force on Climate-related Financial Disclosures (TCFD). In the process of identifying risks in operations every year, the Company will also identify the sources of climate change risks and evaluate and implement measures for mitigation or adjustment to respond to the risks.	No significant difference.
4. Has the company the calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	✓		4. The Company has formulated the Declaration for Greenhouse Gas Inventory and Voluntary Reduction and has been committed to the greenhouse gas inventory, in order to keep abreast of the gas emissions accurately, and will further carry out plans related to voluntary greenhouse gas reduction based on the results of the inventory. Meanwhile, it also conducts an inventory of water consumption and total weight of waste regularly. For detailed statistics, please refer to the 2020 Corporate Social Responsibility Report.( It is planned to be renamed Sustainability Report in 2021)	No significant difference.
IV. Social issues				
1. Has the company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		1. The "Guidelines for Recruitment" for the Company's personnel are in line with relevant labor laws and internationally recognized basic labor human rights and principles, such as the Responsible Labor Initiatives of Responsible Business Alliance (RBA); the Company reviews and revises its internal regulations related to personnel regularly. The Company also actively protects employees' rights and interests as required by laws, adheres to the principles of equality and non-discrimination in the employment policies, and creates an atmosphere of "friendly workplace" to realize the business philosophy of the "best employer."	No significant difference.
2. Has the company established and offered proper employee benefits (including remuneration, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?	✓		2. In addition to complying with local laws and regulations, the Company regularly reviews market standards, collects, and consults local remuneration survey reports, to plan and adjust its remuneration policies accordingly. In addition to general salary, performance bonuses are issued based on the Company's operating performance and individual performance, and no differences occur due to on gender, religion, race, and nationality. Furthermore, employee benefit measures are in line with or superior to local laws and regulations, and the items are as follows: (1) Retirement plan (2) Group insurance covering employees' family members (3) Happy and flexible holidays and Primax Holidays (4) Employees' relaxing places, such as coffee shops (5) Various subsidies and gifts (6) Employee physical and psychological care measures (including EAP) (7) Large gathering events (8) Group travel and recreational activities	No significant difference.
3. Has the company provided employees with a safe and healthy work environment as well as conducted regular classes on health and safety?	✓		3. PRIMAX's plants are based in China and Thailand, and offices and the R&D headquarters are based in Taiwan. In order to provide employees with a safe and healthy work environment, PRIMAX's relevant management measures are as follows: (1) Education and training: This includes first aid, mechanical safety, environment, safety, and health risk identification, occupational health, as well as emergency response. Meanwhile, health education lectures are offered to raise awareness of health promotion. (2) Risk control: Operational exercises, including fire reporting and chemical leakage. (3) Health checkups: In addition to regular health checkups, the factories in China provide specific checkups to people with higher risks, such as serum ALT levels, a hearing test, and an electrocardiogram. For employees involved in the X-ray operation, in particular, precise examination of skin, liver, kidneys, and lymphs is offered additionally. (4) Medical care: PRIMAX has medical rooms/centers set up in the factory areas and office areas with medical personnel stationed on a regular basis, and each department is also equipped with a first-aid box to provide employees with services, including emergency medical assistance, disease prevention, and medical consultation. (5) The Company has obtained occupational safety and health management system certification of ISO45001.	No significant difference.
4. Has the company established effective career and competence development and training plans?	✓		4. The learning and development in the Company is around the core framework of job functions and is closely integrated with the Company's future development strategies and goals. The training system is divided into three major categories: professional function training, leadership training, and general function training.	No significant difference.

Evaluation item	Implementation status		Description	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
5. Has the company complied with relevant laws, regulations and international guidelines for client health and safety, client privacy, and marketing and labeling of its products and services and established relevant client protection policies and grievance procedures?	✓		5. When the Company provides products and services, it incorporates the concept of environmental protection in green design and green management in order to comply with laws and clients' requirements while fulfill the responsibilities as a global citizen. In addition to complying with laws and regulations related to green products (such as RoHS, REACH, and ErP) and clients' requirements, the Company has cultivated employees' ability to cope within the organization and with suppliers and offered relevant training while an information management system (PLM) is integrated to put into practice a green product policy.	No significant difference.
6. Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights and supervised the compliance?	✓		6. Before the Company officially includes a supplier, it will assess the supplier's environment, safety, and health management, including whether environmental monitoring is implemented and whether local labor regulations and RBA regulations are complied with, through rigorous assessment procedures (including review, contract review, two-way communication, and complaint filing mechanisms and channels). Meanwhile, each supplier shall receive on-site assessment, mainly for the management of hazardous substances. The assessment includes the supplier's organizational structure of green product management, personnel education and training, production control, product design, incoming material inspection, and prevention of pollution arising from hazardous substances.	No significant difference.
V. Does the company, following internationally recognized guidelines, prepare and publish reports, such as its Corporate Social Responsibility Report, to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	✓		The Company's 2020 Corporate Social Responsibility Report (it is planned to be renamed the Sustainability Report in 2021). It will be compiled in accordance with the GRI Standards and will be verified by SGS in accordance with the AA1000 ASV3 Type 1 High Assurance level.	No significant difference.
VI.If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the Principles and their implementation: The Company has formulated the "Corporate Social Responsibility Best Practice Principles of PRIMAX," which has been implemented in corporate governance, employee care, community protection, and earth protection in compliance with the Principles without material discrepancy. For corporate governance, please refer to the chapter of "Corporate Governance Report" of this annual report. For details regarding employee care, community protection, and earth protection, please refer to the annual Corporate Social Responsibility Report. (it is planned to be renamed the Sustainability Report in 2021)				
VII.Other important information that facilitates understanding of the status of CSR operations.				
1. Employees are managed in accordance with the provisions of the Basic Labor Act and other relevant labor laws and regulations, with dedicated personnel to handle various work and matters to protect employees' rights and interests.				
2. The Company conducts safety and health work in accordance with the provisions of the Labor Safety and Health Act in relation to OSH organization and personnel; provides employee with safety and health education, training about disaster prevention, and health check-ups, necessary for them to perform their work.				
3. The Company regards the protection of consumer rights and product safety as its responsibility and actively solves product problems raised by clients.				
4. The Company regards employee health as an important responsibility and actively implements employees' physical and psychological health promotion measures, including vigorous development of a variety of clubs, subsidizing road running and mountaineering among other extreme sports, employee restaurant calorie marking, disease prevention, lectures on emotional stress relief, and providing dedicated line service of the Employee Assistance Program.				
5. The operation and implementation of the task forces for corporate governance, green operation, and social care under the CSR Office in 2020 are as follows: (1)Corporate governance: • Implemented the Board diversity policy and elected a female (independent) director in a by-election at the general shareholders' meeting. • Strengthened the composition and independence of the Board of Directors and elected a (female) independent director in a by-election at the general shareholders' meeting, which increased the number of independent directors on the Board of Directors to four. • Strengthened the disclosure of the operation of each functional committee (the Audit Committee, Remuneration Committee, and Nomination Committee). • Appointed a full-time corporate governance officer by the Board of Directors to be in charge of matters related to corporate governance and fully disclosed its operation and implementation. • Disclosed the link between directors' remuneration, the Company's operating performance, and Board performance evaluation. • The Company prepared the corporate social responsibility report voluntarily (it is planned to be renamed the Sustainability Report in 2021) in both Chinese and English versions, and it has has obtained third-party verification for four consecutive years. • Announced financial information, major information releases, relevant information of shareholders' meetings, and content of investor conferences in both Chinese and English versions.				



Evaluation item	Implementation status		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	

(2)Green operations:

- Greenhouse gas emissions and emission intensity: The total greenhouse gas emissions of the PRIMAX Group in 2020 were 76,592.350 tons of CO2e/year, which was 16.59% lower than the 91,823.394 tons of CO2e/year in 2019. The emission intensity of greenhouse gases in 2020 was 11.22kg of CO2e/NT\$10,000, which was 1.42% lower than the 11.39kg of CO2e/NT\$10,000 in 2019, mainly because of the significant effect of the Group's promotion of energy-saving activities. The greenhouse gas emissions above have been verified by SGS, a third-party verification agency.
- The total energy consumption of the PRIMAX Group in 2020 was 339,176,120,960 KJ, a decrease of 13.83% compared with 393,607,743,746 KJ in 2019; the intensity of energy consumption in 2020 was 49,702.7 KJ/NT\$10,000 in revenue, an increase of 1.84% compared with 48,807.8 KJ/NT\$10,000 in revenue in 2019, mainly because of the COVID-19 epidemic affects production, and decreased revenue.
- The Company has begun to inspect greenhouse gas emissions from employees' flight trips since 2017. In 2020, an inventory was conducted of raw material transportation, distribution transportation, business travel (ISO 14064-1: 2018 scope 3 for the above), raw material production, waste transportation and treatment (scope 4), product use stage, as well as lease/investment (scope 5) for specific products in accordance with ISO 14064-1: 2018. The greenhouse gas emissions generated above the Scope 3-6 in 2020 were 682.383.1231 tons of CO2e, which has been verified with a third-party verification statement.
- In 2019, the headquarters in Taipei/R&D center in Taipei, DongGuan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., Primax Electronics. (KunShan) Co., Ltd., Tymphany Acoustic Technology (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd., and Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. have all obtained the ISO 14046: 2014 certification.
- In 2021, the headquarters in Taipei/R&D center in Taipei, DongGuan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., Primax Electronics. (KunShan) Co., Ltd., Tymphany Acoustic Technology (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd., and Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. have all obtained the ISO 14064-1: 2018 certification.
- In November 2018, the Company won an excellence award for its low-carbon products from the Environmental Protection Administration as the first electronic company (electronic product) to receive this award.
- DongGuan Primax Electronic & Telecommunication Products Ltd., a subsidiary of the Company, was rated as a good environmental enterprise and obtained "blue label" for its environmental protection credit rating from 2012 to 2020.
- The subsidiary Primax Electronics (ChongQing) Co., Ltd. has been awarded the honorary title of "Environmental Integrity Enterprise" in Yongchuan District, Chongqing City, for three consecutive years, and is the only district-level enterprise that has been awarded said title.
- In 2020, there were six major expenditure categories of environmental protection expenses, including environmental protection equipment and engineering, management systems, human resources, inspection equipment, energy saving investment, and information management system expenses. The total environmental protection expenses for 2020 were NT\$60,304,008, a decrease of NT\$29,301,337 from 2019.
- As for supplier social responsibility management, the Company conducted a risk survey on social responsibility management for 101 major cooperating suppliers through online questionnaires in 2020, and identified 12 suppliers with potential risks. A third party was appointed to conduct an on-site evaluations and assist them in improving their deficiencies. In addition, in response to the pandemic prevention and control policy, suppliers' social responsibility training was switched from offline to online mode in 2020, and the Company engaged in communication with and reiterated the importance of the implementation of corporate social responsibility management and specific implementation requirements to 139 cooperating suppliers.

(3)Social care task force:

- For the donation plan signed in 2017 and continued in 2020, a donation of NT\$2 million was made to the House of Dream, Junyi Academy, and the Cheng-Chi Education Foundation, respectively, to flip education through digital literacy, character, and leadership development.
- The Company has a long term partnership with Hondao Senior Citizen's Welfare Foundation. It organized the elderly's drama performances, year-end shopping, and a one-day tour at the Nangang site for them in 2020. (a total 280 of people participated)
- The Company worked with the House of Dream to organize youth career exploration e-sports camp activities. (a total 64 of people participated)
- The Company has purchased pineapples from the BuLa Ku Social Enterprise in Taoyuan Village, Taitung, for three consecutive years, as gifts for all employees. (a total 400 of people participated and NT\$30,100 were spent).

(4)The CSR Office gave a presentation to the Board of Directors on July, 2020 of the implementation of corporate social responsibility and various implementation plans.

(6) Discrepancies between the implementation of ethical corporate management and the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies, and reasons:

Evaluation Item	Implementation status		Discrepancies between the implementation and the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
I. Establishment of ethical corporate management policies and programs			
1. Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	✓		1. The Company has formulated the ethical corporate management policy approved by the Board of Directors, and published its ethical corporate management policy and approaches in internal regulations and on the Company's website to the public. In addition, the Board of Directors and the senior management have actively implemented the commitments set out in the operating policies and signed a statement on ethical corporate management.
2. Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		2. The Company has incorporated ethical management operations in its internal control procedures, and the operation auditing unit will conduct regular risk assessments and report the audit results to the Board of Directors.
3. Has the company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	✓		3. In order to prevent unethical conduct, the Company clearly stipulates the operating procedures, behavior guidelines, disciplinary actions for violations, and complaint reporting methods in the internal Code of Conduct, and the Human Resources Department reviews the internal regulations regularly.
II. Fulfillment of ethical corporate management			
1. Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		1. In the Company's "Procedures for Ethical Management and Guidelines for Conduct," it has clearly defined the ethical corporate management evaluation procedure before a business relationship is established, regulated the avoidance of transactions with unethical business entities, and required inclusion of ethical corporate management in the contract terms at the time of signing contracts with others.
2. Has the company set up a dedicated unit under the Board of Directors to implement ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct as well as the supervision of the execution process?	✓		2. The Company designated the Human Resources Department as the dedicated unit to implement the Company's integrity management and to report the annual implementation status to the Board of Directors at least once a year. If any unethical conduct occurs, the dedicated unit will report the handling method and subsequent review and improvement measures to the Board of Directors.
3. Has the company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		3. (1) The Company's "Rules of Procedure for Board of Directors Meetings" and "Procedures for Ethical Management and Guidelines for Conduct" have provisions for avoiding directors' conflicts of interest included, that is if the proposals by the Board of Directors are of interest to the directors themselves or the corporates they are representing, and are jeopardizing the Company's interests, those directors can make statements and provide answers but cannot participate in discussion and voting. They shall also avoid discussion and voting and cannot represent other directors to exercise their voting rights. (2) When employees in the Company are performing business, if they encounter conflicts of interest, they shall report to their direct supervisors and the dedicated unit.
4. Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓		4. The Company has established an accounting system and internal control system in accordance with relevant laws and regulations. The Audit Office also inspects the compliance with the accounting system and internal control system and reports to the Board of Directors on a regular basis.



Evaluation item	Implementation status		Discrepancies between the implementation and the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
5. Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		5. The Company's implementation of ethical corporate management in 2020 is as follows: (1) Held communication meetings to raise employees' and suppliers' awareness of the Company's honest and ethical conduct and whistle-blowing system. (2) Used electronic billboards to play promotion videos on integrity, along with fun games, to convey the value of integrity in an easy-to-understand but deep manner. (3) Established an independent whistle-blowing mailbox on the Company's website and intranet to enhance the effectiveness of the whistle-blowing system. (4) Arranged a one-hour session of introduction and explanation of integrity and ethics in the orientation for new employees. (5) In 2020, there were a total of 4,575 new employees, with 4,575 training hours in total and a training rate of 100%. (6) When Tymphony recruits new employees, it will offer one-hour RBA (including safety) basic education and training. A total of 4,356 employees received education and training in 2020 with a total of 4,356 training hours. (7) The implementation of ethical corporate management for 2020 was reported to the Board of Directors on January 22, 2021.
III. Status of enforcing whistle-blowing systems in the Company 1. Has the company established both reward and whistle-blowing systems and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party? 2. Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms? 3. Does the company provide protection to whistleblowers against receiving improper treatment?	✓ ✓ ✓		1. The Company has specified the norms of rewards and punishments, grievance system, and disciplinary actions in the "Procedures for Ethical Management and Guidelines for Conduct," and has incorporated the ethical corporate management into in the Code of Conduct and human resources policies. 2. The Company has set up an anonymous whistle-blowing system and established a dedicated unit in charge of handling business secrets as well as formulating and implementing procedures for the management, retention, and confidentiality of the secrets; meanwhile, it shall review the implementation results regularly to ensure the continued effectiveness of the operating procedures. 3. The Company has updated the relevant regulations in the "Procedures for Ethical Management and Guidelines for Conduct" to ensure that whistle-blowers will not be treated improperly because of whistle-blowing.
IV. Enhanced disclosure of corporate social responsibility information 1. Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		1. Please visit MOPS ( <a href="https://mops.twse.com.tw/">https://mops.twse.com.tw/</a> ) or the Company's website ( <a href="https://www.primax.com.tw/">https://www.primax.com.tw/</a> ) for the content of the Company's ethical corporate management best practice principles. For relevant information regarding implementation, please refer to the annual CSR report. (It is planned to be renamed Sustainability Report in 2021)
V. If the company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies", please describe any discrepancies between the prescribed best practices and the actual activities taken by the company: No material discrepancy. The Human Resources Department is the dedicated unit responsible for the implementation in this regard. It formulates relevant regulations, including the Ethical Corporate Management Best Practice Principles and the Code of Conduct, to clearly prohibit acceptance of any improper benefits. It also advocates the importance of integrity and the value of ethics through internal training and promotion activities while establishing a whistleblowing system, to ensure the effectiveness of implementation.			In compliance with the ethical corporate management principles without material differences.
VI. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review of and amendment to the company's Ethical Corporate Management Best Practice Principles): 1. The Company's suppliers and subcontractors are required to sign the "Supplier Declaration." 2. In the Company's "Procedures for Ethical Management and Guidelines for Conduct," it clearly stipulates that employees shall explain the Company's ethical management policies and relevant regulations to the trading partners during business transactions. They must also explicitly refuse any direct or indirect offers, promises, or requests of improper benefits in any form or on anyone's behalf. These include rebates, commissions or facilitation payments, or any other improper benefits provided or received through other means. 3. During the training of new recruits, the importance of promoting integrity and ethics is stressed and promoted.			In compliance with the ethical corporate management principles without material differences.

**(7) Please disclose access to the Company's corporate governance principles and relevant rules and regulations:**

Please visit MOPS (<https://mops.twse.com.tw/>) or the Company's website (<https://www.primax.com.tw/>) for the Company's corporate governance best practice principles and relevant rules and regulations.

**(8) Other important information that can promote the understanding of the company's corporate governance status shall be disclosed: None**

**(9) The implementation of the internal control system shall disclose the following items.**

1. Statement on Internal Control

PRIMAX Electronics Ltd.  
Statement on Internal Control System

Date: February 26, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- The internal control system has innate limitations. No matter how robust and effective the internal control system is, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the Company's internal control system has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, please refer to the Regulations.
- The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over the operational effectiveness and efficiency, reliability, timeliness, and transparency of reporting, as well as compliance with applicable laws and regulations.
- This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the contents above will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- This statement had been approved by the Board of Directors on February 26, 2021. All eight attending Directors agree with the contents of this Statement in unanimity, and hereby this statement is made.

PRIMAX Electronics Ltd.



Chairman and General Manager: Signature



- If a CPA has been hired to carry out a special audit of the internal control system, please furnish the CPA audit report: None.



(10) Any legal penalty enacted upon this Company, any penalty imposed to its personnel by the Company for violation of internal control rules, major fallacies and status of improvements in the most recent year up to the publication date of this report: **None**.

(11) For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, major resolutions of the shareholders' meeting and Board meetings.

#### 1. Major resolutions at the shareholders' meeting and the implementation

Date	Important Proposal
2020.06.23	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's 2019 Business Report and Financial Statements. Implementation status: Resolved as proposed.</li> <li>Passed the proposal for the Company's 2019 earnings distribution plan. Implementation status: The base date of distribution was set on July 26, 2020, and the date of distribution was on August 21, 2020, with the cash dividend per share of NT\$2.4, and all payments had been distributed.</li> <li>Passed the proposal for the amendments to the Rules of Procedures for Shareholders' Meetings. Implementation status: The amended rules will be implemented at the 2021 annual shareholders' meeting.</li> <li>Passed the proposal for issuance of new restricted employee shares. Implementation status: It was approved by the Financial Supervisory Commission on July 20, 2020 and the said shares were issued within one year after entered into force.</li> </ol>

#### 2. Major resolutions of the Board meetings

Date	Important Proposal
2020.1.16	<ol style="list-style-type: none"> <li>Passed the proposal for the 2019 bonus distribution to the Company's senior managerial officers.</li> <li>Passed the proposal for 2019 bonus to the Chairman.</li> <li>Passed the proposal for the Company's 2020 business plan and budget plan.</li> </ol>
2020.2.18	<ol style="list-style-type: none"> <li>Passed the proposal for 2019 second distribution of new restricted employee shares issued.</li> </ol>
2020.3.10	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's 2019 Business Report and Financial Statements.</li> <li>Passed the proposal for the Company's 2019 Internal Control System Statement.</li> <li>Passed the proposal for the amendments to partial provisions of the Company's Corporate Social Responsibility Best Practice Principles.</li> <li>Passed the proposal for the amendments to the Company's Audit Committee Charter.</li> <li>Passed the proposal for the amendments to the Company's Rules of Procedure for Board of Directors Meetings.</li> <li>Passed the proposal for the amendments to the Rules of Procedures for Shareholders' Meetings.</li> <li>Passed the proposal for the amendments to the Company's Remuneration Committee Charter.</li> <li>Passed the proposal for issuance of new restricted employee shares.</li> <li>Passed the proposal for rules of issuance of new restricted employee shares for 2020.</li> <li>Passed the proposal for 2020 bonus plan for the senior managerial officers and important leaders.</li> <li>Passed the proposal for 2020 Chairman's performance standards and bonus plan.</li> </ol>
2020.4.8	<ol style="list-style-type: none"> <li>Passed the proposal for amendments to the content of the planned issuance of new restricted employee shares.</li> <li>Passed the proposal for 2020 measures for issuance of new restricted employee shares.</li> <li>Passed the proposal for 2019 compensation distribution to employees and Directors.</li> <li>Passed the proposal for the amendments to some articles of the "Operational Procedures for Ethical Management and Guidelines for Conduct."</li> <li>Passed the proposal for 2019 earnings distribution.</li> <li>Passed the proposal for the date, time, place, and main proposals of the Company's 2020 general shareholders' meeting.</li> </ol>
2020.5.7	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's consolidated financial report of the first quarter of 2020.</li> <li>Passed the proposal for a planned cash capital increase for the subsidiary Primax Electronics (Thailand) Co., Ltd through the subsidiary Primax Electronics (Singapore) Pte. Ltd.</li> <li>Passed the proposal for the amendments to some articles of the Company's Corporate Governance Best Practice Principles.</li> </ol>
2020.6.8	<ol style="list-style-type: none"> <li>Passed the proposal for filing an application to the China Securities Regulatory Commission for withdrawal of issuance of common stock (A-shares) in RMB by Tymphony Acoustic Technology (Huizhou) Co., Ltd., a subsidiary of the Company, via IPO and withdrawal of the application for being listed on the SME Board of the Shenzhen Stock Exchange.</li> </ol>
2020.7.2	<ol style="list-style-type: none"> <li>Passed the proposal for the determination of the ex-dividend base date and date of distribution of 2019 earnings and cash dividends.</li> </ol>
2020.7.30	<ol style="list-style-type: none"> <li>Passed the proposal for first distribution of new restricted employee shares in 2020.</li> </ol>
2020.8.6	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's consolidated financial report of the second quarter of 2020.</li> <li>Passed the proposal to submit a report on the Company's and its affiliated companies' accounts receivable overdue for three months to the Board of Directors to revolve whether they belonged to the loaning of funds.</li> <li>Passed the proposal for appointment of new corporate governance officer of the Company.</li> </ol>

Date	Important Proposal
2020.11.6	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's consolidated financial report of the third quarter of 2020.</li> <li>Passed the proposal for Company's 2021 audit plan.</li> <li>Passed the proposal for Company's regular assessment of the independence of CPAs.</li> <li>Passed the proposal for amendments to the Board Performance Evaluation Regulations.</li> <li>Passed the proposal for amendments to the Company's Scope of Duties of Independent Directors.</li> <li>Passed the proposal for amendments to the Company's Nomination Committee Charter.</li> <li>Passed the proposal for 2020 senior managerial officer salary adjustment.</li> </ol>
2021.1.22	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's 2021 business plan and budget plan.</li> <li>Passed the proposal for signing of the lease agreement for the entire building at No. 669 Ruiguang Rd., Neihu Dist., Taipei City.</li> <li>Passed the proposal for the formulation of the Company's Health and Welfare Measures for Senior Executives.</li> <li>Passed the proposal for amendments to the Managerial Officers' Salary and Remuneration Regulations</li> <li>Passed the proposal for planned issuance of new restricted employee shares, submitted for resolution.</li> <li>Passed the proposal for 2021 measures for issuance of new restricted employee shares.</li> <li>Passed the proposal for 2020 second distribution of new restricted employee shares issued.</li> <li>Passed the proposal for the 2020 bonus distribution to the Company's senior managerial officers.</li> <li>Passed the proposal for 2020 bonus to the Chairman.</li> </ol>
2021.2.26	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's 2020 Business Report and Financial Statements.</li> <li>Passed the proposal for the Company's 2020 Statement on Internal Control System.</li> <li>Passed the proposal for 2020 compensation distribution to employees and Directors.</li> <li>Passed the proposal for a planned cash capital increase for the subsidiary Primax Electronics (Thailand) Co., Ltd through the subsidiary Primax Electronics (Singapore) Pte. Ltd.</li> <li>Passed the proposal for the Company's 2020 earnings distribution</li> <li>Passed the proposal for amendments to the Company's Articles of Association.</li> <li>Passed the proposal for comprehensive election of Directors.</li> <li>Passed the proposal for lifting of non-compete clause for Directors.</li> <li>Passed the proposal for the date, time, venue, and major motions for the Company's 2021 annual shareholders' meeting, submitted for resolution.</li> <li>Passed the proposal for matters regarding the matters related to Director (Independent Director) candidate nomination for the Director election at the 2021 annual shareholders' meeting, submitted for resolution.</li> </ol>
2021.3.16	<ol style="list-style-type: none"> <li>Passed the proposal to nominate candidates for the Company's Directors.</li> <li>Passed the proposal for the Company's Independent Director remuneration plan.</li> <li>Passed the proposal for 2021 bonus plan for the senior managerial officers and important leaders.</li> <li>Passed the proposal for 2020 annual senior managerial officers' salary survey report and 2021 annual salary adjustment.</li> <li>Passed the proposal for 2021 Chairman's performance standards and bonus plan.</li> </ol>

(12) Major issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors in the most recent year and as of the publication date of of this annual report: **None**.

(13) A summary of resignations and dismissals of the Company's Chairman, General Manager, CFO, financial manager, chief internal auditor, and research and development officer during the most recent year and up to the publication date of this annual report:

April 19, 2021

Title	Name	Date of assumption of duty	Date of dismissal	Reasons for resignation or dismissal
Corporate governance officer	Lin, Chun-Hsien	May 14, 2019	August 6, 2020	Position adjustment

#### 5. Information on CPA professional fees

CPA firm	Name of CPA	Audit period	Remarks
KPMG Taiwan	Wu, Mei-Pin Yu, Chi-Long	Throughout 2020	



Unit: NT\$ thousand

Range of fees	Category of fees	Audit fee	Non-audit fee	Total
1	Less than NT\$2,000,000	-	-	-
2	NT\$2,000,000 (inclusive) to NT\$4,000,000	-	-	-
3	NT\$4,000,000 (inclusive) to NT\$6,000,000	-	-	-
4	NT\$6,000,000 (inclusive) to NT\$8,000,000	-	-	-
5	NT\$8,000,000 (inclusive) to NT\$10,000,000	-	-	-
6	More than NT\$10,000,000 (inclusive)	8,880	2,690	11,570

The Company must disclose the following situations should they have taken place:

(1) When non-audit fees paid to the CPAs, the accounting firm of the CPA, and/or any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Unit: NT\$ thousand

CPA firm	Name of CPA	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
KPMG Taiwan	Wu, Mei-Pin Yu, Chi-Long	8,880	0	100	0	2,590	2,690	Throughout 2020	Non-audit fees-other: Mainly for tax consulting services.

(2) Where the CPA firm was replaced, and the audit fees in the fiscal year when the replacement was made were less than those in the previous fiscal year before the replacement, the amount of the audit fees paid before/after the replacement and reasons thereof shall be disclosed: **None**

(3) Where the audit fees paid for the current year was more than 15% less than those paid in the previous year, the amount, proportion, and reasons thereof shall be disclosed: the audit fees paid for 2020 were less than 24.07%, with a decrease NT\$ 2,815 thousand, compared with 2019. Mainly due to the company's austerity of expenses in response to the epidemic in 2020.

## 6. Information on Replacement of CPA: None.

7. Where the Company's Chairman, General Manager, or any managerial officer in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: **None**.

## 8. Conditions of share transfer and changes in equity pledge from the Directors, supervisors, managers, and shareholders who hold more than 10% of shares, from the past year up to the date of publication of this annual report

### (1) Conditions of share transfer and changes in equity pledge

Title	Name	2020		As of March 31, 2021	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman and General Manager	Liang, Li-Sheng	1,390,000	0	0	0
Directors	Yang, Chi-Ting	0	0	0	0
Directors	Pan, Yung-Chung	0	900,000	0	0
Director and General Manager of Business Division	Pan, Yung-Tai	10,000	0	0	0
Directors	Sunshine Coast Services Limited (Note 1) Representative: Chen, Jie-Chi	0	0	-	-
Independent Director	Ku, Tai-Chao	0	0	0	0
Independent Director	Wang, Jia-Qi	0	0	0	0
Independent Director	Cheng, Chih-Kai	0	0	0	0
Independent Director	Wu, Chun-Pang	0	0	0	0
General Manager of Operations	Kuo, You-Min	120,000	0	140,000	0
Senior Vice General Manager	Hsiao, Yin-Yi	40,000	0	20,000	0
Senior Vice General Manager	Chou, Yen-Chou	(35,000)	0	(80,000)	0
Vice General Manager	Chiang, Yan-Ying	29,000	0	3,000	0
Vice General Manager	Chang, Ching-Kai	20,000	0	0	0
Vice General Manager	Chang, Yao-Han	(155,000)	0	20,000	0
Vice General Manager	Wei, Hao-San	75,000	0	40,000	0
Vice General Manager	Cho, Yu-Shan (Note 2)	40,000	0	-	-
Vice General Manager	Chang, Chen-Te (Note 3)	24,000	0	0	0
Vice General Manager	Hsu, Chia Chih (Note 4)	15,000	0	18,000	0
Vice General Manager	Chen, Ying-Shou (Note 4)	15,000	0	26,000	0
Vice General Manager	Zhuo, Yi-Li (Note 4)	15,000	0	0	0
Vice General Manager	Wang, Ching-Der (Note 5)	0	0	0	0
Assistant Vice General Manager	Chang, Shu-Chuen	(29,000)	0	0	0
Assistant Vice General Manager	Lin, Chun-Hsien (Note 6)	0	0	-	-
Assistant Vice General Manager	Su, Yu-Chen (Note 7)	(60,500)	0	6,000	0

Note 1: Relieved from the position on January 7, 2020.

Note 2: Resigned on May 1, 2020.

Note 3: Newly appointed on April 15, 2020.

Note 4: Newly appointed on October 1, 2020.

Note 5: Newly appointed on October 5, 2020.

Note 6: Relieved from the position of corporate governance officer on August 6, 2020.

Note 7: Newly appointed as corporate governance officer on August 6, 2020.



(2) Shares are transferred to and from related parties: **None.**

(3) Shares are pledged with related parties: **None.**

## 9. Information on Top Ten Substantial Shareholders Who are Related Parties, or Having Spousal Relationship, or Familial Relationship Within the Second Degree of Kinship with Each Other

March 30, 2021 Unit: shares

Name	Current shareholding		Spouse/ Minor shareholding		Shareholding by nominees		Name and relationship between the Company's 10 largest shareholders, or spouses or relatives within second degrees of kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Alpine Asia Investments Limited (Representative: Liang, Li-Sheng)	25,251,062	5.59%	0	0	0	0	Campbell Technology Corporation	Second degree of kinship	
Campbell Technology Corporation (Representative: Yang, Hai-Hung)	10,204,909	2.26%	0	0	0	0	Alpine Asia Investments Limited	Second degree of kinship	
GOLDMAN SACHS INTERNATIONAL	8,776,000	1.94%	0	0	0	0	None	None	
Saudi Arabian Monetary Authority - BlackRock Financial Management Inc. as external fund manager	8,538,000	1.89%	0	0	0	0	None	None	
New Labor Pension Fund	7,822,500	1.73%	0	0	0	0	None	None	
Pan, Yung-Chung	7,455,046	1.65%	0	0	0	0	None	None	
Cathay United World Commercial Bank Entrusted with Ye Youfen Trust Property Account	7,380,227	1.63%	0	0	0	0	None	None	
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	7,108,000	1.57%	0	0	0	0	None	None	
JOHCM EMERGING MARKETS OPPORTUNITIES FUND	6,677,384	1.48%	0	0	0	0	None	None	
Morgan Stanley & Co. International Plc	6,396,002	1.42%	0	0	0	0	None	None	

## 10. Shares Held by the Company, its Directors, Supervisors, Managers, and Businesses Either Directly or Indirectly Controlled by the Company as a Result of Investment, and the Ratio of Consolidated Shares Held

December 31, 2020 Unit: Thousand shares; %

Invested company	Investment by PRIMAX		Investment by directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
DongGuan Primax Electronic & Telecommunication Products Ltd.	-(Note 1)	100.00	-	-	-(Note 1)	100.00
Primax Electronics (KunShan) Co., Ltd.	-(Note 1)	100.00	-	-	-(Note 1)	100.00
Primax Electronics (ChongQing) Co., Ltd.	-(Note 1)	100.00	-	-	-(Note 1)	100.00
Beijing Destiny Electronic Technology Co., Ltd.	-(Note 1)	100.00	-	-	-(Note 1)	100.00
Primax Destiny Co., Ltd (Japan)	0.5	100.00	-	-	0.5	100.00
Polaris Electronics Inc.	1,600	100.00	-	-	1,600	100.00
Primax Industries (Hong Kong) Ltd.	602,817	100.00	-	-	602,817	100.00
Primax Technology (Cayman Holding) Ltd.	285,067	100.00	-	-	285,067	100.00
Primax Industries (Cayman Holding) Ltd.	8,147,636	100.00	-	-	8,147,636	100.00
Destiny Technology Holding Co., Ltd.	1,050	100.00	-	-	1,050	100.00
Diamond (Cayman) Holdings Ltd.	129,050	100.00	-	-	129,050	100.00
Gratus Technology Corp.	300	100.00	-	-	300	100.00
Tymphony Worldwide Enterprises Ltd.	192,251	100.00	-	-	192,251	100.00
TYP Enterprises, Inc. (Note 2)	0.50	71.43	-	-	0.50	71.43
Tymphony HK Ltd. (Note 2)	144,395	71.43	-	-	144,395	71.43
Tymphony Logistics, Inc. (Note 2)	200	71.43	-	-	200	71.43
Tymphony Acoustic Technology (Huizhou) Co., Ltd. (Note 2)	408,070	71.43	-	-	408,070	71.43
Dongguan Tymphony Acoustic Technology Co., Ltd. (Note 2)	-(Note 1)	71.43	-	-	-(Note 1)	71.43
Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd. (Note 2)	-(Note 1)	71.43	-	-	-(Note 1)	71.43
Tymphony Acoustic Technology HK Ltd. (Note 2)	418,090	71.43	-	-	418,090	71.43
Tymphony Acoustic Technology (UK) Limited (Note 2)	400	71.43	-	-	400	71.43
Tymphony Acoustic Technology Europe, s.r.o. (Note 2)	187,800	71.43	-	-	187,800	71.43
Tymphony Acoustic Technology Limited (Note 2)	5,000	71.43	-	-	5,000	71.43
Primax AE (Cayman) Holdings Ltd.	48,200	100.00	-	-	48,200	100.00
Tymphony Acoustic Technology (Thailand) Co., Ltd. (Note 2 and 3)	4,650	71.43	-	-	4,650	71.43
Primax Electronics (Singapore) Pte.Ltd.	20,100	100.00	-	-	20,100	100.00
Primax Electronics (Thailand) Co., Ltd.	600	99.99	-	-	600	99.99

Note 1: This is a company with limited liability, so no shares are issued.

Note 2: Indirect holding of 71.43% of its shares through Tymphony Worldwide Enterprises Ltd.

Note 3: Investment in 99.99% of its shares through Tymphony Acoustic Technology HK Ltd.



# Chapter 4. Capital Overview

## 1. Sources of Capital

April 19, 2021 Unit: shares

Share type	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	451,624,324	98,375,676	550,000,000	Listed

April 19, 2021 Unit: Thousand shares

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2006.03	10	100	1,000	100	1,000	Capital	None	Note 1
2007.06	10	90,000	900,000	85,400	854,000	Capital increase of NT\$853,000 thousand in cash	None	Note 2
2007.09	10	400,000	4,000,000	321,500	3,215,000	Capital increase of NT\$2,361,000 thousand in cash	None	Note 3
2007.11	10	400,000	4,000,000	379,000	3,790,000	Capital increase of NT\$575,000 thousand in cash	None	Note 4
2009.11	10	500,000	5,000,000	379,935	3,799,349	Conversion of employee stock options for NT\$9,349 thousand	None	Note 5
2010.04	10	500,000	5,000,000	383,079	3,830,791	Conversion of employee stock options for NT\$31,442 thousand	None	Note 6
2010.09	10	500,000	5,000,000	385,336	3,853,364	Conversion of employee stock options for NT\$22,573 thousand	None	Note 7
2011.01	10	500,000	5,000,000	386,397	3,863,965	Conversion of employee stock options for NT\$10,601 thousand	None	Note 8

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2011.03	10	500,000	5,000,000	397,475	3,974,746	Conversion of employee stock options for NT\$110,781 thousand	None	Note 9
2011.12	10	500,000	5,000,000	398,439	3,984,399	Conversion of employee stock options for NT\$9,653 thousand	None	Note 10
2012.04	10	500,000	5,000,000	401,080	4,010,798	Conversion of employee stock options for NT\$26,399 thousand	None	Note 11
2012.05	10	500,000	5,000,000	401,458	4,014,582	Conversion of employee stock options for NT\$3,785 thousand	None	Note 12
2012.10	10	500,000	5,000,000	403,441	4,034,408	Conversion of employee stock options for NT\$19,826 thousand	None	Note 13
2012.10	10	500,000	5,000,000	426,970	4,269,698	Capital increase of NT\$235,290 thousand in cash	None	Note 13
2013.03	10	500,000	5,000,000	428,966	4,289,658	Conversion of employee stock options for NT\$19,960 thousand	None	Note 14
2013.05	10	500,000	5,000,000	431,346	4,313,457	Conversion of employee stock options for NT\$23,799 thousand	None	Note 15
2013.10	10	500,000	5,000,000	432,796	4,327,957	Issuance of new restricted employee shares as stock dividends: NT\$14,500 thousand	None	Note 16
2013.12	10	500,000	5,000,000	433,573	4,335,733	1. Conversion of employee stock options for NT\$5,916 thousand 2. Issuance of new restricted employee shares as stock dividends: NT\$1,860 thousand	None	Note 17
2014.03	10	500,000	5,000,000	433,981	4,339,813	1. Conversion of employee stock options for NT\$2,730 thousand 2. Issuance of new restricted employee shares as stock dividends: NT\$1,350 thousand	None	Note 18
2014.06	10	500,000	5,000,000	433,831	4,338,313	1. Conversion of employee stock options for NT\$750 thousand 2. Cancellation of new restricted employee shares issued of NT\$2,250 thousand	None	Note 19
2014.08	10	500,000	5,000,000	434,051	4,340,513	Issuance of new restricted employee shares as stock dividends: NT\$2,200 thousand	None	Note 20
2014.12	10	500,000	5,000,000	434,658	4,346,578	1. Conversion of employee stock options for NT\$7,015 thousand 2. Cancellation of new restricted employee shares issued of NT\$950 thousand	None	Note 21
2015.03	10	500,000	5,000,000	438,649	4,386,487	1. Conversion of employee stock options for NT\$27,659 thousand 2. Issuance of new restricted employee shares as stock dividends: NT\$12,250 thousand	None	Note 22
2015.06	10	500,000	5,000,000	439,529	4,395,287	Conversion of employee stock options for NT\$8,800 thousand	None	Note 23
2015.09	10	500,000	5,000,000	441,214	4,412,137	1. Issuance of new restricted employee shares as stock dividends: NT\$17,750 thousand 2. Cancellation of new restricted employee shares issued of NT\$900 thousand	None	Note 24
2016.01	10	500,000	5,000,000	441,188	4,411,877	1. Conversion of employee stock options for NT\$1,640 thousand 2. Cancellation of new restricted employee shares issued of NT\$1,900 thousand	None	Note 25
2016.03	10	500,000	5,000,000	441,794	4,417,938	1. Conversion of employee stock options for NT\$7,061 thousand 2. Cancellation of new restricted employee shares issued of NT\$1,000 thousand	None	Note 26
2016.06	10	500,000	5,000,000	441,903	4,419,028	1. Conversion of employee stock options for NT\$2,390 thousand 2. Cancellation of new restricted employee shares issued of NT\$1,300 thousand	None	Note 27
2016.09	10	500,000	5,000,000	441,748	4,417,478	Cancellation of new restricted employee shares issued of NT\$1,550 thousand	None	Note 28
2016.12	10	500,000	5,000,000	442,134	4,421,343	Conversion of employee stock options for NT\$3,865 thousand	None	Note 29
2017.02	10	500,000	5,000,000	444,704	4,447,043	1. Conversion of employee stock options for NT\$1,200 thousand 2. Issuance of new restricted employee shares as stock dividends: NT\$24,500 thousand	None	Note 30
2017.03	10	500,000	5,000,000	444,754	4,447,543	Conversion of employee stock options for NT\$500 thousand	None	Note 31
2017.06	10	500,000	5,000,000	444,779	4,447,793	Conversion of employee stock options for NT\$250 thousand	None	Note 32
2017.08	10	500,000	5,000,000	444,697	4,446,973	Cancellation of new restricted employee shares issued of NT\$820 thousand	None	Note 33
2017.10	10	500,000	5,000,000	445,247	4,452,473	Issuance of new restricted employee shares as stock dividends: NT\$5,500 thousand	None	Note 34
2017.12	10	500,000	5,000,000	445,688	4,456,883	1. Conversion of employee stock options for NT\$4,530 thousand 2. Cancellation of new restricted employee shares issued of NT\$120 thousand	None	Note 35

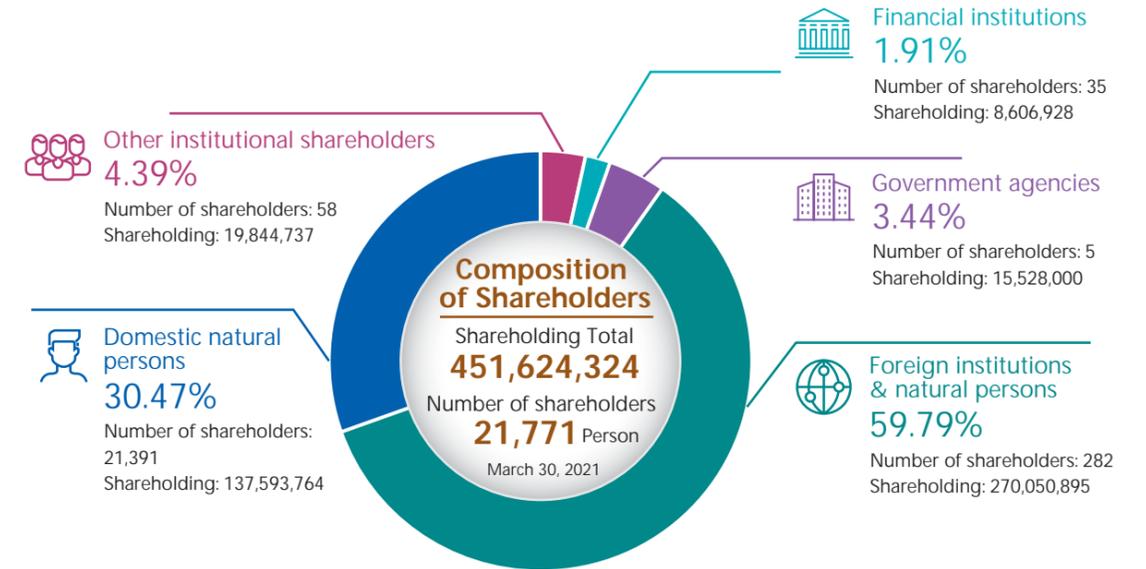


Year and month	Issue price	Authorized capital		Paid-in capital		Remarks	Capital increase by assets other than cash	Others
		Shares	Amount	Shares	Amount			
2018.02	10	500,000	5,000,000	446,788	4,467,883	Issuance of new restricted employee shares as stock dividends: NT\$11,000 thousand	None	Note 36
2018.03	10	500,000	5,000,000	446,916	4,469,163	Conversion of employee stock options for NT\$1,280 thousand	None	Note 37
2018.05	10	500,000	5,000,000	446,815	4,468,153	Cancellation of new restricted employee shares issued of NT\$1,010 thousand	None	Note 38
2018.10	10	500,000	5,000,000	447,715	4,477,153	Issuance of new restricted employee shares as stock dividends: NT\$9,000 thousand	None	Note 39
2018.11	10	500,000	5,000,000	447,452	4,474,523	Cancellation of new restricted employee shares issued of NT\$2,630 thousand	None	Note 40
2019.02	10	500,000	5,000,000	446,875	4,468,753	Cancellation of new restricted employee shares issued of NT\$5,770 thousand	None	Note 41
2019.04	10	500,000	5,000,000	446,809	4,468,088	Cancellation of new restricted employee shares issued of NT\$665 thousand	None	Note 42
2019.09	10	550,000	5,500,000	446,761	4,467,608	Cancellation of new restricted employee shares issued of NT\$480 thousand	None	Note 43
2019.12	10	550,000	5,500,000	448,581	4,485,808	Issuance of new restricted employee shares as stock dividends: NT\$18,200 thousand	None	Note 44
2020.03	10	550,000	5,500,000	448,731	4,487,308	1. Issuance of new restricted employee shares as stock dividends: NT\$1,800 thousand 2. Cancellation of new restricted employee shares issued of NT\$300 thousand	None	Note 45
2020.06	10	550,000	5,500,000	448,698	4,486,983	Cancellation of new restricted employee shares issued of NT\$325 thousand	None	Note 46
2020.08	10	550,000	5,500,000	450,898	4,508,983	1. Issuance of new restricted employee shares as stock dividends: NT\$22,600 thousand 2. Cancellation of new restricted employee shares issued of NT\$600 thousand	None	Note 47
2021.02	10	550,000	5,500,000	451,624	4,516,243	1. Issuance of new restricted employee shares as stock dividends: NT\$7,400 thousand 2. Cancellation of new restricted employee shares issued of NT\$140 thousand	None	Note 48

Note 1: Letter Fu-Chien-Shang No. 09574650700 dated March 20, 2006.  
 Note 2: Letter Jing-Shou-Shang No. 09601140030 dated June 26, 2007.  
 Note 3: Letter Jing-Shou-Shang No. 09601235870 dated September 27, 2007.  
 Note 4: Letter Jing-Shou-Shang No. 09601273090 dated November 07, 2007.  
 Note 5: Letter Jing-Shou-Shang No. 09801254590 dated November 04, 2009.  
 Note 6: Letter Jing-Shou-Shang No. 09901076470 dated April 16, 2010.  
 Note 7: Letter Jing-Shou-Shang No. 09901206110 dated September 13, 2010.  
 Note 8: Letter Jing-Shou-Shang No. 10001005610 dated January 11, 2011.  
 Note 9: Letter Jing-Shou-Shang No. 10001060980 dated March 31, 2011.  
 Note 10: Letter Jing-Shou-Shang No. 10001275550 dated December 05, 2011.  
 Note 11: Letter Jing-Shou-Shang No. 10101059950 dated April 09, 2012.  
 Note 12: Letter Jing-Shou-Shang No. 10101091810 dated May 22, 2012.  
 Note 13: Letter Jing-Shou-Shang No. 10101211370 dated October 12, 2012.  
 Note 14: Letter Jing-Shou-Shang No. 10201041250 dated March 07, 2013.  
 Note 14: Letter Jing-Shou-Shang No. 10201096770 dated May 28, 2013.  
 Note 16: Letter Jing-Shou-Shang No. 10201214400 dated October 22, 2013.  
 Note 17: Letter Jing-Shou-Shang No. 10201247440 dated December 11, 2013.  
 Note 18: Letter Jing-Shou-Shang No. 10301032580 dated March 11, 2014.  
 Note 19: Letter Jing-Shou-Shang No. 10301102920 dated June 12, 2014.  
 Note 20: Letter Jing-Shou-Shang No. 10301160910 dated August 14, 2014.  
 Note 21: Letter Jing-Shou-Shang No. 10301251420 dated December 12, 2014.  
 Note 22: Letter Jing-Shou-Shang No. 10401045290 dated March 24, 2015.  
 Note 23: Letter Jing-Shou-Shang No. 10401110510 dated June 29, 2015.  
 Note 24: Letter Jing-Shou-Shang No. 10401190870 dated September 17, 2015.  
 Note 25: Letter Jing-Shou-Shang No. 10401282090 dated January 4, 2016.

Note 26: Letter Jing-Shou-Shang No. 10501040780 dated March 8, 2016.  
 Note 27: Letter Jing-Shou-Shang No. 10501121270 dated June 4, 2016.  
 Note 28: Letter Jing-Shou-Shang No. 10501222010 dated September 21, 2016.  
 Note 29: Letter Jing-Shou-Shang No. 10501279810 dated December 02, 2016.  
 Note 30: Letter Jing-Shou-Shang No. 10601026170 dated February 24, 2017.  
 Note 31: Letter Jing-Shou-Shang No. 10601038880 dated March 27, 2017.  
 Note 32: Letter Jing-Shou-Shang No. 10601071370 dated June 3, 2017.  
 Note 33: Letter Jing-Shou-Shang No. 10601125590 dated August 30, 2017.  
 Note 34: Letter Jing-Shou-Shang No. 10601143730 dated October 13, 2017.  
 Note 35: Letter Jing-Shou-Shang No. 10601167890 dated December 19, 2017.  
 Note 36: Letter Jing-Shou-Shang No. 10701019540 dated February 23, 2018.  
 Note 37: Letter Jing-Shou-Shang No. 10701024500 dated March 8, 2018.  
 Note 38: Letter Jing-Shou-Shang No. 10701048690 dated May 15, 2018.  
 Note 39: Letter Jing-Shou-Shang No. 10701124480 dated October 15, 2018.  
 Note 40: Letter Jing-Shou-Shang No. 10701140200 dated November 15, 2018.  
 Note 41: Letter Jing-Shou-Shang No. 10801021530 dated February 27, 2019.  
 Note 42: Letter Jing-Shou-Shang No. 10801043240 dated April 22, 2019.  
 Note 43: Letter Jing-Shou-Shang No. 10801126960 dated September 20, 2019.  
 Note 44: Letter Jing-Shou-Shang No. 10801179720 dated December 20, 2019.  
 Note 45: Letter Jing-Shou-Shang No. 10901035740 dated March 16, 2020.  
 Note 46: Letter Jing-Shou-Shang No. 10901085210 dated June 3, 2020.  
 Note 47: Letter Jing-Shou-Shang No. 10901154670 dated August 17, 2020.  
 Note 48: Letter Jing-Shou-Shang No. 11001025760 dated February 17, 2021.

## 2. Composition of Shareholders:



## 3. Dispersion of Equity Ownership

March 30, 2021; Unit: Person/Share

Shareholding range	Number of shareholders	Shares	Percentage (%)
1 to 999	920	146,174	0.03%
1,000 to 5,000	17,142	33,427,390	7.40%
5,001 to 10,000	1,878	15,284,933	3.38%
10,001 to 15,000	525	6,903,692	1.53%
15,001 to 20,000	359	6,773,066	1.50%
20,001 to 30,000	271	7,085,563	1.57%
30,001 to 50,000	220	8,997,912	1.99%
50,001 to 100,000	155	11,216,758	2.48%
100,001 to 200,000	90	12,929,697	2.86%
200,001 to 400,000	61	18,229,589	4.04%
400,001 to 600,000	24	11,911,442	2.64%
600,001 to 800,000	22	14,934,265	3.31%
800,001 to 1,000,000	19	17,021,826	3.77%
1,000,001 or more	85	286,762,017	63.50%
<b>Total</b>	<b>21,771</b>	<b>451,624,324</b>	<b>100%</b>



## 4. List of Major Shareholders

March 30, 2021 Unit: Share

Name of major shareholder	Shares	Shareholding (shares)	Percentage (%)
ALPINE ASIA INVESTMENTS LIMITED		25,251,062	5.59%
CAMPBELL TECHNOLOGY CORPORATION		10,204,909	2.26%
GOLDMAN SACHS INTERNATIONAL		8,776,000	1.94%
Saudi Arabian Monetary Authority - BlackRock Financial Management Inc. as external fund manager		8,538,000	1.89%
New Labor Pension Fund		7,822,500	1.73%
Pan,Yung-Chung		7,455,046	1.65%
Cathay United World Commercial Bank Entrusted with Ye Youfen Trust Property Account		7,380,227	1.63%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool		7,108,000	1.57%
JOHCM EMERGING MARKETS OPPORTUNITIES FUND		6,677,384	1.48%
Morgan Stanley & Co. International Plc		6,396,002	1.42%

## 5. Market Price, Net Value, Earnings Per Share, Dividends, and Relevant Information for the Most Recent Two Fiscal Years

Item	Year	2019	2020	
Market price per share	Highest	70.8	65	
	Lowest	42.1	34	
	Average (Note 1)	59.91	46.7	
Net worth per share	Before distribution	27.44	29.47	
	After distribution	25.04	26.46 (註 2)	
Earnings per share	Weighted average shares	444,465	445,829	
	Earnings per share	4.8	4.3	
Dividends per share	Cash dividend (Note 4)	2.4	3.0 (註 2)	
	Stock dividend	From earnings	0	0
		From capital surplus	0	0
	Cumulative unpaid dividends	0	0	
Analysis of return on investment (Note 3)	Price/Earnings ratio	12.48	10.86	
	Price/Dividend ratio	24.96	15.57 (註 2)	
	Cash dividend yield (%)	4.01%	6.42% (註 2)	

Note 1: The average market price of each year is calculated based on the transaction value and volume of each year.

