

Stock Code: 4915



## **PRIMAX ELECTRONICS LTD.**

### Handbook for the 2015 Annual General Meeting of Shareholders (Translation)

Time : June 29, 2015

Venue: No. 2, Xuzhou Road, Zhongzheng District 100, Taipei City  
(NTUH International Conventional Center)

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## PRIMAX ELECTRONICS LTD.

### Procedure for the 2015 Annual General Meeting of Shareholders

1. Meeting called to order
2. Chairperson Remark
3. Report
4. Adoption
5. Discussion and Election
6. Extempore Motion
7. Meeting Adjournment

**PRIMAX ELECTRONICS LTD.**  
**2015 Annual General Shareholders' Meeting Agenda**

- 1、Time： June 29, 2015 (Monday) 9 AM
- 2、Venue： 4F No. 2, Xuzhou Road, Zhongzheng District 100, Taipei City  
(NTUH International Conventional Center)
- 3、Meeting called to order (declare the number of shares represented by shareholders present at the meeting)
- 4、Chairperson Remark
- 5、Report
  - a. The Company's 2014 Business Report
  - b. Supervisor's audit report of 2014 final books and statements
- 6、Adoption
  - a. The Company's 2014 business report and financial statements
  - b. Ratification of the vesting conditions in the 2014 Regulations on Issuance of Restricted Stock Awards
  - c. The Company's 2014 distribution of earnings
- 7、Discussion and Election
  - a. Amend the Company's Articles of Incorporation
  - b. Amend the Company's Rules for Election of Directors and Supervisors
  - c. Amend the Company's Procedures for Lending Funds to Other Parties
  - d. Amend the Company's Procedures for Endorsements & Guarantees
  - e. Amend the Company's Procedures for Acquisition or Disposal of Assets
  - f. Election of all directors
  - g. Removal of the non-compete restrictions on newly appointed directors
- 8、Extempore Motion
- 9、Meeting Adjournment

## **Report**

**Report No. 1:** The Company's 2014 Business Report for review

**Description:**

Refer to Schedule 1 of the Handbook (from page 10 to page 11) for the 2014 Business Report

**Report No. 2:** Supervisor's audit report of 2014 final books and statements for review

**Description:**

Refer to Schedule 2 of the Handbook (page 12) for the supervisor's audit report.

## **Adoption**

1. **(Proposed by the Board)**

**Proposal :**

Adoption of the Company's 2014 Business Report and Financial Statements

**Description:**

The Company has completed the internal preparation of the 2014 Individual and Consolidated Financial Statements and has provided the reports to Wu Mei-Pin, CPA and Chen Cheng-Chien, CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Refer to Schedule 1, from page 10 to page 11, and Schedule 3, from page 13 to page 23, of the Handbook for the above Financial Statements as well as the Business Report.

**Resolution:**

2. **(Proposed by the Board)**

**Proposal**

Ratification of the vesting conditions in the 2014 Regulations on Issuance of Restricted Stock Awards

**Description:**

- (1) The Company's 2014 Regulation on Issuance of Restricted Stock Awards has been approved per the Financial Supervisory Commission's Jin-Guan-Zheng-Fa-Zi No. 1030039492 of October 6, 2014.
- (2) As required under Paragraph 7 of the above approval letter, the Company needs to submit the various vesting conditions in the 2014 Regulations on Issuance of Restricted Stock Awards to the next shareholders' meeting for ratification. Details are as follows:

Vesting conditions: Categorized as three types, i.e. Type A, B and C, based on accomplishment of personal performance goals

a. Type A vesting conditions:

- (i) Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 30% shares.

- (ii) Employees who are continuously employed by the Company for two years after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 30% shares.
  - (iii) Employees who are continuously employed by the Company for three years after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 40% shares.
- b. Type B vesting conditions:
- (i) Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 50% shares.
  - (ii) Employees who are continuously employed by the Company for two years after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 50% shares.
- c. Type C vesting conditions:
- Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 100% shares.
- d. The individual's performance above refers to accomplishment of the performance goals established according to the Company's performance evaluation and development policy, including accomplishment of the desired level of contribution and special merits.
- e. If, after granting of the restricted stock awards, an employee commits gross negligence such as violation of employment contract or work rules, the Company shall have the right to recover the restricted stock awards for which the vesting conditions have not been met and cancel the stock grants.

***Resolution:***

**3.**

**(Proposed by the Board)**

***Proposal :***

Adoption of the Company's 2014 distribution of earnings

***Description:***

- (1) The Company's 2014 net profit after tax is NT\$ 1,544,690,051, plus this year's actuarial gain from defined benefit plans NT\$ 3,343,509, minus legal reserve provision NT\$ 154,469,005, plus beginning retained earnings NT\$ 1,584,454,038, the distributable retained earnings are NT\$ 2,978,018,593. The 2014 distribution of earnings prepared according to the Articles of Incorporation is as follows:

PRIMAX ELECTRONICS LIMITED  
 PRIMAX ELECTRONICS LTD.  
 PROFIT ALLOCATION PROPOSAL  
 December 31, 2014

Unit: NT\$

<b>Beginning retained earnings</b>		<b>1,584,454,038</b>
Add: net profit after tax	1,544,690,051	
Actuarial Gain from Defined Benefit Plans	3,343,509	
<b>Distributable net profit</b>		<b>3,132,487,598</b>
Less : 10% legal Reserve	154,469,005	
<b>distributable retained earnings</b>		<b>2,978,018,593</b>
Distribution Item :		
Cash Dividends to Common Share Holders(NT\$1.8 per share)	791,106,682	
<b>Unappropriated Retained Earnings</b>		<b>2,186,911,911</b>
Note : Employees' cash bonus of NT\$71,000,000. Compensation of directors and supervisors of NT\$27,800,000.		

Chairman :	General Manager :	Accounting Manager:
Liang, Li-Sheng	Yang, Hai-Hung	Pan, Yan-Jen

Note: 1. The per share dividends above are based on the 439,503,712 outstanding shares as of March 24, 2015.  
 2. For the distribution of cash dividends, all dollar amounts less than NT\$ 1 for fractional shares shall be listed as the Company's other income.

- (2) For this distribution of profits, the 2014 earnings will be subject to distribution on a priority basis.
- (3) The cash dividends total NT\$ 791,106,682 and the per share dividends to be distributed are NT\$ 1.8. The dividends will be distributed to the shareholders listed in the shareholders' roster on the ex-dividend date according to their respective shareholding. The above distribution ratio is calculated based on the total 439,503,712 outstanding shares as of March 24, 2015. After the proposal is approved at the regular shareholders' meeting, it is proposed the board of directors shall be authorized to determine the ex-dividend date and relevant matters.
- (4) For the distribution of earnings, in the event of an employee's exercise of the right to convert the subscription warrants to common shares, satisfaction of the vesting conditions on restrictive stock awards, buyback of the Company's shares, assignment or cancellation of treasury stock which influences the ratio of distributable dividends, it is proposed the shareholders' meeting shall authorize the Board of Directors to make proportionate adjustments to the ratio of distributable dividends based on the number of outstanding shares on the ex-dividend date.
- (5) It is proposed to distribute NT\$ 71,000,000 as cash bonus for employees and NT\$ 27,800,000 as remunerations for directors and supervisors. Due to the difference in the amounts stated in the account books (caused by accounting estimates), the above amounts are reduced by NT\$ 318,216 and NT\$ 727,286, respectively, which will be handled according to the changes in accounting estimates.

**Resolution:**

## **Discussion and Election**

1. **(Proposed by the Board)**

***Proposal :***

Resolution of amendments to the Company's "Articles of Incorporation".

***Description:***

- (1) It is proposed certain provisions of the Company's "Articles of Incorporation" shall be amended as needed for legal compliance and for the Company's operational requirements, principally to implement electronic voting, establish an audit committee and a candidate nomination system.
- (2) Refer to Schedule 4, pages 24 to page 29, of the Handbook for a comparison of the amendments to the "Articles of Incorporation".

***Resolution:***

2. **(Proposed by the Board)**

***Proposal :***

Resolution of amendments to the "Rules for Election of Directors and Supervisors".

***Description:***

- (1) It is proposed certain provisions of the Company's "Rules for Election of Directors and Supervisors" shall be amended due to the establishment of the "Audit Committee" and the title of the rules shall also be changed to "Rules for Election of Directors".
- (2) Refer to Schedule 5, pages 30 to page 32, of the Handbook for a comparison of the amendments to the "Rules for Election of Directors and Supervisors".

***Resolution:***

3. **(Proposed by the Board)**

***Proposal :***

Resolution of amendments to the Company's " Procedures for Lending Funds to Other Parties ".

***Description:***

- (1) It is proposed certain provisions of the Company's " Procedures for Lending Funds to Other Parties " shall be amended due to the establishment of the "Audit Committee" to change the Company's operational procedure for loaning of funds to others.
- (2) Refer to Schedule 6, pages 33 to page 34, of the Handbook for a comparison of the amendments to the " Procedures for Lending Funds to Other Parties ".

***Resolution:***



**4. (Proposed by the Board)**

***Proposal :***

Resolution of amendments to the Company's " Procedures for Endorsements & Guarantees ".