Note 2: The Company's 2020 earnings distribution proposal was approved by the Board of Directors on February 26, 2021 and has not yet been approved at the shareholders' meeting.

Note 3: Price/Earnings ratio = Average per share closing price for the year/Earnings per share.

Price/Dividend ratio = Average closing price per share for the current fiscal year/Cash dividend per share

Cash dividend yield = Cash dividend per share/Average closing price per share for the current year

Note 4: The Company's dividend payment rate of the earnings distribution for 2018 and 2019 was 58.25% and 50%, respectively, and the estimated dividend payment rate for the 2020's earnings distribution is 70%.

## 6. The Company's Dividend Policy and Implementation Status

### (1) The dividend policy stipulated in the Company's Articles of Association:

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to cover accumulated losses and allocate 10% of the remaining net earnings as the Company's legal reserve unless and until the accumulated legal reserve reaches the Company's paid-in capital. In addition, after the appropriation or reversal of special capital reserve according to relevant laws and regulations, for the undistributed surplus at the beginning of the same period as the cumulative earnings distributable to shareholders, the Board of Directors shall put forward a surplus distribution proposal and submit it to the shareholders' meeting for resolution.

The Company's dividend policy is formulated by the Board of Directors based on its operating conditions, capital expenditure budget, future capital needs, and long-term financial planning while having the shareholders' interests and the balance of dividends considered. In the current stage of the dividend policy, in the absence of other special circumstances, the principle of not less than 50% of the current year's surplus after tax prevails. If the surplus is distributed as stock dividends or cash dividends, the distribution ratio of cash dividends shall not be less than 10% of the total dividends, but this distribution ratio of cash dividends may be adjusted according to the overall operating conditions of the year.

### (2) The proposed dividend distribution of the year:

The Company's 2020 earnings distribution has been resolved and approved by the Board of Directors on February 26, 2021. It was planned to distribute a cash dividend of NT\$1,354,872,972 to shareholders (dividend payment rate of around 70%). This proposal will be executed in accordance with relevant regulations after approved at the general shareholders' meeting on May 28, 2021.

## 7. Impact of Stock Dividends Issuance by the Resolution of the Shareholders on the Company's Business Performance and Earnings per Share: No stock dividend distribution is scheduled.

## 8. Remuneration to Employees, Directors, and Supervisors

### (1) The percentages or ranges with respect to remuneration to employees, directors, and supervisors, as set forth in the Company's Articles of Association:

If there is profit at the end of a fiscal year, the Company shall appropriate 2% to 10% of the profit for the remuneration to employees and no more than 3% for the remuneration to directors. However, if the company has accumulated losses, the amount shall be set aside to cover the deficit, and then distributed to employees and directors in accordance with the aforementioned percentage.

The employee remuneration in the preceding paragraph can be distributed in the form of shares or cash, and the recipients of the said remuneration shall include the Company's employees who meet specific criteria.

The term "profit for the current year" mentioned in Paragraph 2 refers to earnings of the pre-tax benefit of the current year deducting the remuneration to employees and directors.

The remuneration distributed to employee and directors shall be adopted by the Board of Directors via a resolution with more than two-thirds of the directors present and a majority of the directors' attendance while being reported to the shareholders' meeting.



- (2) The estimation of the amount of remuneration to employee, directors, and supervisors, respectively, is based on the calculation of the number of shares paid to employees as remuneration and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The remuneration distributed to employees and directors by the Company in accordance with the Company Act and the Company's Articles of Association is based on the initial estimation of amount of remuneration to employees and directors, during the preparation of mid-term and annual financial statements in accordance with the provisions of the ARDF's Interpretation Letter (2007) Ji-Mi No. 052 and listed under proper accounting accounts under the operating costs or operating expenses, based on the nature of the remuneration to employees and directors. If there is a discrepancy between the amount for distribution approved at the shareholders' meeting and the amount estimated in financial statements, it is considered as a change of estimate and is listed as profit or loss for the current period.

**(3) Information on remuneration distribution approved by the Board of Directors:**

1. For the amount of remuneration to employees, directors, and supervisors by cash or stock, if there is any discrepancy between the amount and the estimated amount for the fiscal year when these expenses are recognized, the discrepancy, reason thereof, and the status of treatment shall be disclosed.

The Company's Board of Directors resolved on February 26, 2021 to distribute employee compensation and remuneration to director in cash in the amounts of NT\$72,645,000 and NT\$36,322,000, respectively. The difference between the planned distribution amounts and the estimated amounts of NT\$72,645,474 and 36,322,737 in the statement is NT\$-474 and NT\$-737, respectively. The differences are the result of differences in accounting estimates, so they are treated as changes in accounting estimates.

2. The remuneration to employees in the form of shares, the proportion of the said remuneration to the net income after tax, and the total amount of employee remuneration for the current fiscal year:

The Company did not propose to distribute employee remuneration in shares, so it is not applicable.

**(4) Actual distribution of remuneration paid to employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there is any discrepancy between the amount actually distributed and the one recognized, the sum, reason thereof, and treatment of the discrepancy shall be described:**

The amount of remuneration to employees and directors was NT\$75,520,000 and NT\$26,430,000, respectively, for 2019 while the estimated amounts were NT\$75,526,451 and NT\$37,763,225, respectively; thus, the discrepancies between the estimated amounts and the actual amounts were NT\$-6,451 and NT\$-11,333,225. For employee compensation, it is due to differences in accounting estimates while as for director compensation, the planned reduction is to sail through the difficult times together. If the changes in the amount do not meet the criteria for restatement of the financial statements, the discrepancies will be listed as profit/loss for the following year.

**9. The Company's Buying Back of Shares: None.**

**10. The Handling Situation of Corporate Bonds, Preferred Stocks, and GDR: None.**

**11. Issuance of Employee Stock Options None.**

**12. New Restricted Employee Shares**

- (1) The new restricted employee shares that have not fully met the vesting conditions, and the impact on the shareholders' equity.

April 19, 2021

Type of new restricted employee shares	The second issue in 2017	The first issue in 2019	The second issue in 2019	The first issue in 2020	The second issue in 2020
Date of effective registration	October 31, 2017	October 21, 2019	October 21, 2019	July 20, 2020	July 20, 2020
Date of issuance	September 13, 2018	November 21, 2019	February 20, 2020	July 30, 2020	January 25, 2021
Number of new restricted employee shares issued (shares)	900,000	1,820,000	180,000	2,260,000	740,000
Issue price	0	0	0	0	0
Ratio of the number of new restricted employee shares issued to the total shares issued (%)	0.2	0.40	0.04	0.5	0.16
Vesting conditions for new restricted employee shares	It must meet the Company's operating results and personal performance as stipulated in the issuance rules.		It must meet the Company's operating results and personal performance as stipulated in the issuance rules.		It must meet the Company's operating results and personal performance as stipulated in the issuance rules.
Restricted rights for new restricted employee shares	<ol style="list-style-type: none"> <li>Employees granted new restricted employee shares, before fulfilling the vesting conditions, shall not sell, pledge, transfer, or donate them to others or perform any other means of disposal.</li> <li>Employees shall attend, propose, speak, and vote at the shareholders' meeting according to the trust or custody contract.</li> <li>In addition to the aforementioned restrictions, before the vesting conditions are met, employees' other rights after granted new restricted employee shares in accordance with the regulations, including but not limited to: dividends, bonuses, the right for being distributed with capital surplus, the subscription rights for cash capital increase, and voting rights, are the same as the ones bestowed by the Company's ordinary shares issued.</li> </ol>		<ol style="list-style-type: none"> <li>Employees granted new restricted employee shares, before fulfilling the vesting conditions, shall not sell, pledge, transfer, or donate them to others or perform any other means of disposal.</li> <li>Employees shall attend, propose, speak, and vote at the shareholders' meeting according to the trust or custody contract.</li> <li>In addition to the aforementioned restrictions, before the vesting conditions are met, employees' other rights after granted new restricted employee shares in accordance with the regulations, including but not limited to: dividends, bonuses, the right for being distributed with capital surplus, the subscription rights for cash capital increase, and voting rights, are the same as the ones bestowed by the Company's ordinary shares issued.</li> </ol>		<ol style="list-style-type: none"> <li>Employees granted new restricted employee shares, before fulfilling the vesting conditions, shall not sell, pledge, transfer, or donate them to others or perform any other means of disposal.</li> <li>Employees shall attend, propose, speak, and vote at the shareholders' meeting according to the trust or custody contract.</li> <li>In addition to the aforementioned restrictions, before the vesting conditions are met, employees' other rights after granted new restricted employee shares in accordance with the regulations, including but not limited to: dividends, bonuses, the right for being distributed with capital surplus, the subscription rights for cash capital increase, and voting rights, are the same as the ones bestowed by the Company's ordinary shares issued.</li> </ol>
Custody of new restricted employee shares	In the custody of trust.		In the custody of trust.		In the custody of trust.
Handling of new restricted employee shares granted or subscribed to when the vesting conditions are not fully met	For new restricted employee shares granted to employees, when the vesting conditions are not fully met, the shares will be fully withdrawn by the Company and canceled without any compensation.		For new restricted employee shares granted to employees, when the vesting conditions are not fully met, the shares will be fully withdrawn by the Company and canceled without any compensation.		For new restricted employee shares granted to employees, when the vesting conditions are not fully met, the shares will be fully withdrawn by the Company and canceled without any compensation.
Number of new restricted employee shares that have been withdrawn or repurchased	143,500	116,000	30,000	50,000	0
Number of restricted shares with the restrictions lifted	490,500	682,000	45,000	0	0
Number of restricted shares with the restrictions not yet lifted	266,000	1,022,000	105,000	2,210,000	740,000
The ratio of the number of unreleased restricted shares to the total number of issued shares (%)	0.06	0.23	0.02	0.49	0.16
Impact on shareholders' equity	No significant impact.		No significant impact.		No significant impact.

Note: The total number of shares issued as of April 19, 2021 was 451,624,324.



(2) Name and acquisition status of managerial officers having acquired new restricted employee shares and of employees ranking among top 10 in the number of new restricted employee shares acquired:

April 19, 2021

	Title	Name	New restricted employee shares acquired	Ratio of new restricted employee shares issued to the total shares issued	Released			Unreleased			Ratio of unreleased restricted shares to the total shares issued	
					Number of released restricted shares	Issue price	Issue Amount	Ratio of released restricted shares to the total shares issued	Number of unreleased restricted shares	Issue price		Issue Amount
Managerial officer	General Manager	Liang, Li-Sheng										
	General Manager of Business Department	Pan, Yung-Tai										
	General Manager of Operations	Kuo, You-Min										
	Senior Vice General Manager	Hsiao, Yin-Yi										
	Senior Vice General Manager	Chou, Yen-Chou										
	Vice General Manager	Chang, Chen-Te										
	Vice General Manager	Chiang, Yan-Ying										
	Vice General Manager	Chang, Ching-Kai	3,135,000	0.69	685,000	0	0	0.15	2,450,000	0	0	0.54
	Vice General Manager	Chang, Yao-Han										
	Vice General Manager	Wei, Hao-San										
	Vice General Manager	Hsu, Chia Chih										
	Vice General Manager	Chen, Ying-Shou										
	Vice General Manager	Zhuo, Yi-Li										
	Vice General Manager	Wang, Ching-Der										
	Assistant Vice General Manager	Chang, Shu-Chuen										
Assistant Vice General Manager	Su, Yu-Chen											
Employee	Senior Assistant Vice General Manager	Liu, Yu-Hung										
	Senior Assistant Vice General Manager	Chang, Shih-Peng										
	Senior Assistant Vice General Manager	Hu, Ching-Yuan										
	Assistant Vice General Manager	Yang, Chang-lung	1,195,000	0.26	198,000	0	0	0.04	997,000	0	0	0.22
	Assistant Vice General Manager	Chen, Chi-Shiu										
	Assistant Vice General Manager	Lee, Huan-Chih										
	Assistant Vice General Manager	Ma, Yu-Jheng										
	Assistant Vice General Manager	Chen, Koung-Je										
	Assistant Vice General Manager	Yu, Zheng-Mu										
	Senior Manager	Fan, Kang-Yang										

Note 1: Total number of shares issued as of April 19, 2021 was 451,624,324.

### 13. The Handling Situation of Mergers and Acquisitions or the Issuance of New Shares by Other Companies

- (1) Completion of mergers and acquisitions or issuance of new shares in connection with any acquisition of shares of another company in the most recent year and up to the publication date of this annual report: **None**
- (2) Any issuance of new shares in connection with acquisition of shares of another company approved by the Board of Directors in the most recent year up to the date of publishing of this annual report: **None**.

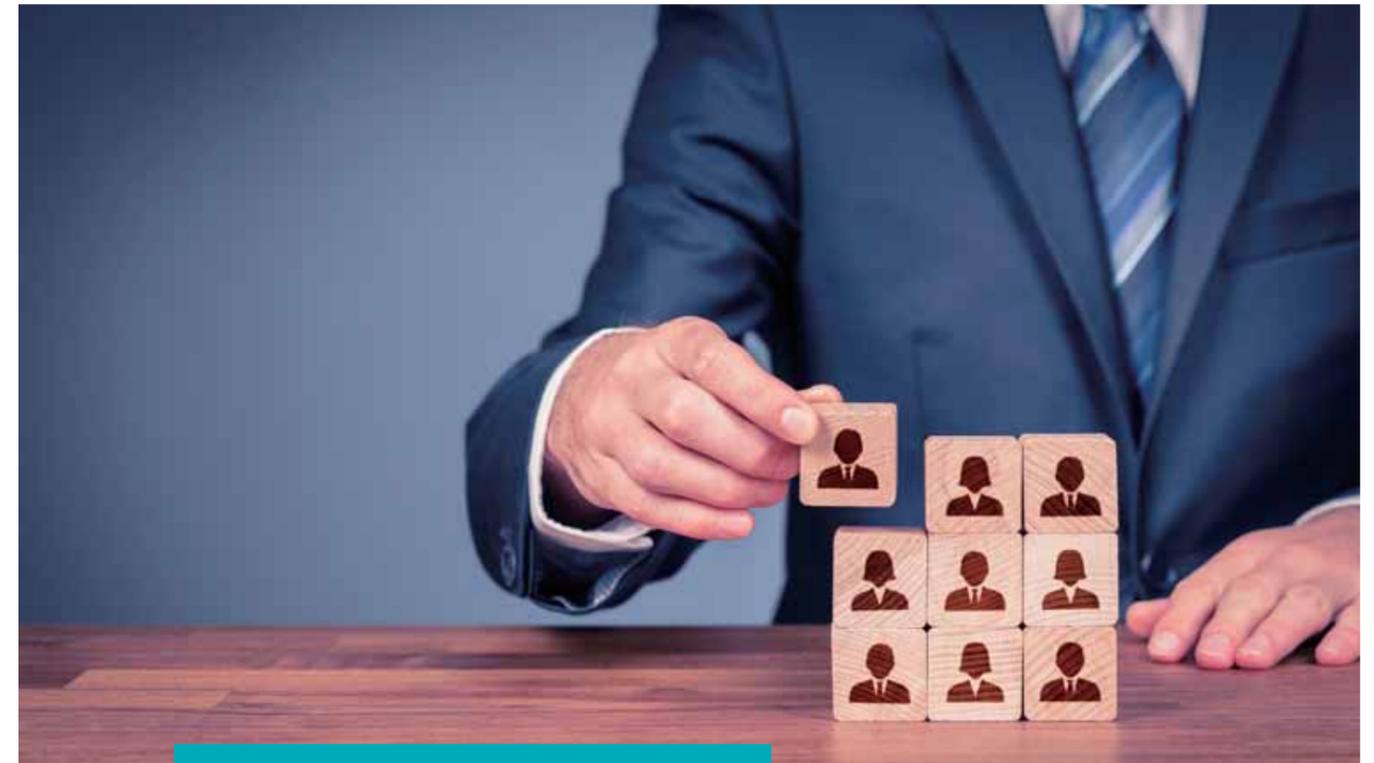
### 14. Status of Implementation of Capital Allocation Plans

#### (1) Description of the Plans

As of the quarter before the publication date of this annual report, previous issuance or private placement of marketable securities that have not been completed, or that have been completed but are yet to record any benefit within the past three fiscal years: **Not applicable**.

#### (2) Implementation:

As of the quarter before the publication date of this annual report, regarding the implementation of each plan mentioned in the preceding paragraph, please conduct an item-by-item analysis that compares the status of implementation and expected benefits: **Not applicable**.



## Chapter 5. Operational Overview

### 1. Content of Business

#### (1) Business scope

##### 1. Main content of the Company's business activities:

CB01020	Office Machines Manufacturing
CC01030	Electric Appliance and Audiovisual Electric Products Manufacturing
CC01060	Wired Communication Equipment and Apparatus Manufacturing
CC01070	Telecommunication Equipment and Apparatus Manufacturing
CC01080	Electronic Parts and Components Manufacturing
CC01101	Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
CC01110	Computers and Computing Peripheral Equipment Manufacturing
CE01030	Photographic and Optical Equipment Manufacturing
F401021	Restrained Telecom Radio Frequency Equipment and Materials Import
I301010	Software Design Services
F113050	Wholesale of Computing and Business Machinery Equipment
F118010	Wholesale of Computer Software
F213030	Retail Sale of Computing and Business Machinery Equipment
F218010	Retail Sale of Computer Software
C805050	Industrial Plastic Products Manufacturing
CA02010	Metal Architectural Components Manufacturing
CA02090	Metal line Products Manufacturing
F401010	International Trade
F114030	Wholesale of Motor Vehicle Parts and Supplies
F214030	Retail of Motor Vehicle Parts and Supplies
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval



## 2. Percentage



## 3. Current products (services)

### PC Peripherals

#### Computer input devices

- Optical mice
- Advanced laser mice
- Wireless RF optical and laser mice
- Bluetooth mice
- Wireless bluetooth dual-mode mice
- Wired/Wireless dual-mode e-sports mice
- Wired/Wireless/Bluetooth dual-mode mice
- Wireless pointers
- Mini mice
- Wired keyboards
- Wireless keyboards
- Bluetooth keyboards
- Wireless/Bluetooth dual-mode keyboards
- Multi-device keyboards
- Mechanical keyboards
- Optical keyboards
- Mice and keyboards for games
- Wireless e-sports keyboards
- Backlit keyboards
- Laptop keyboards

#### Wireless charging device

- 5–15W Qi-certified modules for receiving (Rx) and transmitting (Tx) power
- 5–15W Qi-certified finished devices for receiving (Rx) and transmitting (Tx) power
- 30W medium- and high-power modules for receiving (Rx) and transmitting (Tx) power
- 30W medium- and high-power devices for receiving (Rx) and transmitting (Tx) power

#### Laptop touchpads

- Click feedback-based precise multi-point touch panel modules
- Force-sensing-based precise multi-point touch panel modules
- Click feedback-based precise multi-point touch panel modules
- Dynamic full-color light-effect precise multi-point touch panel modules

#### Docks

- Intel Thundebolt 3 docks
- USB-C docks
- USB-C Travel power docks
- Wireless charger docks
- Stand docks

### Non-PC Products

#### A. Vision Technology

##### A-1 Mobile Camera Module

- 24, 48, and 64 megapixel optical stabilization camera modules
- 13+13 megapixel dual-camera modules
- 5, 8, and 13 megapixel fixed-focus camera modules (front camera)
- 13, 16, and 20 megapixel closed-loop quick autofocus camera modules
- 13, 16, 20, 24, 48, and 64 megapixel optical image stabilization + autofocus camera modules
- 48 and 50 megapixel micro tripod head optical image stabilization + autofocus camera modules
- 8 and 48 megapixel 5x optical zoom periscope camera modules
- Phase difference level quick autofocus camera modules
- 13+13 megapixel dual-lens camera modules
- 20+12 dual megapixel zoom dual-lens modules
- 20+12 zoom megapixel zoom dual-lenses
- 8 to 20 megapixel ultra-small camera modules
- 8 megapixel ultra-small camera modules for smart glasses
- 3D/2.5D face recognition modules
- 3D depth sensing modules
- 3D machine vision sensing modules
- Under-screen optical fingerprint modules
- Capacitive fingerprint identification modules
- Ultrasonic fingerprint identification modules

##### A-2 Smart Vision Technology

- Smart monitoring
- Smart door lock face recognition modules
- Smart door lock fingerprint modules
- Surveillance cameras
- Conference cameras
- Police law enforcement instruments

##### A-3 Automotive Camera Module

Automotive camera modules

- Reversing auxiliary camera modules
- ADAS automotive triple-camera modules
- Camera modules for advanced driving assistance
- Controllers for advanced driving assistance
- L4/L5 Camera modules for autonomous driving
- Camera modules for driving monitoring and in-vehicle detection

#### B. System Integration

##### B-1 Business Equipment

Scanners

- Color flatbed scanners
- High-speed ADF scanners
- ARDF scanners
- DADF scanners
- Office scanner modules
- Software and firmware development for scanner modules

Printers

- Development of control panels for monochrome and color laser printers
- Software and firmware development for monochrome and color laser printers
- Dot matrix business printers
- Thermal induction printers
- Portable thermal printers

Multifunction printer

- Monochrome and color laser multifunction printers
- Development of control panel for multifunction printers
- Software and firmware development for multifunction printers

Fax machines

- Black-and-white fax machines

Data process devices

- Computer terminals
- Mobile internet-connecting devices
- Point-of-sale (POS) devices
- Barcode readers (DT/TTR)
- Cash registers (CR)
- Lottery printers

Office automation products

- Shredders
- Laminators
- Binders
- Paper cutters
- Card printers

##### B-2 Smart Home Products

- Portable wireless network storage devices
- Wireless fast charging and wireless backup storage devices
- Ultra-high frequency radar sensors
- Smart radar doorbells
- Smart door locks
- Home automation

##### B-3 Wireless Charging

- 10W–40W large area non-fixed wireless charging solutions, applicable to iPhone fast charging
- 10W–15W magnetic wireless charging modules, applicable to iPhone fast charging
- 10W–15W Qi-certified wireless charging pads/docks, applicable to iPhone fast charging
- 10W–15W Qi-certified original equipment multi-coil wireless in-car charging modules, applicable to iPhone fast charging
- 10W–15W Qi-certified wireless charging stands, applicable to iPhone fast charging
- 30–40W high-power wireless charging devices for laptops or desktop computers/tablets
- RF wireless chargers

##### B-4 Smart Interface Products

- Smart doorbells
- Smart door locks

##### B-5 Surveillance Products

- Indoor digital camera
- Explosion proof digital camera
- Digital camera with ultra-high frequency radar sensors
- Smart radar doorbells

#### C. TYMPHANY Acoustic Products

##### C-1 Speaker Modules and Systems

- Smart voice-controlled speakers
- Bluetooth portable amplifiers
- One-piece surround speakers (2.1 and 5.1 channels)
- One-piece surround speakers supporting Dolby stereo specifications
- Professional acoustic equipment and digital mixers for personal performance
- Professional amplifiers for professional performance venues
- Computer/acoustic speakers
- Full-frequency, low-frequency, high-frequency, and various professional speaker drivers
- Smart home wireless speaker systems
- Voice-controlled speakers
- Portable wireless amplifiers

##### C-2 Headphones

- Wireless earbud headphones
- Headsets
- True wireless bluetooth headphones
- Headphones for games
- Smart home wireless speaker systems
- Voice-controlled speakers
- Portable wireless amplifiers
- Speaker drivers



4. New products (services) under development plans

**PC Peripherals**

- Computer input device mouses and keyboards
- Backlit keyboards
- Keyboard modules
- Bluetooth and wireless controller and pointers
- High-speed e-sports wireless mouses
- E-sports professional multifunction mouses
- Mouses and keyboards for games
- Game console peripherals
- Multi-touch panels
- Smart TV remote controls
- Keyboard and leather cover keyboard for ultra-thin tablets
- Mobile phone gaming controllers
- Input devices for living room
- Thin mechanical keyboards
- Thin film keyboards
- High speed transmitting expansion ports for laptops
- Keyboards with audio function for meetings
- Smart writing pads
- Digital conversion devices
- High-speed transmitting expansion ports
- Smart audio and video control interface
- Wireless docks
- Intel Thundebolt 3 docks
- USB-C docks
- USB-C travel dock stations
- DisplayLink universal docks
- Wireless charging devices (for mobile phones, laptops, tablets, and other consumer products)

**Non-PC Products**

**A. Vision Technology**

**A-1 Mobile Camera Module**

- Full-HD camera module for thin laptops
- Single/multiple high-pixel camera modules for mobile phones
- 360° panorama/sports cameras
- Surveillance cameras
- Mobile phone fingerprint identification modules
- Credit card fingerprint identification module
- Wearable cameras
- VR camera modules

**A-2 Smart Vision Technology**

- Portable wireless network (wide area network) portable camcorders for police
- Smart doorbells
- Home security surveillance systems
- Smart surveillance systems
- Smart video conference systems
- Smart door lock fingerprint modules

**A-3 Automotive Camera Module**

- Reversing auxiliary camera modules
- Camera modules for driverless and advanced driver assistance
- Driving and in-car surveillance camera modules
- ADAS triple-camera module for cars
- In-car monitoring and advanced driver assistance controller (ECU)

**B. System Integration**

**B-1 Business Equipment**

- Commercial desktop high-speed automatic sheet-fed DADF scanners
- Commercial network scanners
- High-speed multifunction office scanner modules
- Development of control panels for high-speed color laser printers
- Monochrome/color barcode printers
- Card printers
- Development of control panels for multifunction monochrome/color printers
- Mobile internet-connecting devices
- Development of control panels for POS
- Development of interface between portable photo printers and the internet

**B-2 Smart Home Products**

- Household network storage devices
- Portable wireless network storage hard drives
- Smart home multimedia servers for audio-visual entertainment
- Application software products for smart home
- Smart light devices
- Home wireless fast charging and wireless backup storage devices
- Ultra-high-frequency radar sensors
- Smart doorbells
- Smart radar doorbells

**B-3 Wireless Charging**

- 10W-80W large area non-fixed wireless charging solutions, applicable to iPhone fast charging
- 10W-80W wireless charging modules, applicable to iPhone fast charging
- 10W-80W wireless charging pads/docks, applicable to iPhone fast charging
- 10W-80W multi-coil wireless in-car charging modules, applicable to iPhone fast charging
- 10W-80W wireless charging stands, applicable to iPhone fast charging
- Wireless charging pads and receiving modules for 30W-200W medium-power laptops
- RF wireless chargers
- 10-15W all-in-one computer wireless charging modules, applicable to iPhone wireless charging
- Medical hearing aid wireless chargers
- 16-coil wireless multi-chargers without positioning function
- 2000W home and industrial wireless chargers

**B-4 Smart Interface Products**

- Apple Homekit smart doorbells
- Apple Homekit smart door locks

**B-5 Surveillance Products**

- Ultra-high resolution digital camera
- Quick Ball digital camera
- AI digital camera
- Digital camera for traffic monitoring

**Non-PC Products**

**C. TYMPHANY Acoustic Products**

**C-1 Speaker Modules and Systems**

- Voice-controlled speaker modules
- High power amplifier modules
- Mixers
- Video conferencing system
- Online audio conference system
- Audio-visual creation control system

**C-2 Headphones**

- Speaker driver through new processes
- Noise-cancelling true wireless earbud headphones
- True wireless bluetooth hearing aid earphones

(2) Overview of the Industry

1. Industry Status and Development

I PC Peripherals

The PC peripheral products of the Group are mainly keyboards and mouses for desktop computers and laptops. The market change of this product line is closely related to the development of personal computer products. According to the IDC and Gartner analysis reports at the beginning of 2020, since the demand for remote work and teaching due to the pandemic in 2020, global personal computer (PC) shipments were about 303 million units, an annual increase of 13.1%. With the strong demand and shortage of production capacity, the production potential in every link of the supply chain has reached its limit. PC manufacturers and original design manufacturers (ODMs) needed to deal with the shortage of components and capacity, and logistics problems still existed. The focus of the overall market growth was placed on home office and online learning, but the capabilities of the consumer market itself should not be ignored. The shipment of gaming computers and monitors has reached the highest level in history, and Chrome has penetrated into the consumer market in addition to education. In 2020, Chromebook shipments reached 29.6 million units, an annual growth rate of 74%. However, most of the demand in the education market has not been met. In addition, countries in Central and South America and the Asia-Pacific region have also introduced Chromebook, with the overall demand reaching a peak. Currently, Chromebook shipments in 2021 are expected to exceed 40 million units, with an annual growth rate of around 37%. With Google's active efforts in developing its global layout, it is not ruled out the possibility that the annual shipment volume may still be revised upwards. The Group adheres to the principle of continuous innovation and R&D and has continued to attract and collaborate with world-renowned brands through its industry-leading new technologies, so it continues to grow at a high level in the overall computer market. The pursuit of lightness and thinness has become the mainstream trend in the mobile devices industry, and the lack of external interfaces has caused the market for docks to grow vigorously. The docks can enable functions, such as data

transmission, power supply, and video output through a USB interface easily. According to the estimates by Infiniti Research, a market research agency, the global dock market is expected to grow to US\$762.68 million between 2020 and 2024. Personal computing devices can be connected to more USB interfaces, network cables, audio cables, video output cables, and support peripheral devices with different specifications, such as chargers, through a multifunctional dock. In addition, driven by new trends, such as bring your own device (BYOD) and work from home (WFH), the demand for docks has been further increased. The main markets include personal work environment, medical care, industrial control, automotive electronics, school education, and business and office, as well as e-sports, the compound growth rate is predicted to be as high as 15%. Based on the core technology of high-speed signal transmission and system integration, the Group has also actively integrated relevant core technologies, including audio/video/interface, and launched an integrated dock that meets the needs of a variety of fields, while entering the new application fields of smart Internet of Things (IoT) interface and audio-visual interface. The Group has begun to further step into the high-end market and develop high-performance, high-speed transmission expansion ports and tactile feedback precision touchpads for thin and light laptops. It has targeted the business market needs of the top three major computer brands.

Although the focus of the overall market growth in 2020 was placed on home office and online learning, the capabilities of the consumer market itself should not be ignored; the shipment of gaming computers and monitors hit the record high in history. Particularly when people were isolated at home, they begun to spend more time on e-sports, which also contributed to a large number of new e-sports players. Many gamers were more focused on their passions and actively expanded their peripheral devices or upgrade PC components to strengthen combat readiness in games. This has increased the demand for purchasing



peripherals of e-sports games.

## II. Non-PC Products

### A. Vision Technology

#### A-1 Mobile Camera Module

According to the data released by IDC on October 30, 2020, the global total smartphone shipments in the third quarter of this year (2020) were 354 million units, a year-on-year decrease of 1.3%, but it was better than IDC's previous prediction of a 9% decline. With the improvement of the pandemic during the third quarter, part of the global mobile phone market showed a trend of recovery. Samsung regained its top position in the third quarter with a market share of 22.7%. Huawei lost its position in the first place and ranked second with a share of 14.7%. Xiaomi defeated Apple for the first time with a share of 13.1%, ranking third in the world.

IDC pointed out that an important trend in the recovery of the mobile phone market lies in the fact that some emerging markets have rebounded faster than expected. India, the world's second largest market, demonstrated a very strong sales performance in the third quarter. Other emerging markets, such as Brazil, Indonesia, and Russia, ranked fourth, fifth and sixth in the world, respectively, are showing strong growth. IDC said that although some of the demand was suppressed previously, more importantly, a series of promotions and discounts were offered to accelerate the growth of these markets; in India, distance learning has increased the demand for low-end smartphones, because compared with tablets, they are better deals. However, the increase in the demand for low-end smartphones will only further intensify the competition and increase the pressure on manufacturers' profits.

In the third quarter, the smartphone markets in some advanced countries witnessed a significant decline, which were also Apple's major markets. The reason was that the release of the iPhone 12 was delayed by one month, resulting in a decline in sales; meanwhile, in many such markets, the 5G promotional activities began to be launched, and users were able to buy the corresponding products in different range of prices. IDC pointed out that although some revenue figures seem to be far from satisfactory, the smartphone markets have greatly improved in terms of supply chain and consumer demand. In advanced countries, it is obvious that most consumers will buy a 5G phone for their next mobile phone regardless of brands or price ranges.

Observing the performance of various smartphone companies in the third quarter, IDC pointed out that Samsung's smartphone shipments reached 80.4 million units, occupying the top position in the third quarter with a market share of 22.7%, an annual increase of 2.9%; India was its largest market, accounting for 15% of the total shipments. Huawei lost its number one position in the third quarter, ranking second with 51.9 million shipments and the market share at 14.7%; its shipments in the China's market

decreased by 15% and 22% for the global market on an annual basis. The impact of sanctions is growing, and the company continues to face challenges.

Xiaomi's shipments reached 46.5 million units, ranking third in the world, beating Apple for the first time with a 13.1% share and a 42% growth rate; this was the result of the growth of the Indian market and the continued strong growth of the China's market, which accounted for 53% of the company's shipments in the third quarter. In India, Xiaomi's production capacity returned to nearly 85% of the pre-pandemic level, which contributed to the increase of its market share. Apple's iPhones shipments reached 41.6 million units in the third quarter, a year-on-year decrease of 10.6%, ranking fourth with a market share of 11.8% for the first time. Looking ahead, with the strong early demand for the iPhone 12 and the great deals offered by major U.S. telecom providers to promote phone replacement, IDC expected Apple to achieve growth in the following few quarters.

As for vivo in the third quarter, it returned to the top five with shipments of 31.5 million units, an annual increase of 4.2% and a market share of 8.9%.

#### A-3 Automotive Camera Module

Countries around the world are paying more and more attention to driving safety, making the advanced driver assistance system (ADAS) to have become the standard equipment of cars. Therefore, it is estimated that ADAS-related components and equipment will also become the fastest-growing segment in the new car standard equipment market. Eight percent of new cars in Europe the U.S. and only around 2% of new cars in emerging markets are equipped with this system. The low overall market penetration rate also means that there is a great deal of room for market growth in the future. It was estimated that the output value in 2018 already reached NT\$350 billion. This system has also gradually penetrated from high-end models to mid-end ones and gradually gathered momentum.

The total global shipments of automotive lenses will reach approximately 225 million units, of which the total shipments of ADAS system optical lenses will reach around 88 million units. If the average price of automotive lenses is estimated at around US\$40 per unit at this stage, the global ADAS optical lens market will continue to grow to approximately US\$9 billion in 2021.

Since the release of the 2025 Roadmap of the European Union's European New Car Assessment Program (Euro NCAP), regulators around the world have begun to focus their attention on the driver monitoring system (DMS) to prevent the dangers caused by driver distraction or fatigue. It is stipulated that the driver monitoring requirement should be fully applicable to new models, as well as to all vehicles that will be registered in Europe, including existing vehicles. From 2022, commercial vehicles in Europe should be installed with DMS in the front compulsorily. Therefore,

the DMS shipments surged by more than 300% in first quarter of 2020 year on year.

### B. System Integration

#### B-1 Business Equipment

The Group's business equipment includes image scanners, printers, multifunction printers (office devices), binding machines, barcode readers information processing devices (such as computer terminals and cash registers) and office automation products (such as shredders and laminators). Out of a variety of products, the main products are scanners and multifunction office printers.

Because scanners, printers, and office devices are all products produced by well-developed technologies, even though the products are still moving toward high resolution and internet connection, prices continue to fall. The global economic downturn has continued and the growth of emerging markets has also slowed down, leading to continued declines in the sales of printers and office devices. According to the 2016 annual report on the research of China's printer market released by IDC, the total number of new printer installed in China's printer market continued to decrease, and the number of new printer installed from all mainstream printer manufacturers continued to fall. In the economic downturn, the procurement from the government and small and medium enterprises has shrunk significantly. Meanwhile, the purchasing habits and needs of individual consumer groups have also changed. Price and advertising promotion are no longer the primary factors affecting consumers' purchase. The cost-effectiveness, reliability, and services of products have gradually become the key to influencing buyers' decision-making. In addition, the popularity of mobile devices (smartphones and tablets) and the digital trend have impacted the printer market, causing the number of prints to continue to decline. However, IDC's report pointed out that the compound annual growth rate (CAGR) was expected to grow at a rate of 2.3% from 2014 to 2019, making people once again pay attention to the management of the printing service market. In addition, with the rapid growth of the smartphone and tablet market, the industry has developed a large number of innovative applications, such as cloud printing and cloud scanners; as such, users can directly send documents via Wi-Fi for printing or directly access documents or image files through mobile devices. These new functional applications have become a must-have for multifunction printers. The demand for these new functions and the expansion of emerging markets have brought new growth momentum to low-end black and white and color A4 printers.

#### B-2 Smart Home Products

With the popularity of broadband networks and the increase in transmission speeds, the home network environment has become more developed. With the increasing number of wireless network products, smartphones, tablets, and relevant applications, the

boundary of the different interfaces and operating systems of network/computer/mobile devices (smart phones/tablets) and TVs/electric appliances has become increasingly blurred. All platforms and devices can be connected to each other (all connected), creating a seamless audio and video entertainment environment. The user's operation interface is also more intuitive and user-friendly. Smart home-related products and applications have become an inevitable trend. It is also the highlight of consumer electronics and the favorite of major electronic fairs, such as CES, CeBIT, and IFA. With the improvement of wireless network bandwidth (IEEE802.11n MIMO and ac MU-MIMO), the user experience in audio/video streaming can better meet consumers' expectations and promote the development of relevant products and services.

Leading brands have continued to launch higher-end relevant products recently, from ultra-high-definition 4k LCD TV, various set-top boxes (such as Apple TV, Roku, Google Chromecast, and Amazon Fire TV), network storage devices (such as NAS and DLNA wireless storage), audio and video entertainment servers (such as Xbox One, PS4), as well as wireless speaker systems (such as sound bars). Regardless of whether it is a hardware manufacturer or an Internet service provider, they had worked very hard to improve product specifications and the performance over the past year. Although each enterprise's product lines and technologies are different, the relevant hardware and software applications, including audio and video streaming and cloud computing, have become the focus of smart home growth in the next few years in terms of market applications.

The four-screen and one-cloud environment (TV screen, computer screen, mobile phone screen, tablet screen, and home private cloud) for the living room as the home entertainment center has led to consumers' needs for audiovisual data storage and management (personal cloud) and sharing between devices. Whether on hardware or software, consumers have practical needs for the storage, management, sharing, and streaming of digital videos, photos, music, and document files, which have created many new business opportunities.

#### B-3 Wireless Charging

After wireless charging has undergone specification wars and technological evolution in the past ten years, with the support of major mobile phone suppliers (such as Apple and Samsung) in 2018, and the joining of Xiaomi and Huawei in this field in 2019, the specifications of the wireless power consortium (WPC) (also known as Qi on the market) have become the mainstream in the market. The Company has also worked in this field for more than ten years and developed dozens of products and shipped millions of units.

According to the data from Strategy Analytics, with the increase in the penetration rate of mobile phones equipped with the wireless charging function and the growing demand for smart portable products,



such as Bluetooth headphones, the total global shipments of Qi-certified wireless charging receivers and transmitters reached 465 million units in 2019, an annual increase of 27%. The global penetration rate of mobile phones with the wireless charging function is expected to be close to 45% in 2024 (currently around 25%). In addition, automotive wireless transmitter modules that meet Qi specifications demonstrated a nearly 60% growth in 2019, with more than 20 million units shipped. The adoption of wireless charging products as the standard equipment by international automotive manufacturers is just around the corner.

At present, the most popular ones in the market can be divided into three types. The first one is dedicated to low- to medium-power mobile communication devices, consumer electronics, and wearable devices; the second one is dedicated to medium- to high-power applications, including computers, machine tools, industrial equipment, and home kitchen appliances; the third one is dedicated to ultra-high-power vehicles. At present, the first type of products is the main focus of development, accounting for more than 90% of the market demand, which is also driving the accelerated investment in the second and third types.

For this low- to medium-power wireless charging function, in addition to gradually expansion from high-end mobile phones to mid-end mobile phones (such as the Honor series of Huawei), it has been rapidly expanded to peripherals, including smart watches, wireless headphones and wearable devices, while applied to various types of smart home devices, acoustic products, IoT sensors, medical equipment, robots, and drones. This will drive the wireless charging market to continue to grow and penetrate into all consumers' lives and fields of industrial control, medicine, and cars.

#### B-4 Smart Interface Products

Benefiting from the development of cloud computing, edge computing, and artificial intelligence, the market demand for smart doorbells and smart door locks has increased significantly in recent years. With the camera and intercom function of the doorbell, consumers can still make video calls with visitors even when they are not at home so as to avoid missing important appointments or packages. Key is digitized because of smart door locks, which provides consumers with diverse and convenient unlocking methods and makes it easier for consumers' lives. Meanwhile, through real-time notice of door opening and closing, consumers can instantly keep abreast of the status of the door at home, which safeguard family safety in the first place. The market demand for these new smart interface devices has created new growth opportunities for us.

#### B-5 Surveillance Products

The increasing demand for home security in smart homes has prompted the security surveillance industry

to step into the private sector from the public sector, and has driven many manufacturers to introduce more diversified home-based surveillance products. The popularized mobile devices integrated with cloud computing has witnessed a significant reduction in equipment construction complexity and cost, in addition to the enhanced immediacy and convenience of security protection; therefore, the penetration of relevant products increased, and relevant technologies have also become the field on which manufacturers have focused in recent years. Looking ahead to the future, the vision-based security surveillance industry will respond to the demand for high intelligence and a substantial increase in the amount of data because of the increase in resolution or the increasing number of camera modules used in a product, technologies, including AI and edge computing will be the target every player pursues in the next few years. In summary, the security surveillance industry has benefited from the innovation of various technologies and applications, and the global output value has been maintaining a double-digit growth.

#### C. TYMPHANY Acoustic Products

Acoustic products mainly refer to a variety of whole-machine products and parts, including speaker systems, headphones, power amplifiers, speakers, microphones, and answering machines.

Speaker systems mainly include bluetooth speakers, wireless speakers, smart speakers, sound bars, and Hi-Fi systems. In recent years, with the economic growth and the continuous innovation of audio signal technology, consumers' demand for speaker products with good performance and advanced technology has been increasing. Smart speakers can acquire high-quality contents on the Internet; combined with artificial intelligence technology, they have provided consumers with diversified services and a better user experience, broadened the application boundaries of acoustic products, and promoted the rapid development of the acoustic industry.

Since the 1980s, with the rapid development of the audiovisual entertainment industry and consumer electronics industry, headphones have been widely used in mobile phones, music players, and computers. In early days, headphones were connected to audio players through wires. In recent years, with economic development and technological innovation, major consumer electronics manufacturers and technology companies have entered the headphones industry, driving the continuous development of the headphones industry in technology, scale, and application fields, to provide consumers with headphones products that are better in sound quality, more portable, a better smart interactive experience.

#### C-1. Speaker Modules and Systems

The speakers industry has a long history with a stable competitive environment. The giants in this industry are basically well-developed multinational

companies, such as BOSE, Harman, B&O, Apple, and Sennheiser, with a dominant position in the high-end market.

The speakers industry is experiencing "smart" and "wireless" development opportunities. The product structure is changing rapidly; the market size of products, such as radios, answering machines, and CD players is shrinking. However, smart speakers and wireless headphones have become a new driving force behind the development of this industry. These two fields have also attracted companies in the Internet industry, such as Amazon, Google, Apple, Alibaba, Baidu and JD.com, and they have launched smart speakers or true wireless headphones products.

Smart speakers are a popular product in electronic consumption in recent years. Since Amazon launched the first speaker - first generation of Echo - in 2014, smart speakers shipments have grown exponentially, and the global shipments surged from 2.55 million units in 2015 to 86.2 million units in 2018, with the compound annual growth rate of around 223%. The global smart speakers's shipments exceeded 56.2 million units in the first half of 2019.

According to IDC's forecast, the market size of smart speakers will increase from US\$4.4 billion in 2017 to US\$17.4 billion by 2022, with an annual compound growth rate of 32%, which is the fastest growing segment of smart home devices.

With the development of communication technology and the popularization of smart phones, the pan-entertainment industry represented by music streaming, online video, live broadcast, short video, online reading, and online karaoke has developed rapidly, enabling consumers to access high-quality pan-entertainment contents. This has broken the geographical limitations of accessing entertainment content in the past, thereby further promoting consumer demand for acoustic products with high convenience, high restoration capability, and high noise reduction capability. In particular, high-end acoustic products with excellent sound quality, stylish appearance, and high portability will usher in further growth.

In 2020, the world is faced with unexpected challenges, and people's lifestyles have undergone sudden changes. New ways of working, studying, and communicating have unexpectedly opened up new application areas for speaker products. With the rising demand for online communication, headphones, video conference equipment, radio equipment, and other types of products that were originally used only for conferences have suddenly become popular products that the public needs. Therefore, new products that are in line with general consumer habits have sprung up. Moreover, with the increase in the time at home, the data transmission of streaming video and audio has increased significantly, and the population that is engaged in video and audio content creation for streaming has also increased significantly, while the

demand for relevant audio and video recording and editing products has also demonstrated an exponential growth. Even if the pandemic is alleviated in the future, such new lifestyles that people develop as a result are expected to continue. Thus, relevant products is worth looking forward to in the future.

Meanwhile, due to the sharp decline in international travel, many business trips have been cancelled. This has also prompted many companies to purchase a large number of video conferencing systems, which has transformed the relevant products only with a niche market into the ones that are close to the people's daily lives. As such products need to incorporate the functions of image capture, sound capture, and sound reproduction, and require a high degree of synchronization and transmission of video and audio data, there are few companies in the market with such technological capabilities at the same time, thereby creating a particular niche for the Company.

This new development combined with the development of 5G communications will extend the application scenarios of acoustic products to new areas, such as smart cars, smart medical care, and distance learning.

#### C-2. Headphones

Since 2000, the headphones industry has experienced three waves of development, namely digitalization, wirelessization, and intellectualization. According to Future source, the global annual sales of the overall headphones market in 2018 were close to US\$20 billion, an increase of approximately 16.7% compared with 2017; during the ten years from 2008 to 2018, the global headphones market grew from nearly US\$4 billion to around US\$18 billion, with a compound growth rate of roughly 16%.

Compared with traditional headphones, smart headphones can be mainly divided into true wireless, voice assistant, smart translation, hearing enhancement, sports, and noise reduction. True wireless is the mainstream trend of smart headphones.

According to GFK's data, the size of the global true wireless headphones market was about US\$2 billion in 2017, and it is expected that the market size will reach US\$11 billion by 2020, with an annual compound growth rate of 76%.

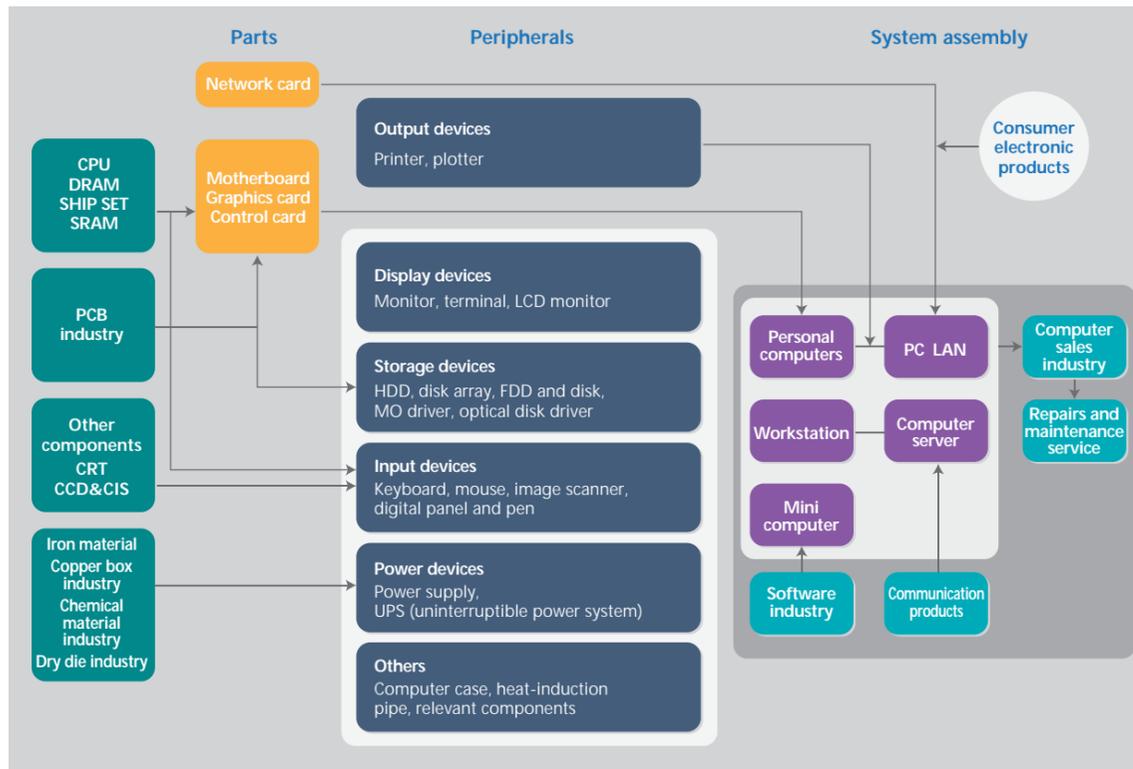
According to the forecast of Intelligence Research Group, the global shipments of true wireless headphones will reach 65 million units, 100 million units, and 150 million units from 2018 to 2020, respectively, with a compound annual growth rate of 51.90%. It is expected that as the sound quality and functions of true wireless headphones continue to improve, the penetration rate of true wireless headphones will continue to increase in the future.

In the future, the development of headphones will continue to advance in the direction of miniaturization, true wireless, anti-noise, environmental sound integration, and health promotion.