***Description:***

- (1) It is proposed certain provisions of the Company's "Procedures for Endorsements & Guarantees " shall be amended due to the establishment of the "Audit Committee" to change the Company's operational procedure for lending capital to others.
- (2) Refer to Schedule 7, pages 35 to page 36, of the Handbook for a comparison of the amendments to the " Procedures for Endorsements & Guarantees ".

***Resolution:***

**5. (Proposed by the Board)**

***Proposal :***

Resolution of amendments to the Company's "Procedures for Acquisition or Disposal of Assets.

***Description:***

- (1) It is proposed certain provisions of the Company's " Procedures for Acquisition or Disposal of Assets " shall be amended due to the establishment of the "Audit Committee".
- (2) Refer to Schedule 8, pages 37 to page 39, of the Handbook for a comparison of the amendments to the " Procedures for Acquisition or Disposal of Assets ".

***Resolution:***

**6. (Proposed by the Board)**

***Proposal :***

Election of all directors

***Description:***

- (1) As the term of the incumbent directors and supervisors of the Company will expire on June 18, 2015, it is proposed new directors shall be elected at the 2015 regular shareholders' meeting.
- (2) According to the Articles of Incorporation, five to nine directors may be elected. It is proposed nine directors (including three independent directors) shall be elected.
- (3) New directors (including independent directors) shall have a term of three years from June 29, 2015 to June 28, 2018.
- (4) To improve corporate governance, it is proposed the Company shall form an Audit Committee made up of all the independent directors in lieu of supervisors according to Article 16-1 of the Articles of Incorporation and Article 14-4 of the Securities and Exchange Act. After the establishment of the Audit Committee, the Company will no longer have supervisors.
- (5) Below is the list of the independent director candidates approved at the Company's board of directors' meeting on May 13, 2015, and their academic background, work experiences, and shareholdings:

**PRIMAX ELECTRONICS LTD.**  
**List of the Independent Director Candidates**

Name of Candidates	Education	Experience	Current Position	Shares
Ku, Tai-Jau	Bachelor of the College of Management, National Taiwan University	<ul style="list-style-type: none"> <li>● Taiwan Stock Exchange / Vice President</li> <li>● Taiwan Semiconductor Manufacturing Company, Ltd / Director</li> <li>● Wafer Tech, LLC / Director of Treasury</li> </ul>	<ul style="list-style-type: none"> <li>● Primax Electronics Limited /Independent Director</li> </ul>	0
Way, Yung-Do	Master of Business Administration, The University of Georgia , USA	<ul style="list-style-type: none"> <li>● Deloitte &amp; Touche / Chairman</li> <li>● Deloitte &amp; Touche / Honorary Chairman</li> <li>● United Way of Taiwan / President</li> </ul>	<ul style="list-style-type: none"> <li>● Synnex Technology International Corp. / Independent Director</li> <li>● Taiwan Cement Corp. / Independent Director</li> <li>● Far Eastern Department Stores Ltd. / Independent Director</li> <li>● Wowprime Corp. / Director</li> <li>● MiTAC Holdings Corporation / Representative Director</li> <li>● Vanguard International Semiconductor Co. / Representative Director</li> <li>● Sercomm Corp. / Representative Supervisor</li> <li>● Chilisin Electronics Corp. / Representative Supervisor</li> <li>● Iron Force Industrial Co., Ltd. / Supervisor</li> <li>● YCSY Co., Ltd. / Chairman</li> </ul>	500,000
Cheng, Chih-Kai	MBA, National Chiao-Tung University	<ul style="list-style-type: none"> <li>● Acorn Pacific Ventures / Co-Founder and Partner</li> <li>● Harbinger Venture Management / Co-Founder and General Partner</li> <li>● Synnex Corporation (USA) / Senior Vice President</li> </ul>	<ul style="list-style-type: none"> <li>● Astron Material (Taiwan) / Director of the board</li> <li>● Crown BioScience (Cayman Island) / Director of the board</li> <li>● Eureka Therapeutics / Director</li> <li>● B Current Impact Investment / Co-Founder and President</li> </ul>	0

(6) The election shall be conducted according to the Company's "Rules for Election of Directors and Supervisors".

***Voting Results:***

7.

(Proposed by the Board)

***Proposal :***

Resolution of removal of the non-compete restrictions on the newly appointed directors

***Description:***

- (1) According to Article 209 of the Company Act, a director who conducts business within the business scope of the Company for himself or others shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) To draw on the expertise and relevant experience of the Company's directors to the benefit of the Company, it is proposed to remove the non-compete restrictions on the Company's newly appointed directors subject to approval at the shareholders' meeting.

***Resolution:***

## **Extempore Motion**

## **Meeting Adjournment**

## Business Report

The hot sales of digital communication products worldwide and the strong confidence of the consumers in 2014 are reflected in the purchase orders and production momentum in the industry supply chain of the year. It was echoed with the prevalent use of smart phones and the change in the habit of the consumers, which triggered a strong demand for wireless acoustic products. In this favorable environment, PRIMAX revenue had surged to a record high in FY 2014. Furthermore, the massive capacity expansion activated in 2014 is about to be accomplished in this year. After the expansion, the production capacity can support the rapid growth in demand for camera modules and acoustic products. In January 2015, PRIMAX acquired 30% of the shareholdings of GLOBALTEK, a manufacturer of automobile and aerospace precision machinery. In the future, the company can outreach to different applications and platforms through the current product lines of GLOBALTEK. By then, the company will be able to utilize its corporate resources more effectively and increase the overall revenue and profit. The following is the report on our operation.

### 1. 2014 Financial Performance

#### (1) Financial Results

The company had net sales revenue amounting to NT\$42,356,385 thousand in FY 2014, which indicated growth of 14% from the same period of FY 2013. The consolidated net sales revenue of the whole business group amounted to NT\$52,239,777 thousand in FY 2014, which indicated growth of 23% from the same period of FY 2013. The consolidated corporate earnings amounted to NT\$1,608,967 thousand, which indicated growth of 141% from the same period of FY 2013.

#### (2) Cash Flow Analysis

Unit : NT\$ thousand

Account	2014	2013	Change in the amount
Net cash inflow (outflow) from operating activities	3,354,195	2,991,012	363,183
Net cash inflow (outflow) from investing activities	(3,756,779)	(722,280)	(3,034,499)
Net cash inflow (outflow) from financing activities	2,279,602	87,632	2,191,970

#### (3) Profitability Analysis

Account	2014	2013
Return on Equity (%)	18.03	9.05
Operating Income to Paid-in Capital (%)	42.10	16.02
Profit before Tax to Paid-in Capital (%)	47.11	21.01
Net Profit Margin (%)	3.08	1.58
Earnings per Share (Dollars)	3.57	1.55

#### (4) R&D Investments

The PRIMAX group has devoted NT\$ 1,893,251 thousand in FY 2014 to Research and Development, including the development and design of new product and the production process improvement.

## 2. Business Strategy and Technology Developments

The company operates in the acute competitive and fast changing environment of the electronic industry. The challenge is echoed with the change in the global macroeconomic environment and the challenges from the industry competitors. Yet, the company can keep abreast of the mainstream market trend of technologies. With stable paces in operation, and the principle of “Customer Foremost, Quality First”, the company provides services to the satisfaction of the customers for creating stable profit. In the future, the IT industry will develop towards cloud computing technology, mobile device, and digital home. PRIMAX will spare no effort in fortifying the research and development of key technologies, such as RFID, touch activation technology, backlight keyboard, cable/wireless acoustics, and high-end camera module encapsulation process. PRIMAX aims at the development of high-end product market and the proactive development of new products for enriching its product lines. Under the diversification strategy in FY 2015, PRIMAX expects further growth in revenue and gross profit.

In production, the company launched massive capacity expansion in FY 2015 for meeting the growth in demand of products under performance growth in the year, the development needs of products, the diversification of concentration risk in a single market, and response to the change in the labor market in Mainland China. It is expected that the expansion will be accomplished in this year. By then, PRIMAX can provide high capacity and high quality production support. In the future, the plant sites in Dongguan, Chongqing, Kunshan, and Huizhou will be the four major production bases. PRIMAX will fortify its production capability and optimize its allocation of production capacity.

In sales, the 2 major business groups of PRIMAX have development strategies elaborated below. The computer peripherals group is in a market with well-developed products. The upgrade of product quality and reduction of production cost will be sustained. It will be supported by the development of new application technologies and corresponding new products to meet the needs in different markets. For the non-computer peripherals group, which runs camera modules, printers, and cable/wireless acoustics, will also make effort in the development of new products and technologies. It also maintains high level of product R&D capability for development of new accounts quickly and increase market share. Through the in-house development or acquisition of advanced technologies from vertical integration, the company seeks to accelerate its affiliation with world-class front line products for business and profit growth as the intermediate and long-term goal. The company also seeks to extend its current product portfolios and technologies to different applications and platforms as the objective for long-term development.

Chairman : Liang, Li-Sheng

General Manager : Yang, Hai-Hung

Accounting Manager : Pan, Yen-Jen

## Supervisor Audit Report

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2014 Business Report, Financial Statements and Proposal for Distribution of Earnings prepared and submitted by the Board of Directors, the Financial Statements have been fully audited by KPMG Taiwan, appointed by the Board of Directors, which has issued the audit report.