## 2. Links between the upstream, midstream, and downstream segments of the industry

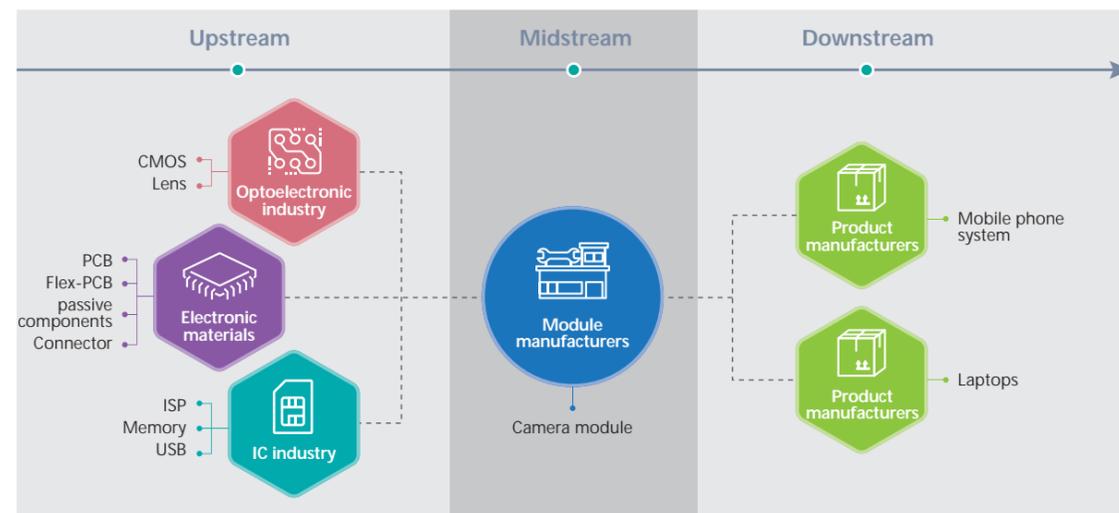
### I. PC peripherals:



### II. Non-PC Products:

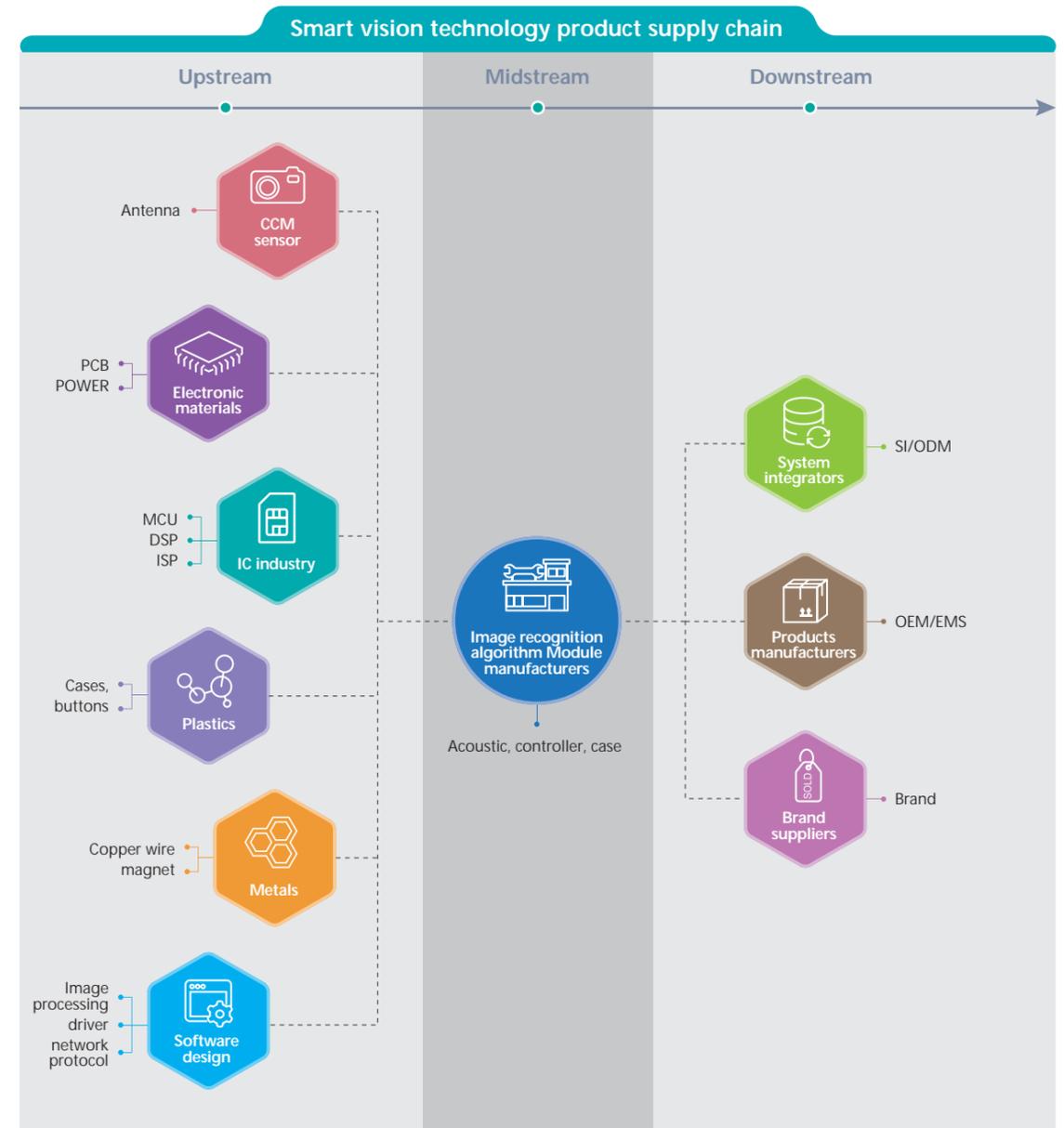
#### A. Vision Technology

##### A-1 Mobile Camera Module



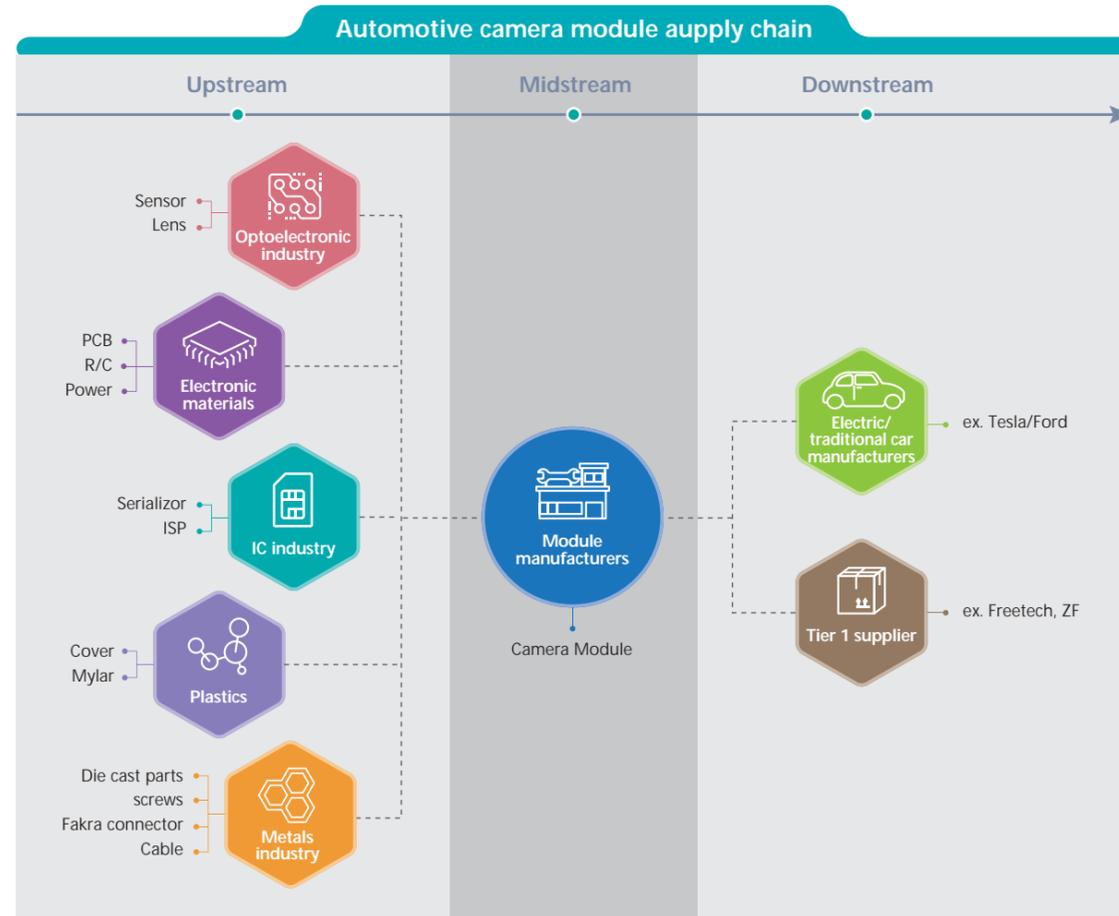
##### A-2 Smart Vision Technology

In the category of smart vision technology, the Group provides design and manufacturing services for various types of digital image products, such as CCM modules, wireless networks, image systems, and smart image recognition systems.



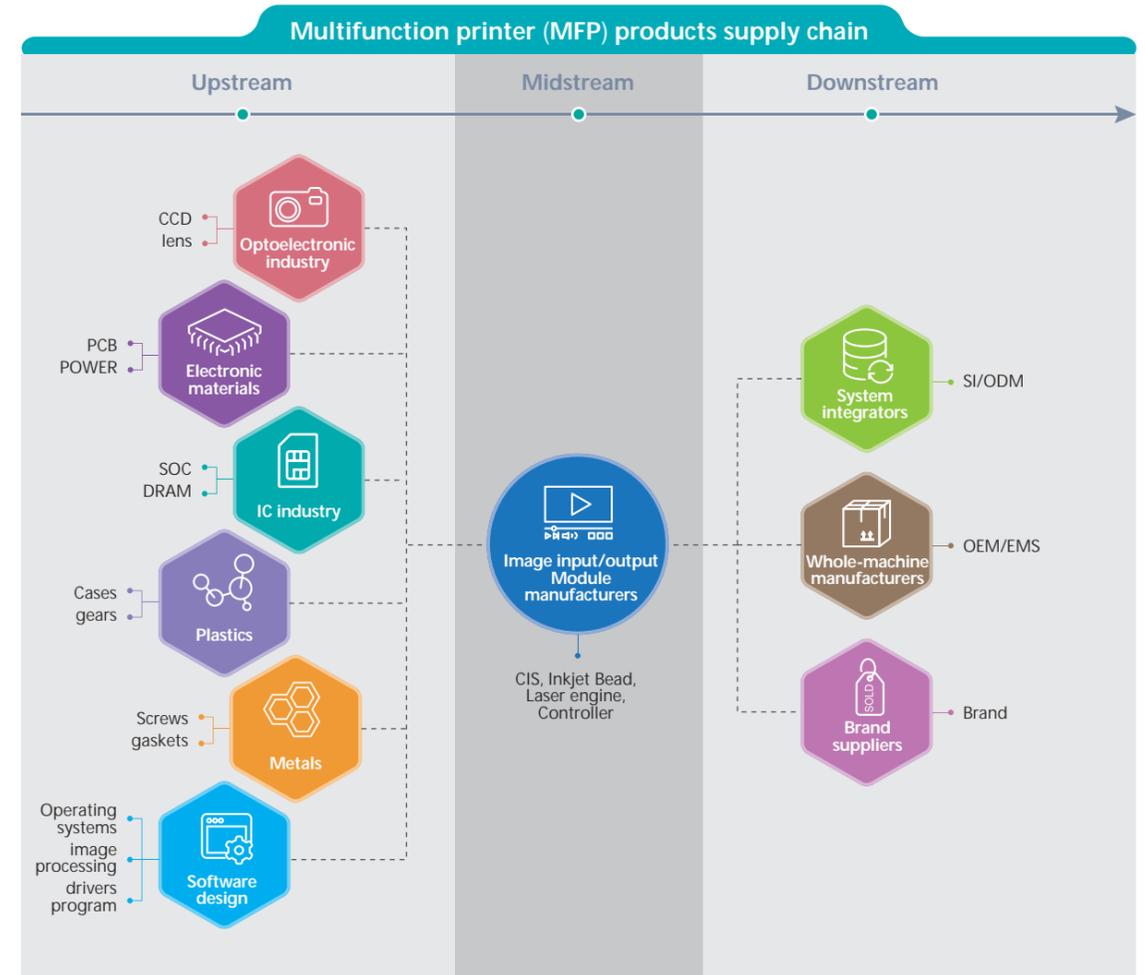


A-3. Automotive Camera Module



B. System Integration

B-1 Business Equipment



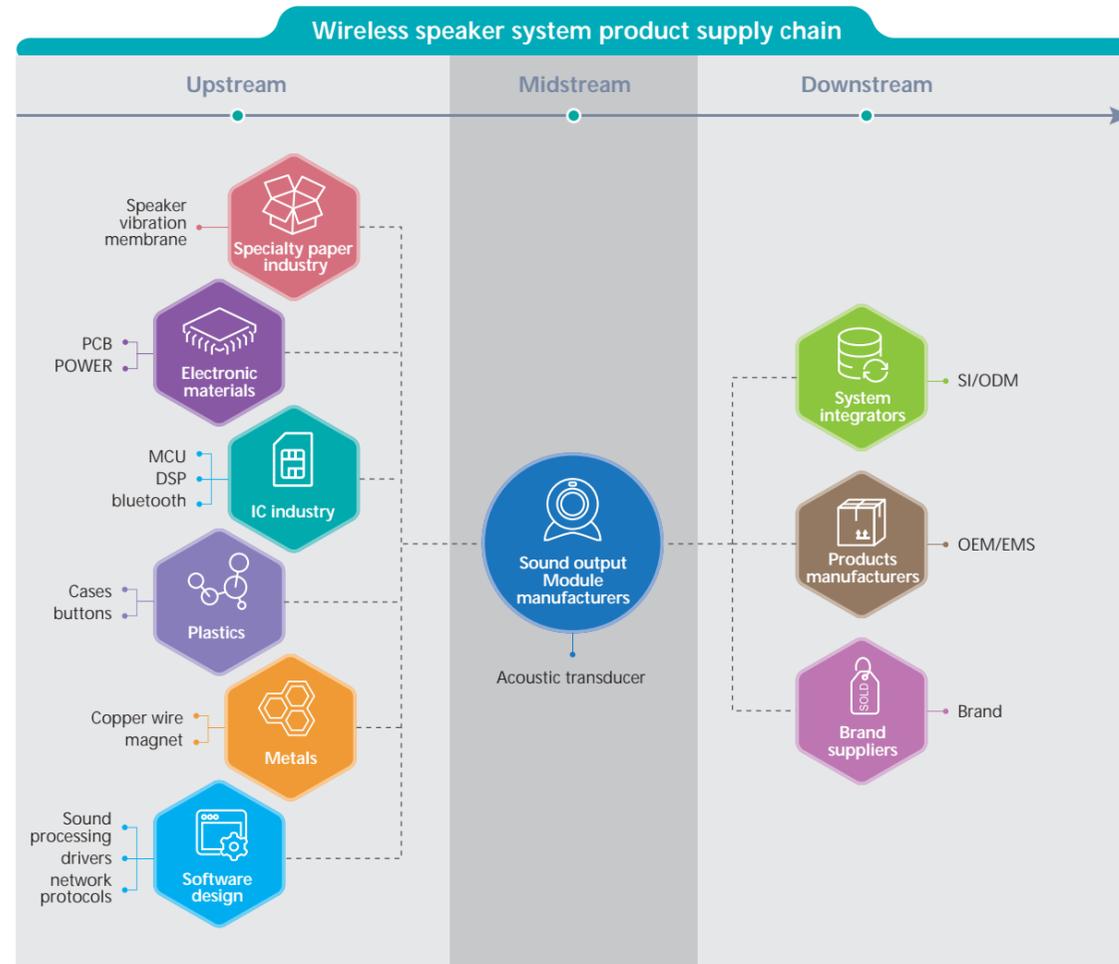
The multifunction printer (MFP) is composed of several important modules, namely the document scanner, printer (printing head), control panel, operating panel, automatic document feeder (ADF), and input (output) tray. The key component of the document scanner is the image sensor. There are two main technologies: charge-coupled device (CCD) and complementary metal-oxide-semiconductor (CMOS), which are mostly controlled by Japanese manufacturers. The main suppliers are Sony and Toshiba. Midstream suppliers provide image scanning modules, including sensors, mirrors, and lamps. Downstream system suppliers provide complete scanners, including image scanning modules, motor control, image capture control circuits, data transmission control circuits, cases, and software. System suppliers will also provide ADF, combining the function of continuous scanning for scanners.

The upstream suppliers of the Group are all well-known global manufacturers, and great and stable long-term partnership has been established. Therefore, there are no cases of shortages, interruptions, or delays in the supply of raw materials in terms of supply quality and delivery. Therefore, the Group's operational risk for upstream changes is very low. The Group has actively developed modules dedicated to high-speed multifunction printers and strengthened firmware and software application and system integration technologies, to reduce manufacturing costs and improve product quality. In addition, in order to respond to customers' product strategies in emerging markets, the Group has developed a variety of low-end black and white laser printers and multifunction printers, with very competitive quality and cost.



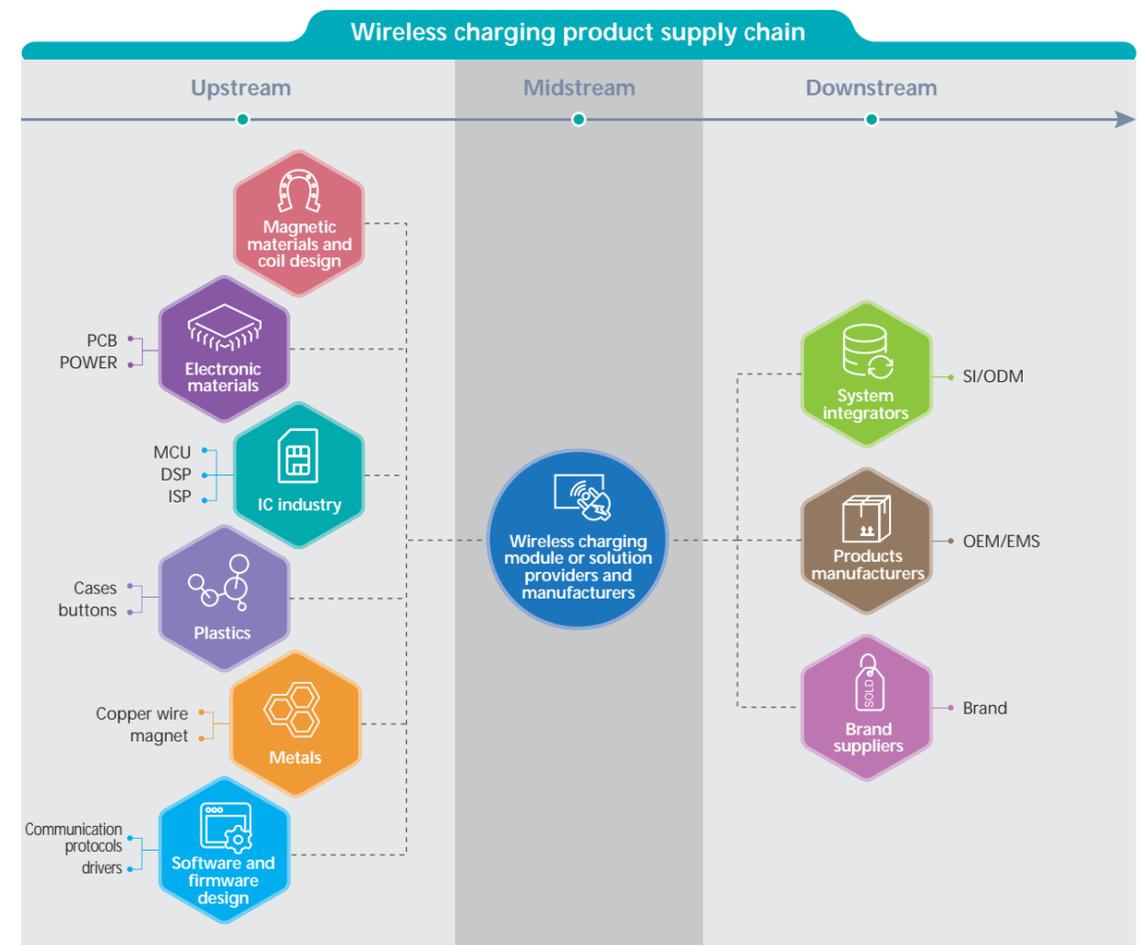
### B-2 Smart Home

In terms of smart home products, the Group provides design and manufacturing services for various products, including camera-based video devices, and personal storage devices products, including wireless flash drives and Wi-Fi hard drives. Meanwhile, there are in-depth studies on digital imaging, surveillance, and radar sensors.



### B-3 Wireless Charging

In the design of wireless charging devices, the Group focuses on the development, design, and assembly of modules and finished products. The service scope ranges from the selection of MCU or SoC chip platform, circuit board design, coil design, heat dissipation material design to module design. In addition, the Group further provides whole-machine design and manufacturing, calibration, and testing for the commercialization of various products; thus, it provides complete design, manufacturing, and services, while performing wireless charging certification, including Qi, resonance, and even RF, for customers. Furthermore, it optimizes efficiency and adjusts product customization, and has established strategic partnerships with key upstream component suppliers and downstream key brand customers in the industry. Therefore, it provides complete and forward-looking product service solutions to major customers and future potential markets.



### B-4 Smart Interface Products

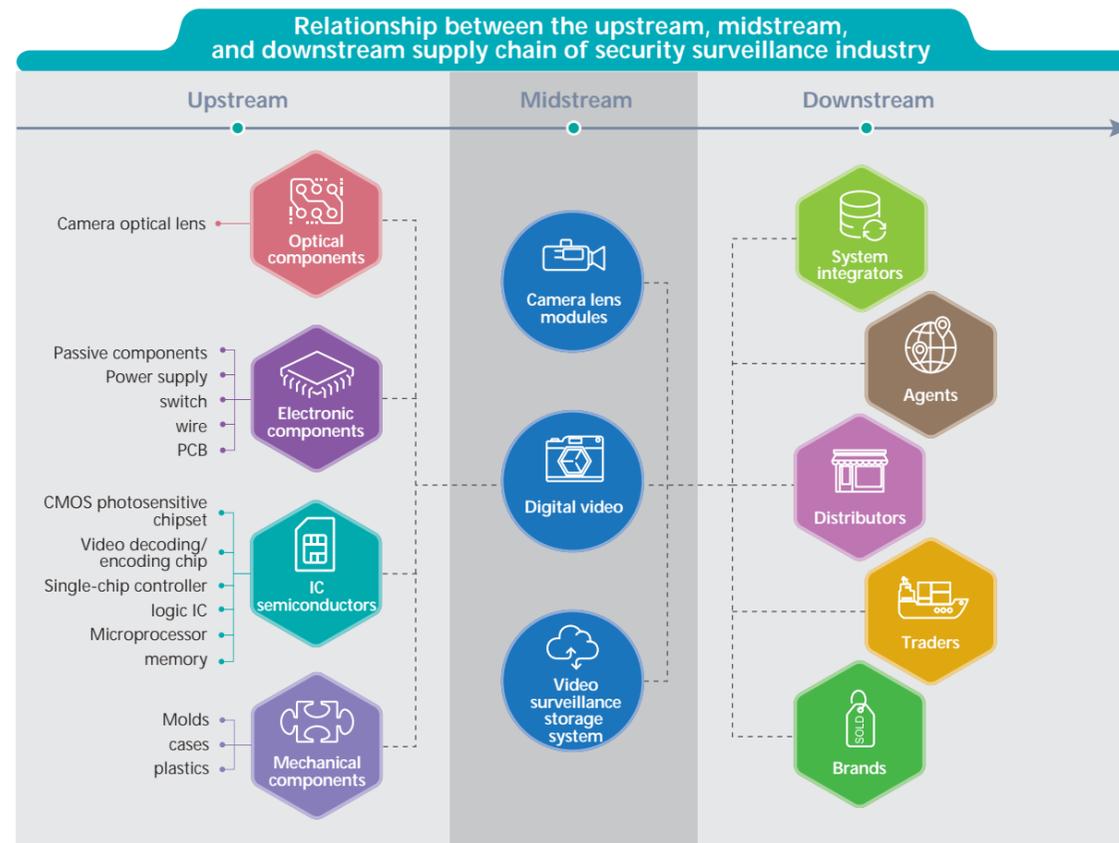
In the fields of smart doorbells and smart door locks, the Group can provide services, ranging from design and development to assembly and production, and has the ability to design circuits, and mechanisms, as well as software and firmware. Meanwhile, in order to strengthen the supply chain of key mechanical components for door locks, the Group has developed relevant strategic partnerships with major door lock manufacturers in Taiwan, to provide safe and high-quality products to our customers.

### B-5 Surveillance Products

In recent years, with technological advancements in security surveillance, surveillance systems have evolved from 1080p in the past to 4K or even higher definition, and the cloud and the IoT have driven the rapid development of relevant applications in the entire industry. The current security surveillance system is composed of three main components, namely cameras, network video record (NVR), and the integration of data analysis software and surveillance systems.

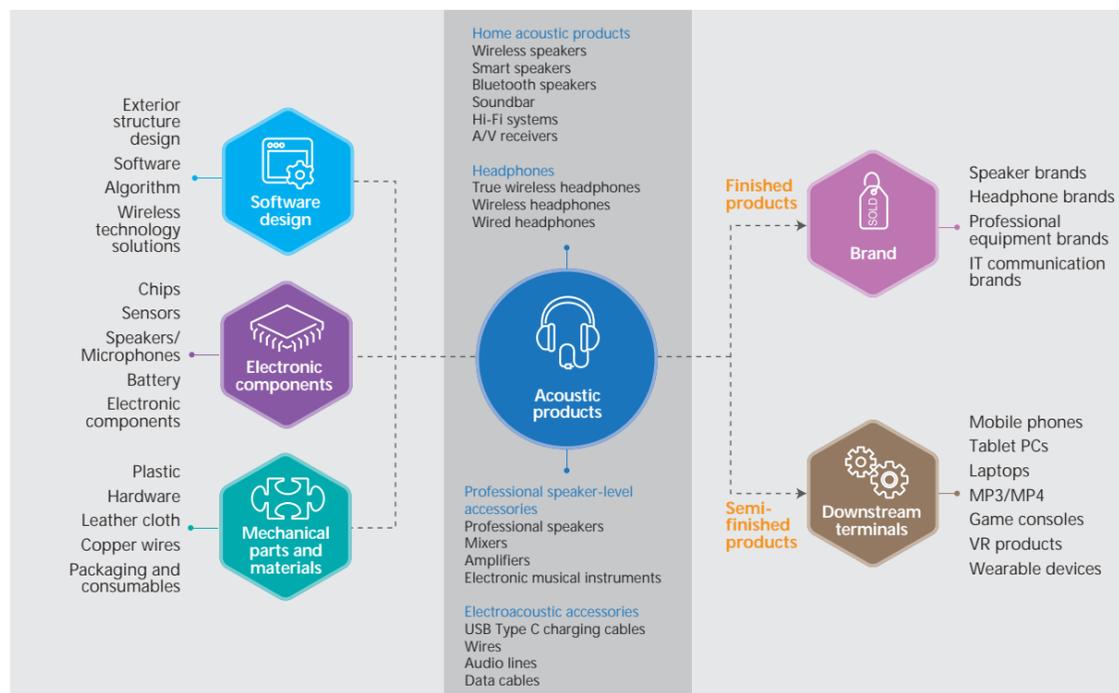
The Group's development projects are mainly about important equipment needed for security surveillance systems, including network surveillance cameras and design and manufacturing projects for internationally renowned manufacturers (EMS,OEM, ODM, and JDM). With a focus on collaborating with major manufacturers in Europe, the U.S., and Japan in the ODM/OEM model, the Group continues to develop smart analysis and image recognition technology, elevate security surveillance to preventive protection, and adopt the diversification principle to enhance image value, while expanding the application range of surveillance products to achieve smart security.

Relationship between the upstream, midstream, and downstream supply chain of security surveillance industry:



C. TYMPHANY Acoustic Products

C-1. Speaker Modules and Systems



C-2. Headphones

(Same as the figure above)

3. Various Product Trends

I. PC Peripherals

The computer peripherals of the Group are mainly used in information products, such as desktop computers, laptops, and personal digital devices. With the concentration of computer brands, competition in the computer peripheral market has become even more fierce. In line with the development trend of application products in the downstream segment, keyboard and mouse manufacturers will turn to an approach of diversification to meet the needs of the market, such as peripherals of e-sports devices, multimedia peripherals for creators, thin and lightweight laptops with high-speed transmission and connection devices, future smart home products, peripherals of mobile devices, information appliances (IA), Internet of Things products, wearable products, as well as peripheral input devices continuously developed in line with Internet TV, entertainment computers, game consoles, and mobile devices to meet current consumers' need for personalized and user-friendly products, to increase the added value of products. This will widen the technological gap with competitors; the development of new products with high added value will be the development trend of the industry in the future.

II. Non-PC Products

A. Vision Technology

A-1. Mobile camera modules

The camera modules of the Group are mainly used in high-end models of smartphones. In recent years, the trend of mobile phones is moving toward "high screen ratio," which refers to the large screen or full screen, like the one of iPhone X. Therefore, there is no room for the exposed fingerprint identification module, so the under-display fingerprint identification module must be adopted, or it should be replaced by face identification (face ID). The space where the camera module was originally placed is also compressed. The Group's patented packaging technology of holder on chip (HoC) can significantly reduce the size of the camera module while maintaining the optical function of the camera.

The optical fingerprint recognition module is the trend in under-display fingerprint identification. The space under the display that can accommodate the optical fingerprint recognition module is very small, and the requirements for holder precision are very high. The Group has the most sophisticated packaging technology in the industry and is one of the very few companies that can provide the under-display optical fingerprint recognition module.

For the packaging of miniature camera modules, a peer in the industry has launched the molding on chip

(MoC) process; although the size of the camera module is effectively reduced, its high price, long delivery time, low yield rate, and high equipment investment are completely unsuitable for the mobile phone industry. The Group's patented HoC packaging technology uses existing equipment to achieve the same size as that in MoC and features the price, delivery time, and yield rate that are close to those in traditional packaging as the mainstream packaging technology for ultra-small camera modules in the future.

Recently, the demand for video systems with camera modules has become a trend. The Group has made tremendous progress in integrating high-resolution camera modules with video systems and in integrating 3D depth sensing modules into video systems. The Group has developed 3D depth sensing modules on its own. The Group independently developed a precision calibration method for 3D depth sensing modules, leading the industry and opening up new areas for the application of high-resolution cameras and 3D sensing.

A-2. Smart Vision Technology

In the past, it was easy to cause a misjudgment or trigger an alarm because of the visual detection error in the plane using a single lens; nowadays with the continuous breakthrough of key AI technologies, face recognition technology and advanced algorithms are used to build invisible three-dimensional fence, which can accurately determine the actual moving position and size of the detected object, greatly reducing the occurrence of false alarms or missed alarms. Meanwhile, the access and storage of images and data of surveillance system software are increasing. How to effectively use these videos and data to deeply explore their potential value has become the focus of smart home growth in the following few years. In the past, experts needed to manually select features for image recognition. With the assistance of deep learning technology and hardware computing resources, automated feature learning through a large amount of data is already available, greatly lowering the threshold for developing image recognition applications.

Many image recognition applications require a great deal of manpower to execute, such as medical image recognition for symptoms, customer group and flow analysis through videos in malls, public area/home security surveillance, and defect identification in production line detection. Through assistance of smart image systems, the industry can improve the image recognition accuracy, reduce manual interpretation time, and further develop innovative services through integration of other systems.

A-3. Automotive Camera Module

The enhanced perception and judgment of external environment: With the evolution of hardware, the collection of actual road data by camera modules, and the optimization of algorithms, many driving



conditions on the road are gradually being controlled by the autonomous driving system, such as vehicle identification and lane detection, pedestrian detection, and traffic sign identification, and the application of stereo vision combined with navigation.

Miniaturization of automotive lens modules: As automotive lens modules are gradually shifted from purely external applications to the interior of vehicles, they are used for fatigue detection, head-up display calibration, and real-time surveillance. Users are concerned about the existence of such lenses very much. Therefore, car manufacturers attach great importance to the volume and visibility of such lens modules, which is also the inevitable direction in the future development.

Development towards high pixels: Higher pixels represent more details and information. In the era of autonomous driving, traditional megapixel camera modules can no longer provide enough information for the background system to interpret. Therefore, the subsequent 2, 5, 8 megapixel or more camera modules will be the basic requirements of the ADAS system and L4/L5 autonomous vehicles.

## B. System Integration

### B-1. Business machine products

With the rapid increase in sales of smartphones and tablets, consumers can take photos and print them immediately via Wi-Fi connection, print documents directly from mobile devices (such as Apple AirPrint®), or save scanned document images directly to mobile phones or tablets. New features, such as cloud printing (such as HP ePrint, Google Cloud Print) and scan-to-cloud, are further derived, while the needs for family life, entertainment, and work are met. In order to meet the printing needs (convenience, user-friendliness, compatibility, and consistent print quality) of many brands and mobile devices users on different platforms, the leading multifunction printer manufacturers, namely HP, Canon, Xerox, and Samsung, have jointly established the Mopria Alliance at September 2013, to jointly develop mobile printing standards and formulate a standard mobile printing agreement. They initially focus on Android mobile devices. At present, there are 20 members in the Alliance, including the major US and Japan multifunction printer manufacturers, control board chip design companies, and application software development companies.

It is undeniable that smart phones and tablets have already caused a quite big impact on the printer industry, particularly the inkjet printers. In order to improve revenue and profitability, major brands have proposed a managed print solution to help companies reduce hardware equipment expense and printing costs. The tier one manufacturers have also proposed a complete office document digitization process solution, and are developing toward a service-led business model. In addition, they have proposed customized system solutions and services based on the

characteristics of different industries. The most obvious example is Xerox, among other tier one brands, including HP, Canon, Lexmark, and Ricoh. Focusing on the development of low-end laser A4 MFP and mobile device support as it will have significant requirements for the hardware in the future.

### B-2. Smart Home

With the popularity of broadband networks and the increase in transmission speeds, coupled with the increasing number of wireless network products, smartphones, tablets, and relevant application products, consumers' demand for storage management and sharing of digital information, and synchronized connection solutions for digital products has grown rapidly, which has driven the demand for personal cloud or home cloud technologies and products. In addition, smart home related products and functions have been further extended to various personal mobile devices, such as Apple AirPlay and iTunes, and cloud digital program services, including Apple TV, Google Chromecast, Roku, Amazon Fire TV among other set-top boxes, as well as companies that provide digital content services, including Netflix, Hulu, HBO, cable TV stations, and sports channels. The continuous improvement of wireless network bandwidth (5G WiFi and IEEE802.11ac) will accelerate the development of industries related to smart home. Product categories include network storage devices, portable mobile wireless hard drives, home digital audio and video multimedia servers, home control, and security surveillance.

### B-3. Wireless Charging

Expanding from high-end phones to mid-end ones, the wireless charging function has also been extended to peripheral smart watches, wireless headphones, and wearable devices, and can be applied to smart home devices, IoT sensors, medical equipment, as well as robots and drones, which will drive the continuous growth of the wireless charging market.

Automotive wireless charging is the focus of the industry in terms of development, and the Company has entered the supply chain of the well-known electric vehicle industry. In addition to the traditional Qi-certified single-sided wireless charging, dual-charge wireless charging (both on driving and passenger ends) products have been developed and mass-produced. In the future, in combination with relevant applications, such as NFC & Bluetooth, wireless charging systems will accelerate the realization of business opportunities in the mobile office inside the car, in addition to enhanced convenience.

In addition to such mainstream wireless charging products and technologies, the Group is committed to developing various products and technologies, such as the most popular magnetic wireless charging, large-scale mobile charging, non-positional charging, mid-range RF wireless charging, and even wireless charging products for medical care, to make it more easier for

people in daily life through more accessible wireless charging, while consolidating the Group's competitive advantage.

### B-4. Smart Interface Products

With the popularization of cloud computing and AI, and the introduction of new IoT ecosystems by technology giants, including Amazon Alexa, Apple HomeKit, and Google voice assistant, more and more IoT devices have improved user experience; for example, the doorbells and door locks can be controlled through smart assistants; people can know who presses the doorbell at the door by means of face recognition, and users can use face recognition to unlock locks, which increase the market demand. Under the trend in the industry in the foreseeable future, the demand for smart interface devices will increase substantially.

### B-5. Surveillance Products

The increasing demand for home security in smart homes has prompted the security surveillance industry to step into the private sector from the public sector, and has driven many manufacturers to introduce more diversified home-based surveillance products. The popularized mobile devices integrated with cloud computing has witnessed a significant reduction in equipment construction complexity and cost, in addition to the enhanced immediacy and convenience of security protection; therefore, the penetration of relevant products increased, and relevant technologies have also become the field on which manufacturers have focused in recent years. Looking ahead to the future, the vision-based security surveillance industry will respond to the demand for high intelligence and a substantial increase in the amount of data because of the increase in resolution or the increasing number of camera modules used in a product, technologies, including AI and edge computing will be the target every player pursues in the next few years. In summary, the security surveillance industry has benefited from the innovation of various technologies and applications, and the global output value has been maintaining a double-digit growth.

## C. TYMPHANY Acoustic Products

Acoustic products contain professional fields, including electronics, electromagnetics, machining, electroacoustics, and industrial design. With the rapid development of information technology and communication technology as well as the transformation of the electronics industry from analog to digital technology, the new generation of smart terminals is developing toward being digital, wireless, smart, and portable, driving the acoustic industry to continue to carry out iterative operation of products. This applies to speaker products and headphones.

### 1. Development trend of speaker driver technology

- (1) Miniaturization is the main development trend of speaker technology

The speaker driver is the core component of acoustic products, which determines the audio quality of acoustic products. With the emergence of smart devices, such as smartphones, and the emergence of new application scenarios, speakers will continue to be developed toward featuring miniaturization, low distortion, high sensitivity, large dynamic range, wide frequency band, and good transient response, stylish appearance, high portability, and excellent sound quality, which are essential elements for future acoustic products. Speakers used in laptops, smartphones, LCD TVs, smart speakers, wireless headphones, and various smart devices create powerful momentum toward the rapid development of miniature speakers.

- (2) High performance is still the goal that speaker products need to continue to pursue

Speaker products will be developed toward the direction of long stroke, high power, high sensitivity, wide directivity, and low distortion.

### 2. Development trend of cabinet design technology

The speaker cabinet is mainly to eliminate the acoustic short circuit, increase the bass sound pressure level and uniformity, thereby improving the sound characteristics in the low frequency of the speaker, but the cabinet also brings some negative effects, such as enhanced formant as well as mid-high frequency reflection and diffraction, causing acoustic coloring in high and low pitches.

The overall technology of cabinet appearance design is relatively well-developed in the speaker industry. The cabinet design conforms to the principles of acoustics, industrial design; the overall consideration is comprehensive and complete and the completeness of details is high. At present, the development trend of cabinet design and manufacturing technology mainly focuses on:

- (1) Improve the directivity of the cabinet, reduce product diffraction, and achieve 360-degree radiation of sound through acoustic radiation design and acoustic structure;
- (2) Improve the immersion of sound. Through the current codec technology, combined with a single cabinet design, the sound emitted from the multi-channel speaker can achieve a better sound immersion;
- (3) Realize the miniaturization of professional speaker cabinet. On the premise of ensuring the indicators of sound output, the high-, medium-, and low-frequency speakers required by professional speakers are integrated into a smaller cabinet, to get rid of the restrictions on the place where they are used because of the large occupation area of traditional professional speakers, which further increases consumers' demand for professional speakers.



### 3. Development trend of power management

With the development of acoustic products, such as wireless headphones and portable wireless speakers, power management of acoustic products is becoming more and more important. The longer the limited battery capacity for playing and standby time for acoustic products, the better the user experience. The current power management of mobile phones has been developed for many years and is relatively well-developed. The power management of acoustic products is still in the early stage of development. The main trends of product power management are mainly concentrated on three levels:

- (1) **Optimization at the component level:** To optimize the components to reduce the power consumption of individual components, thereby reducing the power consumption of the overall system, so as to extend the power supply time;
- (2) **Optimization at the system level:** To monitor the overall power consumption requirements of the system in real time and adjust and match the voltage and current, thereby improving the efficiency of power supply and extending the battery life;
- (3) **Optimization at the content level:** To load and analyze the content played in advance through cloud computing and big data technology, and optimize the system power consumption according to the content played in advance, so as to achieve the purpose of reducing power consumption under the premise of ensuring quality of playing.

### 4. Development trend of digital signal processing

Digital signal processing is to use a computer or special processing device to digitally collect, convert, filter, estimate, enhance, compress, and identify signals to obtain a signal form that meets people's needs. Compared with analog signal processing, digital signal processing based on general-purpose DSP chip has high precision, strong anti-interference ability, and great stability; its programming is convenient, complex algorithms are easy to be executed, and programmable control is available. When the function and performance of the system changes, it does not require design, assembly, and debugging again; the interface is simple, the electrical characteristics of the system are simple, and the data flow is in compliance with the standard agreement; the integration is convenient; it can also be used for signals in very low frequency.

At present, the main applications and development trends of digital signal processing for acoustic products are:

#### (1) Active noise control

The traditional passive sound insulation method is to simply use noise insulation materials to block noise, without the ability to block noise generated from mid- and low-frequency noise sources. Therefore, heavy insulation materials must be used for effective sound insulation. Active

noise control is a method of electronic closed-loop control, which generates sound opposite to the original noise to counteract the original noise.

#### (2) Echo suppression

In long-distance communications and communications while moving, it is often troubled by echoes. Either linear echoes or acoustic echoes, when the delay exceeds 0.5 seconds, the echo will be clearly captured at the receiving end. In response to the two phenomena above, the echo suppression algorithm is mainly adopted to control and eliminate the echoes. At present, the DSP-based echo suppression algorithm is stable, concise, with a fast response speed, and can maintain great performance for double-talk, near-end-speech, and the mute state.

#### (3) Sound effect processing

The popularity of digital music has brought not only more durable and cheaper storage media and more diverse reception channels, but also more amazing audio-visual effects. However, due to the processing and conversion of digital signals, distortion will inevitably occur. Therefore, if we want to obtain a sound effect comparable to the original audio and video signal source in the human ear, the cost is high and the effectiveness is poor. In order to achieve the surround sound effect, currently the regulations on various digital music have been relaxed, including Dolby Atmos, Dolby Surround, Dolby ProLogic, AC-3, and THX. However, the weakest link in the whole process is in the section from the speaker system to the human ear. The transfer function in this section changes randomly due to different listeners and different listening environments. Therefore, how to automatically detect the environment and adjust the sound effect arrangement to improve the sound delivery range and delivery rate in the entire environment and how to improve the directivity of sound delivery based on the feedback from the live audience are the core issues in current sound processing.

### 5. Development trend of acoustic product system design

#### (1) Wireless connection technology

Wireless is one of the most obvious trends in acoustic products in recent years. Commonly used wireless technologies are Bluetooth and Wi-Fi. Bluetooth technology is generally used in headphones and speakers, and Wi-Fi technology is generally used in speakers. In particular, the bluetooth 5.0 technology standard released in 2016 has laid the foundation for the popularity of true wireless headphones. Compared with the previous generation technology, bluetooth 5.0 has lower power consumption; the radius of coverage reaches 300 meters, which is four times that of bluetooth 4.2; the transmission speed is

up to 24Mbps, which is twice that of bluetooth 4.2; it can be used for indoor positioning in conjunction with Wi-Fi.

Bluetooth 5.0 technology improves the stability of the device connection and reduces the delay, and its low power consumption feature can also extend the use time of the device. According to statistics, since the second half of 2017, mainstream mobile phone brands have launched more than 50 flagship models that support bluetooth 5.0 transmission. The adaptation of smartphones to support bluetooth 5.0 has laid a foundation in hardware for headphones using bluetooth 5.0 technology.

In the future, the Bluetooth 5.2 anticipated and the subsequent 6.0 technology will make a breakthrough in the latency problem of Bluetooth. This will enable the Bluetooth headphones to meet the most anticipated needs of many mobile game customers, and will further increase the importance and market share of Bluetooth headphones.

#### (2) Smart voice technology

Smart voice refers to the intelligent system that processes data, including sound collection, voice recognition, and semantic understanding through machine perception technology, to achieve a complete set of calculation processes of human-machine dialogue as well as intelligent analysis and decision-making. This covers multiple interdisciplinary fields, such as speech collection, voiceprint recognition, speech recognition, semantic recognition, and speech output. Smart voice products enhance the user experience in voice recognition, voice processing, deep learning, and voice generation involved in interaction with human beings. With major breakthroughs in a series of core technologies represented by smart speech recognition technology, smart acoustic products have become one of the most important development directions in the acoustic industry.

## 4. Competition of products

### I. PC Peripherals

Keyboards and mouse products are input devices for PC. Although there are other input methods, such as voice input and motion sensing input, currently available, they are unable to replace the mainstream role of keyboard input devices in terms of input recognition, input efficiency, and terminal usage scenarios. At present, information and electronic products are light, thin, short and portable. In order to enable consumers to receive or transmit information easily, the application of touch panels is rising. Currently, touch panels are mainly used in portable electronic products, and the existing keyboard is still adopted as the main input method for desktop computers and laptops. Furthermore, after market tests

and feedback, long-term use of touch panels would lead to a considerable degree of inconvenience, such as typing sensitivity and the problem of sore hands caused by users' long-term use, so the touch panel is mainly used for the input device of portable electronic products, while there is currently no alternative for the input device of desktop computers and laptops.

## II. Non-PC products

### A. Vision Technology

#### A-1. Mobile Camera Module

The mobile phone industry is in the unit of billion, so there are naturally many competitors and 70 camera module suppliers in the world, but currently there are no more than 20 suppliers that can provide more than one million units per month with a comprehensive camera product line. Because of the very large market size, new competitors are entering this field constantly. Particularly, the vertical integrators of the upstream and downstream segments in related industries and the horizontal integrators brought by other product line manufacturers of handheld devices pose the most daunting challenges. After 2015, the gross profit of this industry has dropped significantly. In addition, the huge investment in the production capacity of high-end models has enabled big module manufacturers to become bigger. However, as manufacturers competed to expand their factories, resulting in excess capacity. Since 2016, irrational price-undercutting to win more orders has resulted in a certain degree of reshuffling of module manufacturers; some small module manufacturers withdrew from the industry or gradually moved to emerging markets or niche markets. The fingerprint module technology threshold is lower, and the competition is even more irrational. The Group formulates its strategy depending on the degree of competition.

#### A-2. Smart Vision Technology

In addition to striving for stable development of existing product lines, the Group is actively planning to develop new product lines with the most market potential. At this stage, applications related to smart vision technology are taken as the focus of development. The product categories include smart doorbells and portable security video devices, home digital audio and video smart surveillance system, digital smart video conference system, smart access control system, and smart surveillance system.

Meanwhile, the rise of smart homes has brought new impacts and business opportunities to the market. The most representative one is Amazon's Echo. With its powerful advantage in e-commerce channels and strong cloud-based computer processing capabilities, Amazon's Echo becomes instantly popular with the market after its launch. For more than a year after the released to the market, one million units have been sold. This is a huge breakthrough in the smart home field as it has been talked about without any action taken for more than 20 years. It also prompted



Google to launch Google Home at the end of 2017, which is also a smart home system. The strengths they promote are the strong network connection and cloud computing capabilities behind the companies, which will inevitably bring significant changes to the market.

In such a competitive environment, businesses who master key image processing engineering capabilities and have high-quality mass production capabilities will stand out from the competition.

### A-3. Automotive Camera Module

Compared with the lenses used in consumer electronics, lenses for cars have higher requirements for shockproof, stability, continuous focusing, thermal compensation, and resistance against interference of stray and strong light. Therefore, the module assembly is complex and the technology required is relatively advanced. From the perspective of the global lens supply market, currently international companies, such as Panasonic, Valeo, Fuji, Continental, and Magna, occupy a large share of the market. The top five manufacturers have a total market share of about 59%; the concentration is relatively high.

The rest of the market is shared by manufacturers in China/South Korea/Taiwan. Because the manufacturers in China occupies a larger share because of home advantage, while Taiwanese/South Korean manufacturers focus on the niche markets.

At present, the original equipment, or OE (referring to car manufacturers), market of automotive lens shipments is still controlled by the tier 1 suppliers. It is because of the fact that automotive camera module used by OE is a standard product that cannot be purchased or used separately. The relevant specifications and requirements need to match the system controlled by the tier 1 suppliers. Therefore, for OE suppliers, currently Autoliv, Continental, Mcnex, Bosch, and Delphi are the main suppliers. Because automotive lenses require high precision and stability, the use of the active alignment (AA) process is a trend in the industry. The Group has more than 10 years of experience in the AA processes for consumer camera modules, building on which the business has been extended into the automotive field, which currently is where a large portion of the niche is located.

Not all tier one suppliers car makes lenses by themselves. At present, a considerable number of well-developed products are purchased from tier two suppliers. Such suppliers include Panasonic, Truly, Jabil, Liteon, LGIT, and SMK.

## B. System Integration

### B-1. Business Equipment

The demand for low-priced monochrome laser printers and low-end multifunction printers has rapidly risen in the market driven by the WFH model due to the pandemic, and the competition is very fierce. In terms of the product category, the future growth of multifunction printers will be greater than general

printers. In summary, the future prospect of the laser multifunction printer is optimistic. Considering its advantages of fast and automatic scanning and double-sided copying functions, wireless network function that continues to cater to consumers' needs, as well as the digital application that is continuously improved, there is no major risk of substitution for this product. However, the price, environmental protection, electricity conservation, printing cost, wireless network printing, and localized design are the keys to standing out in the fierce competition.

### B-2. Smart Home

In addition to striving for stable development of existing product lines, the Group is actively planning to develop new product lines with the most market potential. At this stage, applications related to smart home are taken as the focus of development. The product categories include network storage devices (NAS), portable wireless hard drives, home digital audio and video multimedia servers, personal mobile wireless speakers, and high-frequency radar sensors, and smart doorbells.

The market for home network storage devices is still in the preliminary stage, and the household penetration rate is not high, mainly because consumers are not very familiar with the product functions. In addition, manufacturers must pay more attention to publicity and communication of information with consumers, while continuing to innovate research and development and improve the user interface. In addition to traditional household network storage devices, another new opportunity is wireless portable hard drives. Due to the explosive growth of smartphones and tablets, the storage capacity and standby battery life of these mobile devices are very limited. The wireless portable hard drive can not only increase the data storage capacity but can be used as a backup power supply when a mobile device is out of power. The design is very user-friendly and practical.

Furthermore, the market of technology consumer products has been booming with the rise of smartphones, which in turn has driven many individuals' demand for wireless personal multimedia entertainment. The Group has worked hard for a long time in the field of image processing and wireless bluetooth communication technology. Since 2012, it has been engaged in research projects on wireless audio and video data transmission and sharing, with a focus on wireless storage devices. The high-resolution screen and a powerful processor have enabled the smartphone to play high-resolution videos; however, the biggest problem of the smartphone is that the internal storage space is small and expensive, and it cannot be connected to external hardware like a computer; therefore, the wireless storage device becomes the best solution.

### B-3. Wireless Charging

As early as since 2007, the Group has invested in research and development of relevant products

and successively provided design, manufacturing, and OEM services for wireless charging products to the world's leading mobile phones, consumer electronics, computers, peripherals, and even sportswear brands and manufacturers. So far, it has accumulated millions of units in mass production, and continues to make breakthroughs in the development and promotion of various new key technologies, such as the 15W wireless charging device, applicable to Samsung fast charging, in 2017, 30W medium- and high-power wireless charging device for computers, the integrated products with wireless charging and wireless data backup functions in 2019. Magnetic wireless charging applications that emerged in 2020 as comprehensively introduced in Apple's products will drive a new wave of upgrades in the industry, and the competition and innovation are also expected to accelerate.

In the future, the Group will still take advantage of the experience and technology accumulated in the past ten years to design more high-efficiency, high-power, and miniaturized applications with low heat consumption in response to the various needs of major customers for wireless charging and the development of relevant new technologies. The long-distance true wireless charging device allows wireless charging to be prevalent in the modern society and further change people's electricity consumption habits.

### B-4. Smart Interface Products

The Group has many years of development experience in the development of embedded system software and hardware, camera modules, fingerprint recognition modules, and human-machine interface devices, etc., and has developed a large number of key core technologies and patents certified by major domestic and foreign manufacturers, while accumulating many years of experience in the technological development of acoustic products with good results in the market. Building on this foundation, investing in the development of smart doorbells and door locks is expected to have a better outcome more easily. Since the mechanism of traditional mechanical locks is still the core of smart door lock products, the Company has strategically collaborated with traditional door lock manufacturers in Taiwan in addition to investing in R&D talents. With a win-win collaboration model, we can complement our shortcomings while speeding up the product design and development cycle and seizing market opportunities.

This year we will continue to mass produce doorbells and door locks. With that, we will strengthen our R&D efforts to add more smart functions to products more and develop more user-friendly product designs, in order to provide customers with more value added to products so as to face external competition.

### B-5. Surveillance Products

Since Hikvision and Dahua, China's surveillance product giants established in 2001, have occupied 40% of the global market with ultra-low prices. The price war

launched by China's security surveillance brands has caused the price of security cameras to drop every year.

However, the situation began to reverse after the start of the trade war. The U.S. passed the National Defense Authorization Act to restrict the purchase of security surveillance products from China's Hikvision and Dahua. Coupled with the technological patent battle caused by the trade war, security surveillance products have made Taiwanese manufacturers as a reasonable target to which customers transfer their orders. With this niche, the Group, with more than ten years of experience in image product development, has successively received ODM orders from Japan, Europe, and the U.S. and has entered the field smart homes with the group-wide effort.

## C. TYMPHANY Acoustic Products

### C-1. Speaker Modules and Systems

Speaker modules and systems have been developed for nearly 100 years, and the original environment in this sector has been stabilized. However, in recent years, with the vigorous development of mobile phones, the development of wireless technology, the replacement of traditional physical distribution of music with online videos and music and streaming music, the speaker industry has undergone significant changes. Many companies that were not involved in the speaker sector have had incredible performance on acoustic products in recent years, such as Apple, Amazon, and Google, which has greatly subverted the original ecology in this sector. Meanwhile, the original speaker businesses are not defeated; instead, they change the direction of product design from the original function orientational to the design orientation. The speaker products have become more stylish. There are many personalized products, either in terms of home products or personal styles.

Speakers with the bluetooth connectivity function are today's mainstream products. The price of such products in the market varies greatly, ranging from US\$10 for low-priced, unknown brand products of to nearly US\$1,000 for high-end products. This kind of wireless speaker product has broken through the framework in the past; it is no longer a high-end product that only people with high and stable income over the age of 30 or 40 can buy; instead, it becomes the product that young people can also afford. Lowering the threshold for the purchase of the product also means a great deal of investment from competitors. Moreover, it has prompted traditional speaker brands that were mainly focused on high-end models to launch entry-level products with the aim of cultivating consumers' brand loyalty when they are young. Such market changes have prompted traditional speaker brands to release more outsourcing OEM orders, which has also brought more business opportunities to PRIMAX.

Meanwhile, the rise of smart speakers with voice assistants has created brought new impacts and business



opportunities to the market. The most representative one is Amazon's Echo. With its powerful advantage in e-commerce channels and strong cloud-based computer processing capabilities, Amazon's Echo becomes instantly popular with the market after its launch. For more than a year after the released to the market, one million units have been sold, which is a huge success in the speaker-related products. It also prompted Google to launch Google Home at the end of 2017, which is also a smart home system. For the e-commerce giant and network heavyweight to launch the speaker products as non-traditional speaker manufacturers. The strengths they promote are the strong network connection and cloud computing capabilities behind the companies, which will inevitably bring significant changes to the market.

In such a competitive environment, businesses who master key speaker engineering capabilities and have high-quality mass production capabilities will stand out from the competition.

Under this wave of the pandemic, the network video conferencing system has transformed from

a product with a small niche market into standard equipment for many companies. This type of product needs to incorporate video and sound technologies. Among many competitors, the Company is one of the few companies that have such technologies at the same time. This allows the Company to get a head start at the beginning of the market, and there are currently many models being developed simultaneously.

**C-2. Headphones**

The market development situation for headphone products is similar to that encountered by speaker systems. It is also the wave of new technologies that which has made the market boom and led to many emerging leaders on the market. As a relative latecomer in the field of headphones, our strategy is not to catch up with the existing products, but to invest greatly in research and development of emerging true wireless headphones based on the trend of future headphone products in the scenario of wearable applications, such as health detection, hearing aids, and smart applications, to put the Company's advantages in this field to good use to obtain market leadership.

**(3) Overview of Technologies and Recent R&D Efforts**

**1. Overview of invested R&D expenses**

Unit: NT\$1,000

Year	R&D expenses	Ratio to operating revenue (%)
2020	2,555,565	3.74%

**2. R&D accomplishments in the most recent fiscal year and as of the publication date of the annual report**

Year	R&D results
2018	<ul style="list-style-type: none"> <li>Design and development of matrix microphones with multiple microphone combinations</li> <li>Design and development of array speakers</li> <li>Design and development of structural optical facial recognition module</li> <li>Design and development of depth recognition module</li> <li>Design and development of ultra-compact camera module for packaging</li> <li>Design and development of the three-phase camera focusing module</li> <li>Design and development of in-car three-phase camera module</li> <li>Design and development of a new generation of A3 DADF scanners</li> <li>Design and development of Mini LED multi-color backlight module for keyboard</li> <li>Design and development of composite mechanical keyboard</li> <li>Design and development of a new generation of high-speed wireless signal input design, development of 15W Qi-certified wireless fast charging pads for Samsung and iPhone</li> <li>Design and development of 1W - 15W wireless charging sets for headphones, wearable devices, and smart shoes</li> <li>Design and development of 15W wireless charging module, applicable to iPhone fast charging</li> <li>Design and development of 15W wireless charging pad and stand, applicable to iPhone fast charging</li> <li>Design and development of 15W in-car wireless charger mount, applicable to iPhone fast charging</li> <li>Design and development of 15W in-car wireless smart charger mount, applicable to iPhone fast charging</li> <li>Design and development of 60W - 120W high-power wireless charging device</li> </ul>
2019	<ul style="list-style-type: none"> <li>Design and development of 1W - 15W wireless charging sets for headphones, wearable devices, and smart shoes</li> <li>Design and development of 10W - 15W large-area wireless charging solution, applicable to iPhone fast charging</li> <li>Design and development of 15W - 30W wireless charging module with iPhone fast charging function</li> <li>Design and development of 15W - 30W wireless charging pad and stand, applicable to iPhone fast charging</li> <li>Design and development of 15W in-car wireless smart charger mount, applicable to iPhone fast charging</li> <li>Design and development of 15W in-car multi-coil wireless charging module, applicable to iPhone fast charging</li> <li>Design and development of 60W - 120W high-power wireless charging device</li> <li>Design and development of 1 - 5W RF wireless charging products</li> <li>Design and development of high-speed wireless mechanical keyboard for gaming</li> </ul>

Year	R&D results
2019	<ul style="list-style-type: none"> <li>Design and development of high-speed wireless mouse for gaming</li> <li>Design and development of home game console controller</li> <li>Design and development of high-speed transmission docking station</li> <li>Design and development of upright binding machine</li> <li>Design and development of A3 ARDF</li> <li>Design and develop wearable positioning sensing device</li> <li>Design and production of credit card color printing equipment</li> <li>Design and development of bluetooth portable printer</li> <li>Design and development of paper size detection technology</li> <li>Design and development of bluetooth mini camera product</li> <li>Design and development of police recorders, supporting LTE, bluetooth, and Wi-Fi</li> <li>Design and development of wireless charging and mobile phone backup device</li> <li>Design and development of smart doorbell</li> <li>Design and development of smart access control system</li> <li>Design and development of home security surveillance system</li> <li>Design and development of smart surveillance system</li> <li>Design and development of smart video conference system</li> <li>Design and development of 2M/3M/5M/8M-pixel in-car camera module</li> <li>Design and development of 4800-pixel single/multi-lens mobile phone camera module</li> <li>Design and development of camera module with multiple functions of ranging and depth plus face recognition</li> <li>Design and development of camera module with multiple functions of structured light 3D modeling and face recognition</li> <li>Design and development of wide-angle sports camera module</li> <li>Design and development of a new generation of optical fingerprint identification module</li> <li>Design and development of a new generation of ultrasonic smart door lock fingerprint identification module</li> <li>Design and development of headphone speaker driver</li> <li>Design and development of true wireless headphone</li> <li>Design and development of Dolby Atmos sound bar</li> <li>Design and development of digital mixer</li> </ul>
2020	<ul style="list-style-type: none"> <li>Design and development of mechanical low-power wireless e-sports keyboard</li> <li>Design and development of mute mouse for business purpose</li> <li>Design and development of mute keyboard for business purpose</li> <li>Design and development of high-fidelity vibration controller for home game console</li> <li>Design and development of 15W - 45W wireless charging module, applicable to iPhone fast charging</li> <li>Design and development of 15W - 45W wireless charging pad and stand, applicable to iPhone fast charging</li> <li>Design and development of 15W - 45W wireless charging smart in-car charger mount, applicable to iPhone fast charging</li> <li>Design and development of 15W - 45W in-car multi-coil wireless charging module, applicable to iPhone fast charging</li> <li>Design and development of 15W - 45W innovative mobile charging product, applicable to iPhone fast charging</li> <li>Design and development of 60W - 200W medium-power wireless charging device</li> <li>Design and development of 1W - 15W RF wireless charging product</li> <li>Design and development of a new generation of A4 DADF scanner</li> <li>Design and development of a new generation of barcode printer</li> <li>Design and development of a new generation of sheet-feed scanner</li> <li>Design and development of a new generation of high-speed CIS image scanning module</li> <li>Design and development of a new generation of ultrasonic paper sensor module</li> <li>Design and development of camera module for autonomous driving and assisted driving</li> <li>Design and development of driving monitoring and in-car detection camera modules</li> <li>Design and development of ultra-thin flat speaker driver</li> <li>Design and development of integrally formed speaker driver</li> <li>Design and development of integrated module for high-performance speaker and amplifier</li> <li>Design and development of high-performance mobile speaker power management system</li> <li>Design and development of anti-noise true wireless headphones</li> <li>Design and development of audio systems for teleconferencing</li> <li>Design and development of audio systems for audio conferences</li> <li>Design and development of camera module for autonomous driving and assisted driving</li> <li>Design and development of 3D distance measurement with high-resolution camera multifunction camera module</li> <li>Design and development of optical stabilization (3 degree or higher) multifunction camera module</li> <li>Design and development of multifunctional camera module for smart glasses</li> <li>Design and development of 4800/6400 pixel single-/multi-lens mobile phone camera module</li> <li>Design and development of driving monitoring and in-car detection camera modules</li> <li>Design and development of Apple Homekit smart door lock</li> <li>Design and development of Apple Homekit smart doorbell</li> </ul>



## (4) Long- and short-term business development plans

### 1. Short-term business development plans

#### I. PC Peripherals

- Keep abreast of the development trend of technologies related to mice, keyboards, multi-color backlit keyboard modules, peripherals of e-sports input devices, and smart remote control, and continue to develop new products to facilitate business promotion.
- Establish a key component supply chain and establish a VMI/JIT system to effectively reduce inventory pressure and the problem of material shortages.
- Improve factory production efficiency, reduce costs, and continue to strengthen OEM/EMS business so as to increase turnover steadily and increase gross profit margin. Keep abreast of the trend of mobile applications and relevant technology development.

#### II. Non-PC Products

##### A. Vision Technology

###### A-1. Mobile Camera Module

Having been certified by the major European and US brands, PRIMAX has built on this to work hard to manage the China's market. With the successful strategic positioning in the past, all four major Chinese mobile phone brands have become its customers. The main short-term strategy will be based on the existing customer relationships to optimize the layout of the entire group. Regarding the camera module, PRIMAX will do our utmost to introduce dual lenses to regain our leading edge in technology; in terms of fingerprint modules, it will continue to meet the customers' needs. In response to the fierce competition and even irrational competition, the Company also strives for the advancement of high value-added models, and strengthens the partnership strategy with suppliers to ensure the continued advantage.

In terms of customer management, existing customers' gross margin improvement is the most important indicator; apart from emerging markets, our strategy has always been to focus on strategic customers to expand the business in-depth. In addition to increasing the market share of the existing product lines, PRIMAX works to introduce the relevant new product lines of mobile phones.

In production, more advanced and fully automated production, ultra-high-speed high-end processes, and higher-standard clean management are the focus of this year. Moreover, in response to the growth of orders, the expansion of the high-end product capacity is a task of continuous development.

###### A-2. Smart Vision Technology

In addition to continuing to enhance the business of the existing product lines, PRIMAX actively explores

new product lines, with a view to taking a leading position in the new digital wave, both in product design capabilities and mastering of key technologies. Smart home-related products that are currently under active development are expected to bring new momentum of profit and create profit margins. At this stage, in addition to keeping abreast of the development trend of technologies related to smart home multimedia streaming, PRIMAX continues to develop new platforms and software to facilitate business promotion and actively establish a supply chain of key components. In terms of internal R&D plans, PRIMAX will continue to strengthen our software development capabilities and establish long-term cooperative relationships with software solution providers to stay up-to-date with the trends of relevant technology development. In terms of the customer base, PRIMAX will continue to deepen and broaden the current relationships with our major customers and product items. At present, all major customers are leaders on the market, which is in line with PRIMAX's growth strategy, and PRIMAX will further expand its market share and enhance the leading position.

Meanwhile, PRIMAX will expand the business and enter the professional field of surveillance products, that is PRIMAX will continue to expand our business under the condition that the existing customers are also leading brands on the market.

###### A-3. Automotive Camera Module

Based on the existing customers, PRIMAX will deepen and expand the business by laying a foundation for future growth through the existing new energy car manufacturers/China's tier-1 suppliers.

##### B. System Integration

###### B-1. Business Equipment

PRIMAX actively develops high-speed and low-cost scanner modules, which have been successfully mass produced. High-end business scanners and module products are also about to enter the stage of mass production so as to expand the global business actively. In the design and manufacturing of laser printers and multifunction printers, in addition to consolidating the existing customers, PRIMAX will continue to develop more competitive platforms and actively strive for new product development projects from US and Japanese customers. At present, a number of projects are in progress and will enter the stage of mass production one after another this year. The label barcode printer is another new product line. The first generation of the product has been mass-produced and has been well received by the market. This year, PRIMAX will invest in the development of a new generation of desktop products. The business of OEM manufacturing of image modules and business products continues to grow steadily, and PRIMAX will actively strive for the business from new customers and new products. In terms of office automation products, with the continuous improvement of its own

technologies, PRIMAX has successively obtained many important patents. The development of new customers has been very smooth. PRIMAX has successfully transformed its business model into an ODM-based one and actively cooperates with customers to develop new products.

###### B-2. Smart Home Products

In addition to continuing to enhance the business of the existing product lines, PRIMAX actively explores new product lines, with a view to taking a leading position in the new digital wave, both in product design capabilities and mastering of key technologies. Smart home-related products that are currently under active development are expected to bring new momentum of profit and create profit margins. At this stage, in addition to keeping abreast of the development trend of network storage devices and technologies related to smart home multimedia streaming, PRIMAX continues to develop new platforms and software to facilitate business promotion while establishing a supply chain of key components actively. In terms of internal R&D plans, PRIMAX will continue to strengthen our software development capabilities and establish long-term cooperative relationships with software solution providers to stay up-to-date with the trends of relevant technology development. In terms of the customer base, PRIMAX will continue to deepen and broaden the current relationships with our major customers and product items. At present, all major customers are leaders on the market, which is in line with PRIMAX's growth strategy, and PRIMAX will further expand its market share and enhance the leading position.

###### B-3. Wireless Charging Products

In the short term, PRIMAX will continue to consolidate its leading position in retail customers, ensure the leading advantages in scale and technological specifications, and use innovative products and magnetic products to extend the market to various consumer product brands, such as mobile phone brands and TWS headphones.

In the automotive field, PRIMAX will not only continue to consolidate and prop up the share in the existing special applications and several automotive and electric vehicle customers it has secured and rapid growth, but it will also further promote its products to major well-known automotive tier -1 suppliers and car manufacturers, to seize the market opportunities also rising from the rapid growth and maintain gross profit.

###### B-4. Smart Interface Products

Initially, PRIMAX will target the consumer market for smart doorbells and door locks in North America and Japan, continue to increase the penetration rate based on the existing customers, and actively invest in R&D, improve the competitiveness of product design, and reduce costs, with a view to overcoming the more intense competition in the future. In the future, it will extend its market to Europe, with the aim of grasping

more business opportunities in a wider market.

###### B-5. Surveillance Products

In the short term, PRIMAX will continue to accept more ODM orders to consolidate its leading position in OEMs of professional security surveillance products, while developing radars, to ensure the leading technological specifications and widen the technological gap with general surveillance manufacturers.

##### C. TYMPHANY Acoustic Products

###### C-1. Speaker Modules and Systems

Smart speakers are still the mainstream in the current market. In addition to consolidating the existing mainstream customers in the market, PRIMAX will focus on the development of markets outside Europe and the US. Smart speakers are mainly based on voice, and the existing mainstream customers may not be able to enjoy an advantage in non-English-speaking countries because of characteristics of each language; thus, there is still a great deal of room for growth in the market. The Company has also worked hard in the China's market for a long time, which will have a greater space for growth in the future.

In addition, breakthroughs of flat-panel LCD TVs have been made in size and pixels, and the price is becoming accepted by the wider public, which also makes market attention re-paid to sound bar products. When consumers are pursuing the enhanced image quality, they are also pursuing the improved sound quality. The latest Dolby Atmos has stepped out of the cinema and entered the family; thus, this is also one of the key products that the Company will focus on in the future.

Meanwhile, in view of the market potential and high profitability of professional-grade commercial speakers, PRIMAX has developed its business in this market for past two years. As the products in this market are durable with high unit prices and high power, it is of great help to further increase the Company's profitability and long-term stable sources of revenue in this market.

Video conferencing audio system is a product that responds to the emergence of new working models. With the Group's advantages in video and acoustic products, the Company is at an advantage. New products will be launched one after another, creating a new wave of business opportunities.

###### C-2. Headphones

PRIMAX's current major customers in headsets are market leading brands. It will continue to deepen the cooperation with these customers and expand the scope of services to other types of headphone products in this field.

Meanwhile, PRIMAX will increase its efforts to develop true wireless headphone products and its mainstream customers. PRIMAX has also achieved



considerable results. New products in this field will be released to the market one after another this year. It will continue to introduce new technologies and develop new customers to obtain market leadership.

## 2. Long-term business development plans

### I. PC Peripherals

PRIMAX will continue to strengthen its production automation capabilities, reduce labor costs and pressure for shortage of workers, and implements a lean production model. In addition, it will develop new product lines (such as home gaming console peripherals and mobile device gaming peripherals) to expand new business and increase turnover.

### II. Non-PC Products

#### A. Vision Technology

##### A-1. Mobile Camera Module

In the long-term strategy, with a large customer base as the foundation, PRIMAX will strive to form effective strategic cooperation with upstream suppliers of key components of camera modules/fingerprint modules targeted (such as image chips, optical lenses, motors, infrared-free glass, and ceramic chips), to ensure cost competitiveness, technological advantages, and supply guarantee through closer partnership. In addition, for existing customers, PRIMAX will (1) deeply expand the business with customers' entire product lines of camera modules/fingerprint modules and will fully support the strategic customers' needs for lenses and extend to modules containing similar technologies for all physical platforms defined by customers, including TVs, wearable devices, tablets, mobile phones, and even automotive devices; (2) broaden customers' other product lines, and ensure continued competitive advantage through bundle price negotiation.

In terms of management of customers, PRIMAX has invested in and developed customers in the fields of non-mobile applications that are about to flourish, which is expected to have significant results next year.

##### A-2. Smart Vision Technology

In terms of long-term business development plans for new product development, PRIMAX will continue to develop and expand the technologies and business of wireless network storage devices and smart digital imaging products, and will also work closely with key customers to develop new products that meet the market needs, to create a win-win situation. In terms of the customer base, it will expand from the Company's existing customer base and start with market leading brands, including cooperation with major European and US consumer electronics manufacturers and Japanese leading manufacturers, to lead the market in energy conservation, system integration, and user-friendliness design, so as to grow together with key customers selected. In addition to hardware product development,

in response to emerging cloud computing applications, PRIMAX will continue to enhance the ability to develop, integrate, and apply relevant software technology. With its solid design, research, development, application, management and execution capabilities, PRIMAX will surely be able to successfully expand the business of such products and services.

##### A-3. Automotive Camera Module

PRIMAX will develop towards smart subsystems, and collaborate with software suppliers to develop a complete layout in system products, such as driver monitoring/ in-car monitoring system.

#### B. System Integration

##### B-1. Business Equipment

PRIMAX will continue to expand the technology and business of scanners and multifunction printers and become the world's first professional ODM design company. Moreover, in response to the huge market demand for wireless broadband and mobile multimedia devices, PRIMAX has actively enhanced the development, integration, and application of relevant technologies for mobile device scanning and printing. PRIMAX has accumulated solid capabilities and experience in the design of high-end scanners, automatic feeders, automatic binding machines, and control panels. With more than 20 years of experience in the development and manufacturing of imaging products and embedded devices, PRIMAX will certainly be able to expand the business of such products successfully. In terms of office automation products, it continues to invest in the development of its own technologies, to lead the market in energy conservation, system integration, and user-friendliness design while growing together with key customers selected.

##### B-2. Smart Home

In terms of long-term business development plans for new product development, PRIMAX will continue to develop and expand the technologies and business of wireless network storage devices and smart home products, and will also work closely with key customers to develop new products that meet the market needs, to create a win-win situation. In terms of the customer base, it will expand from the Company's existing customer base and start with market leading brands, including cooperation with major European and US consumer electronics manufacturers and Japanese leading manufacturers, to lead the market in energy conservation, system integration, and user-friendliness design, so as to grow together with key customers selected. In addition to hardware product development, in response to emerging cloud computing applications, PRIMAX will continue to enhance the ability to develop, integrate, and apply relevant software technology. With its solid design, research, development, application, management and execution capabilities, PRIMAX will

surely be able to successfully expand the business of such products and services.

##### B-3. Wireless Charging Products

In addition to continuing to consolidate the business in mobile phones and automotive field in retail channels, the Group has obtained orders from world-renowned brands in wireless charging for medical hearing aids. In the future, it will be strive towards applications more widely used in the home (Ki), PC, industrial control, medical care, acoustics, and even new areas, such as external wireless charging for electric vehicles, to ensure business with the markets and service categories with high growth, high gross profit, and high added-value.

##### B-4. Smart Interface Products

In addition to continuing to deepen the consumer market, PRIMAX will invest in the development of commercial access control systems, with the aim of expanding the business scale and increasing the market penetration rate of its products through new fields.

##### B-5. Surveillance Products

Security surveillance products have been gradually developed towards the direction of AI in recent years. Most product designs combine digital image recording, AI identification, cloud system, and wireless transmission technologies, and are applied in smart homes, smart workplaces, and even a wider smart cities. In addition to the continuous development of the existing business, the Group will form alliances with major system companies, which will be a won-win outcome as both parties can satisfy their own needs, seek mutual benefits, and restructure resources. In addition, in the AI era, the Group will design surveillance products in combination with more diversified applications, and upgrade from a hardware supplier to a solution provider rather than sticking to the original OEM model.

#### C. TYMPHANY Acoustic Products

##### C-1. Speaker Modules and Systems

In terms of long-term strategic development of acoustic products, PRIMAX will work to increase the sales of speaker drivers. In addition to the promotion of the use of PRIMAX's own speaker drivers to the existing customers in the system business, the sales of independent drivers will be strengthened. This aims to not only enhance the growth of business but also to promote the visibility and reputation of the Company's efforts in the quality of speaker drivers, thereby enabling this field to be a boost for the system development business and vice versa.

The development of new markets is to strengthen development of customers in China and Europe. China is a big market for emerging speaker products and also an emerging market for smart voice assistant speakers in the future. In Europe, there are many traditional

speaker manufacturers striving for transformation into a business model featuring a wide variety of products in a small quantity, highly customized, and high added value; PRIMAX can contribute to the transformation using its strengths.

Automotive acoustic system is a new goal that the Group will spare no effort to develop this year. In view of the fact that electric vehicles, self-driving cars, and new energy-powered vehicles have become the mainstream of the future development in the automotive market, the application of automotive acoustic system adopted in the new generation of cars has gradually deviated from the traditional application models.

Only one set of automotive acoustic system is installed in a traditional car, and all passengers in the car receive the same audio source, either music, radio, or the sound of the navigation system. A small number of higher-end vehicles will have an independent Bluetooth acoustic system installed in the driver's seat for the driver to make phone calls or for navigation purposes. But even so, other passengers in car will still hear the sound from the system, causing interference.

In the future, driving work will gradually be replaced by self-driving systems, and the internal noise of new energy-powered vehicles is lower than that of traditional vehicles, and more and more people's smart mobile systems can be introduced into a car with new communication systems, such as 5G. There are more and more activities that can be carried out in car, and the first demand arising is an independent acoustic space for each seat. Through the arrangement of the speaker position and the design and algorithm of the spatial sound, each position in car can have an open and independent acoustic space, which does not interfere with each other, and can be shared when necessary, making it a new generation of in-car entertainment system.

PRIMAX has established new laboratories with R&D talents for this field, and has begun to collaborate with major foreign automobile manufacturers to develop a new generation of concept cars. The future potential of this market is tremendous.

##### C-2. Headphones

As wireless and smaller headphones are becoming popular, a new development direction in the future is to combine headphones and wearable devices as a new generation of health and fitness products. In addition to smart functions, there are various new functions, such as physical state detection, environmental sound monitoring, and hearing assistance. These functions will be likely to once again subvert the ecology of the existing market and new brands may emerge as a result. Therefore, PRIMAX will continue to invest in new technologies in this field and develop new customers, to ensure leadership in the market and creation of new markets.



## 2. Overview of the Market as well as Production and Marketing Situation

### (1) Market analysis

#### 1. Sales area of main products

Geographic Distribution	Year	2019		2020	
		Amount (NT\$1,000)	%	Amount (NT\$1,000)	%
Mainland China		31,841,538	39.48	28,628,366	41.95
Europe		23,267,214	28.85	14,745,306	21.61
USA		23,186,378	28.75	20,826,899	30.52
Others		2,354,478	2.92	4,040,368	5.92
Total		80,649,608	100.00	68,240,939	100.00

#### 2. Market share

PRIMAX is a manufacturer of professional computer peripheral products, mobile device components, business devices, and smart home-related products, with a high rating in the industry. As PRIMAX's wide variety of products covering a wide range of areas can be widely used in products, such as mice, keyboards, touch panels, laptops, mobile phones, headphones, charging docks, printers, scanners, and acoustic products. Since 2015, it has gradually entered the automotive electronics market. Because of the great differences in the final products to which these products are applied, there has not yet been complete and objective market share statistics for reference.

#### 3. Supply and demand in the market and growth in the future

##### I. PC Peripherals

The peripheral products produced by PRIMAX include keyboards, mice, e-sports, and gaming device peripherals, which are mainly used in desktop computers, laptops, and e-sports computers. Among them, the keyboards and mice are the main sale items.

The overall PC market was flat in 2018. Although estimation of the overall PC market is not optimistic, the global e-sports market is quite thriving, which is driving the demand for high-end PC markets. According to JPR analysis, the market of e-sports peripherals is worth US\$5 billion, and the annual growth rate of 13% is expected to continue in 2020. PRIMAX has already formulated its business strategies as early as in 2015 and has developed partnership with the world's top e-sports brands, which has also witnessed good results. Relatively speaking, the higher unit price of e-sports products has not only made up for the gap of the

original peripherals of computers and tablets but also increased the growth of revenue.

##### II. Non-PC Products

###### A. Vision Technology

###### A-1. Mobile Camera Module

PRIMAX's mobile camera module products include camera modules, fingerprint recognition, bluetooth headphones, charging docks, and wireless charging in communications peripherals; of them, camera modules occupy the largest portion. The components are mainly used in information, communications, and consumer electronic products, such as laptops, smart phones, and tablets; thus, the changes in demand in the future are closely related to the shipments of laptops, smart phones, and tablets.

As for laptops, since the shipment of laptops surpassed the mark of 200 million units in 2010, the shipment of laptops has stagnated in recent years, with the shipment of around 250 million units per year. Since the built-in camera module of laptops has become the standard device of laptops, the shipment volume of the built-in camera module for laptops will also be stable with the shipment volume of laptops. Tablets experienced a glorious period from 2012 to 2013, but in 2014, the growth began to decrease (except for the steady growth of Apple); thus, the growth was estimated to be flat in 2018. The growth of the number of mobile phones has slowed down, but mobile phones equipped with multiple camera modules have become a trend (front camera, dual main cameras, and facial recognition), so the demand for mobile phone cameras is still expected to grow. In terms of smartphones, with the growth of global mobile phone shipments and the increase in the percentage of mobile phone camera modules and video lenses, the annual mobile phone camera module shipments have grown year by year, and with the increasing popularity of 3G, 4G and the

upcoming 5G mobile networks, the proportion of the sub-camera module (video camera) built in mobile phones has increased year by year, which has led to a continuous rise in the global smartphone shipments. More than 70% of mobile phones have a front lens and a rear one. In terms of brands, the global rankings have been reshuffled. The businesses in China have occupied six places in the top 10 brands. In addition, several businesses in India are moving up and down the list of the top 10 brands, which shows the huge growth momentum of emerging markets.

###### A-2. Smart Vision Technology

The price of full-high-definition (FHD) digital TVs continues to decrease, ultra-high-definition (UHD) 4K TV continues to grow; personal mobile devices, multimedia games, audio and video streaming boxes, as well as cable network bandwidth continues to improve (10/100Gb); wireless broadband technologies (IEEE802.11ax and 5G) continue to advance; the cloud video and audio streaming services are popularized and diversified, and the contents of high-quality multimedia become more diversified. The smart home products are diverse, and various innovative devices, applications, and services are constantly being introduced; thus, the future growth is ensured.

With the vigorous development of the voice assistant speaker market, coupled with the rapid development of artificial intelligence over the past two years, smart speakers with network connections, voice assistant, and cloud artificial intelligence capabilities, and even new products incorporating smart speaker modules will increase in the foreseeable future. It is expected to create a new wave of opportunities for tremendous growth to the smart home industry.

###### A-3. Automotive Camera Module

The barrier to automotive lenses is higher, and once certification is obtained, long-term profit will be ensured. The technological and technical difficulty of automotive lenses is relatively considerable, mainly because of its high requirements for reliability. Unlike ordinary lenses, the continuous working time of automotive lenses is long, and the environment they are in is often subject to larger vibration. Once they fail, they will cause a fatal threat to users' life and safety. Therefore, strict requirements are imposed on modules and packaging. Automotive lens testing requires several days of soaking in water and a temperature test of more than 1000 hours, as well as a rapid switch from minus 40 degrees to 80 degrees. In addition, automotive lenses need to have a night vision function to ensure normal use at night. In summary, the requirements for the manufacture of automotive camera modules are relatively high. OEMs have more trust in lens manufacturers with scale and stronger manufacturing capabilities. This makes it easier for powerful lens manufacturers to win the competition in the current automotive lens market.

### B. System Integration

#### B-1. Business Equipment

Due to fierce market competition, the end price of multifunction printers (MFP) has been declining, particularly inkjet and black and white laser models. Due to the stagnation of the global economy, the shipment of consumer inkjet models will continue to decline in the next few years. However, the laser models focused on by PRIMAX will continue to grow slightly, and the demand for multifunction printers in emerging countries will continue to grow. The demand for color multifunction printers in the well-developed markets of Europe, America, and Japan will continue to increase, mainly because of the switch from the black and white printers to color multifunction ones. Although the impact of mobile devices and digital trends will continue, the demand for printers and multifunction printers will continue. Through improving performance, combining digital process management, deepening the customization in vertical industries, and innovative applications that integrate cloud services, PRIMAX will focus on the applications of A4 low-end laser MFP and communications products, which is expected to lead to another wave of growth momentum.

#### B-3. Wireless Charging Products

With the popularity of smart phones, tablets, and wearable devices, wireless products have become an indispensable electronic product in people's daily lives. With the introduction of Samsung's flagship models and the introduction of all Apple's models in 2017, the growth momentum of wireless charging is even more unstoppable. Major mobile phone manufacturers are also closely preparing for the introduction. In the current preliminary stage, high-price flagship models are still the main products to be introduced.

In addition, other consumer electronic product and computer product providers hope to add as many functions useful to consumers as possible. Wireless charging has thus become the function that is useful to consumers and is differentiated with the value-added effect. Therefore, the major manufacturers have also followed Apple's step and are preparing to introduce wireless charging into some of their products.

IHS expects that the demand will reach 2 billion units in 2022. This huge business opportunity mainly comes from the built-in wireless charging function of mobile phones. Therefore, it can be estimated that the current wireless charging models will be gradually decentralized from the high-end flagship level to the mid-level or even low-level market, bringing business opportunities as what has been brought by the camera modules, bluetooth, Wi-Fi, touch function, and fingerprint recognition, as another important component and peripheral in electronic products.

#### B-4. Smart Interface Products

With the rapid development of cloud computing,



edge computing, and AI, smart IoT devices will usher in a wave of significant growth in the next few years. Many market research institutions predict the compound annual growth rate of smart doorbells and door locks will be 15% in the next five years. Smart doorbells and door locks will develop into a market of more than \$2 billion in 2023, respectively. Faced with a rapidly growing market, as we have been working in this field for two years, we are expected to be able to seize the growth opportunities arising from smart IoT devices.

B-5. Surveillance Products

The UK HIS Markit's industry report pointed out that the global security surveillance industry had a compound annual growth rate of 8.3% in the past five years. With the trends, such as 5G and IoT, the industry continues to develop in a positive direction. With the US-China trade war and the COVID-19 pandemic, international buyers have begun to re-examine the supply chain. Taiwanese companies have successively received orders from Japan, New Zealand, Australia, Europe, and other countries, which not only improved the visibility but also eliminated the unqualified business and restructured the industry,

further facilitating the growth in the industry. Global security surveillance product sales were in the amount of US\$19.15 billion in 2019 and will continue to grow, reaching a scale of more than US\$35.82 billion by 2024. The growth momentum comes from the integration of security surveillance hardware and AI image analysis software.

C. TYMPHANY Acoustic Products

C-1. Speaker Modules and Systems

Smart speakers is a popular product in electronic consumption in recent years. Since Amazon launched the first speaker—first generation of Echo-in 2014, smart speakers shipments have grown exponentially, and the global shipments surged from 2.55 million units in 2015 to 86.2 million units in 2018, with the compound annual growth rate of around 223%. The global smart speakers shipments exceeded 56.2 million units in the first half of 2019.

According to IDC's forecast, the market size of smart speakers will increase from US\$4.4 billion in 2017 to US\$17.4 billion by 2022, with an annual compound growth rate of 32%, which is the fastest growing segment of smart home devices.

C-2. Headphones

Since 2000, the headphones industry has experienced three waves of development, namely digitalization, wirelessization, and intellectualization. According to Futuresource, the global annual sales of the overall headphones market in 2018 were close to US\$20 billion, an increase of approximately 16.7% compared with 2017; during the ten years from 2008 to 2018, the global headphones market grew from nearly US\$4 billion to around US\$18 billion, with a compound growth rate of roughly 16%.

Compared with traditional headphones, smart headphones can be mainly divided into true wireless, voice assistant, smart translation, hearing enhancement, sports, and noise reduction. True wireless is the mainstream trend of smart headphones.

According to GFK's data, the size of the global true wireless headphones market was about US\$2 billion in 2017, and it is expected that the market size will reach US\$11 billion by 2020, with an annual compound growth rate of 76%.

According to the forecast of Intelligence Research Group, the global shipments of true wireless headphones will reach 65 million units, 100 million units, and 150 million units from 2018 to 2020, respectively, with a compound annual growth rate of 51.90%. It is expected that as the sound quality and functions of true wireless headphones continue to improve, the penetration rate of true wireless headphones will continue to increase in the future.

4. Competitive niches

A. Sufficient production capacity and economies of scale

With the increasingly shortened life cycle of consumer electronics products, various manufacturers are all focusing on new product development and cost reduction. Therefore, under the consideration of cost reduction and rapid mass production, OEM is the mainstream trend in the market. Under this trend, manufacturers with relevant product production experience and sufficient production capacity have become the large international manufacturers' first choice for outsourcing. PRIMAX has decades of experience in the development, design, and manufacturing of imaging products and embedded devices, with a strong technological development team and strict manufacturing and quality management processes. Backed by its strong R&D team, PRIMAX can immediately adjust the production process according to customers' needs and assist them in optimizing their existing products while responding to their needs in real time. PRIMAX has successively set up production bases in Dongguan, Kunshan, Chongqing, and Huizhou in China, to continue to increase the production capacity, while having production capacity with the effect of "economies of scale" and capacity allocation flexibility. Such economies of scale, capacity allocation

flexibility, and professional process technology have made the entry into this field for new competitors relatively more difficult, and such diverse production resources have also become an important competitive advantage for the Group in obtaining OEM orders from large international manufacturers.

B. Global logistics-based production

PRIMAX provides services to customers in a global logistics-based model. In addition to providing excellent products to customers, the Group also provides logistics support services to them. PRIMAX's process management capabilities are excellent, production flexibility is high, as well as its production and sales layouts in Dongguan, Kunshan, Chongqing, and Huizhou are great, while providing customers with services from the nearest base to stay close to the market and shortening the product delivery time through the global instant supply warehouse (such as the US, the Netherlands, and China), so as to provide customers with a stable and fast supply and enable them to have minimum inventory and reduce capital backlog; therefore, the logistics support capability is one of the competitive niche of the Group.

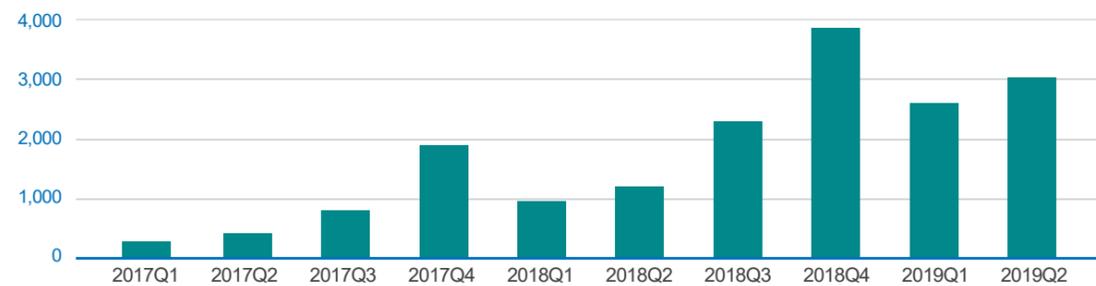
C. Maintain deep cooperation with international manufacturers

Since its establishment, PRIMAX has continued to focus on the R&D of computer peripheral products, mobile camera modules, business devices, smart homes, and electro-acoustic-related products. The product quality and stability have been deeply recognized by customers, and the Group continues to receive customers' orders for purchases. PRIMAX's main customers are all internationally renowned manufacturers. When establishing specifications and undergoing technological innovations in the preliminary stage of validation with customers, the Group can make full use of customer relationships to obtain the latest market information to keep abreast of the market trend. PRIMAX has established great cooperative relations with upstream and downstream industries for many years. In the future, it will also be an important partner for close cooperation with major manufacturers when developing new products.

D. People-machine interface integration technology and software development capacity

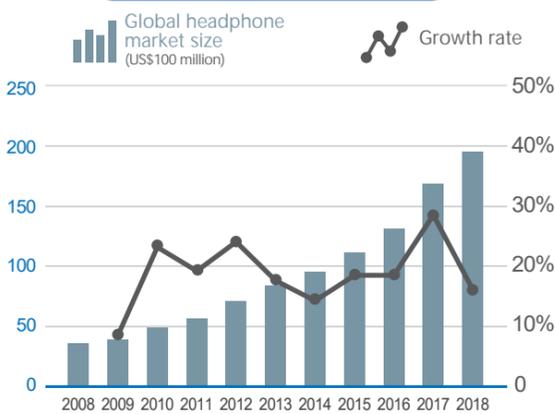
PRIMAX has an experienced and well-qualified software R&D team with the R&D capabilities of human-machine interface software and hardware. It can not only actively help customers improve product operation interfaces but also develop highly user-friendly software and convert it to consumer electronic products widely accepted by the general consumers, such as personal network servers and wireless hard drives. These new applications that are integrated and developed from the existing technologies will be a big niche for future development.

Global shipments of smart speakers (unit: 10,000 units)



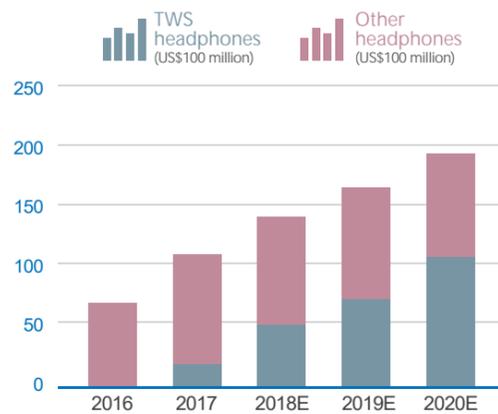
Sources: All View Cloud and Strategy Analytics

Global headphone market size and growth rate



Source: Futuresource

The global true wireless headphone market is growing rapidly



Sources: GFK and Guosheng Securities



#### E. More than 10 years of experience in wireless charging hardware and software design and mass production capacity

Wireless charging involves the wireless and magnetoelectric principles; there have not yet been standards of the industrial specifications and scale advantages and there are no major specifications or leaders on the market, so it attracts many small and medium manufacturers to join. However, because of major brands' requirements for diversified product designs and their expectations of larger-scale developers with design capabilities equivalent to those of other key components in terms of design mastery and optimization, even the final product certification, and mass production capabilities, PRIMAX stands out particularly on this front.

PRIMAX has been favored by major mobile phone and consumer electronics brands from ten years ago and has continued to incorporate wireless charging into major brands' products, including various receiving devices (mobile phone cases, smart speakers, laptops, headphones, and mice), the transmitting devices (charging pads, charging docks, in-car charger mounts, charging docks for wearable devices, and mouse pads). The requirements for design, manufacturing, testing, and quality assurance are in line with the international standards, which are unmatched by other wireless charging competitors in the short term. Therefore, the Group's products continue to receive major brands' attention and inquiries about its release of wireless charging products and cooperation.

#### 5. Favorable and unfavorable factors of development prospect and response strategies

##### ■ Favorable factors:

##### A. International manufacturers continue to outsource its business to OEM to reduce costs

International brand manufacturers have recently continued to manage their brands and maintain the control of their R&D technologies; they have successively outsourced their business to professional OEM factories for production to reduce production costs and to focus on their own design, sales, and R&D work so as to simplify the complexity of management and improve operational efficiency, while streamlining the organizational structure, concentrating resources, reducing production costs, strengthening brand value, and increasing the market share. Under the situation where the global division of labor in the electronics industry is becoming more and more obvious, such a business model has become necessary for all major international brands, and as a result, it has led to huge outsourcing business opportunities.

PRIMAX has established production bases in Thailand, Dongguan, Kunshan, Chongqing, and Huizhou in China in order to serve local customers in proximity,

strive for OEM business, and reduce production costs. In recent years, PRIMAX has gained customers' recognition in product development technological capabilities as well as has provided customers with diverse production resources as the production backbone and the most complete services in a timely manner; therefore, it has cooperated with well-known international manufacturers in the US and Japan while successfully obtaining their OEM business. With PRIMAX's professional development technological capabilities and great production management model, it can effectively reduce the production cost and expand business opportunities in the competitive OEM market.

#### B. The terminal application market still has great room for growth

##### I. PC Peripherals

PRIMAX's computer peripheral products include mice, keyboards, keyboard modules for laptops, and high-speed transmission docks. In current trend, as the major computer brands are becoming bigger, although the growth trend of the computer market in the future will slow down, the Group will still occupy a favorable position because of the appropriate customer strategy. Meanwhile, the increase in demand comes from the gradual development of the e-sports industry, and relevant keyboards, mice, and game controllers are produced accordingly.

##### II. Non-PC Products

##### a. Visual imaging products

##### a-1. Mobile device camera module

PRIMAX's mobile camera modules mainly include built-in camera modules and fingerprint recognition modules for laptops, smartphones, and tablets, as well as bluetooth headphones and charging docks for peripheral communications devices. As consumers are accustomed to using the mobile phone cameras to take photos or share videos with friends and family at any time, smartphone and tablet manufacturers continue to launch high-pixel smartphones and tablets with built-in camera modules. In addition, with the popularity of the Internet and the increase in bandwidth, the built-in camera modules for laptops have become the standard device of laptops, showing that the market of built-in camera modules still has great room for growth. Moreover, the mobile payment market is in full swing and the demand for fingerprint recognition is growing fiercely and rapidly, which is the one of the fastest-growing areas in these two years. With the advancement of mobile phone functions, the power consumption has also increased significantly. It is no longer the case that mobile phones can stand by for more than a week as in the past; instead, the demand for various portable chargers, USB charging cables, and in-car charging cables has increased dramatically. Driven by the Internet phone and the portable device industries, the demand for bluetooth headphones will

continue to rise, which will surely drive the Group's revenue growth.

##### a-2. Smart Vision Technology

As the image AI environment is more developed, the Wi-Fi network penetration rate at home increases year by year, and wireless transmission-related applications are booming, which will drive the sales of home security surveillance. The explosive growth of mobile devices, including the popularization of smartphones and tablets and the increasing demand for wireless smart surveillance in the market, will motivate consumers to purchase smart doorbells, smart access control systems, and smart surveillance systems to extend the application of mobile devices.

PRIMAX also possesses profound knowledge and development capabilities in imaging optics, as well as development and manufacturing capabilities system integration, along with its overall manufacturing and procurement capabilities, the Group has great competitive advantages.

In addition, smart imaging requires new human-machine interfaces and the wireless networking function, which are also part of PRIMAX's core competitiveness, so that we are in a good condition when facing external competition.

##### a-3. Automotive Camera Module

From simple reversing imaging systems to panoramic display systems, the number of automotive lenses used per car has grown from one in the past to at least four, that is one on the front, rear, and both sides, respectively. In addition, in order to solve the problems of fog during the day and insufficient light at night, night vision lenses are produced accordingly. The driver monitoring lens installed in the car has also become a new function of automotive lenses. Statistics showed that the global demand for automotive lenses in the first half of 2019 was 120 million units. With the increase in the popularity of the ADAS system and the use of technologies, including face recognition, in-car monitoring, and rearview lenses, will be more widely used, and automotive lenses will usher in a truly smart era.

##### b. System Integration

##### b-1. Business Equipment

PRIMAX's business equipment products include laser printers, multifunction printers, and scanners. With the increasing popularity of wireless network technology, the trend of printers and business devices using wireless technology for printing and transmission is becoming more and more obvious. With the increase in sales of smartphones and tablets and the advancement of their functions, consumers' demand for printing is increasing day by day. With the advent of wireless business equipment and printers, it will be able to meet the printing needs of handheld devices, such as mobile phones and tablets, and will increase the Group's

product sales indirectly. Moreover, the demand for black and white laser multifunction printers in emerging markets continues to grow, which will also directly contribute to the growth of PRIMAX's product sales.

##### b-2. Smart Home

As the broadband network environment is more developed, the penetration rate of home Wi-Fi wireless network increases year by year, and wireless transmission-related applications are booming. Consumers have real demand for home entertainment and video streaming services, which will drive the sales of home network storage devices and home entertainment audio and video servers. The explosive growth of mobile devices, such as the popularity of smart phones and tablets, the market's demand for wireless audio and video storage devices has increased, which will motivate consumers to purchase portable wireless hard drives to expand the capacity of mobile devices.

##### b-3 Wireless Charging Products

The Group will make good use of the achievements of wireless charging in the retail and automotive markets for many years, the customer base, and positive supply chain relationships to launch more innovative products and services to further promote the growth of other consumer products and motivate automotive customers to adopt such products, leading to more diversified application and market expansion.

In addition, wireless charging combined with the Group's unique competitive three-in-one sense (listening, voice, and touch) technology and advantages, as well as the large diversified customer base established by the Group will enable the Group to offer one-stop high-value-added and highly executive services to major well-known brands, and create a win-win outcome with customers.

##### b-4 Smart Interface Products

With the rapid development of cloud computing, edge computing, and AI, smart IoT devices will usher in a wave of significant growth in the next few years. Many market research institutions predict the compound annual growth rate of smart doorbells and door locks will be 15% in the next five years. Smart doorbells and door locks will develop into a market of more than \$2 billion in 2023, respectively.

##### b-5 Surveillance Products

Due to COVID-19, new business models and new unmanned stores have emerged. These new stores need a great deal of equipment to monitor the operation of the stores. Also, there are opportunities arising from commercial smart image analysis. For example, if the social distancing policy is not followed in a store, we can adopt a voice chat to remind people of the policy. All these functions of commercial smart and image analysis are the suitable direction of our development in 2021. This has also accelerated the



adoption of these products. People also care about how organizations adopt technology to protect assets and protect their employees.

As the broadband network environment becomes more mature, the penetration rate of Wi-Fi networks in the home is increasing year by year. Wireless transmission-related applications are booming, and consumers have actual needs for home security, which will drive the sales of home surveillance devices.

c. TYMPHANY Acoustic Products

PRIMAX also possesses profound acoustic knowledge and development capabilities, as well as the development and manufacturing capabilities of the key parts, that is the speaker driver, along with the its overall manufacturing and procurement capabilities; therefore, the Group has great competitive advantages.

Furthermore, smart speakers require new human-machine interfaces and wireless networking capabilities, which are also part of PRIMAX's core competitiveness; thus, we are in a good condition when facing external competition.

■ Unfavorable factors:

A. Shortened product life cycle

Information, communications, and consumer electronics products are changing rapidly, and product life cycles are shortening, which leads to increased management risks. In addition to the pressure of the inventory that is unable to be consumed and the backlog of capital, the shorter product development design and mass production time have tested PRIMAX's professional technology and management ability.

Response measure: PRIMAX actively develops new technologies to enhance its R&D capabilities and continues to train R&D personnel to improve the production efficiency and the yield rate to shorten the product development cycle. In addition, the Group has established long-term positive cooperative relations with many well-known domestic and foreign manufacturers. During product development, it cooperates and communicates with customers to fully understand their needs and market trends to ensure rapid development and mass production of products in line with market needs. Moreover, it strictly controls the raw materials with special specifications and actively reduces inventory and the loss of sluggish sales, which can effectively reduce costs and enhance market competitiveness.

B. Fierce price competition undermines profit margin

In recent years, the vigorous development of electronic products has driven the market demand for relevant components for computer peripheral products, mobile camera module, and business equipment products. As a result, market competition is fierce and product price pressures increase, resulting in a trend toward lower prices for electronic products and undermining the profit margin.

Response measure: PRIMAX focuses on improving its core competitiveness, strengthening product R&D technologies as well as manufacturing and mass production capabilities, improving product processes continuously through product design to reduce material consumption, and introducing advanced production equipment to improve production efficiency. Meanwhile, its continues to expand high-end products with higher gross profit margins, to seek product differentiation and increase the added value of products so as to create market segmentation in the industry, while maintaining close cooperative relations with existing customers to consolidate the existing market.

C. Labor shortages and rising labor costs in China

In recent years, the labor department in various provinces in China have increased wages to protect labor rights. In addition, China's inland economy has developed rapidly, and the annual economic growth rate has grown in double digits, resulting in a reduction in the working population's willingness to continue to stay in the coastal areas. Therefore, the continuous labor shortages and increase in the labor costs have caused an increase in the business operating costs.

Response measure: In order to fundamentally improve labor problems and reduce the labor costs, PRIMAX actively introduces modular automated production equipment and processes to increase the production efficiency and reduce the labor costs. In the meantime, PRIMAX spares no effort to improve its production process, process streamlining, and automated testing, while setting up a dedicated unit responsible for the design and manufacturing of precision molds and automated assembly equipment as well as introduction of mass production so as to keep abreast of the production process and control product quality. Moreover, it has continued to develop highly automated production and inspection equipment along the production lines in recent years, to improve the production efficiency and reduce the production costs.

(2) Important uses and production process of main products

1. Important uses of main products

Main products and services	Important uses or functions
Mouse	Control computer cursor and scrolling of wheel, to enable easy operations in the window operating systems
Keyboard	Enable input of characters and provide other convenient computer shortcut keys
Touch panel	Control computer cursor, scrolling of wheel, and other convenient controls through finger touch
Wireless charging device	Provide a supply of electricity and the charging function to mobile phones, tablets, laptops, consumer electronics, industrial products, machine tools, household products, medical equipment
Micro-camera module	Applicable to mobile phones, tablets, commercial and home surveillance devices, smart TVs, game consoles, dash cam, GPS built-in camera modules
Network camera module	Applicable to laptops, LCD monitors, built-in network camera modules, and externally attached network cameras
Fingerprint identification module	Applicable to mobile phones, tablets, and communications peripherals
Communications peripheral equipment	Applicable to mobile phones or MP3 players, built-in video, external voice, data transmission, and power supply devices
Image Scanners	Applicable to personal computers, printers, file servers, flash drives, as well as digitization and storage of photos/documents
Multifunction printer	Applicable to photo/document scanning, photocopying, electronic document printing, and document fax for individuals, homes, offices, shops, hotels, and digital data centers
Office automation products	Applicable to photo/document destruction, lamination, and other processing modes for individuals, homes, offices, shops, hotels, and digital data centers
Wireless storage device	Applicable to audio and video entertainment, data storage, and office data storage for individuals and homes
Wireless speakers	Applicable to music appreciation, audio-visual combination, and mobile phone communication for individuals and homes
Smart speakers	Applicable to smart home control, voice inquiry about data, App linkage, and relevant service connections, and music appreciation for individuals and homes
Smart digital imaging	Applicable to professional knowledge and skill monitoring, smart home surveillance, image recognition, App linkage, and relevant service connections for businesses, individuals, and homes

2. Production process



(3) Supply of main raw materials

PRIMAX's products are mainly divided into PC peripherals and non-computer products. These products are mainly purchased by DongGuan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (KunShan) Corp., Ltd., and Primax Electronics (ChongQing) Corp., Ltd. As they are the Company's subsidiaries and sub-subsidiaries, the delivery date and the supply sources can be fully controlled, and there is no shortage of supply sources. As for the main raw materials of the products for the subsidiaries and sub-subsidiaries, to ensure stable sources of supply and stable quality, the materials are supplied by through long-term cooperation suppliers, and the number of suppliers of main raw materials is maintained at least two. There should be no risk of interruption of the Company's business due to disruption of the supply.



**(4) Names of the customers contributed to more than 10% percent of the total purchase (sale) amount in either of the most recent two years, the amount of purchase (sale) from (to) them, and the ratio thereof, and explanation of the reason for changes in these figures.**

1. Information on suppliers accounting for 10% or more of the total purchase amount in either of the 2 most recent years:

There was no supplier accounting for more than 10% of the total purchase amount in any of the last two years.

2. The information on customers accounting for more than 10% of the total sale amount in any of the last two years.

Unit: NT\$ million

Year	2019				2020			
	Name	Amount	Percentage of net sales (%)	Relationships with the issuer	Name	Amount	Percentage of net sales (%)	Relationships with the issuer
1	Company A	11,544	14%	None	Company A	7,153	10%	None
2	Company B	14,786	18%	None	Company B	9,279	14%	None
	Others	54,320	68%	-	Others	51,809	76%	-
	Net sales	80,650	100%	-	Net sales	68,241	100%	-

The Group's main customers are mainly internationally renowned high-tech companies from diverse fields with high stability. In addition to maintaining a good relationship with existing customers, the Group has actively developed new products with a view to expanding the market and customer sources in other business sectors, while striving to diversify customers and minimize the risk of sales concentration. In the past two years, the proportion of customers whose orders accounted more than 10% of the Group's annual revenue individually has also declined.

**(5) Table of production volume and value in the most recent two years:**

Unit: NT\$1,000/1000 pcs

Major products	Production volume	2019			2020		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PC peripherals	163,133	77,721	20,897,132	194,674	91,128	24,503,575	
Non-PC products	2,385,535	154,712	68,266,740	377,377	236,919	187,377,413	
Total	2,548,667	232,433	89,163,872	572,051	328,047	211,880,988	

**(6) Table of Sales volume and value in the most recent two years:**

Unit: NT\$1,000/1000 pcs

Major products	Sales volume	2019				2020			
		Internal sales		External sales		Internal sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC peripherals	942	185,596	240,345	22,460,580	830	190,637	212,811	25,991,922	
Non-PC products	2,120	41,637	243,689	54,827,510	38	31,123	290,541	39,970,647	
Services revenue				3,134,285		0		2,056,610	
Total	3,061	227,232	484,033	80,422,376	868	221,760	503,352	68,019,179	

**3. The number, average service time, average age, and educational background of the employees in the most recent two years as of the publication date of the annual report.**

Year		2019	2020	January 1, 2021 to April 19, 2021
Number of employees	Technician (Engineering)	3,244	2,757	2,899
	Management and business personnel	1,630	1,453	1,332
	Total	4,874	4,210	4,231
Average age		36.5	37.5	37.7
Average year of services		5.6	6.3	6.3
Education (%)	PhD	0.3%	0.2%	0.3%
	Master	11.7%	13.8%	15.8%
	University	64.2%	69.6%	68.4%
	Senior high school	15.5%	14.1%	11.7%
	Below high school	8.4%	2.3%	3.9%

**4. Information on Environmental Protection Expenditures**

The disclosure of total amount of losses (including compensation paid), penalties paid by the company for environmental pollution, its future response measures (including improvement measures), and possible expenditures (including the estimated amount of losses, penalties, and compensation that may occur if the countermeasures are not taken. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated) in the most recent year and as of the publication date of the annual report: None.