The supervisors have audited the above Business Report, Financial Statements and Proposal for Distribution of Earnings and determined they are in compliance with the Company Act and other applicable laws and regulations and therefore issue this report pursuant to the provisions of Article 219 of the Company Act. I hereby submit this report.

Supervisor: Tsai, You-Wei

Supervisor: Shyu, Ciang-Chan

Supervisor: Chang, Te-Tsai

Date: March 24, 2015

## Independent Auditors' Report

The Board of Directors  
Primax Electronics Ltd.:

We have audited the accompanying balance sheets of Primax Electronics Ltd. as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Company's investee company Tymphany Worldwide Enterprises Ltd., which was accounted for under the equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to that investment, is based solely on the reports of the other auditors. The Company's investment in Tymphany Worldwide Enterprises Ltd. amounted to \$2,702,548 thousand, constituting 12% of the total assets, as of December 31, 2014. The related share of profit of associates accounted for using the equity method amounted to \$149,981 thousand, constituting 9% of the net profit before tax, for the year ended December 31, 2014.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Primax Electronics Ltd. as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 24, 2015

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuer and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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





**PRIMAX ELECTRONICS LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2014 and 2013**  
(expressed in thousands of New Taiwan dollars, except earnings per share)

	2014		2013	
	Amount	%	Amount	%
<b>Operating revenue (notes 6(r) and 7)</b>	\$ 42,356,385	100	37,257,934	100
<b>Operating cost (notes 6(e), (m), (o), and (p), 7 and 12)</b>	39,690,606	94	34,786,323	93
<b>Gross profit</b>	2,665,779	6	2,471,611	7
<b>Operating expenses (notes 6(m), (o), and (p), 7 and 12):</b>				
Selling expenses	643,337	1	599,993	2
Administrative expenses	388,961	1	283,352	1
Research and development expenses	880,132	2	850,485	2
	1,912,430	4	1,733,830	5
<b>Net operating income</b>	753,349	2	737,781	2
<b>Non-operating income and expenses:</b>				
Other income (note 6(s))	27,467	-	12,214	-
Other gains and losses (notes 6(c) and (t))	120,397	-	118,411	-
Share of profit of associates accounted for using equity method	949,194	2	9,687	-
Finance costs (note 6(u))	(217,073)	-	(18,802)	-
	879,985	2	121,510	-
<b>Income before income taxes</b>	1,633,334	4	859,291	2
<b>Income tax expense (note 6(n))</b>	88,644	-	190,743	-
<b>Net income</b>	1,544,690	4	668,548	2
<b>Other comprehensive income (loss):</b>				
Exchange differences on translation of foreign operation's financial statements, before tax	322,245	-	238,039	-
Unrealized gains and (losses) on available-for-sale financial assets, before tax	945	-	(238)	-
Actuarial gains on defined benefit plans, before tax (note 6(m))	3,344	-	1,240	-
Less: income tax relating to components of other comprehensive income	-	-	-	-
	326,534	-	239,041	-
<b>Comprehensive income</b>	\$ 1,871,224	4	907,589	2
<b>Earnings per share (note 6(q)):</b>				
<b>Basic earnings per share (NT dollars)</b>	\$ 3.57		1.55	
<b>Diluted earnings per share (NT dollars)</b>	\$ 3.52		1.53	