The following is the statistical table of environmental protection expenditures of each plant of the Group in 2020:

Unit: NT\$

Classification of environmental protection costs	Description	Expenditures
1. Direct cost of reducing environmental impact		
(1) Cost of pollution prevention	Including air pollution control costs, water pollution control costs, other pollution control costs	6,695,000
(2) Resource conservation cost	The cost of conserving resources (such as water resources)	4,996,023
(3) Business waste and general office waste disposal and recycling cost	The cost of business waste disposal (including reuse, incineration, and landfill)	5,759,166
2. Indirect cost of reducing environmental impact (management expenses related to environmental protection)	Including (1) employee environmental protection education expenditure; (2) environmental management system architecture and certification acquisition costs; (3) monitoring environmental impact cost; (4) increased cost of purchasing eco-friendly products; (5) relevant personnel cost from the organization dedicated to environmental protection	42,853,819
3. Other environmental costs	(1) Expenses for soil remediation and natural environment remediation; (2) environmental pollution damage insurance premiums and environmental taxes and fees imposed by the government; (3) costs of reconciliation of environmental issues, compensation, fines, and litigation	0
Total		60,304,008



## 5. Labor-management Relations

### (1) The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor-management agreement and measures for safeguarding employees' rights and interests

#### 1. Employee benefits and implementation status

The Company has set up an Employee Welfare Committee in accordance with the Employee Welfare Act to handle the appropriation and distribution of welfare fund. The current welfare system includes labor insurance and national health insurance, group insurance, annual health checkup, birthday gift certificates, Labor Day/Dragon Boat Festival/Moon Festival cash gifts, employees' and their dependents' wedding and funeral subsidies, employees and their dependents' scholarships, employee hospitalization condolence money, domestic and international travel allowances, childcare subsidies, emergency assistance loans to employees, the year-end party and lucky-draw activity, club activities, employee group travel, physical and mental health promotion measures, and employees' leisure space.

#### 2. Continuing education, training, and the status of its implementation

In order to continuously enhance the competitiveness, develop important technologies, and cultivate management talents, the Company has established a variety of learning and development channels to enable employees to have reinforced learning effects through various methods.

- On-the-job training: On-the-job learning and development are launched, so employees strengthen their job experience through participation in work meetings, project (task) assignment, and job rotation.
- Internal training: Internal training is divided into three major categories: supervisor training, professional training, and general training, including basic new employee classes, classes for supervisor at various levels, professional technical classes, quality classes, general lectures, and English classes.
- External professional training: In order to motivate employees to continue to improve their professional abilities or to develop the second professional skills related to work for the purpose of career development, the Company subsidizes the full cost of the external professional training.
- Overseas training: Employees with excellent performance and development potential are selected and dispatched to participate in short-term

overseas professional training or conferences to give them a wider international perspective.

- Online learning and knowledge community platforms: General and basic professional knowledge as well as English learning classes are provided on the digital E-Learning learning system, so that learning is no limited by time and space; employees can also exchange, share, and discuss knowledge in the discussion area on the community platform and the dedicated section on the blog.
- Self-learning: Employees are motivated to learning continuously work-related knowledge and skills, and can apply for flexible working hours for on-the-job training. In addition, to respond to the Company's international business model, English learning subsidies are provided to motivate employees to strengthen their language skills. Furthermore, the Company has set up a reading space "Book Garden" inside the company and updates a list of recommended books regularly while provides book purchase subsidies to motivate employees to develop a reading habit.

#### 3. Retirement system and its implementation

PRIMAX (formerly known as "Hung Chuan Investment Co., Ltd.") was established on March 20, 2006 and had merged the original PRIMAX, with the original employees' relevant rights and benefits effective unconditionally on December 28, 2007. The pension system of the original PRIMAX has also remained unchanged. The payment requirements for and standards of labor pension are processed in accordance with the Labor Standards Act (hereinafter referred to as "the old system") and the Labor Pension Act (hereinafter referred to as "the new system").

For employees who have chosen the old system or the new system but with seniority accumulated under the old system, PRIMAX has established a retirement plan in accordance with the Labor Standards Act and deposits a monthly retirement reserve fund in the special account with the Bank of Taiwan for the payment of future pension. In addition, for employees who are entitled to the new system, PRIMAX appropriates an amount equivalent to 6% of the monthly salary as a labor pension reserve fund in accordance with the Labor Pension Act to the personal pension account with the Bureau of Labor Insurance.

#### 4. Labor-management agreement and measures for safeguarding employees' rights and interests

PRIMAX's labor-management relationship is harmonious and positive. Employees can communicate with the Company on issues related to various systems and the work environment through departmental communication meetings to maintain positive

interaction between the employer and the employees. In addition, PRIMAX's Employee Welfare Committee is in charge of handling various employee welfare matters and holding events and activities occasionally to enhance the harmonious work atmosphere between the Company and employees and to build coherence. The details are specified below:

- (1) Hold departmental meetings regularly to communicate the Company's and departments' business plans, overview of business activities, and market conditions with employees.
- (2) Establish employee complaint and opinion mailboxes for employees to make suggestions on various measures or expose violations of moral integrity, unreasonable treatment, sexual harassment, or other acts that harm the Company's interest.
- (3) Formulate sexual harassment prevention, complaints, and disciplinary measures to maintain positive working relationships and interaction principles between the genders and to avoid gender discrimination and harassment.

- (4) Establish labor-management meetings and hold labor-management meetings regularly for communication and negotiation, to promote the harmonious labor-management relations.
- (5) Establish the Employee Welfare Committee to regularly organize group activities and handle welfare matters.
- (6) Establish a flexible working hour system to balance employees' work and life.
- (7) Provide education and training programs and subsidies, provide employees with functional training, and motivate them to develop the second skill.
- (8) Provide group insurance in addition to the basic protection of labor and health insurances, which further safeguards employees' life safety, medical care, and family.
- (9) Hold employee health checkup and organize safety and health inspections regularly to ensure employees' physical and mental health and a safe work environment.

### (2) The loss arising from labor disputes in the most recent fiscal year up to the date of publication of the annual report: **None.**

### (3) The estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, please specify the reasons.

Since its establishment, PRIMAX has maintained an honest and responsible attitude and is committed to employees' well-being and the labor-management harmony, to work together for the Company's growth, making the Company's performance grow increasingly. Therefore, the labor-management relation has always been harmonious, and it is expected that there will be no labor disputes in the future.

## 6. Important contracts

Nature of contract	Counterparty	Commencement and expiration date	Major contents	Restrictions
OEM of products	Customer E	August 1, 2014–end of project	OEM of camera modules and mouses	Confidential
OEM of products	Customer U	September 8, 2008–end of project	OEM of mouses	Confidential
OEM of products	Customer O	January 2006–end of project	OEM of consumer electronic products	Confidential
OEM of products	Customer K	August 14, 2009–end of project	OEM of consumer electronic products	Confidential
OEM of products	Customer S	February 1, 2019–end of project	OEM of consumer electronic products	Confidential
OEM of products	Customer Q	September 4, 2017–end of project	OEM multifunction printers	Confidential
OEM of products	Customer P	January 4, 2010–end of project	OEM of PC peripherals and consumer electronic products	Confidential
OEM of products	Customer R	August 11, 2016–end of project	OEM of PC peripherals	Confidential
OEM of products	Customer N	January 8, 1999–end of project	OEM of PC peripherals	Confidential
OEM of products	Customer Z	January 1, 2012–end of project	OEM of PC peripherals and consumer electronic products	Confidential
Leasing	Shin Kong Life Insurance	From February 2021–December 2035	Lease of a Primax building	None



## Chapter 6. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

### 1. Financial Position

Unit: NT\$1,000

Item	Year	2020	2019	Differences	
				Amount	%
Current assets		35,110,091	39,323,212	(4,213,121)	(10.71%)
Property, plant and equipment		6,542,015	7,363,740	(821,725)	(11.16%)
Intangible assets		2,370,578	2,501,156	(130,578)	(5.22%)
Other assets		3,284,398	3,957,846	(673,448)	(17.02%)
Total assets		47,307,082	53,145,954	(5,838,872)	(10.99%)
Current liabilities		27,940,913	33,562,806	(5,621,893)	(16.75%)
Non-current liabilities		3,865,579	5,079,508	(1,213,929)	(23.90%)
Total liabilities		31,806,492	38,642,314	(6,835,822)	(17.69%)

Item	Year	2020	2019	Differences	
				Amount	%
Share capital		4,508,983	4,485,808	23,175	0.52%
Capital surplus		1,567,628	1,483,045	84,583	5.70%
Retained earnings		8,370,872	7,533,016	837,856	11.12%
Other equity interest		(1,159,650)	(1,193,867)	34,217	2.87%
Non-controlling interests		2,212,757	2,195,638	17,119	0.78%
Total equity		15,500,590	14,503,640	996,950	6.87%

One. Description of material changes in financial ratios:

Non-current liabilities decreased from last year: Mainly due to disposal of customer-paid assets, resulted in a decrease in long-term deferred revenue.

### 2. Financial Performance

#### (1) Financial performance analysis for the last two years

Unit: NT\$1,000

Item	Year	2020	2019	Increase/ Decrease	(%)
Net operating revenue		68,240,939	80,649,608	(12,408,669)	(15.39%)
Operating costs		60,129,865	71,218,592	(11,088,727)	(15.57%)
Gross profit		8,111,074	9,431,016	(1,319,942)	(14.00%)
Operating expenses		5,811,277	6,668,389	(857,112)	(12.85%)
Operating income		2,299,797	2,762,627	(462,830)	(16.75%)
Non-operating income and expenses		178,640	151,274	27,366	18.09%
Net income before tax of continuing operations		2,478,437	2,913,901	(435,464)	(14.94%)
Income tax expense		534,170	650,982	(116,812)	(17.94%)
Net income for the period (including post-tax profit or loss from discontinued operation)		1,944,267	2,262,919	(318,652)	(14.08%)

Explanation of material changes in financial ratios (when the change is more than 20% compared with the last period, and the amount of the change reaches NT\$10 million): None.

#### (2) The expected sales volume and the basis thereof, and the possible impact on the Company's future financial operations and response plans:

The Group's estimated sales volume is based on the industrial environment and the future supply and demand of the market while taking into account the business development, the current status of orders received, and the production capacity planning. For the sales of major products in 2021, in the PC peripherals business group, driven by the sales of e-sports products, the sales of the products are expected to remain roughly flat or increase slightly. In the non-PC products business group, it is expected to continue to be affected by the development of the global information and communications products and mobile phone product markets, as well as the market demand for acoustic products, with a prospect of steady growth. The Group's current financial structure is sound and its operation is in a good condition; the Group's own funds and net cash inflows from operating activities are sufficient to meet the needs of working capital and capital expenditure driven by revenue growth.



### 3. Cash flow

#### (1) Analysis of cash flow changes in the most recent year (2020)

Unit: NT\$1,000

Cash balance at beginning of year	Net cash flow from operating activities for the year	Cash inflow (outflow) in 2020	Cash balance, end of year	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
6,700,510	3,961,005	234,843	6,935,353	-	-

Analysis of cash flow changes in the most recent year:

- Operating activities: Net cash inflow from operating activities amounted to NT\$3,961,005 thousand, which was mainly because of a decrease in net income, notes receivable, and accounts receivable in the current period.
- Investment activities: The net cash outflow from investment activities was NT\$2,795,916 thousand, which was because of the acquisition of property, plant and equipment.
- Financing activities: The net cash outflow from financing activities was NT\$974,633 thousand, which was because of the distribution of cash dividends.

#### (2) Improvement plan for inadequate liquidity: The Group's cash flow is adequate in the most recent year.

#### (3) Analysis of cash flow for the coming year (2021)

Unit: NT\$1,000

Cash balance at beginning of year	Net cash flow from operating activities for the year	Cash inflow (outflow) in 2021	Cash balance, end of year	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
6,935,353	3,708,702	666,341	7,601,694	-	-

1. Analysis of changes in cash flows in the coming year:

- Operating activities: The net cash inflow from operating activities is expected to be NT\$3,708,702 thousand, which is because of the net income for the period.
- Investment activities: The net cash outflow from investment activities is expected to be NT\$2,515,718 thousand, which is because of the acquisition of plant and equipment.
- Financing activities: The net cash outflow from financing activities is expected to be NT\$526,643 thousand, which is because of the repayment of short-term borrowings and the distribution of cash dividends.

2. Analysis of remedial measures for cash inadequacy and liquidity: The cash is adequate, so it is not applicable.

Note: The figures for the coming year (2021) are on a consolidated basis.

### 4. The Impact of Most Recent Major Capital Expenditures on Financial Operations : None

### 5. Most Recent Annual Investment Policy, Its Main Reason for Income or Loss, and Improvement Plan and Investment Plan for the Following Year

#### (1) Investment policy

Based on factors, such as business needs and the Company's future strategic development, relevant units provide professional information, and the Finance and Administration Department compiles the information and puts forward suggestions to the managers in charge; investment proposals are thus made. The investee's past performance, future prospects, market conditions, and operating conditions will be assessed as a reference for investment decision-making.

### (2) Main causes for profits or losses for the most recent year and improvement plans

December 31, 2020 / Unit: NT\$1,000

Item	Description	Amount of profit (loss) recognized in 2020 (Note 1)	Reason for profit or loss	Improvement plan
Primax Industries (Cayman Holding) Ltd.		425,429	Normal operation	-
Primax Technology (Cayman Holding) Ltd.		145,801	Normal operation	-
Destiny Technology Holding Co.,Ltd.		3,067	Normal operation	-
Primax Destiny Co.,Ltd.		361	Normal operation	-
Diamond (Cayman) Holdings Ltd.		53,747	Normal operation	-
Gratus Technology Corp.		1,125	Normal operation	-
Primax AE (Cayman) Holdings Ltd.		(364,325)	Normal operation	-
Primax Industries (Hong Kong) Ltd.		356,963	Normal operation	-
Polaris Electronics Inc.		7,207	Normal operation	-
Primax Electronics (Singapore) Pte. Ltd.		(114,387)	Normal operation	-
Primax Electronics (Thailand) Co., Ltd.		(105,889)	Normal operation	-
Tymphany Worldwide Enterprises Ltd.		55,243	Normal operation	-
Tymphany HK Ltd.		299,510	Normal operation	-
TYP Enterprises, Inc.		2,022	Normal operation	-
Tymphany Logistics, Inc.		406	Normal operation	-
Dongguan Primax Electronic & Telecommunication Products Ltd.		320,684	Normal operation	-
Beijing Destiny Electronic Technology Co., Ltd.		3,067	Normal operation	-
Primax Electronics. (Kun Shan) Corp., Ltd.		(18,813)	Normal operation	-
Primax Electronics (Chong Qing) Corp., Ltd.		158,604	Normal operation	-
Tymphany Acoustic Technology (Huizhou) Co., Ltd.		136,393	Normal operation	-
Dongguan Tymphany Acoustic Technology Co., Ltd.		181,934	Normal operation	-
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.		(3,943)	Normal operation	-
Tymphany Acoustic Technology HK Ltd.		371,365	Normal operation	-
Tymphany Acoustic Technology (UK) Limited		2,500	Normal operation	-
Tymphany Acoustic Technology Europe, s.r.o.		27,444	Normal operation	-
Tymphany Acoustic Technology Limited		48,320	Normal operation	-
Tymphany Acoustic Technology (Thailand) Co. Ltd.		(17,206)	Normal operation	-
ALT International Co.,Ltd (Cayman)		(84,179)	Normal operation	-

Note: The amounts listed in the financial report for 2020 have been audited and certified by CPAs.

#### (3) Investment plans for the coming year: None.

### 6. Risk Analysis and Evaluation

#### (1) Effect upon the Company's profit (loss) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

##### 1. Exchange rate fluctuations

The Group's revenue business is mainly based on export, and the products for export are mainly quoted in US dollars, and the transactions conducted with overseas suppliers and the purchase of machinery

and equipment from overseas suppliers are also denominated in US dollars, resulting in a mutually offsetting effect, and thus providing natural hedging against exchange rate fluctuations. The Group's net foreign exchange gain for the 2020 was NT\$474,233 thousand, accounting for 0.69% of net operating income. Therefore, the overall foreign exchange factor did not pose a risk to profitability. However, in order to respond to the risks arising from exchange rate fluctuations to the Company's profit and loss, in addition to spot and forward foreign exchange



transactions adopted as a hedge against foreign exchange risks at appropriate times, it will continue to monitor market exchange rate fluctuations and the Company's internal foreign exchange positions in the future while maintaining foreign currency assets and balance of liabilities to avoid the risk of exchange rate fluctuations and reduce the impact of exchange rate fluctuations on the Company's profit and loss.

### 2. Interest rate fluctuations

The Group's interest expense for 2020 accounted for 0.26% of the operating revenue of the year, indicating that the interest expense did not have a significant impact on the Group's profit and loss. In addition, the Company regularly assesses the bank borrowing rate and maintains a good relationship with banks to obtain a more favorable interest rate so as to reduce the interest expense.

### 3. Inflation

According to the Consumer Price Index for December of 2020 published by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual growth rate increased by 0.06%, and the annual growth rate of the wholesale price index fell by 5.10%, indicating that inflation did not rise significantly and had no significant impact on the Group's profit and loss for 2020. The Group always pays attention to fluctuations in market prices, and adjusts the sales prices as well as raw materials and inventory levels appropriately, and no significant impact has been caused due to inflation.

## (2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profit/loss generated thereby; and response measures to be taken in the future

### 1. High-risk investments and highly leveraged investments

The Company focuses on the management of its main business activities, and has not invested in high-risk industries, nor has it engaged in highly leveraged investments.

### 2. Engagement in loans to other parties, endorsements, guarantees, and derivatives transactions

In the most recent year and as of the publication of this annual report, the Company had only provided loans, endorsements, and guarantees to the parent company or subsidiaries, in which the Company held 100% of equity, for the purpose of business dealings. The Company's loans to other parties, endorsements, and guarantees are handled in accordance with the policies and response measures stipulated in its Procedures for Loaning of Funds and the Procedures for Making of Endorsement/Guarantee. The relevant operations are executed with the risk situation and

relevant regulations considered.

### 3. Engagement in derivative transactions

When the Company engages in derivative transactions, it always conducts careful evaluation. Any derivative transaction is aimed at helping to improve business performance and reducing the Company's operating and financial risks. The transactions are processed in accordance with its Regulations Governing Acquisition or Disposal of Assets and the scope of authorization.

## (3) Future R&D plans and estimated R&D expenses

### 1. Future R&D plans

The main products currently developed by the Group are PC peripherals, mobile camera modules, business equipment, and smart home products. The future development plan will continue to focus on the cooperation with international manufacturers and strategic collaboration with startups, to further develop e-sports mice, keyboards, and keyboard modules, multi-color keyboard backlight modules, dual-lens mobile phone camera modules, 3D sensing modules, computer built-in camera modules, biometrics modules, relevant bluetooth and connected smart speaker system products, relevant bluetooth and wireless headphone products, multifunction printer scanning modules, inkjet and laser multifunction printers, automotive electronics, self-media audio and video devices, security surveillance systems, automated production lines, artificial intelligence appliances, smart health, and smart home technology products. All of this aims to further enhance the Group's R&D capabilities and increase the market share of its products while making the Group's products more international and competitive.

### 2. Estimated R&D expenses

The amounts of R&D expenses estimated by the Group are budgeted step by step according to the development progress of each new product and technology as well as the future operating conditions to maintain a certain growth rate to ensure the Group's competitive advantages. It is estimated that R&D expenses will be around NT\$2.8 billion in 2021.

## (4) The impacts of changes of the important domestic and foreign policies and laws on the Company's finance and business, and response measures thereof:

The Group operates in accordance with the relevant laws and regulations of the domestic and foreign countries where investments are made, and the relevant personnel also pay attention to the changes of the laws and regulations at any time for the management to stay informed. Therefore, important changes in domestic and foreign policies and laws can be updated immediately and responded to effectively by the Group.

## (5) Impact of changes in technology and industry on the Company's financial operations, and response measures thereof:

In response to the rapid changes in advanced technology, PRIMAX continues to invest in R&D resources to keep abreast of, collect, and analyze changes in the market and technology in specific areas of PC peripherals, mobile camera modules, business equipment, and smart home products, to reduce the impact of technological changes while strengthening the R&D of high value-added and high-profit products, so that the Company's products are more diversified and stable, and the sources of profit can be ensured. With outstanding process technologies, PRIMAX continues to expand the strategic alliance system with its existing customers in depth and width from product design, mass production, logistics support, distribution, and after-sales service, so as to strengthen the long-term coexistence and the reciprocal relationship. So far, technological and industrial changes have not had a significant impact on PRIMAX's financial operations.

## (6) Impact of changes of corporate image on the Company's crisis management and response measures:

PRIMAX attaches great importance to image maintenance and is one of the world's leading suppliers of PC peripherals, mobile device components, business devices, and smart home products. With a complete talent cultivation and training program, along with employee-oriented and people-centered management, PRIMAX has attracted more excellent talents and technologies to the Company, building up the strength of the management team. Then, the Company gives the business achievements back to the shareholders and fulfills its social responsibilities while committed to energy conservation and carbon reduction to improve the environment and actively devoted to social welfare events and activities so as to achieve the goal of sustainable business operation. PRIMAX has a dedicated team in charge of prevention, management, and contingency measures related to corporate image. In the most recent year and as of the publication date of this annual report, no incidents had affected the corporate image.

## (7) Expected benefits and possible risks associated with mergers and acquisitions, and response measures thereof: **None**

## (8) Expected benefits, possible risks associated with plant expansion, and response measures thereof:

The Company's plant construction plan in Thailand is on schedule and is expected to be completed in

the fourth quarter of 2021. After completion, it will help increase the Company's production capacity and revenue.

## (9) The risks arising from the concentration of purchases or sales, and response measures thereof:

### 1. The risks arising from the concentration of purchases, and response measures thereof

In addition to the purchase of finished products, PRIMAX maintains at least two qualified suppliers for other goods to be purchased, to maintain the flexibility of purchases, ensure uninterrupted supply of goods, and maintain the advantage of bargaining to achieve the goal of cost reduction. In summary, PRIMAX should not yet have the risk of concentration of purchases or interruption of supply.

### 2. The risks arising from the concentration of sales, and response measures thereof

The Group's main customers are mainly internationally renowned high-tech companies from diverse fields with high stability. In addition to maintaining a good relationship with existing customers, the Group has actively developed new products with a view to expanding the market and customer sources in other business sectors, while striving to diversify customers and minimize the risk of sales concentration. In the past two years, the proportion of customers whose orders accounted more than 10% of the Group's annual revenue individually has also declined.

## (10) The impacts and risks arising from a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or changes hands and the response measures: **None.**

## (11) The impact on the Company, and risk due to changes in managerial authority, and the response measures: **None.**

## (12) Risks associated with litigations or non-litigations

1. Confirmed judgment, ongoing litigation, and non-litigation or administrative disputes in the most recent years and as of the publication date of this annual report, the result of which may have a significant impact on shareholders' equity or securities prices, shall be disclosed. Disclosure includes disputed facts, monetary amount involved, litigation starting date, the main parties involved, and present status:



**A. Case 1**

In response to Lens Technology's failure to perform the purchase order placed between February and May 2017, causing a loss on the material cost to the Company, so it filed a lawsuit to the People's Court of Changsha Municipality, Hunan, for compensation of CNY\$10,887 thousand. The case has been rejected by the court. The Company has now appealed to the Higher People's Court of Hunan Province for trial. The final outcome of this case will depend on future litigation procedures, but it will not have a material impact on the Company's operations.

- Confirmed judgment, ongoing litigation, non-litigation, or administrative disputes involving the Company's Director, Supervisor, President, responsible person, and shareholders who hold more than 10% of the Company's shares in the most recent year and as of the publication date of this annual report, the results of which may have a significant impact on shareholders' equity or securities prices: None.

**(13) Other important risks and response measures: information security risk management policies, organizational structure, and specific plans.**

**A. Information security management policies, organizational structure, and specific plans:**

**1. Information security management policies, objectives, and relevant procedures and documents:**

The Company has established an information security management system since 2017, formulated information security policies and relevant fourth-stage document management, adopted the PDCA method to continuously improve the overall information security environment, and established measurable information security objectives, to review and evaluate how the objectives are reached on a regular basis. In

addition, in order to improve the security of application systems and reduce risks, PRIMAX regularly performs scans of system equipment for vulnerability every year and repairs mid- and high-risk vulnerabilities, and have introduced privileged account management on the user's end, DLP tools, and MFA two-factor authentication mechanisms, to reduce the occurrence of abnormal events related to confidential or sensitive data, while continuing to perform business email compromise (BEC) analysis and security information and event management (SIEM) to monitor logs, in order to monitor abnormalities in real time and continue to strengthen the information security management mechanism.

**2. Information security policy:**

In order to enhance group security management, the Group's Security Department was established in July 2014, and the "information security task force" was set up under the department to regulate the authorities and responsibilities of the information security management personnel, coordinate affairs, and implement information security management matters, to ensure effective and continuous implementation of information security management regulations. The Group organizes information security education and training twice a year and annual social engineering drills, while increasing employees' awareness of information security protection and the latest news through e-mail, instant messaging, and digital TV, to strengthen the information security awareness of the Group's employees. The following is the organizational structure of the Group's security-related departments.

**3. Information security risk assessment:**

The Company inspects information assets and updates the record book of the assets. In addition, the information assets are assessed annually to identify relevant risks, to control high-risk items and reduce the possibility of the occurrence of risks and the resulting impact, while ensuring the Company's long-term information security.

**4. Internal audit of information security:**

The information security task force formulates

assessment items based on the characteristics of risks, conducts self-assessment and verification of information security annually, and submits the assessment results and supporting documents to the Audit Department for verification. The Company's Audit Department implements a cycle audit of information every six months, of which information security is a necessary audit item, and all the audit results are reported to the Audit Committee and the Board of Directors on May 7,2020 and November 6,2020 at least once a year.

**5. ISO/IEC 27001: 2013 information security management system certification and the internet information security insurance:**

The Company's information security management system has been certified by British Standards Institution (BSI) in January 2018, and the Company passed the re-verification by BSI in January 2021, effectively meeting all requirements of the international standards of ISO/IEC 27001: 2013. In addition, it has purchased the internet information security insurance since June 2018, with the insurance amount of US\$10 million; once an information security incident occurs, the Company can receive damage compensation.

**B. Management plan for intellectual property rights**

In order to align with advanced technology tendency and protect technical achievement, we continuously engross sufficient resources in R&D and analysis for the variation of marketing and technology in relation to our products. We also formulate intellectual property policy which integrates the operation goal and R&D resources so as to reinforce the advantage in competition.

**1. Management of patent**

For the purpose of protection of technical achievement and leading position, we not only constantly encourage our staff to file application for utility patent via the corporate innovation award, but also establish the patent management policy and risk control mechanism. In addition, the quantity and quality for patent application has been managed by means of AI analysis through the entertainment patent system. We contact and cooperate with the patent competent authority closely to raise efficiency of patent examination and acquire the high-level patent protection. We also take efficient actions to reduce patent risk.

**2. Protection of trade secret**

Trade secret is the technological and business operation core of the Company. The regulations with regard to trade secret have been stipulated in Employee Handbook and Employee Contract. We also provide our staff with the training courses to disseminate the importance and protection measures of trade secret.

**B-1 Operation**

- The report of the implementation of intellectual property events has been submitted to the Board of Directors on November 6, 2020.
- We have carried out the management of intellectual property rights since 1990, the details are listed as follows :

**a. Application of patent**

Primax group has filed more than 6613 patent applications in countries since 1990.

**b. Process management**

- In 1990: We formulated and promulgated Regulation of Patent Application.
- In 2002: Regulation of Risk Management and Patent Usage was put into force.
- In 2004: The Enterprise Patent System (EPS) was introduced.

**C. Activation of Property**

To realize Patent Monetization, we sold almost 900 patents in 2006.

**d. Risk Control**

To reduce the patent risk during the period of product development, we have carried out the management of patent search archive since 2012.

**e. Management of trade secret**

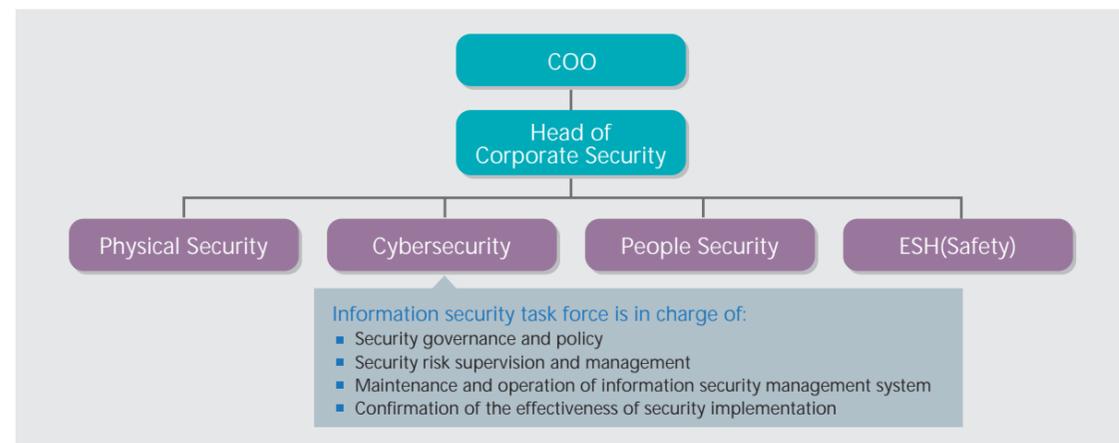
The regulations of trade secret which have been stipulated in Employee Handbook and Employee Contract are listed below :

- It's staff's duty to maintain secrecy pertaining to his work and the company's business.
- Staff shall not disclose, inform, provide or transfer such Confidential Information to third party, or announce to public or make use for third party of such Confidential Information during and after the termination of employment period. We are eligible to request the staff who breaches the foregoing to compensate the damages incurred by the Company and the said staff will be punished by Section 317 of Criminal Code of the Republic of China on account of offense of disclosing trade secret knew or possessed because of occupation.
- Staff shall not disclose or use the trade secret owned by his former employer.

**B-2 Performance**

Primax group has filed more than 6613 patent applications in countries since 1990. As of the end of 2020, Primax group obtains 6613 patents in countries by way of filing applications and purchasing patents, 683 patents of Primax Electronics Ltd. have been approved while 512 patents are pending in countries.

**7. Other Important Matters: None.**







## B. Basic Information about affiliated companies

Unit: NT\$1,000 / December 31, 2020

Name	Date of incorporation	Address	Paid-in capital	Main business or products
Dongguan Primax Electronic & Telecommunication Products Ltd.	1995.12.21	Liuwu Road Section, Sanheng Road, Xincheng District, Shijie Town, Dongguan City	1,948,353	Manufacturing and sale of computer peripherals, mobile device components, and business devices
Primax Electronics (KunShan) Corp., Ltd.	2009.11.17	No. 2688 Tongxin Road, Yushan Town, Kunshan City	853,119	Production of computer peripheral products
Primax Electronics (ChongQing) Corp., Ltd.	2011.02.23	No. 2669 Xinglong Avenue, Yongchuan District, Chongqing	833,752	Production of computer peripheral products
Beijing Destiny Electronic Technology Co., Ltd.	1994.03.24	Room 201-202, 2nd Floor, No. 10 Caihefang Road, Zhongguancun, Haidian District, Beijing	38,596	R&D of computer peripherals and business devices
Primax Destiny Co.,Ltd.	1995.07.28	2nd Fl., Yamashita Bldg., 1-23-2, Hamamatsucho, Minato-ku, Tokyo105-0013 Japan	6,908	Market development of and customer service for computer peripherals, mobile device components, and business devices
Polaris Electronics, Inc.	1996.04.24	890 Hillview Court, Suite 270 Milpitas, CA 95035	45,613	Sale and purchase of computer peripherals, mobile device components, and business devices
Primax Industries (Hong Kong) Ltd.	1989.05.19	Rm.1520-21, 15/F., Block A, Hi-Tech Industrial Centre, 5-21 Pak Tin Par Street, Tsuen Wan,N.T., Hong Kong.	2,216,679	Holding company and customer service
Primax Technology (Cayman Holding) Ltd.	1997.10.08	2nd Floor, Midtown Plaza, Elgin Avenue, George Town, Grand Cayman KY1-1106, Cayman Islands.	812,668	Holding company
Primax Industries (Cayman Holding) Ltd.	1996.10.24	2F,Zephyr House,Mary St.P.O.Box 709,George Town, Grand Cayman, Cayman Islands,British West Indies.	2,322,728	Holding company
Destiny Technology Holding Co., Ltd.	2001.01.19	Sealight House, Tortola, British Virgin Islands	29,933	Holding company
Diamond (Cayman) Holdings Ltd.	2013.10.8	P.O. Box 32052, The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208 Cayman Islands.	3,678,957	Holding company
Tymphany Worldwide Enterprises Ltd.	2013.10.29	P.O. Box 309, Uglan House, Grand Cayman, KY1-1104 Cayman Islands.	1,922,510	Holding company
TYP Enterprises, Inc.	2014.01.06	1 Thorndale Drive, Suite 200, San Rafael, CA 94903, USA	14	Market development of and customer service for speakers and their components
Tymphany HK Ltd.	1995.05.11	Room 1307-8 Dominion Centre, 43-59 Queens Road East, Wanchai, Hong Kong	530,990	Holding company and market development of various speaker accessories, speakers and their components, as well as customer service
Tymphany Acoustic Technology (Huizhou) Co., Ltd.	2004.08.09	Tymphany Smart Acoustic Technology Industrial Park, Huaguo Village, Xinxu Town, Huiyang District, Huizhou City, Guangdong Province	1,782,899	R&D, design, and sales of various speaker accessories, speakers, and their components
Tymphany Logistics, Inc.	2015.04.29	1 Thorndale Drive, Suite 200, San Rafael, CA 94903, USA	5,702	Sales of various acoustic accessories, speakers and their components

Name	Date of incorporation	Address	Paid-in capital	Main business or products
Dongguan Tymphany Acoustic Technology Co., Ltd.	2015.09.06	Liuwu Road Section, Sanheng Road, Xincheng District, Shijie Town, Dongguan City	142,540	R&D, design, and sales of various speaker accessories, speakers, and their components
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	2016.10.11	No.27, Dayuan Road, Zhangcun, Dongcheng District, Dongguan City	87,382	R&D, design, and sales of various speaker accessories, speakers, and their components
Tymphany Acoustic Technology HK Ltd.	2017.01.05	RM 803 Tung Hip Comm Bldg 248 Des Voeux Rd Central, Hong Kong	1,529,310	R&D, design, and sales of various speaker accessories, speakers and their components, as well as holding business
Tymphany Acoustic Technology (UK) Limited	2017.01.20	C/O Broomfield & Alexander Ltd Ty Derw, Lime Tree Court, Cardiff Gate Business Park, Cardiff, United Kingdom, CF23 8AB	15,532	R&D and design of various speaker accessories as well as speakers and their components
Tymphany Acoustic Technology Europe, s.r.o.	2004.08.18	Průmyslový park 305, 742 21 Koprivnice-Vlčovice, Czech Republic	249,211	Manufacturing, installation, and maintenance of various speaker accessories and their components
Tymphany Acoustic Technology Limited	2017.12.14	10th Floor, No. 19-2, 19-3, Sanchong Rd., Nangang District, Taipei City	50,000	R&D and design of various speaker accessories as well as speakers and their components
Gratus Technology Corp.	2015.04.01	890 Hillview Court, Suite 270 Milpitas, CA 95035	8,552	Market development and customer service for computer peripherals, mobile device components, and business devices
Primax AE (Cayman) Holdings Ltd.	2017.11.14	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Island	1,374,086	Holding company
Primax Electronics (Singapore) Pte. Ltd.	2019.08.05	61 KAKI BUKIT AVENUE 1#04-38 SHUN LI INDUSTRIAL PARK SINGAPORE(417943)	573,011	Holding company
Primax Electronics (Thailand) Co., Ltd.	2019.08.15	No. 500/146-150 Moo 3, Tambol Tasith, Amphur Pluak Daeng, Rayong Province	569,220	Manufacturing and sale of computer peripherals, and business devices
Tymphany Acoustic Technology (Thailand) Co., Ltd.	2019.10.08	300/86-89 M.1 Tasit Sub-District PluakDaeng District Rayong 21140	441,146	Manufacturing and sales of various acoustic accessories, speakers, and their components

## C. Those who are determined to have the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None.

## D. Industries and the division of labor in the overall business of the affiliated companies:

The business operated by the affiliated companies of the Group are mainly the design, manufacturing, processing, and sales of computer peripherals and non-computer peripherals. Overall, the division of labor between the affiliated companies is based on mutual support of technology, production capacity, marketing, and services to create the maximum synergy.



## E. Information on directors, supervisors, and managerial officers

December 31, 2020

Name	Title	Name or representative
Dongguan Primax Electronic & Telecommunication Products Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Liang, Li-Sheng
	Directors	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Fan, Kang-Yang
	Directors	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Chang, Chen-Te
	Supervisor	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Hsiao, Ying-Yi
	General Manager	Chang, Chen-Te
Primax Electronics. (Kun Shan) Corp., Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. Representative: Liang, Li-Sheng
	Directors	Primax Industries (Hong Kong) Ltd. Representative: Chang, Chen-Te
	Directors	Primax Industries (Hong Kong) Ltd. Representative: Wang, Yao-Wei
	Supervisor	Primax Industries (Hong Kong) Ltd. Representative: Hsiao, Ying-Yi
	General Manager	Chang, Chen-Te
Primax Electronics (Chong Qing) Corp., Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. Representative: Liang, Li-Sheng
	Directors	Primax Industries (Hong Kong) Ltd. Representative: Chang, Chen-Te
	Directors	Primax Industries (Hong Kong) Ltd. Representative: Fan, Kang-Yang
	Supervisor	Primax Industries (Hong Kong) Ltd. Representative: Hsiao, Ying-Yi
	General Manager	Chang, Chen-Te
Beijing Destiny Electronic Technology Co., Ltd.	Chairman	Destiny Technology Holding Co., Ltd. Representative: Liang, Li-Sheng
	Directors	Destiny Technology Holding Co., Ltd. Representative: Hsiao, Ying-Yi
	Directors	Destiny Technology Holding Co., Ltd. Representative: Wei, Hao-San
	Supervisor	Destiny Technology Holding Co., Ltd. Representative: Chang, Chen-Te
Primax Destiny Co.,Ltd.	Directors	Wei, Hao-San
	Directors	Liang, Li-Sheng
	Directors	Hsiao, Yin-Yi
	Supervisor	Chou, Yen-Chou
Polaris Electronics, Inc.	Directors	Liang, Li-Sheng
	Directors	Kuo, You-Min
Primax Industries (Hong Kong) Ltd.	Directors	Liang, Li-Sheng
	Directors	Pan, Yung-Chung
Primax Technology (Cayman Holding) Ltd.	Directors	Liang, Li-Sheng
	Directors	Pan, Yung-Chung
	Directors	Hsiao, Yin-Yi

Name	Title	Name or representative
Primax Industries (Cayman Holding) Ltd.	Directors	Liang, Li-Sheng
	Directors	Pan, Yung-Chung
	Directors	Hsiao, Yin-Yi
Destiny Technology Holding Co.,Ltd.	Directors	Liang, Li-Sheng
Diamond (Cayman) Holdings Ltd.	Directors	Primax Electronics Ltd. Representative: Liang, Li-Sheng \ Hsiao, Yin-Yi
Tymphony Worldwide Enterprises Ltd.	Directors	Diamond (Cayman) Holdings Ltd. Representative: Liang, Li-Sheng \ Pan, Yung-Chung \ Pan, Yung-Tai \ Hsiao, Yin-Yi
TYP Enterprises, Inc.	Directors	Edward Townsend Boyd
Tymphony HK Ltd.	Directors	Edward Townsend Boyd \ Pan, Yang-Chung
Tymphony Acoustic Technology (Huizhou) Co., Ltd.	Chairman	Liang, Li-Sheng
	General Manager	Pan, Yung-Chung
	Directors	Liang, Li-Sheng \ Pan, Yung-Chung \ Pan, Yung-Tai \ Wu, Chang-I \ Edward Townsend Boyd \ Liu, Xiao-Tong
	Supervisor	Chang, Te-Tsai \ Hsiao, Yin-Yi and Fan, Chi-Liang
Tymphony Logistics, Inc.	Independent Directors	Tu, Chia-Pin \ Yu,Hung-Tin \ Tiao, Wei-Jen and Lin, Yu-Chun
	Directors	Liang, Li-Sheng
Dongguan Tymphony Acoustic Technology Co., Ltd.	Executive Director	Pan Yung-Chung
	General Manager	Pan, Yung-Chung
	Supervisor	Hsiao, Yin-Yi
Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd.	Executive Director	Pan, Yung-Chung
	General Manager	Pan, Yung-Chung
	Supervisor	Hsiao, Yin-Yi
Tymphony Acoustic Technology HK Ltd.	Directors	Pan, Yung-Chung
Tymphony Acoustic Technology (UK) Limited	Directors	Philip Scott Mcphee
Tymphony Acoustic Technology Europe, s.r.o.	Directors	Pavel Merhout
	Directors	Philip Scott Mcphee
Tymphony Acoustic Technology Limited	Directors	Liang, Li-Sheng \ Pan, Yung-Tai \ Pan, Yung-Chung
	Supervisor	Hsiao, Yin-Yi
Gratus Technology Corp.	Directors	Kuo, You-Min \ Pan, Yung-Chung
Primax AE (Cayman) Holdings Ltd.	Directors	Primax Electronics Ltd. Representative: Liang, Li-Sheng \ Hsiao, Yin-Yi
Primax Electronics (Singapore) Pte. Ltd. (Note 1)	Directors	Liang, Li-Sheng \ Pan, Yung-Tai \ Pan, Yung-Chung and Hsu, Jau Nan
Primax Electronics (Thailand) Co.,Ltd. (Note 2)	Directors	Mr. Liang, Li-Sheng \ Mr. Pan, Yung-Tai \ Mr. Pan, Yuan-Chung \ Mr. Yang, Chang-Lung
Tymphony Acoustic Technology (Thailand) Co., Ltd. (Note 2)	Directors	Mr. Liang, Li-Sheng \ Mr. Pan, Yung-Tai \ Mr. Pan, Yuan-Chung \ Mr. Yang, Chang-Lung

Note 1: The directors of the company in Singapore have no designated term. At least one-third of the directors need to be dismissed at the annual general meeting (the general shareholders' meeting in Taiwan), but new directions shall be elected immediately.

Note 2:The directors of the company in Thailand have no designated term. At least one-third of the directors need to be dismissed at the annual general meeting (the general shareholders' meeting in Taiwan), but new directions shall be elected immediately.



## F. Operational highlight of affiliated companies

Unit: NT\$1,000 / December 31, 2020

Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Profit (loss) for the year (after tax)	EPS (NTD) (after tax)
Dongguan Primax Electronic & Telecommunication Products Ltd.	1,948,353	14,790,190	8,657,977	6,132,213	26,705,819	422,735	320,684	-
Primax Electronics. (KunShan) Corp., Ltd.	853,119	1,993,602	1,185,661	807,941	2,234,257	36,592	(18,813)	-
Primax Electronics (ChongQing) Corp., Ltd.	833,752	5,196,769	3,664,700	1,532,069	9,529,543	248,158	158,604	-
Beijing Destiny Electronic Technology Co., Ltd.	38,596	64,483	67,483	(3,000)	102,029	5,531	3,067	-
Primax Destiny Co.,Ltd.	6,908	21,228	3,031	18,197	10,046	478	361	722.77
Polaris Electronics, Inc.	45,613	1,290,420	906,480	383,940	3,437,497	9,402	7,207	4.50
Gratus Technology Corp.	8,552	14,492	2,163	12,329	23,945	1,355	1,125	3.75
Primax Industries (Hong Kong) Ltd.	2,216,679	6,514,316	14,466	6,499,850	10,700	(1,416)	356,963	0.59
Primax Technology (Cayman Holding) Ltd.	812,668	2,512,121	0	2,512,121	0	(181)	108,648	0.38
Primax Industries (Cayman Holding) Ltd.	2,322,728	6,513,567	4,854	6,508,713	0	(223)	356,383	0.04
Destiny Technology Holding Co., Ltd.	29,933	(2,996)	0	(2,996)	0	0	3,067	2.92
Diamond (Cayman) Holding Ltd.	3,678,957	5,577,659	0	5,577,659	0	(224)	54,514	0.42
Primax AE (Cayman) Holdings Ltd.	1,374,086	596,460	0	596,460	0	(303)	(364,325)	(7.56)
Tymphany Worldwide Enterprises Ltd.	1,922,510	4,026,069	2,464	4,023,605	0	(4,636)	129,052	0.67
Primax Electronics (Singapore) Pte. Ltd.	573,011	497,300	37,443	459,857	0	(81)	(105,955)	(5.27)
Primax Electronics (Thailand) Co., Ltd.	569,220	1,050,210	593,319	456,891	667,160	(116,688)	(105,889)	(176.48)
Tymphany Acoustic Technology (Thailand) Co., Ltd.	441,146	843,076	415,190	427,886	555,462	(19,234)	(17,206)	(3.70)
Tymphany HK Ltd.	530,990	9,572,026	8,212,961	1,359,065	25,150,895	204,156	299,510	2.07
Tymphany Acoustic Technology (Huizhou) Co., Ltd.	1,782,899	8,013,331	2,430,634	5,582,697	6,605,047	(152,718)	190,941	0.33
Tymphany Logistics. Inc.	5,702	343,617	333,933	9,684	3,754,577	642	406	2.03
TYP Enterprises, Inc.	14	68,815	53,035	15,780	114,117	5,383	2,022	4,043.91
Dongguan Tymphany Acoustic Technology Co., Ltd.	142,540	8,551,451	7,796,471	754,980	15,083,783	(142,203)	65,040	-
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	87,382	1,290,139	1,078,962	211,177	2,693,173	230	(5,520)	-

Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Profit (loss) for the year (after tax)	EPS (NTD) (after tax)
Tymphany Acoustic Technology HK Ltd.	1,529,310	3,556,363	1,153,611	2,402,752	2,327,035	22,132	371,365	0.89
Tymphany Acoustic Technology (UK) Limited	15,532	37,839	14,644	23,195	51,975	(666)	2,500	6.25
Tymphany Acoustic Technology Europe,s.r.o.	249,211	1,379,474	783,968	595,506	1,756,119	41,907	27,444	0.15
Tymphany Acoustic Technology Limited	50,000	377,470	259,115	118,355	986,557	29,204	48,320	9.66

## (2) Consolidated financial statements of affiliated companies:

A. Consolidated financial statements of affiliated companies: Please refer to 8. Financial Overview of the 2020 consolidated financial report and Note A audited and certified by CPAs.

B. CPA's audit report on the consolidated financial statements of affiliated companies: Please refer to 8. Financial Overview of the 2020 consolidated financial report and Note A audited and certified by CPAs.

## (3) Affiliation report: Not applicable.

## 2. Private Offering of Securities for the Most Recent Year up to the Publication Date of the Annual Report: None.

## 3. Holding or Disposal of Shares of the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of this Annual Report: None.

## 4. Other Necessary Supplements: None.

## 5. Any Event which has a Material Impact on Shareholders' Rights and Interests or the Company's Securities Price, as Prescribed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, that Have Occurred in the Most Recent Fiscal Year up to the Publication Date of this Annual Report: None.



# Chapter 8. Financial Review

## 1. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Years

### (1) Condensed Consolidated Balance Sheet—Based on IFRS

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note:1)				
		2016	2017	2018	2019	2020
Current assets		27,799,554	29,141,420	31,472,160	39,323,212	35,110,091
Property, plant and equipment		4,717,422	4,437,684	5,509,536	7,363,740	6,542,015
Right-of-use assets		-	-	-	1,843,153	1,568,052
Intangible assets		2,673,670	2,730,188	4,463,979	2,501,156	2,370,578
Other assets		1,931,403	1,465,851	1,715,826	2,114,693	1,716,346
<b>Total assets</b>		<b>37,122,049</b>	<b>37,775,143</b>	<b>43,161,501</b>	<b>53,145,954</b>	<b>47,307,082</b>
Current liabilities	Before distribution	22,801,219	23,114,653	26,060,819	33,562,806	27,940,913
	After distribution	23,913,105	24,544,721	27,133,160	34,639,682	29,295,786
Non-current lease liabilities		-	-	-	1,195,744	981,436
Non-current liabilities		2,076,372	1,678,688	2,130,564	3,883,764	2,884,143
Total liabilities	Before distribution	24,877,591	24,793,341	28,191,383	38,642,314	31,806,492
	After distribution	25,989,477	26,223,409	29,263,724	39,719,190	33,161,365
Equity attributable to owners of the parent company		10,999,724	11,385,272	11,625,821	12,308,002	13,287,833
Share capital		4,424,367	4,459,968	4,474,523	4,485,808	4,508,983
Capital surplus		791,466	1,232,490	1,377,077	1,483,045	1,567,628
Retained earnings	Before distribution	5,665,353	6,087,685	6,525,331	7,533,016	8,370,872
	After distribution	4,553,467	4,657,617	5,452,990	6,456,140	7,015,999
Other equity interest		118,538	(394,871)	(751,110)	(1,193,867)	(1,159,650)
Treasury stock		-	-	-	-	-
Non-controlling interest		1,244,734	1,596,530	3,344,297	2,195,638	2,212,757
Total equity	Before distribution	12,244,458	12,981,802	14,970,118	14,503,640	15,500,590
	After distribution	11,132,572	11,551,734	13,897,777	13,426,764	14,145,717

Note 1: Financial data from 2016 through 2020 have been audited and certified by CPAs.

### (2) Condensed Individual Balance Sheet—Based on IFRS

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note:1)				
		2016	2017	2018	2019	2020
Current assets		16,123,543	12,698,756	12,403,266	13,258,726	15,161,997
Investment accounted for using equity method		9,317,894	10,287,105	14,166,264	14,973,751	15,465,579
Property, plant and equipment		68,785	69,036	92,023	92,804	100,891
Right-of-use assets		-	-	-	342,146	255,763
Intangible assets		22,966	18,351	13,738	9,763	7,708
Other assets		1,551,115	1,055,636	1,010,489	914,307	906,754
<b>Total assets</b>		<b>27,084,303</b>	<b>24,128,884</b>	<b>27,685,780</b>	<b>29,591,497</b>	<b>31,898,692</b>



Item	Year	Financial information for the last five years (Note:1)				
		2016	2017	2018	2019	2020
Current liabilities	Before distribution	13,579,780	10,889,520	14,254,636	15,168,513	16,843,558
	After distribution	14,691,666	12,319,588	15,326,977	16,245,389	18,198,431
Non-current lease liabilities		-	-	-	260,939	174,194
Non-current liabilities		2,504,799	1,854,092	1,805,323	1,854,043	1,593,107
Total liabilities	Before distribution	17,265,535	16,084,579	16,059,959	17,283,495	18,610,859
	After distribution	17,196,465	14,173,680	17,132,300	18,360,371	19,965,732
Share capital		4,424,367	4,459,968	4,474,523	4,485,808	4,508,983
Capital surplus		791,466	1,232,490	1,377,077	1,483,045	1,567,628
Retained earnings	Before distribution	5,665,353	6,087,685	6,525,331	7,533,016	8,370,872
	After distribution	4,553,467	4,657,617	5,452,990	6,456,140	7,015,999
Other equity interest		118,538	(394,871)	(751,110)	(1,193,867)	(1,159,650)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	10,999,724	11,385,272	11,625,821	12,308,002	13,287,833
	After distribution	9,887,838	9,955,204	10,553,480	11,231,126	11,932,960

Note : Financial data from 2016 through 2020 have been audited and certified by CPAs.

### (3) Condensed Consolidated Statement of Comprehensive Income—Based on IFRS

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note:1)				
		2016	2017	2018	2019	2020
Operating revenue		64,329,462	60,741,692	64,811,408	80,649,608	68,240,939
Gross profit		7,267,187	7,480,007	7,789,423	9,431,016	8,111,074
Operating profit (loss)		2,373,471	2,199,905	1,942,514	2,762,627	2,299,797
Non-operating income and expenses		390,981	647,675	421,688	151,274	178,640
Net income before tax		2,764,452	2,847,580	2,364,202	2,913,901	2,478,437
Net income from continuing operations		1,986,766	2,168,981	1,913,975	2,262,919	1,944,267
Loss from discontinued operations		61,896	-	-	-	-
Net profit for this period		2,048,662	2,168,981	1,913,975	2,262,919	1,944,267
Other comprehensive income		(547,079)	(445,910)	(327,319)	(544,662)	(4,663)
Total comprehensive income		1,501,583	1,723,071	1,586,656	1,718,257	1,939,604
Net income attributable to owners of the parent company		1,934,070	2,057,415	1,826,870	2,134,870	1,919,265
Net income attributable to non-controlling interests		114,592	111,566	87,105	128,049	25,002
Total comprehensive income (loss) attributable to owners of the parent company		1,432,480	1,606,886	1,504,297	1,644,893	1,927,312
Total comprehensive income(loss) attributable to non-controlling interests		69,103	116,185	82,359	73,364	12,292
Earnings per share (Note 2)		4.40	4.67	4.12	4.80	4.30

Note 1: Financial data from 2016 through 2020 have been audited and certified by CPAs.

Note 2: Basic earnings per share.

### (4) Condensed Individual Statement of Comprehensive Income—Based on IFRS

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note:1)				
		2016	2017	2018	2019	2020
Operating revenue		45,739,783	35,023,563	33,984,435	36,178,733	34,990,027
Gross profit		3,633,341	2,237,909	2,418,611	3,508,999	3,353,886
Operating profit (loss)		1,549,861	226,352	468,330	1,257,493	1,248,364
Non-operating income and expenses		797,663	1,952,481	1,642,799	1,236,821	974,678
Net income before tax		2,347,524	2,178,833	2,111,129	2,494,314	2,223,042
Net income from continuing operations		1,934,070	2,057,415	1,826,870	2,134,870	1,919,265
Loss from discontinued operations		-	-	-	-	-
Net profit for this period		1,934,070	2,057,415	1,826,870	2,134,870	1,919,265
Other comprehensive income		(501,590)	(450,529)	(322,573)	(489,977)	21,626
Total comprehensive income		1,432,480	1,606,886	1,504,297	1,644,893	1,940,891
Earnings per share (Note 2)		4.40	4.67	4.12	4.80	4.30

Note 1: Financial data from 2016 through 2020 have been audited and certified by CPAs.

Note 2: Basic earnings per share

### (5) Names of CPAs in the five most recent years and their audit opinions

Year	Accounting firm	CPA	Audit opinion
2016	KPMG Taiwan	Huang, Yung-Hua and Yu, Chi-Long	Unqualified opinion
2017	KPMG Taiwan	Wu, Mei-Pin and Huang, Yung-Hua	Unqualified opinion
2018	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion
2019	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion
2020	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion

## 2. Financial Analysis for the Past Five Fiscal Years

### (1) Financial Analysis—Based on IFRS - Consolidated

Item	Year	Financial analysis for the most recent five years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	67.02	65.63	65.32	72.71	67.23
	Ratio of Long-term funds to property, plant and equipment	303.57	330.36	310.38	265.94	296.03
Solvency (%)	Current ratio	121.92	126.07	120.76	117.16	125.66
	Quick ratio	90.80	94.40	88.58	81.39	83.14
	Times interest earned ratio	31.55	88.06	63.21	15.35	15.02
Operating performance	Account receivable turnover rate (times)	4.59	4.56	4.41	4.43	4.10
	Average collection days	79.52	80.04	82.77	82.39	89.02
	Inventory turnover rate (times)	8.14	7.91	7.84	7.80	5.80
	Average days of sales	44.84	46.14	46.56	46.79	62.93
	Payables turnover rate (times)	3.20	3.20	3.28	3.37	2.81
	Average payment days	114.06	114.06	111.28	108.31	129.89
	Property, plant and equipment turnover rate (times)	11.69	13.27	13.03	12.53	9.81
Total assets turnover rate (times)	1.63	1.62	1.60	1.67	1.36	



Item	Year	Financial analysis for the most recent five years				
		2016	2017	2018	2019	2020
Profitability	Return on assets (%)	5.39	5.86	4.80	5.03	4.15
	Return on equity (%)	16.28	17.20	13.69	15.36	12.96
	Ratio of Pre-tax income to paid-in capital (%)	62.48	63.85	52.84	64.96	54.97
	Net profit margin (%)	3.18	3.57	2.95	2.81	2.85
	Earnings per share (NTD)	4.40	4.67	4.12	4.80	4.30
Cash flow	Cash flow ratio (%)	9.95	14.76	6.86	19.75	14.18
	Cash flow adequacy ratio (%)	128.08	131.73	107.76	85.02	84.43
	Cash reinvestment ratio (%)	7.71	12.45	1.79	22.43	11.53
Leverage	Operating leverage	1.66	1.69	1.83	1.79	1.97
	Financial leverage	1.04	1.02	1.02	1.08	1.08

Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)

1. Inventory turnover rate (times) and average days of sales: Since the Lunar New Year in 2021 was later than that in 2020, the Company's delivery time was postponed to the end of January 2021. Due to the shortage of raw materials in the fourth quarter of 2020, the shipment was postponed to January 2021.
2. Property, plant and equipment turnover Rate (times): Mainly due to a decrease in net sales in 2020.
3. Cash flow ratio: Mainly due to a decrease in cash inflow from Notes Receivable and Account Receivables of operating activities in 2020.
4. Cash reinvestment ratio: Mainly due to a decrease in cash inflow from notes receivable and accounts receivable from of operating activities in 2020.

## (2) Financial analysis—Based on IFRS - Individual Entities

Item	Year	Financial analysis for the most recent five years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	59.39	52.81	58.01	58.41	58.34
	Ratio of long-term funds to property, plant and equipment	19,632.95	19,177.48	14,595.42	15,541.34	14,922.18
Solvency (%)	Current ratio	118.73	116.61	87.01	87.41	90.02
	Quick ratio	101.67	96.86	71.49	65.96	65.25
	Times interest earned ratio	74.85	202.37	115.98	37.09	54.91
Operating performance	Account receivable turnover rate (times)	4.76	4.95	4.89	4.87	4.86
	Average collection days	76.68	73.74	74.64	74.95	75.10
	Inventory turnover rate (times)	17.38	14.83	14.64	12.11	8.61
	Average days of sales	21.00	24.61	24.93	30.13	42.39
	Payables turnover rate (times)	3.92	3.54	3.35	3.01	2.76
	Average payment days	93.11	103.11	108.96	121.26	132.25
	Property, plant and equipment turnover rate (times)	680.96	508.25	422.01	391.49	361.29
	Total assets turnover rate (times)	1.67	1.37	1.31	1.26	1.14
Profitability	Return on assets (%)	7.16	8.07	7.11	7.65	6.35
	Return on equity (%)	18.05	18.38	15.88	17.84	15.00
	Ratio of Pre-tax income to paid-in capital (%)	53.06	48.85	47.18	55.60	49.30
	Net profit margin (%)	4.23	5.87	5.38	5.90	5.49
	Earnings per share (NTD)	4.40	4.67	4.12	4.80	4.30
Cash flow	Cash flow ratio (%)	29.22	4.15	11.29	17.62	14.39
	Cash flow adequacy ratio (%)	171.89	151.46	141.60	123.00	140.68
	Cash reinvestment ratio (%)	23.71	(5.05)	1.34	11.24	9.00
Leverage	Operating leverage	1.02	1.18	1.08	1.11	1.11
	Financial leverage	1.02	1.05	1.04	1.06	1.03

Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)

1. Times interest earned ratio: Mainly due to a decrease in interest expenses in 2020.
2. Inventory turnover rate (times) and average days of sales: Since the Lunar New Year in 2021 was later than that in 2020, the Company's delivery time was postponed to the end of January 2021. Due to the shortage of raw materials in the fourth quarter of 2020, the shipment was postponed to January 2021.
3. Cash reinvestment ratio: Mainly due to a decrease in cash inflow from operating activities and an increase in long-term investment in 2020.
4. Operating leverage: Mainly due to changes in operating revenue, operating cost and operating expenses in 2020.

### 1. Financial structure

(1) Debt ratio = Total liabilities / Total assets.

(2) Ratio of Long term funds to property, plant and equipment = (Net shareholders' equity + Long-term liabilities) / Net property, plant and equipment

### 2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets — Inventory — Prepayment for expenses) / Current liabilities.

(3) Times interest earned ratio = Net income before tax and interest expense / Interest expense for the current period.

### 3. Operating performance

(1) Account receivable turnover rate (including accounts receivable and notes receivable from operating activities) = Net sales / Balance of average accounts receivable for each period (including accounts receivable and notes receivable from operating activities).

(2) Average collection days = 365 / Average collection turnover.

(3) Inventory turnover rate = Cost of sales / Average inventory.

(4) Account payables turnover rate (including accounts payable and notes payable from operating activities) = Cost of sales / Balance of average accounts payable for each period (including accounts payable and notes payable from operating activities).

(5) Average days of sales = 365 / Average inventory turnover.

(6) Property, plant and equipment turnover rate = Net sales / Average net property, plant and equipment.

(7) Total assets turnover rate = Net sales / Total average assets.

(8) Average payment days = 365 / Payables turnover.

### 4. Profitability

(1) Return on assets = [Profit or loss after tax + Interest expense x (1 — tax rate)] / Average total assets.

(2) Return on equity (ROE) = Profit or loss after tax / Average net shareholders' equity.

(3) Net profit margin = Profit or loss after tax / Net sales.

(4) Earnings per share (EPS) = (Net income after tax (NIAT) - Dividend on preferred shares) / Weighted average of outstanding shares.

### 5. Cash flow

(1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (Capital expenditure + Inventory increase + Cash dividends) in the most recent five years.

(3) Cash flow reinvestment ratio = (Net cash flow of operating activities — Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other assets + Working capital).

### 6. Leverage

(1) Operating leverage = (Net Sales — Variable operating costs and expenses) / Operating income.

(2) Financial leverage = Operating income / (Operating income — Interest expense).



### 3. Audit Committee's Review Report for the 2020 Financial Statements

#### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for distribution of earnings. The CPA firm of KPMG was retained to audit Primax's Financial Statements and has issued an audit report relating to the Financial Statements.

The Business Report, Financial Statements, and proposal for distribution of earnings have been audited and determined by the Audit Committee of PRIMAX Electronics Limited to be in compliance with the Company Act and other relevant laws and regulations. We hereby submit this report in accordance with Article 219 of the Company Act.

Your review is appreciated.

Sincerely,

Shareholders' Meeting of PRIMAX Electronics Ltd.

Convener of the Audit Committee: Ku, Tai-Chao

February 26, 2021

4. The impact on the financial position of the Company in the event of financial turnover difficulties in the most recent year and up to the date of publication of this annual report of the Company and its affiliated companies: **None.**



### 5. Consolidated Financial Report and Notes Audited and Certified by CPAs in 2020

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**PRIMAX ELECTRONICS LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

## 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, 2020 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 26, 2021



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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, the assets of these subsidiaries constitute 37% and 49%, respectively, of the consolidated total assets. For the years ended December 31, 2020 and 2019, the operating revenue of these subsidiaries constitute 42% and 51%, 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 both constituted 1% of the consolidated total assets at December 31, 2020 and 2019, and the related share of loss of associates accounted for using equity method constituted (3)% and 0%, 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, 2020 and 2019, 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(m) "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.; and in 2019, the Company lost its control over ALT International Co., Ltd (Cayman), recognizing the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal. The transactions 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 intangible evaluation reports from external expert engaged by the Group; appointing our internal expert to review the evaluation reports and assessing the reasonability of measurements, parameters, and assumptions; evaluating the operation outcomes and comparing them to the past forecasts; making sensitivity analysis for evaluation of impairment losses and evaluating the completeness of disclosure in the consolidated 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.



- 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.
- 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.
- 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 26, 2021

**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, 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 6,935,353	15	6,700,510	13
1110 Current financial assets at fair value through profit or loss (note 6(b))	313,758	1	187,016	-
1137 Current financial assets at amortized cost (note 6(d))	855,238	1	-	-
1170 Notes and accounts receivable, net (notes 6(e) and (w))	13,578,841	29	19,197,355	36
1180 Accounts receivable from related parties, net (notes 6(e), (w) and (7))	198,189	-	180,471	-
1200 Other receivables (note 6(e))	1,349,362	3	1,049,016	2
1310 Inventories (note 6(f))	10,247,463	22	10,493,246	20
1470 Other current assets (note 8)	1,631,887	4	1,515,598	3
	<u>35,110,091</u>	<u>75</u>	<u>39,323,212</u>	<u>74</u>
<b>Non-current assets:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	121,672	-	106,535	-
1550 Investments accounted for using equity method (notes 6(g) and (h))	536,303	1	904,753	2
1600 Property, plant and equipment (notes 6(i) and 8)	6,542,015	14	7,363,740	14
1755 Right-of-use assets (note 6(k))	1,568,052	3	1,843,153	3
1760 Investment property (note 6(l))	33,826	-	34,289	-
1780 Intangible assets (note 6(m))	2,370,578	5	2,501,156	5
1840 Deferred tax assets (note 6(s))	658,289	1	711,859	1
1950 Other non-current assets (note 8)	<u>366,256</u>	<u>1</u>	<u>357,257</u>	<u>1</u>
	<u>12,196,991</u>	<u>25</u>	<u>13,822,742</u>	<u>26</u>
<b>Total assets</b>	<u>\$ 47,307,082</u>	<u>100</u>	<u>\$ 53,145,954</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
2100 Short-term borrowings (notes 6(n) and 8)	\$ 905,059	2	1,092,126	2
2120 Current financial liabilities at fair value through profit or loss (note 6(b))	432,171	1	207,211	-
2170 Notes and accounts payable	19,001,057	40	23,744,889	45
2200 Other payables	3,949,527	8	4,825,106	9
2201 Salaries payable	1,131,626	2	1,522,052	3
2280 Current lease liabilities (note 6(p))	271,483	1	278,609	-
2300 Other current liabilities (note 6(w))	753,750	2	312,761	1
2320 Long-term borrowings, current portion (notes 6(o) and 8)	74,833	-	27,777	-
2365 Current refund liabilities	<u>1,421,407</u>	<u>3</u>	<u>1,552,275</u>	<u>3</u>
	<u>27,940,913</u>	<u>59</u>	<u>33,562,806</u>	<u>63</u>
<b>Non-current liabilities:</b>				
2540 Long-term borrowings (notes 6(o) and 8)	680,626	1	150,529	-
2580 Non-current lease liabilities (note 6(p))	981,436	2	1,195,744	2
2630 Long-term deferred revenue (note 6(j))	1,499,072	3	2,960,815	6
2600 Other non-current liabilities (notes 6(r) and (s))	<u>704,445</u>	<u>2</u>	<u>772,420</u>	<u>2</u>
	<u>3,865,579</u>	<u>8</u>	<u>5,079,508</u>	<u>10</u>
	<u>31,806,492</u>	<u>67</u>	<u>38,642,314</u>	<u>73</u>
<b>Total liabilities</b>	<u>4,508,983</u>	<u>10</u>	<u>4,485,808</u>	<u>8</u>
<b>Equity attributable to owners of parent:</b>				
3110 Ordinary shares (note 6(i))	1,567,628	3	1,483,045	3
3200 Capital surplus (note 6(i))	1,578,473	3	1,370,470	3
3310 Legal reserve (note 6(i))	1,058,941	2	662,348	1
3320 Special reserve (note 6(i))	5,733,458	12	5,900,198	10
3350 Unappropriated retained earnings (notes 6(c) and (t))	<u>(1,159,550)</u>	<u>(2)</u>	<u>(1,193,867)</u>	<u>(2)</u>
3400 Other equity interest (notes 6(c) and (h))	<u>2,212,757</u>	<u>5</u>	<u>2,195,638</u>	<u>4</u>
36XX <b>Non-controlling interests (note 6(i))</b>	<u>15,500,590</u>	<u>33</u>	<u>14,503,640</u>	<u>27</u>
<b>Total equity</b>	<u>47,307,082</u>	<u>100</u>	<u>53,145,954</u>	<u>100</u>
<b>Total liabilities and equity</b>	<u>\$ 47,307,082</u>	<u>100</u>	<u>\$ 53,145,954</u>	<u>100</u>

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(w) and 7)	\$ 68,240,939	100	80,649,608	100
5000 Operating costs (notes 6(f), (p), (r), (x), 7 and 12)	<u>60,129,865</u>	<u>88</u>	<u>71,218,592</u>	<u>88</u>
Gross profit from operation	<u>8,111,074</u>	<u>12</u>	<u>9,431,016</u>	<u>12</u>
Operating expenses (notes 6(m), (p), (r), (u), (x) and 12):				
6100 Selling expenses	1,354,432	2	1,503,193	2
6200 Administrative expenses	1,910,310	3	2,145,717	3
6300 Research and development expenses	2,555,565	4	2,968,221	4
6450 Expected credit loss (Reversal of expected credit loss) (note 6(e))	(9,030)	-	51,258	-
Total operating expenses	<u>5,811,277</u>	<u>9</u>	<u>6,668,389</u>	<u>9</u>
Net operating income	<u>2,299,797</u>	<u>3</u>	<u>2,762,627</u>	<u>3</u>
Non-operating income and expenses:				
7100 Interest income	141,456	-	120,338	-
7010 Other income (notes 6(q) and (y))	13,127	-	8,960	-
7020 Other gains and losses (notes 6(g), (h), (j) and (z))	292,611	1	241,454	1
7060 Share of loss of associates accounted for using equity method (note 6(g))	(84,179)	-	(11,067)	-
7050 Finance costs (note 6(p))	(184,375)	-	(208,411)	-
Total non-operating income and expenses	<u>178,640</u>	<u>1</u>	<u>151,274</u>	<u>1</u>
Profit before tax	2,478,437	4	2,913,901	4
7950 Less: Income tax expenses (note 6(s))	<u>534,170</u>	<u>1</u>	<u>650,982</u>	<u>1</u>
Profit	<u>1,944,267</u>	<u>3</u>	<u>2,262,919</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(r))	(4,533)	-	(2,146)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(13,757)	-	(17,148)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<u>(18,290)</u>	<u>-</u>	<u>(19,294)</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	13,627	-	(525,368)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<u>13,627</u>	<u>-</u>	<u>(525,368)</u>	<u>(1)</u>
8300 Other comprehensive income after tax	<u>(4,663)</u>	<u>-</u>	<u>(544,662)</u>	<u>(1)</u>
Comprehensive income	<u>1,939,604</u>	<u>3</u>	<u>1,718,257</u>	<u>2</u>
Profit attributable to:				
8610 Owners of parent	1,919,265	3	2,134,870	3
8620 Non-controlling interests (note 6(i))	<u>25,002</u>	<u>-</u>	<u>128,049</u>	<u>-</u>
	<u>1,944,267</u>	<u>3</u>	<u>2,262,919</u>	<u>3</u>
Comprehensive income attributable to:				
8710 Owners of parent	1,927,312	3	1,644,893	2
8720 Non-controlling interests (note 6(i))	<u>12,292</u>	<u>-</u>	<u>73,364</u>	<u>-</u>
	<u>\$ 1,939,604</u>	<u>3</u>	<u>\$ 1,718,257</u>	<u>2</u>
Earnings per share (note 6(v))				
9710 Basic earnings per share (NT dollars)	<u>\$ 4.30</u>		<u>4.80</u>	
9810 Diluted earnings per share (NT dollars)	<u>\$ 4.27</u>		<u>4.77</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total equity attributable to owners of parent	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Non-controlling interests	Total equity attributable to owners of parent		
Balance at January 1, 2019	\$ 4,474,523	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	3,344,297	11,625,821	14,970,118	
Profit	-	-	-	-	2,134,870	-	-	-	128,049	2,262,919	2,262,919	
Other comprehensive income	-	-	-	-	(2,146)	(470,683)	(17,148)	-	(54,685)	(489,977)	(544,662)	
Comprehensive income	-	-	-	-	2,132,724	(470,683)	(17,148)	-	73,364	1,644,893	1,718,257	
Appropriation and distribution of retained earnings:												
Appropriated legal reserve	-	-	182,687	-	(182,687)	-	-	-	-	-	-	
Appropriated special reserve	-	-	363,283	-	(363,283)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	9,990	-	-	(1,072,341)	-	-	-	-	(1,072,341)	(1,072,341)	
Changes in shares of investment accounted for using equity method	(6,915)	(2,848)	-	-	-	-	-	61,099	4,138	52,668	52,668	
Amortization expense of restricted stock	-	-	-	-	-	-	-	9,763	-	61,099	61,099	
Retirement of restricted stock	18,200	98,826	-	-	-	-	-	(117,026)	(42,152)	(42,152)	(42,152)	
Change in non-controlling interests	-	-	-	-	(52,698)	-	-	-	-	(52,698)	(52,698)	
Issuance of restricted stock	4,485,808	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	2,195,638	12,308,002	14,503,640	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,919,265	-	-	-	25,002	1,919,265	1,944,267	
Derecognition of non-controlling interest due to disposal of subsidiaries	-	-	-	-	(4,533)	26,337	(13,757)	-	8,047	(12,710)	(4,663)	
Balance at December 31, 2019	\$ 4,485,808	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	2,195,638	12,308,002	14,503,640	
Profit	-	-	-	-	1,919,265	-	-	-	25,002	1,919,265	1,944,267	
Other comprehensive income	-	-	-	-	(2,146)	(470,683)	(17,148)	-	(54,685)	(489,977)	(544,662)	
Comprehensive income	-	-	-	-	1,914,732	26,337	(13,757)	-	8,047	1,927,312	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	-	11,802	-	-	(1,076,876)	-	-	-	-	(1,076,876)	(1,076,876)	
Changes in shares of investment accounted for using equity method	(1,225)	(6,750)	-	-	-	-	-	117,593	4,827	116,629	116,629	
Amortization expense of restricted stock	24,400	79,531	-	-	-	-	-	7,975	-	117,593	117,593	
Retirement of restricted stock	-	-	-	-	-	-	-	(103,931)	-	(103,931)	(103,931)	
Issuance of restricted stock	4,508,983	1,567,628	1,578,473	1,058,941	5,733,458	(1,004,528)	(41,833)	(113,289)	2,212,757	13,287,833	15,500,590	
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)	2,212,757	13,287,833	15,500,590	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 2,478,437	2,913,901
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and Amortization expense	2,229,636	2,190,317
Loss related to inventories	284,439	349,962
Expected credit loss (reversal)	(9,030)	51,258
Interest expense	176,799	203,047
Interest income	(141,456)	(120,338)
Compensation cost of share-based payment	134,222	75,227
Impairment loss of associates accounted for using equity method	279,716	-
Share of loss of associates accounted for using equity method	84,179	11,067
Loss (gain) on disposal of property, plant and equipment	116,532	(34,144)
Loss on disposal of subsidiaries	-	275,306
Impairment loss of property, plant and equipment	56,507	-
Other	(1,083)	-
<b>Total adjustments to reconcile profit</b>	<u>3,210,461</u>	<u>3,001,702</u>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	(126,742)	(71,408)
Financial assets measured at amortized cost	(855,238)	-
Notes and accounts receivable	5,629,639	(3,110,708)
Accounts receivable from related parties	(17,718)	(79,852)
Other receivables	(308,306)	(11,134)
Inventories	(38,656)	(3,326,852)
Other current assets	(122,121)	(993,890)
Other operating assets	1,014	(14,412)
<b>Changes in operating assets</b>	<u>4,161,872</u>	<u>(7,608,256)</u>
Financial liabilities at fair value through profit or loss	224,960	187,231
Notes and accounts payable	(4,743,832)	5,449,971
Salaries payable	(390,426)	381,195
Accounts payable to related parties	-	(45,328)
Other payables	(135,168)	500,638
Other current liabilities	175,762	(62,304)
Refund liabilities	(130,868)	457,442
Other operating liabilities	(523,077)	2,048,913
<b>Changes in operating liabilities</b>	<u>(5,522,649)</u>	<u>8,917,758</u>
<b>Total changes in operating assets and liabilities</b>	<u>(1,360,777)</u>	<u>1,309,502</u>
<b>Total adjustments</b>	<u>1,849,684</u>	<u>4,311,204</u>
Cash inflow generated from operations	4,328,121	7,225,105
Interest received	141,456	120,338
Interest paid	(176,725)	(202,975)
Income taxes paid	(331,847)	(514,457)
<b>Net cash flows from operating activities</b>	<u>3,961,005</u>	<u>6,628,011</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(28,894)	(33,273)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	214,202
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	2,016
Net cash flows from loss control of subsidiaries	-	(131,285)
Acquisition of property, plant and equipment	(3,089,333)	(3,559,181)
Proceeds from disposal of property, plant and equipment	400,410	74,349
Increase in refundable deposits	(4,169)	(53,170)
Dividends received	191	214
Acquisition of unamortized expense	(74,121)	(91,905)
Other non-current assets	-	(886)
<b>Net cash flows used in investing activities</b>	<u>(2,795,916)</u>	<u>(3,578,919)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(187,067)	125,268
Increase in long-term borrowings	577,153	88,002
Increase (decrease) in guarantee deposits received	-	52,001
Payment of lease liabilities	(287,843)	(249,186)
Cash dividends	(1,076,876)	(1,114,493)
<b>Net cash flows used in financing activities</b>	<u>(974,633)</u>	<u>(1,098,408)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>44,387</u>	<u>(240,632)</u>
<b>Net increase in cash and cash equivalents</b>	<u>234,843</u>	<u>1,710,052</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>6,700,510</u>	<u>4,990,458</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,935,353</u>	<u>6,700,510</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

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

The consolidated financial statements of the Company as at and for the year ended December 31, 2020, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and related parts, as well as other electronic components. Please refer to note 14 for further information.

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

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

The consolidated financial statements were authorized for issuance by the board of directors on February 26, 2021.

(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, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”

(Continued)

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

- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(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, 2021, would not have a significant impact on its consolidated financial statements:

- 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”

(c) The impact of IFRS issued by 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 the 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.

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 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”

(Continued)

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

**(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;
- 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.

(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.

(Continued)

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

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, 2020	December 31, 2019	
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 BVL)	Holding company	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00 %	100.00 %	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00 %	100.00 %	
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Holding company	100.00 %	100.00 %	
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	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, 2020	December 31, 2019	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00 %	100.00 %	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices and market development and customer service	100.00 %	100.00 %	
Destiny BVL	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00 %	100.00 %	
Primax Singapore	Primax Electronics (Thailand) Co., Ltd. (Primax Thailand)	Manufacture and sale of computer peripheral devices and software	99.99 %	99.99 %	
Diamond	Tymphony Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	
TWEL	Tymphony Acoustic Technology (Huizhou) Co., Ltd (Tymphony Huizhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	71.43 %	71.43 %	
Tymphony Huizhou	Tymphony Acoustic Technology HK Ltd. (TYM Acoustic HK)	Research and development, design, and sale of audio accessories, amplifiers and their components and holdings	100.00 %	100.00 %	
Tymphony Huizhou	Dongguan Tymphony Acoustic Technology Co., Ltd. (Tymphony Dongguan)	Manufacture, research and development, design and sale of audio accessories, amplifiers 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, 2020	December 31, 2019	
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacture, install and repair of audio accessories and their components	100.00 %	100.00 %	
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development and customer service of amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology Limited (TYM Acoustic)	Research and development, design of audio accessories, amplifiers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphany Acoustic Technology (Thailand) Co., Ltd (TYTH)	Manufacture and sales of audio accessories, amplifiers and their components	99.99 %	99.99 %	
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Research and development, design, and sale of audio accessories, amplifiers and their components	100.00 %	100.00 %	

(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.

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

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.

(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

(Continued)

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

(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.

(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.

(Continued)

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

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.

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;

(Continued)

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

- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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.

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**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.

(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.

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

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.

(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.

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

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.

(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.

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

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

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.

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

(l) Lease

(i) Identifying a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how, and for what purpose, the asset is used throughout the period of use; or
  - the relevant decisions about how, and for what purpose, the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how, and for what purpose, it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and accounted for the lease and non-lease components as a single lease component.

(ii) 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.

(Continued)

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

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.

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.

(Continued)

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

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.

(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.

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

(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.

(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.

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

(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.

(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.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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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 90 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.

(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.

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(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.

(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.

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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.

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.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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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.

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.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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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)

The assessment of impairment of intangible assets 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.

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

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 7,750	5,260
Demand accounts and checking deposits	4,417,720	5,531,016
Time deposits	2,509,883	1,164,234
Cash and cash equivalents in the consolidated statements of cash flows	<b>\$ 6,935,353</b>	<b>6,700,510</b>

Please refer to note 6(aa) 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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Mandatorily measured at FVTPL:</b>		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 67,252	82,870
Foreign exchange swap contracts	246,506	104,146
	<b>\$ 313,758</b>	<b>187,016</b>

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Financial liabilities held-for-trading:</b>		
Derivative instrument not used for hedging		
Forward exchange contracts	\$ (399,762)	(193,946)
Foreign exchange swap contracts	(32,409)	(13,265)
	<b>\$ (432,171)</b>	<b>(207,211)</b>

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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, 2020 and 2019:

<b>December 31, 2020</b>			
<b>Derivative financial instruments</b>	<b>Nominal amount (in thousands)</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
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
<b>December 31, 2019</b>			
<b>Derivative financial instruments</b>	<b>Nominal amount (in thousands)</b>	<b>Maturity date</b>	<b>Predetermined rate</b>
Forward exchange contracts – buy USD / sell TWD	USD 511,000	January 2, 2020~ June 29, 2020	29.575~31.260
Forward exchange contracts – buy TWD / sell USD	USD 106,000	January 2, 2020~ March 30, 2020	29.996~30.776
Forward exchange contracts – buy CNY/ sell USD	USD 197,700	January 3, 2020~ March 25, 2020	6.9800~7.1710
Foreign exchange swap contracts – swap in USD/ swap out TWD	USD 10,000	February 26, 2020	31.288
Foreign exchange swap contracts – swap in TWD / swap out USD	USD 269,000	January 6, 2020~ June 23, 2020	29.754~30.859
Foreign exchange swap contracts – swap in CNY/ swap out USD	USD 11,000	January 3, 2020~ January 7, 2020	7.0026~7.0036

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

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- (c) Financial assets at FVOCI

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Equity investments at FVOCI</b>		
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	\$ 1,263	1,076
Stocks unlisted in domestic markets–Changing Information Technology Inc.	6,002	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	60,722	55,094
Equities unlisted in foreign markets–Grove Ventures II, L.P.	26,227	7,226
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	27,409	40,988
Total	<b>\$ 121,672</b>	<b>106,535</b>

- (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, 2020 and 2019, the dividends of \$191 and \$214, respectively, related to equity investments at FVOCI held were recognized.
- (iii) As a result of enhancing its working capital, the Group sold 5,338 thousand of its shares in Global TEK, with the fair values of \$214,202, resulting in the losses of \$52,698 for the year ended December 31, 2019. Losses had been recognized as other equity interests, and later on, reclassified to retained earnings.
- (iv) Grove Venture, L.P executed capital increases, wherein the Group had participated and invested the amounts of \$9,006 and \$25,953 in the years ended December 31, 2020 and 2019, respectively.
- (v) The Group invested the amount of \$7,320 in an unlisted company, Grove Ventures II, L.P., for the year ended December 31, 2019. Thereafter, the Group had participated in its capital increase and invested the amount of \$19,888 for the year ended December 31, 2020.
- (vi) WK Global Investment III Ltd. refunded the amount of \$2,016 to the Group due to its capital reduction in June 2019.
- (vii) The Group did not provide any of the aforementioned financial assets as collateral.

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## (d) Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Foreign time deposits	<u>\$ 855,238</u>	<u>-</u>

- (i) The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- (ii) During the year ended December 31, 2020, the Group held foreign time deposits, with the weighted average interest rate of 1.4%, maturing in June 2021. There was no foreign time deposit in 2019.
- (iii) For credit risk, please refer to note (aa).
- (iv) The Group did not provide any of the aforementioned financial assets as collateral.

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

	December 31, 2020	December 31, 2019
Notes receivable	\$ 5,618	5,250
Accounts receivable	13,615,378	19,267,830
Accounts receivable – related parties	198,189	180,471
Less: allowance for doubtful accounts	<u>(42,155)</u>	<u>(75,725)</u>
Total	<u>\$ 13,777,030</u>	<u>19,377,826</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:

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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	<u>2,699</u>	0%~100%	<u>2,027</u>
	<u>\$ 13,819,185</u>		<u>42,155</u>

	December 31, 2019		
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 18,107,626	0%~0.38%	40,506
0 to 30 days past due	1,266,578	0%~3%	22,839
31 to 60 days past due	48,325	0%~5%	1,394
61 to 90 days past due	6,374	0%~10%	105
91 to 180 days past due	11,021	0%~25%	1,038
181 to 360 days past due	4,145	0%~80%	1,144
More than 361 days past due	<u>9,482</u>	0%~100%	<u>8,699</u>
	<u>\$ 19,453,551</u>		<u>75,725</u>

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

	2020	2019
Balance on January 1, 2020 and 2019	\$ 75,725	45,467
Impairment losses recognized (reversed)	(9,030)	51,258
Disposal of subsidiaries	-	(14,861)
Amounts written off	(22,445)	(4,220)
Effect of exchange rate changes	<u>(2,095)</u>	<u>(1,919)</u>
Balance on December 31, 2020 and 2019	<u>\$ 42,155</u>	<u>75,725</u>

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

December 31, 2020						
Purchaser	Amount Derecognized	Amount Advanced		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	-	-	-	-	-	NTS 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>		
December 31, 2019						
Purchaser	Amount Derecognized	Amount Advanced		Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
		Unpaid	Paid			
HSBC Bank	\$ 1,002,004	-	901,804	100,200	2.19%~2.20%	US\$ 13,500
EnTie Bank	193,366	-	-	193,366	-	-
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
	<u>\$ 1,195,370</u>	<u>-</u>	<u>901,804</u>	<u>293,566</u>		

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

- (f) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 2,540,293	2,356,395
Semi-finished goods and work in process	1,805,774	2,312,106
Finished goods and merchandise	5,901,396	5,824,745
	<u>\$ 10,247,463</u>	<u>10,493,246</u>

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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:

	2020	2019
Losses on inventory valuation	\$ (201,901)	(244,324)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(55,356)	(9,223)
Losses on disposal of inventories	(32,761)	(105,102)
Gains on physical inventories	5,579	8,687
	<u>\$ (284,439)</u>	<u>(349,962)</u>

- (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, 2020	December 31, 2019
Carrying amount of individually insignificant associates' equity	\$ <u>536,303</u>	<u>904,753</u>
	2020	2019
Attributable to the Group:		
Loss	\$ (84,179)	(11,067)
Other comprehensive income (loss)	(4,556)	(16,701)
Comprehensive income (loss)	<u>\$ (88,735)</u>	<u>(27,768)</u>

- (i) In July 2019, AIC held an interim shareholders' meeting and re-elected its directors, wherein the Group did not obtain more than 50% of its board of directors' voting rights. Hence, the Group lost its control over AIC, but still retained a significant influence. Thereafter, AIC and its subsidiaries were no longer included in the Group's consolidated financial statements; thus, they were reclassified to investments accounted for using the equity method. Please refer to note 6(h) for relative information.

- (ii) As of December 31, 2020, 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 \$279,716 under other gains and losses.

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

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## (h) Loss control of subsidiaries

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

The carrying amount of assets and liabilities of AIC and its subsidiaries on July 2019 were as follow:

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

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## (i) Material non-controlling interests of subsidiaries

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

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non- controlling Interests	
		December 31, 2020	December 31, 2019
Tymphany 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 adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

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

	December 31, 2020	December 31, 2019
Current assets	\$ 13,510,184	20,221,838
Non-current assets	6,161,757	7,069,414
Current liabilities	(10,030,285)	(18,685,167)
Non-current liabilities	(1,896,051)	(920,404)
Net assets	<b>\$ 7,745,605</b>	<b>7,685,681</b>
Non-controlling interests	<b>\$ 2,212,757</b>	<b>2,195,638</b>
	<b>2020</b>	<b>2019</b>
Operating revenue	<b>\$ 28,404,163</b>	<b>40,930,219</b>
Profit	\$ 87,518	862,711
Other comprehensive income (loss)	(44,105)	(203,331)
Comprehensive income	<b>\$ 43,413</b>	<b>659,380</b>
Profit attributable to non-controlling interests	<b>\$ 25,002</b>	<b>246,459</b>
Comprehensive income attributable to non-controlling interests	<b>\$ 12,292</b>	<b>188,263</b>
	<b>2020</b>	<b>2019</b>
Cash flows from operating activities	\$ 1,307,136	2,423,821
Cash flows used in investing activities	(1,978,242)	(1,778,717)
Cash flows from financing activities	9,621	451,846
Effect of exchange rate changes	(46,872)	(42,790)
Net increase (decrease) in cash and cash equivalents	<b>\$ (708,357)</b>	<b>1,054,160</b>
Dividends paid to non-controlling interests	<b>\$ -</b>	<b>42,152</b>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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## (j) 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, 2020 and 2019, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
<b>Cost or deemed cost:</b>						
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	<u>\$ 320,069</u>	<u>4,062,652</u>	<u>7,145,610</u>	<u>1,161,191</u>	<u>1,860,752</u>	<u>14,550,274</u>
Balance on January 1, 2019	\$ 229,801	4,338,669	6,925,443	770,043	566,140	12,830,096
Additions	-	52,190	720,596	1,231,970	2,235,207	4,239,963
Disposals	-	(106,387)	(877,359)	(29,095)	(1,962)	(1,014,803)
Reclassifications	-	119,600	1,218,764	253,113	(1,594,807)	(3,330)
Disposals of subsidiaries	(95,100)	(251,649)	(152,682)	(51,256)	(40,372)	(591,059)
Effect of changes in exchange rate	-	(137,894)	(326,674)	(84,919)	(53,150)	(602,637)
Balance on December 31, 2019	<u>\$ 134,701</u>	<u>4,014,529</u>	<u>7,508,088</u>	<u>2,089,856</u>	<u>1,111,056</u>	<u>14,858,230</u>
<b>Depreciation and impairments loss:</b>						
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>
Balance on January 1, 2019	\$ -	1,977,887	4,859,380	483,293	-	7,320,560
Depreciation	-	264,081	1,137,385	173,396	-	1,574,862
Disposals	-	(96,464)	(851,365)	(26,769)	-	(974,598)
Reclassifications	-	(57)	5,145	(5,619)	-	(531)
Disposals of subsidiaries	-	(37,809)	(54,638)	(38,188)	-	(130,635)
Effect of changes in exchange rate	-	(71,676)	(201,502)	(21,990)	-	(295,168)
Balance on December 31, 2019	<u>\$ -</u>	<u>2,035,962</u>	<u>4,894,405</u>	<u>564,123</u>	<u>-</u>	<u>7,494,490</u>
<b>Carrying amounts:</b>						
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 December 31, 2019	<u>\$ 134,701</u>	<u>1,978,567</u>	<u>2,613,683</u>	<u>1,525,733</u>	<u>1,111,056</u>	<u>7,363,740</u>
Balance on January 1, 2019	<u>\$ 229,801</u>	<u>2,360,782</u>	<u>2,066,063</u>	<u>286,750</u>	<u>566,140</u>	<u>5,509,536</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$1,415,511 and \$2,876,379 as of December 31, 2020 and 2019, respectively.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(ii) The Group lost its control over AIC, resulting in its property, plant and equipment to be derecognized in July 2019. Please refer to note 6(h).

(iii) The factory of the Group's subsidiary in China is expected to be relocated to a new site in 2021, where parts of its property, plant and equipment will be disposed, resulting in the Group to measure the carrying amount by using the recoverable amount and recognized impairment loss of \$56,507 under other gains and losses.

(iv) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.

## (k) Right-of-use assets

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

	Land	Buildings	Vehicles	Other equipment	Total
<b>Cost:</b>					
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>
Balance on January 1, 2019	\$ 435,567	1,729,293	9,269	-	2,174,129
Additions	19,896	171,597	8,723	3,464	203,680
Disposals	-	(45,777)	-	-	(45,777)
Disposals of subsidiaries	(39,374)	(103,760)	-	-	(143,134)
Effect of changes in exchange rates	(13,634)	(33,173)	(307)	(33)	(47,147)
Balance on December 31, 2019	<u>\$ 402,455</u>	<u>1,718,180</u>	<u>17,685</u>	<u>3,431</u>	<u>2,141,751</u>
<b>Depreciation:</b>					
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>
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation	11,485	296,287	8,932	1,736	318,440
Disposals	-	(1,550)	-	-	(1,550)
Disposals of subsidiaries	(464)	(10,673)	-	-	(11,137)
Effect of changes in exchange rates	(394)	(6,561)	(179)	(21)	(7,155)
Balance on December 31, 2019	<u>\$ 10,627</u>	<u>277,503</u>	<u>8,753</u>	<u>1,715</u>	<u>298,598</u>
<b>Carrying amounts:</b>					
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 December 31, 2019	<u>\$ 391,828</u>	<u>1,440,677</u>	<u>8,932</u>	<u>1,716</u>	<u>1,843,153</u>
Balance on January 1, 2019	<u>\$ 435,567</u>	<u>1,729,293</u>	<u>9,269</u>	<u>-</u>	<u>2,174,129</u>

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

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

## (l) Investment property

	Land	Buildings and other equipment	Total
<b>Cost or deemed cost:</b>			
Balance on January 1, 2020	\$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2020	<u>\$ 50,190</u>	<u>31,735</u>	<u>81,925</u>
Balance on January 1, 2019	\$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2019	<u>\$ 50,190</u>	<u>31,735</u>	<u>81,925</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2020	\$ 33,941	13,695	47,636
Depreciation	-	463	463
Balance on December 31, 2020	<u>\$ 33,941</u>	<u>14,158</u>	<u>48,099</u>
Balance on January 1, 2019	\$ 33,941	13,233	47,174
Depreciation	-	462	462
Balance on December 31, 2019	<u>\$ 33,941</u>	<u>13,695</u>	<u>47,636</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2020	<u>\$ 16,249</u>	<u>17,577</u>	<u>33,826</u>
Balance on December 31, 2019	<u>\$ 16,249</u>	<u>18,040</u>	<u>34,289</u>
Balance on January 1, 2019	<u>\$ 16,249</u>	<u>18,502</u>	<u>34,751</u>
<b>Fair value:</b>			
Balance on December 31, 2020		<u>\$ 93,195</u>	
Balance on December 31, 2019		<u>\$ 92,171</u>	
Balance on January 1, 2019		<u>\$ 80,905</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(q) 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**  
Notes to the Consolidated Financial Statements

## (m) Intangible assets

The carrying amounts of the intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

	Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
<b>Cost or deemed cost:</b>					
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>
Balance on January 1, 2019	\$ 2,612,461	1,099,859	1,383,197	121,797	5,217,314
Acquisition	-	-	513	373	886
Disposal of subsidiaries	(574,604)	(381,059)	(1,029,394)	-	(1,985,057)
Effect of changes in exchange rate	(2,762)	-	2,955	(2,319)	(2,126)
Balance on December 31, 2019	<u>\$ 2,035,095</u>	<u>718,800</u>	<u>357,271</u>	<u>119,851</u>	<u>3,231,017</u>
<b>Amortization and impairment loss:</b>					
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>
Balance on January 1, 2019	\$ -	379,889	265,449	107,997	753,335
Amortization	-	94,108	99,439	3,786	197,333
Disposal of subsidiaries	-	(44,457)	(176,662)	-	(221,119)
Effect of changes in exchange rate	-	-	312	-	312
Balance on December 31, 2019	<u>\$ -</u>	<u>429,540</u>	<u>188,538</u>	<u>111,783</u>	<u>729,861</u>
<b>Carrying amounts:</b>					
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 December 31, 2019	<u>\$ 2,035,095</u>	<u>289,260</u>	<u>168,733</u>	<u>8,068</u>	<u>2,501,156</u>
Balance on January 1, 2019	<u>\$ 2,612,461</u>	<u>719,970</u>	<u>1,117,748</u>	<u>13,800</u>	<u>4,463,979</u>

- (i) In 2020 and 2019, the amortizations of intangible assets amounted to \$115,656 and \$197,333, respectively, recorded as operating expenses.
- (ii) The Group lost its control over AIC, resulting in its intangible assets to be derecognized in July 2019. Please refer to note 6(h).

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

(iii) 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 16.22% and 14.88% for the years ended December 31, 2020 and 2019, respectively. There were no impairment losses of goodwill in 2020 and 2019.

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

(n) Short-term borrowings

The details were as follows:

	December 31, 2020	December 31, 2019
Unsecured bank loans	\$ <u>905,059</u>	<u>1,092,126</u>
Unused credit lines	\$ <u>22,857,597</u>	<u>19,664,255</u>
Annual interest rates	<u>0.70%~0.95%</u>	<u>0.60%~4.02%</u>

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

(o) Long-term borrowings

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)
				<u>\$ 680,626</u>
Unused credit lines				<u>\$ 2,237,873</u>
December 31, 2019				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%	2020	\$ 27,777
Secured bank loans	USD	3.05%	2021	150,529
Less: current portion				(27,777)
				<u>\$ 150,529</u>
Unused credit lines				<u>\$ 451,587</u>

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

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

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

(p) Lease liabilities

	December 31, 2020	December 31, 2019
Current	\$ <u>271,483</u>	<u>278,609</u>
Non-current	\$ <u>981,436</u>	<u>1,195,744</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ <u>59,421</u>	<u>68,286</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>115,776</u>	<u>58,056</u>
Covid-19-related rent concessions (recognized as deduction of rent expenses)	\$ <u>1,066</u>	<u>-</u>

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

	2020	2019
Rental paid in operating activities	\$ (115,776)	(58,056)
Interest on lease liabilities paid in operating activities	(59,421)	(68,286)
Payment made on lease liabilities in financing activities	(287,843)	(249,186)
Total cash outflow for leases	<u>\$ (463,040)</u>	<u>(375,528)</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 two to fifty years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

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

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

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

## (q) Operating lease

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than one year	\$ 1,770	1,553
One to five years	774	-
Total undiscounted lease payments	<u>\$ 2,544</u>	<u>1,553</u>

Rental income from investment property amounted to \$1,416 and \$1,418 in 2020 and 2019, respectively.

## (r) Employee benefits

## (i) Defined benefit plans

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 150,927	163,560
Fair value of plan assets	82,982	95,623
Deficit in the plan	67,945	67,937
Asset ceiling	-	-
Net defined benefit liability (recorded as other non-current liabilities)	<u>\$ 67,945</u>	<u>67,937</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.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The Group's Bank of Taiwan labor pension reserve account balance amounted to \$82,982 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, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 163,560	156,919
Benefits paid	(22,029)	(995)
Current service costs and interest cost	1,843	1,898
Remeasurement of net defined liabilities	7,553	5,738
Defined benefit obligation at December 31	<u>\$ 150,927</u>	<u>163,560</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, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 95,623	89,417
Remeasurement of net defined liabilities	3,020	3,592
Interest income	751	544
Contribution paid	2,953	3,065
Benefits paid	(19,365)	(995)
Fair value of plan assets at December 31	<u>\$ 82,982</u>	<u>95,623</u>

## 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 562	611
Net interest of net liabilities for defined benefit	531	743
Expenses	<u>\$ 1,093</u>	<u>1,354</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 Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Balance on January 1	\$ 12,949	10,803
Recognized during the period	<u>4,533</u>	<u>2,146</u>
Balance on December 31	<u>\$ 17,482</u>	<u>12,949</u>

- 6) Actuarial assumptions

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.350 %	0.800%
Future salary increase rate	2.750 %	3.000%

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 \$2,848. The weighted-average duration of the defined benefit plans is 10 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:

	<b>Influences of defined benefit obligations</b>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
<b>December 31, 2020</b>		
Discount rate	\$ (2,963)	3,053
Future salary increase rate	\$ 2,902	(2,831)
<b>December 31, 2019</b>		
Discount rate	\$ (3,248)	3,349
Future salary increase rate	\$ 3,191	(3,111)

(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 2020 and 2019.

- (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 \$306,646 and \$458,035 for the years ended December 31, 2020 and 2019, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

- (s) Income taxes

- (i) The details of the Group's income tax expenses for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense	\$ 496,052	726,224
Deferred tax expense (benefit)	<u>38,118</u>	<u>(75,242)</u>
Income tax expense	<u>\$ 534,170</u>	<u>650,982</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- (ii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 2,478,437	2,913,901
Income tax calculated based on domestic tax rate of individual entity of the Group	572,620	975,379
Overseas investment gains recognized under the equity method	(171,988)	(217,045)
Non-taxable income	(9,267)	(2,265)
Prior year's income tax adjustment	101,886	(50,878)
Surtax on unappropriated earnings	18,052	12,974
Investment tax credits accrued	(115,878)	(118,232)
Other	138,745	51,049
Income tax expense	<u>\$ 534,170</u>	<u>650,982</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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 1,025,729</u>	<u>889,807</u>

2) Unrecognized deferred tax assets

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ 160,000</u>	<u>164,776</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.

(Continued)

**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, 2020 and 2019, were as follows:

	<u>Investment income recognized under the equity method (overseas)</u>	<u>Unrealized foreign exchange gains</u>	<u>Amortization of appraised value adjustment of intangible assets</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities:</b>					
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>
Balance on January 1, 2019	\$ 321,168	8,105	343,096	32,928	705,297
Disposals of subsidiaries	-	(724)	(272,440)	(124)	(273,288)
Recognized in profit or loss	48,508	17,574	(28,472)	(25,529)	12,081
Balance on December 31, 2019	<u>\$ 369,676</u>	<u>24,955</u>	<u>42,184</u>	<u>7,275</u>	<u>444,090</u>

	<u>Bad debt in excess of tax limit</u>	<u>Loss carryforward</u>	<u>Unfunded pension fund contribution</u>	<u>Refund liabilities</u>	<u>Loss on inventory valuation</u>	<u>Deferred granted revenue</u>	<u>Unrealized revenue from disposal of assets</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>									
Balance on January 1, 2020	\$ 39,958	6,525	15,957	187,650	107,202	254,056	27,296	73,215	711,859
Recognized in profit or loss	-	4,210	(905)	5,389	(2,814)	(59,797)	(3,090)	3,437	(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>76,652</u>	<u>658,289</u>
Balance on January 1, 2019	\$ 47,018	7,697	16,300	159,382	118,974	185,717	30,386	88,836	654,310
Disposals of subsidiaries	(1,173)	-	-	-	(1,104)	-	-	(27,497)	(29,774)
Recognized in profit or loss	(5,887)	(1,172)	(343)	28,268	(10,668)	68,339	(3,090)	11,876	87,323
Balance on December 31, 2019	<u>\$ 39,958</u>	<u>6,525</u>	<u>15,957</u>	<u>187,650</u>	<u>107,202</u>	<u>254,056</u>	<u>27,296</u>	<u>73,215</u>	<u>711,859</u>

- (iv) The Company's income tax returns have been examined by the tax authority through the years to 2018.

(t) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the nominal ordinary shares amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 450,898 thousand shares and 448,581 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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

Reconciliation of shares outstanding for the years ended December 31, 2020 and 2019, were as follows:

	<b>Ordinary shares</b>	
	<b>(in thousands of shares)</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	448,581	447,452
Issuance of restricted stock	2,440	1,820
Retirement of restricted stock	(123)	(691)
Balance on December 31	<u>450,898</u>	<u>448,581</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
Additional paid-in capital	\$ 759,070	662,230
Employee stock options	259,401	259,401
Restricted employee stock options	169,540	193,599
Long-term investment	379,617	367,815
	<u>\$ 1,567,628</u>	<u>1,483,045</u>

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 earing left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed 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 Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. As of December 31, 2020 and 2019, the carrying amount of special reserve both amounted to \$97,300.

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

3) Earnings distribution

On June 23, 2020 and June 18, 2019 the stockholders' meeting resolved the distribution of earnings for 2019 and 2018, respectively. The distribution were both NT\$2.4 (dollars) per share, which amounted to \$1,076,876 and \$1,072,341, respectively.

(Continued)

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

## (u) Share-based payment

## (i) Employee stock options and share-based payment

1) As at December 31, 2020, the Group had share-based payment arrangements as follows:

	<b>Employee stocks ownership plans September 2017</b>
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:

	<b>Issnance of ordinary shares for employee stocks September 2017</b>
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 dividend rate	-
Risk-free interest rate	3.17%

## (ii) Restricted stock

1) As of December 31, 2020, the outstanding restricted stock of the Company was as follows:

	<b>Plan 3 (note 1)</b>		<b>Plan 4 (note 1)</b>		<b>Plan 5 (note 1)</b>		<b>Plan 6 (note 1)</b>
Grant date	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018	November 21, 2019	February 20, 2020	July 30, 2020
Fair value on grant date (per share)	45.80	72.40	76.70	46.85	64.30	53.20	41.75
Exercise price	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
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)

(Continued)

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

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 shares on July 30, 2020.

Note 2: If the employees continue to provide service to the 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 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 the second year after the grant date.