**PRIMAX ELECTRONICS LTD.**

**Statements of Changes in Equity**

**For the years ended December 31, 2014 and 2013**  
(expressed in thousands of New Taiwan dollars)

	Capital			Retained earnings			Exchange differences on translation of foreign operation's financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				
<b>Balance on January 1, 2013</b>	\$ 4,269,698	22,794	607,334	264,990	97,300	2,100,653	(137,902)	-	-	7,224,867
Net income in 2013	-	-	-	-	-	668,548	-	-	-	668,548
Other comprehensive income in 2013	-	-	-	-	-	1,240	238,039	(238)	-	239,041
Comprehensive income in 2013	-	-	-	-	-	669,788	238,039	(238)	-	907,589
Appropriation and distribution of retained earnings (note 1):										
Legal reserve	-	-	-	125,008	-	(125,008)	-	-	-	-
Special reserve	-	-	-	-	40,892	(40,892)	-	-	-	-
Cash dividends	-	-	-	-	-	(647,019)	-	-	-	(647,019)
Issuance of restricted stock	16,360	-	21,378	-	-	-	-	-	(37,738)	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	5,418	5,418
Compensation cost of share-based payment	-	-	9,127	-	-	-	-	-	-	9,127
Exercise of employee share options	-	37,731	-	-	-	-	-	-	-	37,731
Issuance of common stock for employee stock options and abandonment	49,675	(56,729)	10,908	-	-	-	-	-	-	3,854
<b>Balance on December 31, 2013</b>	4,335,733	3,796	648,747	389,998	138,192	1,957,522	100,137	(238)	(32,320)	7,541,567
Net income in 2014	-	-	-	-	-	1,544,690	-	-	-	1,544,690
Other comprehensive income in 2014	-	-	-	-	-	3,344	322,245	945	-	326,534
Comprehensive income in 2014	-	-	-	-	-	1,548,034	322,245	945	-	1,871,224
Appropriation and distribution of retained earnings (note 2):										
Legal reserve	-	-	-	66,855	-	(66,855)	-	-	-	-
Special reserve	-	-	-	-	(40,892)	40,892	-	-	-	-
Cash dividends	-	-	-	-	-	(347,105)	-	-	-	(347,105)
Issuance of restricted stock	3,550	-	11,576	-	-	-	-	-	(15,126)	-
Retirement of restricted stock	(3,200)	-	(4,254)	-	-	-	-	-	7,454	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	21,751	21,751
Compensation cost of share-based payment	-	-	14,487	-	-	-	-	-	-	14,487
Exercise of employee stock options	-	48,589	-	-	-	-	-	-	-	48,589
Issuance of common stock for employee stock options and abandonment	10,495	(13,482)	2,987	-	-	-	-	-	-	-
<b>Balance on December 31, 2014</b>	\$ 4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	707	(18,241)	9,150,513

Note 1: Directors' and supervisors' remuneration of \$54,000 have been deducted from the statement of comprehensive income for 2012.

Note 2: Directors' and supervisors' remuneration of \$12,000 and employee bonuses of \$32,000 have been deducted from the statement of comprehensive income for 2013.

**PRIMAX ELECTRONICS LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2014 and 2013**  
(expressed in thousands of New Taiwan dollars)

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Income before income taxes	\$ 1,633,334	859,291
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	41,404	47,838
Losses (gains) related to inventories	63,376	21,376
Provision (reversal of provision) for bad debt allowance and sales returns and allowances	23,746	(9,244)
Interest expenses	60,684	16,538
Interest income	(17,500)	(2,736)
Compensation cost of share-based payment	8,523	9,903
Amortization expense of restricted stock	21,751	5,418
Share of profit of associates accounted for using equity method	(949,194)	(9,687)
Gain on disposal of property, plant and equipment	(921)	-
Gain on disposal of financial assets	(4,134)	-
Impairment loss on financial assets	3,500	-
	<u>(748,765)</u>	<u>79,406</u>
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(1,746,140)	(543,788)
Other receivables	40,551	152,646
Inventories	265,840	127,706
Other current assets	17,019	35,838
Other	8,778	(18,012)
Changes in operating assets	<u>(1,413,952)</u>	<u>(245,610)</u>
Notes and accounts payable (including related parties)	1,978,977	713,211
Salary payable	175,018	(37,914)
Other payables	101,680	(165,062)
Other current liabilities	2,084	(134,998)
Other non-current liabilities	63,143	-
Other	29,720	29,940
Changes in operating liabilities	<u>2,350,622</u>	<u>405,177</u>
Changes in operating assets and liabilities	<u>936,670</u>	<u>159,567</u>
Adjustments	<u>187,905</u>	<u>238,973</u>
Cash flows from operations	1,821,239	1,098,264
Interest received	17,500	2,736
Interest paid	(60,621)	(16,448)
Income taxes paid	<u>(263,049)</u>	<u>(97,758)</u>
<b>Net cash flows provided by operating activities</b>	<u>1,515,069</u>	<u>986,794</u>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(245,600)	-
Refund from capital reduction of available-for-sale financial assets	4,616	-
Acquisition of investments accounted for using equity method	(2,578,698)	(719,576)
Acquisition of property, plant and equipment	(12,623)	(21,687)
Proceeds from disposal of property, plant and equipment	2,126	-
Acquisition of other deferred assets	(5,337)	(10,275)
Increase in refundable deposits	1,531	-
Other	(35)	(1,026)
<b>Net cash flows used in investing activities</b>	<u>(2,834,020)</u>	<u>(752,564)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,489,900	658,900
Increase in long-term borrowings	1,500,000	-
Increase in guarantee deposits	42,775	38,243
Cash dividends	(347,105)	(647,019)
Exercise of employee stock options	48,589	37,731
<b>Net cash flows provided by financing activities</b>	<u>2,734,159</u>	<u>87,855</u>
Net increase in cash and cash equivalents	1,415,208	322,085
Cash and cash equivalents at beginning of year	1,586,671	1,264,586
Cash and cash equivalents at end of year	<u>\$ 3,001,879</u>	<u>1,586,671</u>

## **Independent Auditors' Report**

The Board of Directors  
Primax Electronics Ltd.:

We have audited the accompanying consolidated balance sheets of Primax Electronics Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Tymphony Worldwide Enterprises Ltd., and its financial statements were audited by the other auditors. Our audits, insofar as Tymphony Worldwide Enterprises Ltd. is concerned, are based solely on the reports of the other auditors. As of December 31, 2014, the assets of Tymphony Worldwide Enterprises Ltd. amounted to NT\$3,256,659 thousand, constituting 10% of the consolidated total assets. From January 10 to December 31, 2014, the operating revenue of Tymphony Worldwide Enterprises Ltd. amounted to NT\$6,277,916 thousand, constituting 12% of the consolidated operating revenue.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Primax Electronics Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission in the Republic of China.