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

Note 5: If the employees continue to provide service to the 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 Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

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

2) The related information on restricted stock of the Company was as follows:

(Thousand shares)	<u>2020</u>	<u>2019</u>
Outstanding on January 1	3,816	3,316
Granted during the year	2,440	1,820
Vesting during the year	(2,017)	(1,158)
Expired during the year	(136)	(162)
Outstanding on December 31	<u>4,103</u>	<u>3,816</u>

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

	<u>2020</u>	<u>2019</u>
Employee stock options	\$ 16,629	14,128
Restricted stock	117,593	61,099
Total	<u>\$ 134,222</u>	<u>75,227</u>

(v) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2020 and 2019, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	<u>2020</u>	<u>2019</u>
Profit attributable to owners of parent	<u>\$ 1,919,265</u>	<u>2,134,870</u>
Weighted-average number of ordinary shares (thousand shares)	<u>445,829</u>	<u>444,465</u>
Basic earnings per share (NT dollars)	<u>\$ 4.30</u>	<u>4.80</u>

Weighted-average number of ordinary shares (thousand shares)

	<u>2020</u>	<u>2019</u>
Ordinary shares at January 1	444,765	443,607
Vesting of restricted stock	1,064	858
Ordinary shares at December 31	<u>445,829</u>	<u>444,465</u>

(Continued)

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

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Profit attributable to owners of parent	<u>\$ 1,919,265</u>	<u>2,134,870</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)	<u>449,909</u>	<u>447,663</u>
Diluted earnings per share (NT dollars)	<u>\$ 4.27</u>	<u>4.77</u>

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

	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares on December 31 (basic)	445,829	444,465
Estimated effect of employee stock bonuses	1,935	1,462
Effect of restricted stock	2,145	1,736
Weighted-average number of ordinary shares on December 31 (diluted)	<u>449,909</u>	<u>447,663</u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	<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	108,735	1,947,875	2,056,610
	<u>\$ 26,291,294</u>	<u>41,949,645</u>	<u>68,240,939</u>
	<u>2019</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 22,646,176	54,869,147	77,515,323
Service rendered	232,096	2,902,189	3,134,285
	<u>\$ 22,878,272</u>	<u>57,771,336</u>	<u>80,649,608</u>

(Continued)

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

	<u>2020</u>	<u>2019</u>
Mainland China	\$ 28,628,366	31,841,538
Europe	14,745,306	23,267,214
America	20,826,899	23,186,378
Other	4,040,368	2,354,478
	<u>\$ 68,240,939</u>	<u>80,649,608</u>

## (ii) Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes and accounts receivable (including related parties)	\$ 13,819,185	19,453,551	16,967,755
Less: allowance for impairment	(42,155)	(75,725)	(45,467)
	<u>\$ 13,777,030</u>	<u>19,377,826</u>	<u>16,922,288</u>
Contract liabilities (classified as other current liabilities)	<u>\$ 226,063</u>	<u>133,028</u>	<u>106,018</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, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$107,344 and \$84,909, 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.

## (x) Employee's and directors' and supervisors' remuneration

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

Details of remuneration to employees and directors for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Employee remuneration	\$ 72,645	75,526
Directors' remuneration	36,323	37,763
	<u>\$ 108,968</u>	<u>113,289</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 2019 and 2018 were as follows:

	<u>2019</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration–Cash	\$ 75,520	75,526	6
Director's remuneration	26,430	37,763	11,333
	<u>2018</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statement</u>	<u>Difference</u>
Employee remuneration–Cash	\$ 64,430	64,439	9
Director's remuneration	32,200	32,219	19

Except for the difference on the director's remuneration in 2019, which was due to a voluntary pay cut of directors, the other differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2020 and 2019. Information on the remuneration to employees and directors, approved in the board of directors' meetings, can be accessed in the Market Observation Post System website.

## (y) Other income

The details of other income were as follows:

	<u>2020</u>	<u>2019</u>
Rent income	\$ 9,431	5,798
Dividend income	191	214
Other	3,505	2,948
	<u>\$ 13,127</u>	<u>8,960</u>

(Continued)

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

## (z) Other gains and losses

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Net losses on financial assets/liabilities measured at FVTPL	\$ (115,752)	(6,247)
Impairment losses of property, plant and equipment	(56,507)	-
Losses on disposal of investments	-	(275,306)
Foreign currency exchange gains, net	589,985	318,195
Net gains (losses) on disposal of property, plant and equipment	(116,532)	34,144
Impairment losses of investments accounted for using equity method	(279,716)	-
Other	271,133	170,668
	<u>\$ 292,611</u>	<u>241,454</u>

## (aa) 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(ab).

## (ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>						
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>

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 1,092,126	1,097,788	1,097,788	-	-	-
Notes and accounts payable	23,744,889	23,744,889	23,744,889	-	-	-
Other payables	3,983,258	3,983,258	3,983,258	-	-	-
Salaries payable	1,522,052	1,522,052	1,522,052	-	-	-
Lease liabilities	1,474,353	1,846,922	326,913	288,479	616,391	615,139
Refund liabilities	1,552,275	1,552,275	1,552,275	-	-	-
Long-term borrowings	178,306	187,378	32,429	154,949	-	-
Guarantee deposits	240,054	240,054	-	-	-	240,054
Derivative financial liabilities:	207,211	-	-	-	-	-
Outflow	-	807,886	807,886	-	-	-
Inflow	-	(598,600)	(598,600)	-	-	-
	<u>\$ 33,994,524</u>	<u>34,383,902</u>	<u>32,468,890</u>	<u>443,428</u>	<u>616,391</u>	<u>855,193</u>

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:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>Financial assets</b>						
<b>Monetary items</b>						
USD:CNY	\$ 702,844	6.5249	20,036,689	850,418	6.9762	25,602,688
USD:HKD	334,958	7.7526	9,548,984	533,753	7.7878	16,069,164
USD:TWD	383,595	28.5080	10,935,538	347,369	30.1060	10,457,877
EUR:CZK	9,948	26.4220	348,783	15,073	25.4167	508,382
USD:CZK	5,347	21.4820	152,421	11,589	22.6820	348,898
USD:THB	18,653	30.0500	531,753	-	-	-
<b>Financial liabilities</b>						
<b>Monetary items</b>						
USD:CNY	\$ 519,840	6.5249	14,819,609	630,146	6.9762	18,971,177
USD:HKD	284,168	7.7526	8,101,051	491,571	7.7878	14,799,238
USD:TWD	500,374	28.5080	14,299,486	455,443	30.1060	13,711,557
EUR:CZK	6,624	26.4220	232,256	14,511	25.4167	489,427
USD:THB	26,614	30.0500	758,706	-	-	-

(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 as well as CZK against the EUR as of December 31, 2020 and 2019, would have increased or decreased the net profit before tax by \$168,895 and \$250,781, 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, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$589,985 and \$318,195, 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 \$15,507 and decreased or increased by \$13,751 for the years ended December 31, 2020 and 2019, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

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

(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:

	Carrying amounts	December 31, 2020			
		Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<u>\$ 313,758</u>	-	-	313,758	313,758
<b>Financial assets at FVOCI – non-current</b>	<u>\$ 121,672</u>	-	-	121,672	121,672
<b>Financial assets measured at amortized cost:</b>					
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>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 432,171</u>	-	-	432,171	432,171
<b>Financial liabilities measured at amortized cost:</b>					
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>				

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

	December 31, 2019				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ 187,016</b>	-	-	187,016	187,016
<b>Financial assets at FVOCI – non-current</b>	<b>\$ 106,535</b>	-	-	106,535	106,535
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	\$ 6,700,510				
Notes and accounts receivable (including related parties)	19,377,826				
Other receivables	1,049,016				
Refundable deposits	114,923				
Total	<b>\$ 27,242,275</b>				
<b>Financial liabilities at FVTPL – current</b>	<b>\$ 207,211</b>	-	-	207,211	207,211
<b>Financial liabilities measured at amortized cost :</b>					
Borrowings	\$ 1,270,432				
Notes and accounts payable	23,744,889				
Other payables	3,983,258				
Salaries payable	1,522,052				
Lease liabilities	1,474,353				
Refund liabilities	1,552,275				
Guarantee deposits	240,054				
Total	<b>\$ 33,787,313</b>				

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 2020 and 2019, there were no transfers between Levels.
- 4) Reconciliation of Level 3 fair values

	2020			2019		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
<b>Balance on January 1</b>	\$ (20,195)	106,535	86,340	95,628	35,351	130,979
Recognized in profit or loss	(115,752)	-	(115,752)	(6,247)	-	(6,247)
Recognized in other comprehensive income	-	(13,757)	(13,757)	-	39,927	39,927
Acquisition /disposal	17,534	28,894	46,428	(109,576)	31,257	(78,319)
<b>Balance on December 31</b>	<b>\$ (118,413)</b>	<b>121,672</b>	<b>3,259</b>	<b>(20,195)</b>	<b>106,535</b>	<b>86,340</b>

- 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.

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

(ab) Financial risk management

(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 \$7,534,707 (including restricted deposits) in HSBC Bank and 14 other financial institutions, and \$6,483,877 (including restricted deposits) in HSBC Bank and 11 other financial institutions, representing 16% and 12% of total assets, as of December 31, 2020 and 2019, 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, 2020 and 2019, totaled 24% and 33%, respectively; also 23% and 34%, 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 \$25,095,470 and \$20,115,842 as of December 31, 2020 and 2019, 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.

(ac) 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, 2020 and 2019, were 67% and 73%, respectively.

(ad) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>December 31, 2020</b>
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)	66,409	1,252,919
Total liabilities from financing activities	<u>\$ 2,744,785</u>	<u>102,243</u>	<u>66,409</u>	<u>2,913,437</u>
	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>December 31, 2019</b>
Short-term borrowings	\$ 1,202,565	125,268	(235,707)	1,092,126
Long-term borrowings	306,563	88,002	(216,259)	178,306
Lease liabilities	1,684,460	(249,186)	39,079	1,474,353
Total liabilities from financing activities	<u>\$ 3,193,588</u>	<u>(35,916)</u>	<u>(412,887)</u>	<u>2,744,785</u>

(ae) Supplementary information of cash flow

(i) The Group's cash flow used in acquisition of property, plant and equipment were \$3,089,333 and \$3,559,181, respectively, wherein cash payment for payables on equipment and the increase of payables on equipment amounted to \$867,610 and \$680,782 for the years ended December 31, 2020 and 2019, respectively.

(ii) For the year ended December 31, 2020, the Group's disposal of property, plant and equipment included the written off of the unamortized deferred revenue of equipment subsidy amounted to \$767,967.

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

(7) Related-party transactions:

(a) Names and relationship of the related parties

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

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

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

(b) Significant transactions with related parties

(i) Sales

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

	<u>Sales</u>		<u>Notes and accounts receivable</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	<u>\$ 579,656</u>	<u>697,929</u>	<u>198,189</u>	<u>180,471</u>

There were no significant differences in the selling prices between the related parties and other customers. The trading terms offered to other related parties were 90 days and 140 days, and the trading terms to other customers were 45 days to 120 days.

(ii) Purchase

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

	<u>Purchase</u>		<u>Notes and accounts payable</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	<u>\$ -</u>	<u>53,128</u>	<u>-</u>	<u>-</u>

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

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

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 179,688	199,261
Post-employment benefits	871	3,542
Share-based payments	63,910	26,655
	<u>\$ 244,469</u>	<u>229,458</u>

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

**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Other current assets – restricted assets	Guarantee letters issued by bank	\$ -	1,079
Other non-current assets – restricted assets	Guarantee letters issued by bank	\$ 57,763	57,757
Property, plant and equipment	Loan collateral	\$ -	908,305

**(9) Commitments and contingencies:**

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

December 31, 2020	December 31, 2019
\$ -	301,060

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

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

	December 31, 2020	December 31, 2019
Guarantee letters	\$ 63,012	175,716

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

	December 31, 2020	December 31, 2019
Sales of accounts receivable	\$ 1,232,245	519,329
Long-term borrowings	\$ 3,135,880	400,000

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- (e) The aggregate unpaid amounts of contracts pertaining to the purchase of equipment were as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 877,391	1,157,819

**(10) Losses Due to Major Disasters: None****(11) Subsequent Events: None****(12) Other:**

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

By item	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	3,933,778	3,450,411	7,384,189	5,094,034	3,835,741	8,929,775
Labor and health insurance	111,850	175,080	286,930	131,435	191,893	323,328
Pension	179,844	127,895	307,739	315,243	144,146	459,389
Others	156,236	191,547	347,783	205,875	215,363	421,238
Depreciation	1,817,110	192,283	2,009,393	1,719,974	173,328	1,893,302
Amortization	26,505	193,275	219,780	11,058	285,495	296,553

**(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	330,101	293,440	293,440	0	Necessary to loan to other parties	-	Operating capital	-	-	-	807,941	807,941
2	Tymphony Huizhou	TYM HK	Other receivables	"	91,334	-	-	0	"	-	"	-	-	-	1,116,539	2,233,078

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

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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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)	
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(4,846,055)	(73) %	60 days	Price agreed by both side	The same as general selling	1,918,374	91%	"
"	TYM Acoustic HK	Subsidiary	(Sale)	(128,122)	(2) %	"	"	"	20,183	1%	"
"	Tymphony Dongguan	"	Purchase	136,680	2 %	"	"	The same as general purchasing	(72,326)	(4)%	"
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	519,874	3 %	"	"	"	(209,815)	(4)%	"
"	"	"	(Sale)	(14,670,226)	(97) %	"	"	The same as general selling	3,807,364	96%	"
"	Tymphony Huizhou	Parent	(Sale)	(136,680)	(1) %	"	"	"	72,326	2%	"
"	TYDC	Subsidiary	(Sale)	(102,767)	(1) %	"	"	"	40,214	1%	"
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(2,361,105)	(88) %	"	"	"	415,132	65%	"
"	Tymphony Dongguan	Parent	Purchase	102,767	4 %	"	"	The same as general purchasing	(40,214)	(6)%	"
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(311,369)	(12) %	"	"	The same as general selling	220,349	35%	"
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,521,567	69 %	90 days	"	The same as general purchasing	(289,275)	(47)%	"
"	Tymphony Huizhou	Parent	Purchase	128,122	6 %	60 days	"	"	(20,183)	(3)%	"
"	TYDC	The subsidiary of Tymphony Huizhou	Purchase	311,369	14 %	"	"	"	(220,349)	(36)%	"
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(1,521,567)	(87) %	90 days	"	The same as general selling	289,275	72%	"
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	4,846,055	20 %	60 days	"	The same as general purchasing	(1,918,374)	(30)%	"
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	14,670,226	62 %	"	"	"	(3,807,364)	(59)%	"
"	"	"	(Sale)	(519,874)	(2) %	"	"	The same as general selling	209,815	4%	"
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,361,105	10 %	"	"	The same as general purchasing	(415,132)	(6)%	"
"	TYM Acoustic HK	The subsidiary of TYM Acoustic HK	Purchase	144,552	1 %	"	"	"	(106,040)	(2)%	"
"	TYML	Subsidiary	(Sale)	(3,775,613)	(15) %	90 days	"	The same as general selling	218,130	4%	"
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	555,462	2 %	60 days	"	The same as general purchasing	(185,654)	(3)%	"
"	"	"	(Sale)	(140,764)	(1) %	"	"	The same as general selling	53,068	1%	"
"	Specialty	Other related party	(Sale)	(579,656)	(2) %	90 days	"	"	198,189	4%	"
TYM Acoustic Europe	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(144,552)	(15) %	60 days	"	"	106,040	83%	note 1
TYML	"	Parent	Purchase	3,775,613	100 %	90 days	"	The same as general purchasing	(218,130)	(100)%	"

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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)	
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	140,764	25 %	60 days	Price agreed by both side	The same as general purchasing	(53,068)	(15)%	"
"	"	"	(Sale)	(555,462)	(100) %	"	"	The same as general selling	185,654	100%	"

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

Note2: The Company's accounts payable to PKS1 amounting to \$293,440 was overdue from its normal payment term. Therefore, these accounts payables was transferred to other payable.

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	380,107 (note 5)	9.64	-	-	380,107	-
"	PCH2	The subsidiary of Primax HK.	153,639 (note 2) (note 5)	3.41	-	-	39,194	-
"	"	"	20,678 (note 5)	(note 3)	-	-	15,739	-
PCH2	The Company	The parent of Primax Cayman	7,583,716 (note 5)	3.08	-	-	5,841,436	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	234,673 (note 5)	(note 3)	-	-	75,221	-
"	Primax Thailand	The subsidiary of Primax Singapore	216,172 (note 5)	"	-	-	46,329	-
PKS	The Company	The parent of Primax Cayman	1,067,535 (note 5)	1.95	-	-	176,945	-
"	"	"	293,440 (note 5)	(note 4)	-	-	293,440	-
PCQ	"	"	2,803,152 (note 5)	2.61	-	-	1,556,747	-
Primax Thailand	"	The parent of Primax Singapore	171,117 (note 5)	7.17	-	-	171,117	-
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	1,918,374 (note 5)	1.66	-	-	886,402	-
Tymphony Dongguan	"	"	3,807,364 (note 5)	2.65	-	-	3,519,439	-
"	"	"	199,141 (note 5)	(note 3)	-	-	77,586	-
TYDC	"	"	415,132 (note 5)	2.13	-	-	175,579	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	220,349 (note 5)	2.82	-	-	132,879	-
TYM Acoustic Europe	"	Parent	289,275 (note 5)	3.35	-	-	160,672	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	209,815 (note 5)	3.89	-	-	57,189	-
"	"	"	2,393,582 (note 5)	(note 3)	-	-	683,074	-
"	TYDC	The subsidiary of Tymphony Dongguan	826 (note 5)	107.67	-	-	-	-
"	"	"	115,227 (note 5)	(note 3)	-	-	115,227	-

(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		
TYM HK	TYML	Subsidiary	218,130 (note 5)	3.08	-	-	212,395	-
"	Specialty	Other related party	198,189 (note 5)	3.06	-	-	84,772	-
TYM Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	106,040 (note 5)	1.00	-	-	105,009	-
TYTH	"	"	185,654 (note 5)	5.98	-	-	185,654	-

Note 1: Amounts collected as of February 19, 2021.

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, 2020 was \$629,006, 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).

(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
0	The Company	PCH2	The subsidiary of Primax HK	Purchase	22,349,010	Price agreed by both sides	32.75 %
"	"	"	"	Accounts Payable	7,583,716	60 days	16.03 %
"	"	"	"	Accounts Receivable	153,639	"	0.32 %
"	"	"	"	Other Receivable	20,678	(Note 2)	0.04 %
"	"	PKS1	"	Purchase	2,230,988	Price agreed by both sides	3.27 %
"	"	"	"	Accounts Payable	1,067,535	60 days	2.26 %
"	"	"	"	Other payables	293,440	(Note 3)	0.62 %
"	"	PCQ1	"	Purchase	7,476,859	Price agreed by both sides	10.96 %
"	"	"	"	Accounts payable	2,803,152	60 days	5.93 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	3,429,061	Price agreed by both sides	5.02 %
"	"	"	"	Accounts receivable	380,107	90 days	0.80 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Purchase	613,050	Price agreed by both sides	0.90 %
"	"	"	"	Accounts Payable	171,117	60 days	0.36 %
1	PCH2	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Service revenue	486,840	Price agreed by both sides	0.71 %
"	"	"	"	Other Receivable	234,673	(Note 2)	0.50 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	"	216,172	"	0.46 %

(Continued)

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

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
2	Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	Sale	4,846,055	Price agreed by both sides	7.10 %
"	"	"	"	Accounts Receivable	1,918,374	60 days	4.06 %
"	"	TYM Acoustic HK	Subsidiary	Sale	128,122	Price agreed by both sides	0.19 %
"	"	Tymphony Dongguan	"	Purchase	136,680	"	0.20 %
3	Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	"	519,874	"	0.76 %
"	"	"	"	Accounts Payable	209,815	60 days	0.44 %
"	"	"	"	Sale	14,670,226	Price agreed by both sides	21.50 %
"	"	"	"	Accounts Receivable	3,807,364	60 days	8.05 %
"	"	"	"	Other Receivable	199,141	(Note 2)	0.42 %
"	"	TYDC	Subsidiary	Sale	102,767	Price agreed by both sides	0.15 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	2,361,105	"	3.46 %
"	"	"	"	Accounts Receivable	415,132	60 days	0.88 %
"	"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	Sale	311,369	Price agreed by both sides	0.46 %
"	"	"	"	Accounts Receivable	220,349	60 days	0.47 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	1,521,567	Price agreed by both sides	2.23 %
"	"	"	"	Accounts Payable	289,275	90 days	0.61 %
6	TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Other Receivable	2,393,582	(Note 2)	5.06 %
"	"	TYDC	The subsidiary of Tymphony Dongguan	Accounts Receivable	826	60 days	- %
"	"	"	"	Other Receivable	115,227	(Note 2)	0.24 %
"	"	TYM Acoustic HK	The subsidiary of TYM Acoustic HK	Purchase	144,552	Price agreed by both sides	0.21 %
"	"	"	"	Accounts Payable	106,040	60 days	0.22 %
"	"	"	"	Service Expense	842,005	Price agreed by both sides	1.23 %
"	"	TYML	Subsidiary	Sale	3,775,613	"	5.53 %
"	"	"	"	Accounts Receivable	218,130	90 days	0.46 %

(Continued)

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

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
6	TYM HK	TYTH	The subsidiary of TYM Acoustic HK	Sale	140,764	Price agreed by both sides	0.21 %
"	"	"	"	Purchase	555,462	"	0.81 %
"	"	"	"	Accounts Payable	185,654	60 days	0.39 %
7	TYP	TYM HK	"	Service Revenue	114,117	Price agreed by both sides	0.17 %

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

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

Note 3: The other receivables arise from intercompany loans.

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	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	6,422,749	8,147,636	100.00	356,383	425,429	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,497,936	285,067	100.00	108,648	145,801	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(2,996)	1,050	100.00	3,067	3,067	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	18,197	0.5	100.00	361	361	
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,469,479	129,050	100.00	54,514	53,747	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	12,329	300	100.00	1,125	1,125	
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	596,460	48,200	100.00	(364,325)	(364,325)	
"	Primax Singapore	Singapore	Holding company	619,150	318,150	20,100	100.00	451,425	20,100	100.00	(105,955)	(114,387)	
	Total			9,425,798	9,124,798			15,465,579			53,818	150,818	
Primax Singapore	Primax Thailand	Thailand	Manufacture and sale of computer peripherals devices and software	588,291	302,126	600	99.99	456,888	600	99.99	(105,889)	(105,889)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,449,850	602,817	100.00	356,963	356,963	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	383,940	1,600	100.00	7,207	7,207	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,568,549	192,251	100.00	129,052	55,243	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	536,303	30	37.00	(175,361)	(84,179)	
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	1,592,954	689,954	418,090	100.00	2,402,172	418,090	100.00	371,365	371,365	

(Continued)

**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, 2020			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
TYM Acoustic HK	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,359,063	144,395	100.00	299,510	299,510	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	15,780	0.5	100.00	2,022	2,022	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	23,195	400	100.00	2,500	2,500	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	771,206	187,800	100.00	27,444	27,444	
"	TYM Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	118,355	5,000	100.00	48,320	48,320	
"	TYTH	Thailand	Manufacture and sales of audio accessories, amplifiers and their components	455,877	60,012	4,650	99.99	427,843	4,650	99.99	(17,206)	(17,206)	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	9,684	200	100.00	406	406	

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.

(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 January 1, 2020 (note 2)	Investment flows		Accumulated outflow of investment from December 31, 2020 (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	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,948,353	Indirect investment through Primax Cayman and Primax Tech.	1,652,504	-	-	1,566,806	320,684	100%	100%	320,684	6,132,213	-
Destiny Beijing	Research and development of computer peripheral devices and software	38,596	Indirect investment through Destiny BVI.	31,611	-	-	29,933	3,067	100%	100%	3,067	(3,000)	-
PKS1	Manufacture of computer, peripherals and keyboards	853,119	Indirect investment through Primax Cayman	662,332	-	-	627,176	(18,813)	100%	100%	(18,813)	807,941	-

(Continued)

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020 (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							
PCQ1	Manufacture of computer, peripherals and keyboards	833,752	Indirect investment through Primax Cayman	602,120	-	-	570,160	158,604	100%	100%	158,604	1,532,069	-
Tymphony Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,782,899	Indirect investment through Diamond	3,883,674	-	-	3,677,532	190,941	71.43%	71.43%	136,393	3,987,838	-
Tymphony Dongguan	"	142,540	"	15,053	-	-	14,254	65,040	71.43%	71.43%	181,934	539,298	-
TYDC	"	87,382	"	-	-	-	-	(5,520)	71.43%	71.43%	(3,943)	150,848	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.6772 ; USD:TWD 28.5080; CNY:TWD 4.3691.

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, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	6,907,076	8,084,807	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.

(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, 2020, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

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

(Continued)

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

(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:

	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>
	2019		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 22,878,272	57,771,336	80,649,608
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 22,878,272</u>	<u>57,771,336</u>	<u>80,649,608</u>
Profit before tax from segments reported	<u>\$ 1,239,115</u>	<u>1,674,786</u>	<u>2,913,901</u>

(Continued)



**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:

**Geographic Information**

	2020	2019
Revenues from external customers:		
China	\$ 28,628,366	31,841,538
Europe	14,745,306	23,267,214
America	20,826,899	23,186,378
Other	4,040,368	2,354,478
Total	<u>\$ 68,240,939</u>	<u>80,649,608</u>
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Non-current assets:		
China	\$ 6,539,225	8,167,871
Taiwan	884,135	991,945
Thailand	771,159	195,413
Other	2,486,804	2,549,196
Total	<u>\$ 10,681,323</u>	<u>11,904,425</u>

(c) Major customer information

	2020	2019
A company – Non-computer Peripherals	<u>\$ 7,153,172</u>	<u>11,543,557</u>
B company – Computer Peripherals	\$ 4,207,500	4,004,316
– Non-computer Peripherals	5,071,853	10,781,589
	<u>\$ 9,279,353</u>	<u>14,785,905</u>



**6. Financial Reports on Individual Entities and Notes Audited  
and Certified by CPAs in 2020**

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**PRIMAX ELECTRONICS LTD.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2020 and 2019**

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The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.



安侯建業聯合會計師事務所

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## Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the parent company only financial statements of PRIMAX ELECTRONICS LTD. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only 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 parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 audits the financial statements of certain investments accounted for using equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the reports of the other auditors. The Company's investment in these companies constituting 14% and 15% of the total assets, as of December 31, 2020 and 2019, respectively. The related share of profit of subsidiaries and associates accounted for using the equity method amounted constituting 3% and 29% of the profit before tax, for the years ended December 31, 2020 and 2019, respectively.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

#### 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of the Company; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and 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.

#### 2. Investments accounted for using equity method

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

Description of key audit matter:

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

In 2014, the Company acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in 2019, the Company lost its control over ALT International Co., Ltd (Cayman) recognizing the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal. The transactions metioned above resulted in the Company to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained an estimation uncertainty; therefore, the assessment of impairment of intangible assets, recognized from the acquisition of the subsidiaries and associates accounted for using equity method, is one of the key audit matters for our audit.

How the matter was addressed in our audit:

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

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

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

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

#### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of the Company.

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 parent company only 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 26, 2021

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 3,370,254	10	2,238,853	8
1110 Current financial assets at fair value through profit or loss (note 6(b))	260,987	1	172,807	1
1170 Accounts receivable, net (notes 6(d) and (l))	6,575,807	21	6,638,573	22
1180 Other receivables from related parties, net (notes 6(d), (l) and 7)	563,475	2	567,095	2
1200 Other receivables (notes 6(d) and 7)	220,212	1	388,334	1
1310 Inventories (note 6(e))	4,133,700	13	3,210,952	11
1470 Other current assets	<u>37,562</u>	-	<u>42,112</u>	-
	<u>15,161,997</u>	<u>48</u>	<u>13,258,726</u>	<u>45</u>
<b>Non-current assets:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	94,263	-	65,547	-
1550 Investments accounted for using equity method, net (note 6(f))	15,465,579	48	14,973,751	51
1600 Property, plant and equipment (note 6(g))	100,891	-	92,804	-
1755 Right-of-use assets (note 6(h))	255,763	1	342,146	1
1760 Investment property, net (note 6(i))	240,908	1	244,468	1
1780 Intangible assets (note 6(j))	7,708	-	9,763	-
1840 Deferred tax assets (note 6(p))	493,021	2	524,769	2
1990 Other non-current assets	<u>78,562</u>	-	<u>79,523</u>	-
	<u>16,736,695</u>	<u>52</u>	<u>16,332,771</u>	<u>55</u>
<b>Total assets</b>	<u>\$ 31,898,692</u>	<u>100</u>	<u>\$ 29,591,497</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
2100 Short-term borrowings (note 6(k))	\$ 280,000	1	-	-
2170 Notes and accounts payable	62,501	-	90,504	-
2180 Accounts payable to related parties (note 7)	11,625,520	37	11,139,174	38
2120 Current financial liabilities at fair value through profit or loss (note 6(b))	432,171	1	207,211	1
2200 Other payables (note 7)	2,163,057	7	1,690,295	6
2201 Salaries payable	256,850	1	380,641	1
2280 Current lease liabilities (note 6(m))	91,140	-	86,887	-
2300 Other current liabilities (note 6(l))	541,277	2	205,773	1
2320 Long-term borrowings, current portion (note 6(l))	-	-	27,777	-
2365 Current refund liabilities	<u>1,391,042</u>	<u>4</u>	<u>1,340,251</u>	<u>4</u>
	<u>16,843,558</u>	<u>53</u>	<u>15,168,513</u>	<u>51</u>
<b>Non-Current liabilities:</b>				
2580 Non-current lease liabilities (note 6(m))	174,194	-	260,939	1
2630 Long-term deferred revenue (note 6(g))	876,467	3	1,165,686	4
2600 Other non-current liabilities (notes 6(o) and (p))	<u>716,640</u>	<u>2</u>	<u>688,357</u>	<u>2</u>
	<u>1,767,301</u>	<u>5</u>	<u>2,114,982</u>	<u>7</u>
<b>Total liabilities</b>	<u>18,610,859</u>	<u>58</u>	<u>17,283,495</u>	<u>58</u>
3110 Ordinary shares (note 6(q))	4,508,983	14	4,485,808	15
3200 Capital surplus (note 6(q))	1,567,628	5	1,483,045	5
3310 Legal reserve (note 6(q))	1,578,473	5	1,370,470	5
3320 Special reserve (note 6(q))	1,058,941	3	662,348	2
3350 Unappropriated retained earnings (notes 6(c) and (q))	5,733,458	18	5,500,198	19
3400 Other equity interest (note 6(c))	<u>(1,159,650)</u>	<u>(3)</u>	<u>(1,193,867)</u>	<u>(4)</u>
	<u>13,287,833</u>	<u>42</u>	<u>12,308,002</u>	<u>42</u>
<b>Total equity</b>	<u>\$ 31,898,692</u>	<u>100</u>	<u>\$ 29,591,497</u>	<u>100</u>
<b>Total liabilities and equity</b>	<u>\$ 31,898,692</u>	<u>100</u>	<u>\$ 29,591,497</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(t) and 7)	\$ 34,990,027	100	36,178,733	100
5000 Operating costs (notes 6(e), (m), (o), (u), 7 and 12)	<u>31,636,141</u>	<u>90</u>	<u>32,669,734</u>	<u>90</u>
<b>Gross profit from operations</b>	<u>3,353,886</u>	<u>10</u>	<u>3,508,999</u>	<u>10</u>
<b>Operating expenses (notes 6(j), (o), (r), (u), 7 and 12):</b>				
6100 Selling expenses	496,996	1	609,578	2
6200 Administrative expenses	502,779	2	526,757	1
6300 Research and development expenses	1,097,122	3	1,111,728	3
6450 Expected credit loss (note 6(d))	<u>8,625</u>	<u>-</u>	<u>3,443</u>	<u>-</u>
<b>Total operating expenses</b>	<u>2,105,522</u>	<u>6</u>	<u>2,251,506</u>	<u>6</u>
<b>Net operating income</b>	<u>1,248,364</u>	<u>4</u>	<u>1,257,493</u>	<u>4</u>
<b>Non-operating income and expenses:</b>				
7100 Interest income	9,115	-	17,280	-
7010 Other income (notes 6(n), (v) and 7)	12,225	-	12,248	-
7020 Other gains and losses (note 6(w))	851,332	2	380,362	1
7070 Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	150,818	-	896,040	2
7050 Finance costs (note 6(m))	<u>(48,812)</u>	<u>-</u>	<u>(69,109)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>974,678</u>	<u>2</u>	<u>1,236,821</u>	<u>3</u>
<b>Profit before income tax</b>	<u>2,223,042</u>	<u>6</u>	<u>2,494,314</u>	<u>7</u>
7950 <b>Less: Income tax expenses</b> (note 6(p))	<u>303,777</u>	<u>1</u>	<u>359,444</u>	<u>1</u>
<b>Profit</b>	<u>1,919,265</u>	<u>5</u>	<u>2,134,870</u>	<u>6</u>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss</b>				
8311 Losses on remeasurements of defined benefit plans (note 6(o))	(4,533)	-	(2,146)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(178)	-	(17,148)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<u>(4,711)</u>	<u>-</u>	<u>(19,294)</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	26,337	-	(470,683)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<u>26,337</u>	<u>-</u>	<u>(470,683)</u>	<u>(1)</u>
8300 <b>Other comprehensive income</b>	<u>21,626</u>	<u>-</u>	<u>(489,977)</u>	<u>(1)</u>
<b>Comprehensive income (after tax)</b>	<u>\$ 1,940,891</u>	<u>5</u>	<u>\$ 1,644,893</u>	<u>5</u>
<b>Earnings per share (note 6(s))</b>				
9710 <b>Basic earnings per share (NT dollars)</b>	<u>\$ 4.30</u>		<u>\$ 4.80</u>	
9810 <b>Diluted earnings per share (NT dollars)</b>	<u>\$ 4.27</u>		<u>\$ 4.77</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings		Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Other equity interest (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve					
<b>Balance on January 1, 2019</b>	4,474,523	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821
Profit	-	-	-	-	2,134,870	-	-	-	2,134,870
Other comprehensive income	-	-	-	-	(2,146)	(470,683)	(17,148)	-	(489,977)
Comprehensive income	-	-	-	-	(182,687)	-	-	-	(1,072,341)
Appropriation and distribution of retained earnings:	-	-	-	363,283	(363,283)	-	-	-	-
Appropriated legal reserve	-	-	182,687	-	(182,687)	-	-	-	-
Appropriated special reserve	-	-	-	363,283	(363,283)	-	-	-	-
Cash dividends of ordinary share	-	9,990	-	-	(1,072,341)	-	38,540	61,099	48,530
Changes in shares of investment accounted for using equity method	-	-	-	-	(52,698)	-	-	-	61,099
Amortization expense of restricted stock	(6,915)	(2,848)	-	-	-	-	-	9,763	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	18,200	98,826	-	-	-	-	-	-	117,026
Retirement of restricted stock	4,485,808	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	12,308,002
Issuance of restricted stock	-	-	-	-	1,919,265	-	-	-	1,919,265
<b>Balance on December 31, 2019</b>	-	-	-	-	(4,533)	26,337	(178)	-	21,626
Profit	-	-	208,003	-	1,914,732	-	(178)	-	1,940,891
Other comprehensive income	-	-	-	-	(208,003)	-	-	-	-
Appropriation and distribution of retained earnings:	-	-	-	-	(396,593)	-	-	-	-
Appropriated legal reserve	-	-	208,003	-	(208,003)	-	-	-	-
Appropriated special reserve	-	-	-	396,593	(396,593)	-	-	-	-
Cash dividends of ordinary share	-	11,802	-	-	(1,076,876)	-	(13,579)	-	(1,076,876)
Changes in shares of investment accounted for using equity method	-	-	-	-	-	-	-	-	-
Amortization expense of restricted stock	(1,225)	(6,750)	-	-	-	-	-	117,593	117,593
Retirement of restricted stock	24,400	79,531	-	-	-	-	-	7,975	-
Issuance of restricted stock	-	-	-	-	-	-	-	-	-
<b>Balance on December 31, 2020</b>	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

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 2,223,042	2,494,314
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	138,866	138,740
Loss related to inventories	30,783	67,919
Amortization of long-term deferred revenue	(276,931)	(336,120)
Expected credit loss	8,625	3,443
Interest expense	41,236	63,746
Interest income	(9,115)	(17,280)
Compensation cost of share-based payment	117,593	61,099
Share of profit of subsidiaries and associates accounted for using equity method	(150,818)	(896,040)
Loss on disposal of property, plant and equipment	19	-
Gain on disposal of unamortized expense	(864)	-
Amortization of unrealized revenue of patents disposed	(15,450)	(15,450)
Other	(2)	-
<b>Total adjustments to reconcile profit (loss)</b>	(116,058)	(929,943)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, including related parties	57,761	408,411
Other receivable	160,162	(210,121)
Inventories	(953,531)	(1,095,978)
Other current assets	(203)	(11,948)
Other operating assets	(88,237)	(97,725)
<b>Changes in operating assets</b>	(824,048)	(1,007,361)
Notes and accounts payable, including related parties	458,343	749,305
Salaries payable	(123,791)	135,868
Other payables	291,554	653,795
Other current liabilities	115,432	(7,511)
Long-term deferred revenue	(10,487)	693,975
Other operating liabilities	482,498	186,052
<b>Changes in operating liabilities</b>	1,213,549	2,411,484
<b>Total changes in operating assets and liabilities</b>	389,501	1,404,123
<b>Total adjustments</b>	273,443	474,180
Cash inflow generated from operations	2,496,485	2,968,494
Interest received	9,115	17,280
Interest paid	(41,163)	(63,675)
Income taxes paid	(41,298)	(248,894)
<b>Net cash flows from operating activities</b>	2,423,139	2,673,205
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(28,894)	(33,273)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	214,202
Acquisition of investments accounted for using equity method	(301,000)	(318,150)
Acquisition of property, plant and equipment	(41,172)	(50,266)
Proceeds from disposal of unamortized expense	3,450	-
Acquisition of unamortized expense	(11,586)	(4,378)
Decrease in refundable deposits	310	200
Dividends received	191	214
Other	-	(89)
<b>Net cash used in investing activities</b>	(378,701)	(191,540)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	280,000	(950,000)
Repayments of long-term borrowings	(27,777)	(55,556)
Increase in guarantee deposits received	-	39,418
Payment of lease liabilities	(88,384)	(85,639)
Cash dividends paid	(1,076,876)	(1,072,341)
Decrease in long-term accounts payable to related parties	-	(357,703)
<b>Net cash flows used in financing activities</b>	(913,037)	(2,481,821)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,131,401	(156)
<b>Cash and cash equivalents at beginning of period</b>	2,238,853	2,239,009
<b>Cash and cash equivalents at end of period</b>	\$ 3,370,254	2,238,853

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

**(1) Company history**

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

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

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

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

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

**(2) Approval date and procedures of the parent company only financial statements:**

The parent company only financial statements were authorized for issuance by the board of directors on February 26, 2021.

**(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 Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent company only financial statements:

- 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”

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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 Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company 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 parent company only 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 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”

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(4) Summary of significant accounting policies:**

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

(a) Statement of compliance

These annual parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only 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;
- 3) The defined benefit liabilities are measured at fair value of the plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currency 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 difference 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.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company’s functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company’s functional currency 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 Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or joint venture, including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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(e) Cash and cash equivalents

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

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

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade 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 Company 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.

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2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Company 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 Company'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 Company 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 Company 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 Company 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 Company's claim to cash flows from specified assets (e.g. non-recourse features).

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5) Impairment of financial assets

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

The Company 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 Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

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At each reporting date, the Company 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 Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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.

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(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of 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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company 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 Company 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 Company 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.

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(g) Inventories

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

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

(h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's parent company only financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Company loses control over its subsidiaries, the Company derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(i) 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.

(j) 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.

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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 Company.

(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 and additional equipment: 1 ~ 51 years
- 2) Machinery and equipment: 1 ~4 years
- 3) Other equipment: 1 ~5 years

Depreciation methods, useful lives, and residual values are reviewed at each 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.

(k) Lease

(i) Identifying a lease

At inception of a contract, the Company 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

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3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how, and for what purpose, the asset is used throughout the period of use; or
- the relevant decisions about how, and for what purpose, the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how, and for what purpose, it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and accounted for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 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 Company 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 Company 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 Company has elected not to recognize right-of-use assets and lease liabilities for leases of machinery and other equipment that have short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company 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, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(I) Intangible assets

(i) Recognition and measurement

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 Company 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 trademarks, patents and copyrights, that are acquired by the Company 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.

(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 from the date that they are available for use.

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

- 1) Trademarks 10 years
- 2) Patents 2.5~10 years
- 3) Copyrights 15 years

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

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(m) Impairment of non-financial assets

At each annual reporting date, the Company 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.

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.

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 to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

(i) Sale of goods

The Company sales computer peripherals and non-computer peripherals to customers. The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume 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 contract liability 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 90 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 Company has a right to an amount of consideration that is unconditional.

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(ii) Rendering of services

The Company 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 Company 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 Company does not adjust any of the transaction prices for the time value of money.

(o) Deferred grant service

Deferred grant revenue with additional conditions shall be recognized if the Company 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 Company's expenses that have been incurred or to supply immediate financial support to the Company and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(p) 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 Company'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.

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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 Company, 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 Company 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 services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) 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 expected and actual outcomes.

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

(r) 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.

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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 Company 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 reserve, using tax rates enacted or substantively enacted at the reporting date.

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

- (i) the Company 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.

(s) Earnings per share

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

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(t) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2020 and 2019, for further details.

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

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

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

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

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 Company estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for valuation of inventories.

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

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

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

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 600	693
Checking accounts and demand deposits	2,058,286	2,238,160
Time deposits	1,311,368	-
	<b><u>\$ 3,370,254</u></b>	<b><u>2,238,853</u></b>

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

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

(i) The derivative financial instruments were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Mandatorily measured at FVTPL:</b>		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 14,481	68,661
Foreign exchange swap contracts	246,506	104,146
	<b><u>\$ 260,987</u></b>	<b><u>172,807</u></b>

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**PRIMAX ELECTRONICS LTD.**  
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	December 31, 2020	December 31, 2019
<b>Financial liabilities held-for-trading:</b>		
Derivative instrument not used for hedging		
Forward exchange contracts	\$ (399,762)	(193,946)
Foreign exchange swap contracts	(32,409)	(13,265)
	\$ (432,171)	(207,211)

- (ii) The Company held the following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities as of December 31, 2020 and 2019:

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	
Foreign exchange swap contracts– swap in TWD/ swap out USD	USD 593,000	January 6, 2021~ June 23, 2021	28.075~29.424	

December 31, 2019				
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate	
Forward exchange contracts – buy USD / sell TWD	USD 511,000	January 2, 2020~ June 29, 2020	29.575~31.260	
Forward exchange contracts – buy TWD / sell USD	USD 106,000	January 2, 2020~ March 30, 2020	29.996~30.776	
Forward exchange contracts – buy CNY / sell USD	USD 117,700	January 3, 2020~ March 25, 2020	6.9973~7.1710	
Foreign exchange swap contracts– swap in USD/ swap out TWD	USD 10,000	February 26, 2020	31.288	
Foreign exchange swap contracts– swap in TWD/ swap out USD	USD 269,000	January 6, 2020~ June 23, 2020	29.754~30.859	
Foreign exchange swap contracts– swap in CNY/ swap out USD	USD 11,000	January 3, 2020~ January 7, 2020	7.0026~7.0036	

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**PRIMAX ELECTRONICS LTD.**  
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- (iii) Please refer to note 6(x) for the liquidity risk of the Company's financial instruments.

- (c) Financial assets at FVOCI

	December 31, 2020	December 31, 2019
<b>Equity investments at FVOCI</b>		
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	\$ 1,263	1,076
Stocks unlisted in domestic markets–Changing Information Technology Inc.	6,002	2,102
Stocks unlisted in domestic markets–Syntronix Corp.	49	49
Equities unlisted in foreign markets–Grove Ventures L.P.	60,722	55,094
Equities unlisted in foreign markets–Grove Ventures II, L.P.	26,227	7,226
Total	\$ 94,263	65,547

- (i) The Company designated the investments above as equity securities at FVOCI because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes and not for sale.
- (ii) During the years ended December 31, 2020 and 2019, the dividends of \$191 and \$214, respectively, related to equity investments at FVOCI held were recognized.
- (iii) As a result of enhancing its working capital, the Company sold 5,338 thousand of its shares in Global TEK, with the fair values of \$214,202, resulting in the losses of \$52,698, for the year ended December 31, 2019. Losses had been recognized as other equity interests, and later on, reclassified to retained earnings.
- (iv) Grove Venture, L.P executed capital increases, wherein the Company had participated and invested the amounts of \$9,006 and \$25,953 in the years ended December 31, 2020 and 2019, respectively.
- (v) The Company invested the amount of \$7,320 in an unlisted company, Grove Ventures II, L.P., for the year ended December 31, 2019. Thereafter, the Company had participated in its capital increase and invested the amount of \$19,888 for the year ended December 31, 2020.
- (vi) The Company did not provide any of the aforementioned financial assets as collateral.
- (d) Accounts receivable (including related parties)

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 6,600,651	6,656,011
Accounts receivable – related parties	563,475	567,095
Less: allowance for doubtful accounts	(24,844)	(17,438)
Total	\$ 7,139,282	7,205,668

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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- (i) The Company did not provide any of the aforementioned accounts receivable (including related parties) as collateral.
- (ii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all accounts receivables. To measure the ECL, 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:

	<b>December 31, 2020</b>		
	<b>Carrying amounts of accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 6,418,944	0%	-
0 to 30 days past due	697,858	0%~3.16%	22,030
31 to 60 days past due	37,084	0%~5%	1,854
61 to 90 days past due	6,154	0%~10%	616
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	19	0%~100%	19
	<b>\$ 7,164,126</b>		<b>24,844</b>
	<b>December 31, 2019</b>		
	<b>Carrying amounts of accounts receivable (including related parties)</b>	<b>Lifetime ECL rate</b>	<b>Loss allowance provision of lifetime ECL</b>
Current	\$ 6,315,880	0%	-
0 to 30 days past due	879,098	0%~3%	15,735
31 to 60 days past due	18,612	0%~5%	931
61 to 90 days past due	161	0%~10%	16
91 to 180 days past due	8,988	0%~25%	719
181 to 360 days past due	288	0%~80%	29
More than 361 days past due	79	0%~100%	8
	<b>\$ 7,223,106</b>		<b>17,438</b>

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**PRIMAX ELECTRONICS LTD.**  
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- (iii) The movement in the allowance for accounts receivable was as follows:

	<b>2020</b>	<b>2019</b>
Balance on January 1, 2020 and 2019	\$ 17,438	18,721
Impairment losses recognized	8,625	3,443
Amounts written off	-	(4,220)
Effect of exchange rate changes	(1,219)	(506)
Balance on December 31, 2020 and 2019	<b>\$ 24,844</b>	<b>17,438</b>

- (iv) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. The Company 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, 2020 and 2019, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

<b>December 31, 2020</b>						
<b>Buyer</b>	<b>Amount derecognized</b>	<b>Amount advanced</b>		<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest rate</b>	<b>Guarantee (promissory note)</b>
		<b>Unpaid</b>	<b>Paid</b>			
EnTie Bank	\$ 158,092	-	-	158,092	-	-
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
Bank of Taiwan	-	-	-	-	-	NT\$ 58,000
	<b>\$ 158,092</b>	<b>-</b>	<b>-</b>	<b>158,092</b>		
<b>December 31, 2019</b>						
<b>Buyer</b>	<b>Amount derecognized</b>	<b>Amount advanced</b>		<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest rate</b>	<b>Guarantee (promissory note)</b>
		<b>Unpaid</b>	<b>Paid</b>			
HSBC Bank	\$ 1,002,004	-	901,804	100,200	2.19%~2.20%	US\$ 13,500
EnTie Bank	193,366	-	-	193,366	-	-
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
	<b>\$ 1,195,370</b>	<b>-</b>	<b>901,804</b>	<b>293,566</b>		

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

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## (e) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 90,376	117,149
Semi-finished goods	107,340	121,360
Finished goods and merchandise	3,935,984	2,972,443
	<u>\$ 4,133,700</u>	<u>3,210,952</u>

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

	2020	2019
Gains on inventory valuation	\$ 8,724	38,554
Losses on disposal of inventories	(39,420)	(104,344)
Losses on physical inventories	(87)	(2,129)
	<u>\$ (30,783)</u>	<u>(67,919)</u>

## (f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	<u>\$ 15,465,579</u>	<u>14,973,751</u>

(i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for details of subsidiaries.

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

(iii) To expand the business scale, the Company established a subsidiary, Primax Electronics (Singapore) Pte. Ltd., in 2019, which held a newly established subsidiary, Primax Electronics (Thailand) Pte. Ltd.. All relevant statutory registration procedures had been completed. Furthermore, the Company invested the amounts of USD10,000 and USD10,100 in 2020 and 2019, respectively.

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**PRIMAX ELECTRONICS LTD.**  
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(iv) The Company held ALT International Co., Ltd (Cayman) ("AIC") through its subsidiary, Primax AE (Cayman) Holding Ltd.. In July 2019, AIC held an interim shareholders' meeting and re-elected its directors, wherein the Company did not obtain more than 50% of its voting rights in the board, resulting in the Company to lose the right to direct AIC's relevant activities, and also lose its control over it. However, the Company still retained a significant influence over it. Thereafter, the investment in AIC was reclassified to investments accounted for using the equity method. This transaction was recognized as repurchase after disposal, which was remeasured at fair value and resulted in a revaluation loss of \$279,377 under share of profit of subsidiaries and associates accounted for using equity method. Please refer to note 6(h) of the Company's consolidated financial statements for the year ended December 31, 2020.

## (g) Property, plant and equipment

The cost, and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Land	Buildings and additional equipment	Machinery and equipment	Other equipment	Testing equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2020	\$ 22,879	141,673	108,743	58,865	3,479	335,639
Additions	-	-	13,572	11,384	16,216	41,172
Disposals	-	-	(3,082)	(5,355)	-	(8,437)
Reclassifications	-	-	3,237	-	(10,067)	(6,830)
Balance on December 31, 2020	<u>\$ 22,879</u>	<u>141,673</u>	<u>122,470</u>	<u>64,894</u>	<u>9,628</u>	<u>361,544</u>
Balance on January 1, 2019	\$ 22,879	141,673	68,630	60,372	26,657	320,211
Additions	-	-	20,542	2,375	27,349	50,266
Disposals	-	-	(1,716)	(4,222)	-	(5,938)
Reclassifications	-	-	21,287	340	(50,527)	(28,900)
Balance on December 31, 2019	<u>\$ 22,879</u>	<u>141,673</u>	<u>108,743</u>	<u>58,865</u>	<u>3,479</u>	<u>335,639</u>
<b>Depreciation:</b>						
Balance on January 1, 2020	\$ -	132,866	60,823	49,146	-	242,835
Depreciation	-	347	18,593	5,495	-	24,435
Disposals	-	-	(1,304)	(5,313)	-	(6,617)
Balance on December 31, 2020	<u>\$ -</u>	<u>133,213</u>	<u>78,112</u>	<u>49,328</u>	<u>-</u>	<u>260,653</u>
Balance on January 1, 2019	\$ -	132,519	47,735	47,934	-	228,188
Depreciation	-	347	14,804	5,434	-	20,585
Disposals	-	-	(1,716)	(4,222)	-	(5,938)
Balance on December 31, 2019	<u>\$ -</u>	<u>132,866</u>	<u>60,823</u>	<u>49,146</u>	<u>-</u>	<u>242,835</u>
<b>Carrying amounts:</b>						
Balance on December 31, 2020	<u>\$ 22,879</u>	<u>8,460</u>	<u>44,358</u>	<u>15,566</u>	<u>9,628</u>	<u>100,891</u>
Balance on December 31, 2019	<u>\$ 22,879</u>	<u>8,807</u>	<u>47,920</u>	<u>9,719</u>	<u>3,479</u>	<u>92,804</u>
Balance on January 1, 2019	<u>\$ 22,879</u>	<u>9,154</u>	<u>20,895</u>	<u>12,438</u>	<u>26,657</u>	<u>92,023</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$876,467 and \$1,165,686 as of December 31, 2020 and 2019, respectively.

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

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Notes to the Parent Company Only Financial Statements

## (h) Right-of-use assets

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

	Land	Buildings	Vehicles	Other equipments	Total
<b>Cost:</b>					
Balance on January 1, 2020	\$ -	422,216	8,427	2,822	433,465
Additions	-	721	4,488	1,402	6,611
Disposals	-	-	(906)	-	(906)
Balance on December 31, 2020	<u>\$ -</u>	<u>422,937</u>	<u>12,009</u>	<u>4,224</u>	<u>439,170</u>
Balance on January 1, 2019	\$ -	421,495	5,370	-	426,865
Additions	-	721	3,057	2,822	6,600
Balance on December 31, 2019	<u>\$ -</u>	<u>422,216</u>	<u>8,427</u>	<u>2,822</u>	<u>433,465</u>
<b>Depreciation:</b>					
Balance on January 1, 2020	\$ -	86,004	4,098	1,217	91,319
Depreciation	-	86,388	4,303	1,586	92,277
Disposals	-	-	(189)	-	(189)
Balance on December 31, 2020	<u>\$ -</u>	<u>172,392</u>	<u>8,212</u>	<u>2,803</u>	<u>183,407</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation	-	86,004	4,098	1,217	91,319
Balance on December 31, 2019	<u>\$ -</u>	<u>86,004</u>	<u>4,098</u>	<u>1,217</u>	<u>91,319</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2020	<u>\$ -</u>	<u>250,545</u>	<u>3,797</u>	<u>1,421</u>	<u>255,763</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>336,212</u>	<u>4,329</u>	<u>1,605</u>	<u>342,146</u>
Balance on January 1, 2019	<u>\$ -</u>	<u>421,495</u>	<u>5,370</u>	<u>-</u>	<u>426,865</u>

## (i) Investment property

	Land	Buildings and other equipments	Total
<b>Cost or deemed cost:</b>			
Balance on January 1, 2020	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2020	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>
Balance on January 1, 2019	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2019	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>

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**PRIMAX ELECTRONICS LTD.**  
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	Land	Buildings and other equipments	Total
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2020	\$ 33,941	55,770	89,711
Depreciation	-	3,560	3,560
Balance on December 31, 2020	<u>\$ 33,941</u>	<u>59,330</u>	<u>93,271</u>
Balance on January 1, 2019	\$ 33,941	52,210	86,151
Depreciation	-	3,560	3,560
Balance on December 31, 2019	<u>\$ 33,941</u>	<u>55,770</u>	<u>89,711</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2020	<u>\$ 128,071</u>	<u>112,837</u>	<u>240,908</u>
Balance on December 31, 2019	<u>\$ 128,071</u>	<u>116,397</u>	<u>244,468</u>
Balance on January 1, 2019	<u>\$ 128,071</u>	<u>119,957</u>	<u>248,028</u>
<b>Fair value:</b>			
Balance on December 31, 2020			<u>\$ 643,812</u>
Balance on December 31, 2019			<u>\$ 623,432</u>
Balance on January 1, 2019			<u>\$ 590,010</u>

- (i) The fair value of investment property is based on the quotation from third parties, which is categorized within Level 3.
- (ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 15 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information.
- (iii) The Company did not provide any of the aforementioned investment property as collateral.