Primax Electronics Ltd. has prepared annual individual financial reports as of and for the years ended December 31, 2014 and 2013, on which we have issued a modified unqualified opinion.

March 24, 2015

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards and interpretations endorsed by the Financial Supervisory Commission in the Republic of China. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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



**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2014 and 2013**  
**(expressed in thousands of New Taiwan dollars, except earnings per share)**

	2014		2013	
	Amount	%	Amount	%
<b>Operating revenue (notes 6(r) and 7)</b>	\$ 52,239,777	100	42,319,988	100
<b>Operating cost (notes 6(e), (m), (o), and (p) and 12)</b>	<u>46,020,978</u>	<u>88</u>	<u>38,567,293</u>	<u>91</u>
<b>Gross profit</b>	<u>6,218,799</u>	<u>12</u>	<u>3,752,695</u>	<u>9</u>
<b>Operating expenses (notes 6(f), (m), (o), and (p), 7 and 12):</b>				
Selling expenses	1,423,129	3	1,023,599	2
Administrative expenses	1,072,677	2	696,153	2
Research and development expenses	<u>1,893,251</u>	<u>3</u>	<u>1,338,499</u>	<u>3</u>
	<u>4,389,057</u>	<u>8</u>	<u>3,058,251</u>	<u>7</u>
<b>Net operating income</b>	<u>1,829,742</u>	<u>4</u>	<u>694,444</u>	<u>2</u>
<b>Non-operating income and expenses:</b>				
Other income (note 6(s))	290,465	-	176,503	-
Other gains and losses (notes 6(c) and (t))	150,323	-	59,451	-
Finance costs (note 6(u))	<u>(222,949)</u>	<u>-</u>	<u>(19,646)</u>	<u>-</u>
	<u>217,839</u>	<u>-</u>	<u>216,308</u>	<u>-</u>
<b>Income before income taxes</b>	2,047,581	4	910,752	2
<b>Income tax expense (note 6(n))</b>	<u>438,614</u>	<u>1</u>	<u>242,198</u>	<u>-</u>
<b>Net income</b>	<u>1,608,967</u>	<u>3</u>	<u>668,554</u>	<u>2</u>
<b>Other comprehensive income (loss):</b>				
Exchange differences on translation of foreign operation's financial statements, before tax	337,984	1	238,065	-
Unrealized gains and (losses) on available-for-sale financial assets, before tax	945	-	(238)	-
Actuarial gains on defined benefit plans, before tax (note 6(m))	3,344	-	1,240	-
Less: income tax relating to components of other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>342,273</u>	<u>1</u>	<u>239,067</u>	<u>-</u>
<b>Comprehensive income</b>	<u>\$ 1,951,240</u>	<u>4</u>	<u>907,621</u>	<u>2</u>
<b>Net income attributable to:</b>				
Stockholders of parent	\$ 1,544,690	3	668,548	2
Non-controlling interests	<u>64,277</u>	<u>-</u>	<u>6</u>	<u>-</u>
	<u>\$ 1,608,967</u>	<u>3</u>	<u>668,554</u>	<u>2</u>
<b>Comprehensive income attributable to:</b>				
Stockholders of parent	\$ 1,871,224	4	907,589	2
Non-controlling interests	<u>80,016</u>	<u>-</u>	<u>32</u>	<u>-</u>
	<u>\$ 1,951,240</u>	<u>4</u>	<u>907,621</u>	<u>2</u>
<b>Earnings per share (note 6(q)):</b>				
<b>Basic earnings per share (NT dollars)</b>	<u>\$ 3.57</u>		<u>1.55</u>	
<b>Diluted earnings per share (NT dollars)</b>	<u>\$ 3.52</u>		<u>1.53</u>	

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2014 and 2013  
(expressed in thousands of New Taiwan dollars)