## (j) Intangible assets

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Trademarks	Patents	Copyrights	Total
<b>Cost:</b>				
Balance on January 1, 2020	\$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2020	<u>\$ 25,584</u>	<u>64,271</u>	<u>30,832</u>	<u>120,687</u>
Balance on January 1, 2019	\$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2019	<u>\$ 25,584</u>	<u>64,271</u>	<u>30,832</u>	<u>120,687</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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	Trademarks	Patents	Copyrights	Total
<b>Amortization:</b>				
Balance on January 1, 2020	\$ 25,584	64,271	21,069	110,924
Amortization	-	-	2,055	2,055
Balance on December 31, 2020	<u>\$ 25,584</u>	<u>64,271</u>	<u>23,124</u>	<u>112,979</u>
Balance on January 1, 2019	\$ 23,665	64,271	19,013	106,949
Amortization	1,919	-	2,056	3,975
Balance on December 31, 2019	<u>\$ 25,584</u>	<u>64,271</u>	<u>21,069</u>	<u>110,924</u>
<b>Carrying amount:</b>				
Balance on December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>7,708</u>	<u>7,708</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>9,763</u>	<u>9,763</u>
Balance on January 1, 2019	<u>\$ 1,919</u>	<u>-</u>	<u>11,819</u>	<u>13,738</u>

(i) In 2020 and 2019, the amortizations of intangible assets amounted to \$2,055 and \$3,975, respectively, recorded as operating expenses.

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

(k) Short-term borrowings

The details were as follows:

	December 31, 2020	December 31, 2019
Unsecured bank loans	<u>\$ 280,000</u>	<u>-</u>
Unused credit lines	<u>\$ 9,117,536</u>	<u>9,853,352</u>
Annual interest rates	<u>0.8%~0.93%</u>	<u>0.8%~3.09%</u>

(l) Long-term borrowings

December 31, 2019				
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.35%	2020	\$ 27,777
Less: current portion				<u>(27,777)</u>
				<u>\$ -</u>
Unused credit lines				<u>\$ -</u>

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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(m) Lease liabilities

	December 31, 2020	December 31, 2019
Current	<u>\$ 91,140</u>	<u>86,887</u>
Non-current	<u>\$ 174,194</u>	<u>260,939</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 6,532</u>	<u>8,289</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 210</u>	<u>1,137</u>

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

	2020	2019
Rental paid in operating activities	\$ (210)	(1,137)
Interest on lease liabilities paid in operating activities	(6,532)	(8,289)
Payment made on lease liabilities in financing activities	(88,384)	(85,639)
Total cash outflow for leases	<u>\$ (95,126)</u>	<u>(95,065)</u>

(i) Real estate leases

The Company leases buildings for its office and staff dormitory. The leases typically run for a period of one to five years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

The Company leases vehicles and other equipments with lease terms of one to five years.

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

(n) Operating lease

The Company leases out its investment property. The Company 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(i).

(Continued)

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	\$ 11,667	11,451
Between two and five years	40,363	39,589
More than five years	51,135	61,032
Total undiscounted lease payments	<u>\$ 103,165</u>	<u>112,072</u>

Rental income from investment properties amounted to \$11,330 and \$11,332 in 2020 and 2019, respectively.

(o) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations	\$ 150,927	163,560
Fair value of plan assets	82,982	95,623
Deficit in the plan	67,945	67,937
Asset ceiling	-	-
Net defined benefit liability (recorded as other non-current liabilities)	<u>\$ 67,945</u>	<u>67,937</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$82,982 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2020 and 2019, were as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligation on January 1	\$ 163,560	156,919
Business combinations		
Benefits paid	(22,029)	(995)
Current service costs and interest cost	1,843	1,898
Remeasurement of net defined benefit liabilities	7,553	5,738
Defined benefit obligation on December 31	<u>\$ 150,927</u>	<u>163,560</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2020 and 2019, were as follows:

	<b>2020</b>	<b>2019</b>
Fair value of plan assets on January 1	\$ 95,623	89,417
Interest income	751	544
Remeasurement of net defined liabilities	3,020	3,592
Contributions paid	2,953	3,065
Benefits paid	(19,365)	(995)
Fair value of plan assets on December 31	<u>\$ 82,982</u>	<u>95,623</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2020 and 2019, were as follows:

	<b>2020</b>	<b>2019</b>
Current service costs	\$ 562	611
Net interest of net liabilities for defined benefit	531	743
Expenses	<u>\$ 1,093</u>	<u>1,354</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

The Company's remeasurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Balance on January 1	\$ 12,949	10,803
Recognized during the period	4,533	2,146
Balance on December 31	<u>\$ 17,482</u>	<u>12,949</u>

- 6) Actuarial assumptions

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

	<u>2020</u>	<u>2019</u>
Discount rate	0.350 %	0.800 %
Future salary increase rate	2.750 %	3.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date was \$2,848. The weighted-average lifetime of the defined benefit plans is 10 years.

- 7) Sensitivity analysis

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

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

	<b>Influences of defined benefit obligations</b>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
<b>December 31, 2020</b>		
Discount rate	\$ (2,963)	3,053
Future salary increase rate	\$ 2,902	(2,831)
<b>December 31, 2019</b>		
Discount rate	\$ (3,248)	3,349
Future salary increase rate	\$ 3,191	(3,111)

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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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 change in the method and assumptions used in the preparation of the sensitivity analysis for 2020 and 2019.

- (ii) Defined contribution plans

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

The Company recognized pension costs under the defined contribution method amounting to \$48,985 and \$47,536 for the years ended December 31, 2020 and 2019, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

- (p) Income taxes

- (i) The components of income tax expenses for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense	\$ 285,876	414,614
Deferred tax expense (benefit)	17,901	(55,170)
Income tax expense	<u>\$ 303,777</u>	<u>359,444</u>

- (ii) The Company had no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2020 and 2019.

- (iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Profit before tax	\$ 2,223,042	2,494,314
Income tax calculated based on the Company's domestic tax rate	444,608	498,863
Overseas investment gains recognized under the equity method	(113,490)	(130,698)
Investment tax credits accrued	(71,569)	(77,016)
Prior year's income tax adjustment	45,356	25,750
Surtax on unappropriated earnings	18,052	12,470
Others	(19,180)	30,075
Income taxes expense	<u>\$ 303,777</u>	<u>359,444</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only Financial Statements

## (iv) Deferred tax assets and liabilities

## 1) Unrecognized deferred tax liabilities

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

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 1,025,729</u>	<u>889,807</u>

## 2) Unrecognized deferred tax assets

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 160,000</u>	<u>136,700</u>

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

## 3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019, were as follows:

	Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Others	Total
<b>Deferred tax liabilities:</b>				
Balance on January 1, 2020	\$ 369,676	24,699	1,247	395,622
Recognized in profit or loss	(83,326)	69,479	-	(13,847)
Balance on December 31, 2020	<u>\$ 286,350</u>	<u>94,178</u>	<u>1,247</u>	<u>381,775</u>
Balance on January 1, 2019	\$ 321,167	6,927	31,108	359,202
Recognized in profit or loss	48,509	17,772	(29,861)	36,420
Balance on December 31, 2019	<u>\$ 369,676</u>	<u>24,699</u>	<u>1,247</u>	<u>395,622</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only Financial Statements

	Bad debt in excess of tax limit	Unfunded pension fund contribution	Refund liabilities	Loss on inventory valuation	Deferred granted revenue	Unrealized revenue from disposal of assets	Others	Total
<b>Deferred tax assets:</b>								
Balance on January 1, 2020	\$ 39,958	15,957	187,650	11,685	233,137	27,296	9,086	524,769
Recognized in profit or loss	-	(905)	5,389	(1,244)	(57,844)	(3,090)	25,946	(31,748)
Balance on December 31, 2020	<u>\$ 39,958</u>	<u>15,052</u>	<u>193,039</u>	<u>10,441</u>	<u>175,293</u>	<u>24,206</u>	<u>35,032</u>	<u>493,021</u>
Balance on January 1, 2019	\$ 46,958	16,300	159,382	17,096	161,566	30,386	1,491	433,179
Recognized in profit or loss	(7,000)	(343)	28,268	(5,411)	71,571	(3,090)	7,595	91,590
Balance on December 31, 2019	<u>\$ 39,958</u>	<u>15,957</u>	<u>187,650</u>	<u>11,685</u>	<u>233,137</u>	<u>27,296</u>	<u>9,086</u>	<u>524,769</u>

(v) The Company's income tax returns have been examined by the tax authority through the years to 2018.

## (q) Capital and other equity

## (i) Ordinary Shares

As of December 31, 2020 and 2019, 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 ordinary shares, of which 450,898 thousand and 448,581 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2020 and 2019, were as follows:

	<b>Ordinary shares (in thousands of shares)</b>	
	2020	2019
Balance on January 1	448,581	447,452
Issuance of restricted stock	2,440	1,820
Retirement of restricted stock	(123)	(691)
Balance on December 31	<u>450,898</u>	<u>448,581</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Additional paid-in capital	\$ 759,070	662,230
Employee stock options	259,401	259,401
Restricted employee stock options	169,540	193,599
Long-term stock investment	379,617	367,815
	<u>\$ 1,567,628</u>	<u>1,483,045</u>

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

## (iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the 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.

## 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 shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## 2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2020 and 2019, the carrying amount of special reserve both amounted to \$97,300.

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

## 3) Earnings distribution

On June 23, 2020 and June 18, 2019 the stockholders' meeting resolved the distribution of earnings for 2019 and 2018, respectively. The distribution were both NT\$2.4 (dollars) per share, which amounted to \$1,076,876 and \$1,072,341, respectively.

## (r) Share-based payment

(i) As of December 31, 2020, the outstanding restricted stock of the Company was as follows:

Grant date	Plan 3 (note 1)		Plan 4 (note 1)		Plan 5 (note 1)		Plan 6 (note 1)
	February 13, 2017	September 7, 2017	February 8, 2018	September 13, 2018	November 21, 2019	February 20, 2020	July 30, 2020
Fair value on grant date (per share)	45.80	72.40	76.70	46.85	64.30	53.20	41.75
Exercise price	Free grants	Free grants	Free grants				
Granted units (thousand shares)	2,450	550	1,100	900	1,820	180	2,260
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)

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.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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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 shares on July 30, 2020.

Note 2: If the employees continue to provide service to the 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 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 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 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 Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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1) The related information on restricted stock of the Company was as follows:

(Thousand shares)	<u>2020</u>	<u>2019</u>
Outstanding on January 1	3,816	3,316
Granted during the year	2,440	1,820
Vesting during the year	(2,017)	(1,158)
Expired during the year	<u>(136)</u>	<u>(162)</u>
Outstanding on December 31	<u><b>4,103</b></u>	<u><b>3,816</b></u>

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

	<u>2020</u>	<u>2019</u>
Restricted stock	<u>\$ <b>117,593</b></u>	<u><b>61,099</b></u>

(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2020 and 2019, based on the profit and the weighted-average number of ordinary shares outstanding was as follows:

	<u>2020</u>	<u>2019</u>
Profit of the Company for the year	<u>\$ <b>1,919,265</b></u>	<u><b>2,134,870</b></u>
Weighted-average number of ordinary shares (thousand shares)	<u><b>445,829</b></u>	<u><b>444,465</b></u>
Basic earnings per share (NT dollars)	<u>\$ <b>4.30</b></u>	<u><b>4.80</b></u>

Weighted-average number of ordinary shares (thousand shares)

	<u>2020</u>	<u>2019</u>
Ordinary shares on January 1	444,765	443,607
Vesting of restricted stock	1,064	858
Ordinary shares on December 31	<u><b>445,829</b></u>	<u><b>444,465</b></u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only Financial Statements

## (ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2020 and 2019, based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2020	2019
Profit of the Company for the year	<u>\$ 1,919,265</u>	<u>2,134,870</u>
Weighted-average number of ordinary shares (diluted / thousand shares)	<u>449,909</u>	<u>447,663</u>
Diluted earnings per share (NT dollars)	<u>\$ 4.27</u>	<u>4.77</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)		
	2020	2019
Weighted-average number of ordinary shares on December 31 (basic)	445,829	444,465
Estimated effect of employee stock bonuses	1,935	1,462
Effect of restricted stock	2,145	1,736
Weighted-average number of ordinary shares on December 31 (diluted)	<u>449,909</u>	<u>447,663</u>

## (t) Revenue from contracts with customers

## (i) Disaggregation of revenue

	2020		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 24,022,677	10,517,691	34,540,368
Service rendered	61,233	388,426	449,659
	<u>\$ 24,083,910</u>	<u>10,906,117</u>	<u>34,990,027</u>
	2019		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 21,748,799	13,203,031	34,951,830
Service rendered	206,138	1,020,765	1,226,903
	<u>\$ 21,954,937</u>	<u>14,223,796</u>	<u>36,178,733</u>
	2020		
Mainland China	\$ 24,159,354	25,946,885	
Europe	3,841,836		4,365,971
America	3,718,326		3,624,571
Other	3,270,511		2,241,306
	<u>\$ 34,990,027</u>	<u>36,178,733</u>	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only Financial Statements

## (ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (including related parties)	\$ 7,164,126	7,223,106	7,636,243
Less: allowance for impairment	(24,844)	(17,438)	(18,721)
	<u>\$ 7,139,282</u>	<u>7,205,668</u>	<u>7,617,522</u>
Contract liabilities (recorded as other current liabilities)	<u>\$ 121,554</u>	<u>57,991</u>	<u>53,366</u>

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

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$55,901 and \$32,563, 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.

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

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

Details of remuneration to employees and directors for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Employee remuneration	\$ 72,645	75,526
Directors' remuneration	36,323	37,763
	<u>\$ 108,968</u>	<u>113,289</u>

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2019 and 2018 were as follows:

	<b>2019</b>		
	<b>Actual earnings distributed</b>	<b>Accrued in the financial statements</b>	<b>Difference</b>
Employee remuneration – Cash	\$ 75,520	75,526	6
Directors' remuneration	26,430	37,763	11,333
	<b>2018</b>		
	<b>Actual earnings distributed</b>	<b>Accrued in the financial statements</b>	<b>Difference</b>
Employee remuneration – Cash	\$ 64,430	64,439	9
Directors' remuneration	32,200	32,219	19

Except for the difference on the directors' remuneration in 2019, which was due to a voluntary pay cut of directors, the other differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2020 and 2019. Information on the remuneration to employees and directors, approved in the board of directors' meetings, can be accessed in the Market Observation Post System website.

(v) Other income

The details of other income for the years ended December 31, 2020 and 2019, were as follows:

	<b>2020</b>	<b>2019</b>
Rent income	\$ 12,034	12,034
Cash dividend income	191	214
	<b>\$ 12,225</b>	<b>12,248</b>

(w) Other gains and losses

The details of other gains and losses for the years ended December 31, 2020 and 2019, were as follows:

	<b>2020</b>	<b>2019</b>
Net losses on financial assets/liabilities measured at FVTPL	\$ (171,144)	(34,404)
Foreign currency exchange gains, net	852,460	276,315
Other	170,016	138,451
	<b>\$ 851,332</b>	<b>380,362</b>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(x) 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 Company's concentration of credit risk, please refer to note 6(y).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
<b>December 31, 2020</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 280,000	280,154	280,154	-	-	-
Notes and accounts payable	62,501	62,501	62,501	-	-	-
Accounts payable to related parties	11,625,520	11,625,520	11,625,520	-	-	-
Other payables	1,491,003	1,491,003	1,491,003	-	-	-
Salaries payable	256,850	256,850	256,850	-	-	-
Lease liabilities	265,334	273,490	95,781	91,755	85,954	-
Refund liabilities	1,391,042	1,391,042	1,391,042	-	-	-
Guarantee deposits	1,991	1,991	-	-	-	1,991
Derivative financial liabilities:	432,171	-	-	-	-	-
Outflow	-	4,601,941	4,601,941	-	-	-
Inflow	-	(4,169,770)	(4,169,770)	-	-	-
	<b>\$ 15,806,412</b>	<b>15,814,722</b>	<b>15,635,022</b>	<b>91,755</b>	<b>85,954</b>	<b>1,991</b>
<b>December 31, 2019</b>						
Non-derivative financial liabilities:						
Notes and accounts payable	\$ 90,504	90,504	90,504	-	-	-
Accounts payable to related parties	11,139,174	11,139,174	11,139,174	-	-	-
Other payables	1,250,253	1,250,253	1,250,253	-	-	-
Salaries payable	380,641	380,641	380,641	-	-	-
Lease liabilities	347,826	362,433	93,359	92,134	176,940	-
Refund liabilities	1,340,251	1,340,251	1,340,251	-	-	-
Long-term borrowings	27,777	27,822	27,822	-	-	-
Guarantee deposits	222,005	222,005	-	-	-	222,005
Derivative financial liabilities:	207,211	-	-	-	-	-
Outflow	-	807,886	807,886	-	-	-
Inflow	-	(598,600)	(598,600)	-	-	-
	<b>\$ 15,005,642</b>	<b>15,022,369</b>	<b>14,531,290</b>	<b>92,134</b>	<b>176,940</b>	<b>222,005</b>

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

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## (iii) Currency risk

## 1) Exposure to foreign currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>						
<b>Monetary items</b>						
USD:TWD	\$ 371,535	28.508	10,591,710	324,583	30.106	9,771,900
<b>Financial liabilities</b>						
<b>Monetary items</b>						
USD:TWD	500,204	28.508	14,259,814	448,430	30.106	13,500,424

## 2) Sensitivity analysis

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

A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2020 and 2019, would have decreased or increased the net profit before tax by \$183,405 and \$186,426, respectively. The analysis is performed on the same basis for both periods.

## 3) Exchange gains and losses on monetary items

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

	2020		2019	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
TWD	\$ 852,460	1	276,315	1

## (iv) Interest rate analysis

Please refer to note 6(y) for the interest rate exposure of financial assets and liabilities.

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

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**PRIMAX ELECTRONICS LTD.**  
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If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant, the net profit before tax would have increased or decreased by \$7,781 and by \$5,526 for the years ended December 31, 2020 and 2019, respectively. This is mainly due to bank savings and borrowings with variable interest rates.

## (v) Fair value

## 1) Kinds of financial instruments and fair value

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

	Carrying amounts	December 31, 2020			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL – current</b>	<u>\$ 260,987</u>	-	-	260,987	260,987
<b>Financial assets at FVOCI - non current</b>	<u>\$ 94,263</u>	-	-	94,263	94,263
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 3,370,254				
Accounts receivable (including related parties)	7,139,282				
Other receivables	220,212				
Refundable deposits	24,419				
Total	<u>\$ 10,754,167</u>				
<b>Financial liabilities at FVTPL – current</b>	<u>\$ 432,171</u>	-	-	432,171	432,171
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 280,000				
Notes and accounts payable (including related parties)	11,688,021				
Other payables	1,491,003				
Salaries payable	256,850				
Lease liabilities	265,334				
Refund liabilities	1,391,042				
Guarantee deposits	1,991				
Total	<u>\$ 15,374,241</u>				

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**PRIMAX ELECTRONICS LTD.**  
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	December 31, 2019				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ 172,807</b>	-	-	172,807	172,807
<b>Financial assets at FVOCI – non current</b>	<b>\$ 65,547</b>	-	-	65,547	65,547
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 2,238,853				
Accounts receivable (including related parties)	7,205,668				
Other receivables	388,334				
Refundable deposits	24,729				
Total	<b>\$ 9,857,584</b>				
<b>Financial liabilities at FVTPL – current</b>	<b>\$ 207,211</b>	-	-	207,211	207,211
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 27,777				
Notes and accounts payable (including related parties)	11,229,678				
Other payables	1,250,253				
Salaries payable	380,641				
Lease liabilities	347,826				
Refund liabilities	1,340,251				
Guarantee deposits	222,005				
Total	<b>\$ 14,798,431</b>				

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

- a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.
- b) 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 lack of liquidity. When prices are available, the fair value is estimated on the basis of unadjusted prior trade prices.
- 3) In 2020 and 2019, there were no transfers between Levels.
- 4) Reconciliation of Level 3 fair values

	2020			2019		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
<b>Balance on January 1</b>	\$ (34,404)	65,547	31,143	55,632	30,887	86,519
Recognized in profit or loss	(171,144)	-	(171,144)	(34,404)	-	(34,404)
Recognized in other comprehensive income	-	(178)	(178)	-	1,387	1,387
Acquisition / disposal	34,364	28,894	63,258	(55,632)	33,273	(22,359)
<b>Balance on December 31</b>	<b>\$ (171,184)</b>	<b>94,263</b>	<b>(76,921)</b>	<b>(34,404)</b>	<b>65,547</b>	<b>31,143</b>

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

The fair value measurements of the Company which are categorized within level 3 are classified as financial assets and liabilities at 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.

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**PRIMAX ELECTRONICS LTD.**  
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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.

(y) Financial risk management

(i) Overview

The Company has exposure to the following risks from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Cash and cash equivalents

The Company had deposited \$3,227,058 (including restricted deposits) in DBS Bank and 9 other financial institutions, and \$2,181,697 (including restricted deposits) in HSBC Bank and 5 other financial institutions, representing 10% and 7% of total assets, as of December 31, 2020 and 2019, respectively. The Company believes that there is no significant credit risk from the above-mentioned financial institutions.

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**PRIMAX ELECTRONICS LTD.**  
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2) Accounts receivable

Sales to individual customers (including related parties) constituting over 10% of total revenue for the years ended December 31, 2020 and 2019, totaled 16% and 12%, respectively; also 19% and 5%, respectively, of the ending balance of accounts receivable (including related parties) were accounted for by those customers. In order to reduce credit risk, the Company 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, and the Company did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

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

(iv) Liquidity risk

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

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused credit line of \$9,117,536 and \$9,853,352 as of December 31, 2020 and 2019, respectively.

(v) Market risk

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

1) Currency risk

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

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

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

2) Interest rate risk

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

(z) Capital management

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

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

The Company's debt ratio as of December 31, 2020 and 2019, were both 58%.

(aa) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>December 31, 2020</u>
Short-term borrowings	\$ -	280,000	-	280,000
Long-term borrowings	27,777	(27,777)	-	-
Lease liabilities	347,826	(88,384)	5,892	265,334
Total liabilities from financing activities	<u>\$ 375,603</u>	<u>163,839</u>	<u>5,892</u>	<u>545,334</u>
	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>December 31, 2019</u>
Short-term borrowings	\$ 950,000	(950,000)	-	-
Long-term borrowings	83,333	(55,556)	-	27,777
Lease liabilities	426,865	(85,639)	6,600	347,826
Long-term accounts payable to related parties	357,703	(357,703)	-	-
Total liabilities from financing activities	<u>\$ 1,817,901</u>	<u>(1,448,898)</u>	<u>6,600</u>	<u>375,603</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	A subsidiary
Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	A subsidiary
Destiny Technology Holding Co., Ltd. (Destiny BVI.)	A subsidiary

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
Primax Destiny Co., Ltd. (Destiny Japan)	A subsidiary
Diamond (Cayman) Holdings Ltd. (Diamond)	A subsidiary
Gratus Technology Corp. (Gratus Tech.)	A subsidiary
Primax AE (Cayman) Holdings Ltd. (Primax AE)	A subsidiary
Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	A subsidiary (Note 2)
Primax Industries (Hong Kong) Ltd. (Primax HK)	A subsidiary
Polaris Electronics Inc.(Polaris)	A subsidiary
Destiny Electronic Corp. (Destiny Beijing)	A subsidiary
Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	A subsidiary
Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	A subsidiary
Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	A subsidiary
Primax Electronics (Thailand) Pte. Ltd. (Primax Thailand)	A subsidiary (Note 2)
Tymphany Worldwide Enterprises Ltd. (TWEL)	A subsidiary
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Tymphany Huizhou)	A subsidiary
Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	A subsidiary
Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	A subsidiary
TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	A subsidiary
Tymphany Acoustic Technology Europe, s.r.o. (TYM Acoustic Europe)	A subsidiary
Tymphany HK Ltd.(TYM HK)	A subsidiary
TYP Enterprises, Inc.(TYP)	A subsidiary
Tymphany Acoustic Technology Limited (TYM Acoustic)	A subsidiary
Tymphany Acoustic Technology (Thailand) Co., Ltd. (TYTH)	A subsidiary (Note 3)
Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	A subsidiary
TYMPHANY LOGISTICS, INC (TYML)	A subsidiary
ALT International Co., Ltd. (Cayman) (AIC)	An associate (Note 1)
De Amertek Technology Inc. (US) (DAT)	An associate (Note 1)

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**PRIMAX ELECTRONICS LTD.**  
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Name of related party	Relationship with the Group
Advanced Micro Electronics Co.,LTD. (AME)	An associate (Note 1)
Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	An associate (Note 1)
Advanced Leading Technology Co. (ALT)	An associate (Note 1)
ALT Investment Limited (BVI) (ALTI)	An associate (Note 1 and Note 4)

Note 1: In July 2019, the Company lost its control over AIC and its subsidiaries, (including DAT, AME, ALT (Shanghai), ALT and ALTI), but still retained a significant influence over them. Thereafter, the Company reclassified them from subsidiaries to associates.

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

Note 3: The subsidiary was established in the fourth quarter of 2019.

Note 4: The subsidiary completed its liquidation procedure in 2019.

(b) Significant transactions with related-party

(i) Sales

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

	Sales		Accounts receivable – related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiaries	\$ <u>3,484,578</u>	<u>3,359,609</u>	<u>563,475</u>	<u>567,095</u>

- The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company through triangular trade and sold to the customers. The amount of semi-finished products sold in 2020 and 2019 were \$629,006 and \$274,640, respectively, which were written off against the related cost of goods sold; therefore, the Company did not recognize the above transaction as sales in the parent company only financial statements. As of December 31, 2020 and 2019, the accounts receivable arising from the sales of semi-finished products to subsidiaries amounted to \$153,639 and \$215,349, respectively.
- There were no significant differences in the selling prices offered to related parties and those of other customers. The trading terms to other customers are 45 days to 120 days, can be lengthened for related parties.

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(ii) Purchases

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

	Purchases		Accounts payable – related parties	
	2020	2019	December 31, 2020	December 31, 2019
PCH2	\$ 22,349,010	24,518,037	7,583,716	6,913,767
PCQ1	7,476,859	7,310,681	2,803,152	2,929,458
PKS1	2,230,988	1,682,952	1,067,535	1,214,876
Others (note)	613,050	234,379	171,117	81,073
	<u>\$ 32,669,907</u>	<u>33,746,049</u>	<u>11,625,520</u>	<u>11,139,174</u>

Note: Individual amount not exceeding 10%.

- As of December 31, 2020 and 2019, the amount of accounts payable arising from the transactions mentioned in note 7(b)(i) amounted to \$46,221 and \$88,248, respectively.
- The prices of purchases from related parties were determined based on the cost, plus a reasonable profit margin. The payment terms of related parties and other vendors are 60 days to 360 days and 30 days to 120 days, respectively.
- The accounts payable to subsidiaries which exceeded the normal payment terms and agreed by both parties were reclassified to other payables. As of December 31, 2020, other payables to related parties were \$293,440. There was no aforementioned transaction in 2019.

(iii) Purchase of service

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

	Purchase of service		Other payables	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiaries	\$ <u>45,027</u>	<u>54,343</u>	<u>4,875</u>	<u>2,940</u>

(iv) Receivable and payable on behalf of related parties

The other receivables arising from the materials purchased and shipping fee paid on behalf of the subsidiaries amounted to \$45,133 and \$75,073 for the years ended December 31, 2020 and 2019, respectively.

The other payables arising from the shipping fee paid by subsidiaries on behalf of the Company amounted to \$13,324 and \$21,949 on December 31, 2020 and 2019, respectively.

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**PRIMAX ELECTRONICS LTD.**  
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## (v) Guarantees and endorsements

The amounts of guarantee the Company provided to PCH2 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Purchasing of raw materials	<u>\$ 285,080</u>	<u>301,060</u>

## (vi) Lease

The Company leased out its investment properties to its subsidiaries as office buildings and entered into 15-years lease contract by reference of the rental price of the nearby offices. The rental income in 2020 and 2019 both amounted to \$9,914 and there were no outstanding receivables on December 31, 2020 and 2019. Please refer to note 6(n) for non-cancellable receivable.

## (c) Key management personnel compensation

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 139,308	128,738
Post-employment benefits	871	972
Share-based payments	63,910	26,655
	<u>\$ 204,089</u>	<u>156,365</u>

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

**(8) Pledged assets: None****(9) Significant commitments and contingencies:**

- (a) For the detail of the Company's guarantees provided to subsidiaries, please refer to notes 7 and 13.
- (b) The following are savings accounts provided by the Company to the banks in order for the bank to issue a guarantee letter to customs as guarantee deposits.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guarantee letters	<u>\$ 6,000</u>	<u>7,000</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Sales of accounts receivable	<u>\$ 164,905</u>	<u>519,329</u>
Long-term borrowings	<u>\$ -</u>	<u>400,000</u>

- (d) The Company entered into lease agreements for its office. Please refer to note 6(m) for future lease liabilities.

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**PRIMAX ELECTRONICS LTD.**  
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**(10) Losses due to major disasters: None****(11) Subsequent events:None****(12) Other:**

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

By item	By function	2020			2019		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		95,083	1,282,956	1,378,039	107,077	1,375,856	1,482,933
Labor and health insurance		7,018	84,811	91,829	6,634	80,305	86,939
Pension		3,573	46,505	50,078	3,442	45,448	48,890
Remuneration of directors		-	45,191	45,191	-	58,794	58,794
Others		1,724	53,208	54,932	3,520	55,335	58,855
Depreciation		92,805	23,907	116,712	91,444	20,460	111,904
Amortization		5	18,589	18,594	-	23,276	23,276

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Numbers of employees	<u>844</u>	<u>843</u>
Numbers of directors, but not employees concurrently	<u>6</u>	<u>7</u>
The average employee benefits	<u>\$ 1,879</u>	<u>2,007</u>
The average salaries and wages	<u>\$ 1,644</u>	<u>1,774</u>
Adjustment of the average salaries and wages	<u>(7.33)%</u>	
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

The Company's remuneration policy to directors, supervisors, managers and employees are as follows:

The Company's remuneration to directors includes directors' remuneration and bonuses. According to the policy stipulated in the Articles of incorporation, wherein no more than 2% of the profit, if applicable, shall be allocated as remuneration to directors. The remuneration distributed to directors shall be resolved by a majority vote at the Board of Directors attended by directors representing two-thirds or more of the voting rights, and be reported during the shareholders' meeting. The bonuses to directors are proposed by the Human Resource Department based on the considerations for the competitive environment and operational risks and in line with the corporate management policy and bonus plan, which are then sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approves the proposal.

The remuneration to employees and managers consists of fixed salary and variable rewards. The fixed salary is the basic salary of the employees, and the variable rewards are mainly linked to the Company's (or various business units') operational performance and strategic goal achieving status. The rewards policy is proposed by the Human Resource Department based on the corporate salary policy and bonus plan. The bonus plan for the managers has to be evaluated and approved by the Remuneration Committee, and thereafter, proposed to the Board of Directors for resolution.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(13) Other disclosures:****(a) Information on significant transactions:**

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

**(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	330,101	293,440	293,440	0	Short-term loan to other parties	-	Operating capital	-	-	-	807,941	807,941
2	Tymphony Huizhou	TYM HK	Other receivables	"	91,334	-	-	0	"	-	"	-	-	-	1,116,539	2,233,078

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

**(ii) Guarantees and endorsements for other parties:**

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	3,986,350	303,300	285,080	1,622	-	2.15 %	10,630,267	Y	N	Y
1	Tymphony Huizhou	TYM UK	The subsidiary of TYM Acoustic HK	1,674,809	6,907	6,795	6,795	-	0.12 %	4,466,157	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.

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):**

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Shares:							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	WK Technology Fund IV LTD.	-	"	161	1,263	0.38	1,263	
	Changing Information Technology Inc.	-	"	202	6,002	1.48	6,002	
	Formosoft International Inc.	-	"	11	-	0.41	-	
	Syntronix Corp.	-	"	7	49	0.02	49	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Grove Ventures L.P.	-	"	-	60,722	2.73	60,722	
	Grove Ventures II, L.P.	-	"	-	26,227	3.25	26,227	
					<b>94,263</b>			
Primax Tech.	Shares:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
	WK Global Investment III Ltd.	-	"	361	27,409	1.32	27,409	
				<b>27,409</b>				

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

Name of company	Security type and name	Account	counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
PCH2	Money market fund of RMB	Financial assets at FVTPL	Initial Offerings	None	-	-	-	1,196,216	-	1,192,438	1,190,757	(3,778)	-	-
PCQ1	Money market fund of RMB	"	"	"	-	-	-	550,056	-	548,937	548,258	(1,119)	-	-
PKS1	Money market fund of RMB	"	"	"	-	-	-	69,440	-	69,726	69,445	286	-	-
The Company	Primax Singapore	Investment accounted for using equity method	"	Subsidiary	10,100	286,269	10,000	301,000	-	-	-	-	20,100	451,425 (note 1)
Tymphony Huizhou	TYM Acoustic HK	"	"	"	185,536	1,190,387	232,554	903,000	-	-	-	-	418,090	2,402,172 (note 1)
TYM Acoustic HK	TYTH	"	"	"	1,500	55,387	3,150	395,865	-	-	-	-	4,650	427,843 (note 1)

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

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

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

(Continued)

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only Financial Statements

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PCH2	The subsidiary of Primax HK	Purchase	22,349,010	68 %	60 days	Price agreed by both side	The same as general purchasing	(7,583,716)	(65)%	
"	PKS1	"	Purchase	2,230,988	7 %	"	"	"	(1,360,975)	(12)%	note 1
"	PCQ1	"	Purchase	7,476,859	23 %	"	"	"	(2,803,152)	(24)%	
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(3,429,061)	(10) %	90 days	"	The same as general selling	380,107	5%	
"	Primax Thailand	The subsidiary of Primax Singapore.	Purchase	613,050	2 %	60 days	"	The same as general purchasing	(171,117)	(1)%	
PCH2	The Company	The parent of Primax Cayman	(Sale)	(22,349,010)	(84) %	"	"	The same as general selling	7,583,716	86%	
PKS1	"	"	(Sale)	(2,230,988)	(100) %	"	"	"	1,360,975	100%	note 1
PCQ1	"	"	(Sale)	(7,476,859)	(78) %	"	"	"	2,803,152	86%	
Primax Thailand	"	The parent of Primax Singapore.	(Sale)	(613,050)	(92) %	"	"	"	171,117	95%	
Polaris	"	The parent of Primax Tech.	Purchase	3,429,061	100 %	90 days	"	The same as general purchasing	(380,107)	(100)%	
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(4,846,055)	(73) %	60 days	"	The same as general selling	1,918,374	91%	
"	TYM Acoustic HK	Subsidiary	(Sale)	(128,122)	(2) %	"	"	"	20,183	1%	
"	Tymphony Dongguan	"	Purchase	136,680	2 %	"	"	The same as general purchasing	(72,326)	(4)%	
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	519,874	3 %	"	"	"	(209,815)	(4)%	
"	"	"	(Sale)	(14,670,226)	(97) %	"	"	The same as general selling	3,807,364	96%	
"	Tymphony Huizhou	Parent	(Sale)	(136,680)	(1) %	"	"	"	72,326	2%	
"	TYDC	Subsidiary	(Sale)	(102,767)	(1) %	"	"	"	40,214	1%	
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(2,361,105)	(88) %	"	"	"	415,132	65%	
"	Tymphony Dongguan	Parent	Purchase	102,767	4 %	"	"	The same as general purchasing	(40,214)	(6)%	
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(311,369)	(12) %	"	"	The same as general selling	220,349	35%	
TYM Acoustic Europe	TYM Acoustic Europe	Subsidiary	Purchase	1,521,567	69 %	90 days	"	The same as general purchasing	(289,275)	(47)%	
"	Tymphony Huizhou	Parent	Purchase	128,122	6 %	60 days	"	"	(20,183)	(3)%	
"	TYDC	The subsidiary of Tymphony Huizhou	Purchase	311,369	14 %	"	"	"	(220,349)	(36)%	
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(1,521,567)	(87) %	90 days	"	The same as general selling	289,275	72%	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only 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	4,846,055	20 %	60 days	"	The same as general purchasing	(1,918,374)	(30)%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	14,670,226	62 %	"	"	"	(3,807,364)	(59)%	
"	"	"	(Sale)	(519,874)	(2) %	"	"	The same as general selling	209,815	4%	
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,361,105	10 %	"	"	The same as general purchasing	(415,132)	(6)%	
"	Tymphony Acoustic	The subsidiary of TYM Acoustic HK	Purchase	144,552	1 %	"	"	"	(106,040)	(2)%	
"	TYML	Subsidiary	(Sale)	(3,775,613)	(15) %	90 days	"	The same as general selling	218,130	4%	
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	555,462	2 %	60 days	"	The same as general purchasing	(185,654)	(3)%	
"	"	"	(Sale)	(140,764)	(1) %	"	"	The same as general selling	53,068	1%	
"	Specialty	Other related party	(Sale)	(579,656)	(2) %	90 days	"	"	198,189	4%	
Tymphony Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(144,552)	(15) %	60 days	"	"	106,040	83%	
TYML	"	Parent	Purchase	3,775,613	100 %	90 days	"	The same as general purchasing	(218,130)	(100)%	
TYTH	"	The subsidiary of TYM Acoustic HK	Purchase	140,764	25 %	60 days	"	"	(53,068)	(15)%	
"	"	"	(Sale)	(555,462)	(100) %	"	"	The same as general selling	185,654	100%	

Note 1: The Company's accounts payable to PKS1 amounting to TWD\$293,440 was overdue from its normal payment term. Therefore, these accounts payable was transferred to other payable.

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Polaris	The subsidiary of Primax Tech.	380,107	9.64	-	-	380,107	-
"	PCH2	The subsidiary of Primax HK.	153,639 (note 2)	3.41	-	-	39,194	-
"	"	"	20,678	(note 3)	-	-	15,739	-
PCH2	The Company	The parent of Primax Cayman	7,583,716	3.08	-	-	5,841,436	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	234,673	(note 3)	-	-	75,221	-
"	Primax Thailand	The subsidiary of Primax Singapore	216,172	"	-	-	46,329	-
PKS	The Company	The parent of Primax Cayman	1,067,535	1.95	-	-	176,945	-
"	"	"	293,440	(note 4)	-	-	293,440	-
PCQ	"	"	2,803,152	2.61	-	-	1,556,747	-
Primax Thailand	"	The parent of Primax Singapore	171,117	7.17	-	-	171,117	-

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only 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		
Tymphony Huizhou	TYM HK	The subsidiary of TYM Acoustic HK	1,918,374	1.66	-	-	886,402	-
Tymphony Dongguan	"	"	3,807,364	2.65	-	-	3,519,439	-
"	"	"	199,141	(note 3)	-	-	77,586	-
TYDC	"	"	415,132	2.13	-	-	175,579	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	220,349	2.82	-	-	132,879	-
TYM Acoustic Europe	"	Parent	289,275	3.35	-	-	160,672	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	209,815	3.89	-	-	57,189	-
"	"	"	2,393,582	(note 3)	-	-	683,074	-
"	TYDC	The subsidiary of Tymphony Dongguan	826	107.67	-	-	-	-
"	"	"	115,227	(note 3)	-	-	115,227	-
"	TYML	Subsidiary	218,130	3.08	-	-	212,395	-
"	Specialty	Other related party	198,189	3.06	-	-	84,772	-
Tymphony Acoustic	TYM HK	The subsidiary of TYM Acoustic HK	106,040	1.00	-	-	105,009	-
TYTH	"	"	185,654	5.98	-	-	185,654	-

Note 1: Amounts collected as of February 19, 2021.

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, 2020 was \$629,006, 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.

(ix) Trading in derivative instruments: Please refer to note 6(b) in the consolidated financial statements for the year ended December 31, 2020.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	6,422,749	356,383	425,429	
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,497,936	108,648	145,801	
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(2,996)	3,067	3,067	
"	Destiny Japan	Japan	Market development and customer service	7,032	7,032	0.50	100.00	18,197	361	361	
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	5,469,479	54,514	53,747	
"	Gratus Tech.	USA	Market development and customer service	9,330	9,330	300	100.00	12,329	1,125	1,125	
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	596,460	(364,325)	(364,325)	
"	Primax Singapore	Singapore	Holding company	619,150	318,150	20,100	100.00	451,425	(105,955)	(114,387)	
	Total			9,425,798	9,124,798			15,465,579	53,818	150,818	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
Notes to the Parent Company Only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Primax Singapore	Primax Thailand	Thailand	Manufacture and sale of computer peripherals devices and software	588,291	302,126	600	99.99	456,888	(105,889)	(105,889)	
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	6,449,850	356,963	356,963	
Primax Tech.	Polaris	USA	Sale of multi-function printers and computer peripheral devices	52,680	52,680	1,600	100.00	383,940	7,207	7,207	
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	5,568,549	129,052	55,243	
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	536,303	(175,361)	(84,179)	
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	Research and development, design, and sale of audio accessories, amplifiers and their components and holding company	1,592,954	689,954	418,090	100.00	2,402,172	371,365	371,365	
TYM Acoustic HK	TYM HK	Hong Kong	Holding company and sale of audio accessories, amplifiers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,359,063	299,510	299,510	
"	TYP	USA	Market development and customer service of amplifiers and their components	15 (note 1)	15 (note 1)	0.50	100.00	15,780	2,022	2,022	
"	TYM UK	United Kingdom	Research and development, design of audio accessories, amplifiers and their components	15,631	15,631	400	100.00	23,195	2,500	2,500	
"	TYM Acoustic Europe	Czech	Manufacture, install and repair of audio accessories and their components	653,796	653,796	187,800	100.00	771,206	27,444	27,444	
"	Tymphony Acoustic	Taiwan	Research and development, design, and sale of audio accessories, amplifiers and their components	48,318	48,318	5,000	100.00	118,355	48,320	48,320	
"	TYTH	Thailand	Manufacture and sales of audio accessories, amplifiers and their components	455,877	60,012	4,650	99.99	427,843	(17,206)	(17,206)	
TYM HK	TYML	USA	Sales of audio accessories, amplifiers and their components	6,628	6,628	200	100.00	9,684	406	406	

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	1,948,353	Indirect investment through Primax Cayman and Primax Tech.	1,652,504	-	-	1,566,806	320,684	100%	320,684	6,132,213	-
Destiny Beijing	Research and development of computer peripheral devices and software	38,596	Indirect investment through Destiny BVI.	31,611	-	-	29,933	3,067	100%	3,067	(3,000)	-
PKS1	Manufacture of computer, peripherals and keyboards	853,119	Indirect investment through Primax Cayman	662,332	-	-	627,176	(18,813)	100%	(18,813)	807,941	-
PCQ1	Manufacture of computer, peripherals and keyboards	833,752	"	602,120	-	-	570,160	158,604	100%	158,604	1,532,069	-
Tymphony Huizhou	Research and development, design, and sale of audio accessories, amplifiers and their components	1,782,899	Indirect investment through Diamond	3,883,674	-	-	3,677,532	190,941	71.43%	136,393	3,987,838	-
Tymphony Dongguan	"	142,540	"	15,053	-	-	14,254	65,040	71.43%	181,934	539,298	-
TYDC	"	87,382	"	-	-	-	-	(5,520)	71.43%	(3,943)	150,848	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.6772 ; USD:TWD 28.508; CNY:TWD 4.3691.

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.

## (ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	6,907,076	8,084,807	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.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only 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, 2020, are disclosed in "Information on significant transactions".

## (d) Major shareholders:

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

## (14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for details.

## PRIMAX ELECTRONICS LTD.

## Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ 600
Checking accounts and demand deposits		2,058,286
Time deposits – foreign currency	USD 46,000 ; Exchange rate 28.508	<u>1,311,368</u>
		<u><u>\$ 3,370,254</u></u>

## Statement of accounts receivable

Item	Description	Amount
Accounts receivable:		
Corporation P	Operating revenue	\$ 1,383,508
Corporation A	"	604,581
Corporation N	"	417,780
Other (individual amount not exceeding 5%)	"	<u>4,194,782</u>
Total		6,600,651
Less: Allowance for doubtful accounts		<u>(24,844)</u>
Net accounts receivable		<u><u>\$ 6,575,807</u></u>

## PRIMAX ELECTRONICS LTD.

## Statement of other receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Receivables due to sale of accounts receivable	Remaining receivables due to sale of accounts receivable	\$ 158,092
Other receivables – related parties	Payable on behalf of related parties	45,133
Business tax refund receivables		16,840
Other (individual amount not exceeding 5%)		<u>147</u>
Total		<u><u>\$ 220,212</u></u>

## Statement of inventories

Item	Cost	Net realizable value
Finished goods and merchandises	\$ 3,997,628	4,608,491
Less: Provision for finished goods and merchandises	<u>(61,644)</u>	
Subtotal	<u>3,935,984</u>	
Semi-finished products	107,746	107,373
Less: Provision for semi-finished products	<u>(406)</u>	
Subtotal	<u>107,340</u>	
Raw material	103,028	<u>99,406</u>
Less: Provision for raw material	<u>(12,652)</u>	<u>\$ 4,815,270</u>
Subtotal	<u>90,376</u>	
Net amount	<u><u>\$ 4,133,700</u></u>	

## PRIMAX ELECTRONICS LTD.

## Statement of changes in financial assets measure at fair value through other comprehensive income — non-current

From January 1 to December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments (Note 1)		Ending Balance		Pledged or guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Green Rich Technology Co., Ltd.	359	\$ -	-	-	-	-	-	-	359	-	None
WK Technology Fund IV Ltd.	161	1,076	-	-	-	-	-	187	161	1,263	"
Changing Information Technology Inc.	184	2,102	-	-	-	-	18	3,900	202	6,002	"
Formosoft International Inc.	11	-	-	-	-	-	-	-	11	-	"
Syntronix Corp.	7	49	-	-	-	-	-	-	7	49	"
Ricavision International Inc.	917	-	-	-	-	-	-	-	917	-	"
Grove Ventures, L.P	-	55,094	-	9,006	-	-	-	(3,378)	-	60,722	"
Grove Ventures II, L.P	-	7,226	-	19,888	-	-	-	(887)	-	26,227	"
		<u>\$ 65,547</u>		<u>28,894</u>		-		<u>(178)</u>		<u>94,263</u>	

Note 1: Other adjustments comprise unrealized gains or losses on financial assets at fair value through other comprehensive income and stock dividend.

## PRIMAX ELECTRONICS LTD.

## Statement of changes in investment accounted for using equity method

From January 1 to December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments		Ending Balance		Market value or book value	Pledged or guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Percentage of holding shares	Amount		
Primax Industries (Cayman Holding) Ltd.	8,147,636	\$ 5,917,542	-	-	-	-	505,207	8,147,636	100.00 %	6,422,749	6,508,713	None
Primax Technology (Cayman Holding) Ltd.	285,067	2,361,803	-	-	-	-	136,133	285,067	100.00 %	2,497,936	2,512,121	"
Destiny Technology Holding Co., Ltd	1,050	(5,523)	-	-	-	-	2,527	1,050	100.00 %	(2,996)	(2,996)	"
Primax Destiny Co., Ltd.	0.5	17,845	-	-	-	-	352	0.5	100.00 %	18,197	18,197	"
Diamond (Cayman) Holdings Ltd.	129,050	5,418,593	-	-	-	-	50,886	129,050	100.00 %	5,469,479	5,577,659	"
Gratus Technology Corp.	300	11,880	-	-	-	-	449	300	100.00 %	12,329	12,329	"
Primax AE (Cayman) Holdings Ltd.	48,200	965,342	-	-	-	-	(368,882)	48,200	100.00 %	596,460	596,460	"
Primax Electronics (Singapore) Pte. Ltd	10,100	286,269	10,000	301,000	-	-	(135,844)	20,100	100.00 %	451,425	459,857	"
		<u>\$ 14,973,751</u>		<u>301,000</u>		-	<u>190,828</u>			<u>15,465,579</u>	<u>15,682,340</u>	

Note 1: Adjustments under equity method valuation.

**PRIMAX ELECTRONICS LTD.**  
**Statement of changes in property, plant and equipment**  
**From January 1 to December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

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

**Statement of changes in right-of-use assets**

Please refer to note 6(h) for right-of-use assets.

**Statement of changes in investment property**

Please refer to note 6(i) for investment property.

**PRIMAX ELECTRONICS LTD.**  
**Statement of short-term borrowings**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Bank</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of interest rate</u>	<u>Credit Line</u>	<u>Pledged on guaranteed</u>
Mega International Commercial Bank	Unsecured bank loans	\$ 80,000	1 month	0.825%	600,000	None
Tiashin International Bank	"	50,000	1 month	0.8%	800,000	"
O-Bank	"	50,000	1 month	0.93%	330,000	"
OCBC Bank	"	<u>100,000</u>	1 month	0.92%	570,160	"
		<u>\$ 280,000</u>				

**Statement of other payables**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Expense payables	Research and development expense for projects and inspection	\$ 941,840
	Taxes related to income and tariff	660,239
	Intercompany loans	293,440
	Employee and director remuneration	226,952
Others (note)	Accounts payable for labor and health insurance, employee benefits and freight expense	40,586
Total		<u>\$ 2,163,057</u>

Note : individual amount not exceeding 5%

## PRIMAX ELECTRONICS LTD.

## Statement of other current liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Remedy received in advance		\$ 263,036
Contract liabilities	Advance sales receipts — non-related parties	121,554
Advance receipts for purchasing inventory		111,710
Equipment receivable received on behalf of non-related parties		37,349
Other (note)		<u>7,628</u>
Total		<u>\$ 541,277</u>

Note : individual amount not exceeding 5%

## Statement of other non-current liabilities

Item	Amount
Deferred tax liabilities — non-current	\$ 381,775
Advance receipts on behalf of non-related parties	262,063
Accrued pension liabilities	67,945
Other (note)	<u>4,857</u>
	<u>\$ 716,640</u>

Note : individual amount not exceeding 5%

## PRIMAX ELECTRONICS LTD.

## Statement of lease liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount rate	Ending Balance	Note
Lease liabilities — current					
	Buildings	2021.08-2023.11	2.17%-2.31%	\$ 86,814	
	Vehicles	2021.06-2023.02	1.28%-1.64%	3,069	
	Other Equipments	2021.06-2022.07	1.28%-1.64%	<u>1,257</u>	
				<u>\$ 91,140</u>	
Lease liabilities — Non-current					
	Buildings	2023.11	2.17%	173,273	
	Vehicles	2023.02	1.64%	749	
	Other Equipments	2022.07	1.48%	<u>172</u>	
				<u>\$ 174,194</u>	

## PRIMAX ELECTRONICS LTD.

## Statement of operating revenue

From January 1 to December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount
Operating revenue:		
Computer peripherals	89,030	\$ 25,368,244
Non-Computer peripherals	45,362	<u>10,476,848</u>
		35,845,092
Less: Sales returns		(50,769)
Sales discounts		<u>(1,253,955)</u>
		34,540,368
Net service revenue		<u>449,659</u>
Net operating revenue		<u><u>\$ 34,990,027</u></u>

## PRIMAX ELECTRONICS LTD.

## Statement of operating costs

From January 1 to December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material On January 1, 2020	\$ 119,208
Add: Purchases of raw materials	727,873
Less: Raw materials on December 31, 2020	(103,028)
Sales of raw material	(61,976)
Losses on disposal of raw materials	<u>(4,336)</u>
Raw materials used	677,741
Manufacturing overhead	<u>125,185</u>
Manufacturing cost	802,926
Add: Semi-finished products on January 1, 2020	124,121
Purchases of semi-finished products	583,557
Less: Semi-finished products on December 31, 2020	(107,746)
Sales of semi-finished products	(325,740)
Losses on disposal of semi-finished products	<u>(5,909)</u>
Cost of finished goods	1,071,209
Add: Finished goods and merchandises on January 1, 2020	3,051,049
Purchases of finished goods and merchandises	31,057,105
Less: Finished goods and merchandises on December 31, 2020	(3,997,628)
Losses on physical finished goods and merchandises	(87)
Losses on disposal of finished goods	<u>(29,175)</u>
Cost of finished goods and merchandises	31,152,473
Service costs	65,169
Sales of raw material and semi-finished products	387,716
Loss on inventory valuation, obsolescence and physical inventories	(8,637)
Loss on disposal of inventories	<u>39,420</u>
Operating Costs	<u><u>\$ 31,636,141</u></u>

## PRIMAX ELECTRONICS LTD.

## Statement of selling, administrative, research and development expenses

From January 1 to December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	\$ 234,647	335,466	758,034
Service expense	37,364	59,088	11,237
Insurance expense	36,702	16,986	53,843
Storage expense	61,154	-	-
Freight expense	34,826	48	1,380
Other expense (note)	92,303	91,191	272,628
Total	\$ 496,996	502,779	1,097,122

Note : individual amount not exceeding 5%



 Primax Electronics Ltd.


 Chairman and General Manager

Liang, Li-Sheng