	Equity attributable to stockholders of parent										
	Capital	Retained earnings			Exchange differences on translation of foreign operation's financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total	Non-controlling interests	Total equity	
Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	operation's financial statements	gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total	Non-controlling interests	Total equity
<b>Balance on January 1, 2013</b>	22,794	607,334	264,990	97,300	2,100,653	(137,902)	-	-	7,224,867	771	7,225,638
Net income in 2013	-	-	-	-	668,548	-	-	-	668,548	6	668,554
Other comprehensive income in 2013	-	-	-	-	1,240	238,039	(238)	-	239,041	26	239,067
Comprehensive income in 2013	-	-	-	-	669,788	238,039	(238)	-	907,589	32	907,621
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	125,008	-	(125,008)	-	-	-	-	-	-
Special reserve	-	-	-	40,892	(40,892)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(647,019)	-	-	-	(647,019)	-	(647,019)
Issuance of restricted stock	16,360	21,378	-	-	-	-	-	(37,738)	-	-	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	5,418	5,418	-	5,418
Compensation cost of share-based payment	-	9,127	-	-	-	-	-	-	9,127	-	9,127
Exercise of employee share options	-	37,731	-	-	-	-	-	-	37,731	-	37,731
Issuance of common stock for employee stock options and abandonment	49,675	10,908	-	-	-	-	-	-	3,854	-	3,854
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(803)	(803)
<b>Balance on December 31, 2013</b>	4,335,733	648,747	389,998	138,192	1,957,522	100,137	(238)	(32,320)	7,541,567	-	7,541,567
Net income in 2014	-	-	-	-	1,544,690	322,245	-	-	1,544,690	64,277	1,608,967
Other comprehensive income in 2014	-	-	-	-	3,344	322,245	945	-	326,534	15,739	342,273
Comprehensive income in 2014	-	-	-	-	1,548,034	322,245	945	-	1,871,224	80,016	1,951,240
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	66,855	-	(66,855)	-	-	-	-	-	-
Special reserve	-	-	-	(40,892)	40,892	-	-	-	-	-	-
Cash dividends	-	-	-	-	(347,105)	-	-	-	(347,105)	-	(347,105)
Issuance of restricted stock	3,550	11,576	-	-	-	-	-	(15,126)	-	-	-
Retirement of restricted stock	(3,200)	(4,254)	-	-	-	-	-	7,454	-	-	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	21,751	21,751	-	21,751
Compensation cost of share-based payment	-	14,487	-	-	-	-	-	-	14,487	18	14,505
Exercise of employee stock options	-	48,589	-	-	-	-	-	-	48,589	-	48,589
Issuance of common stock for employee stock options and abandonment	10,495	2,987	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,078,200	1,078,200
<b>Balance on December 31, 2014</b>	<b>\$ 4,346,578</b>	<b>673,543</b>	<b>456,853</b>	<b>97,300</b>	<b>3,132,488</b>	<b>422,382</b>	<b>707</b>	<b>(18,241)</b>	<b>9,150,513</b>	<b>1,158,234</b>	<b>10,308,747</b>



**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2014 and 2013**  
**(expressed in thousands of New Taiwan dollars)**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Income before income taxes	\$ 2,047,581	910,752
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,192,885	1,113,302
Losses (gains) related to inventories	(26,788)	352,229
Provision (reversal of provision) for bad debt allowance and sales returns and allowances	25,956	(8,619)
Impairment losses on property, plant and equipment	33,178	120,948
Interest expenses	66,560	17,382
Interest income	(275,451)	(161,252)
Compensation cost of share-based payment	30,974	15,466
Other	<u>(11,974)</u>	<u>15,019</u>
	<u>1,035,340</u>	<u>1,464,475</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	(1,400,687)	(671,547)
Accounts receivable – related parties	(60,581)	-
Other receivables – current and non-current	159,723	107,575
Inventories	111,714	522,118
Other current assets	(94,880)	61,262
Other	<u>(32,461)</u>	<u>(33,743)</u>
Changes in operating assets	<u>(1,317,172)</u>	<u>(14,335)</u>
Notes and accounts payable	953,446	904,247
Salary payable	400,939	(14,611)
Other payables	262,102	(122,626)
Other current liabilities	(60,316)	(133,746)
Other	<u>202,578</u>	<u>6,057</u>
Changes in operating liabilities	<u>1,758,749</u>	<u>639,321</u>
Changes in operating assets and liabilities	<u>441,577</u>	<u>624,986</u>
Adjustments	<u>1,476,917</u>	<u>2,089,461</u>
Cash flows from operations	3,524,498	3,000,213
Interest received	275,451	161,252
Interest paid	(66,497)	(17,292)
Income taxes paid	<u>(379,257)</u>	<u>(153,161)</u>
<b>Net cash flows provided by operating activities</b>	<u>3,354,195</u>	<u>2,991,012</u>
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiary (minus cash acquired)	(2,329,526)	-
Acquisition of available-for-sale financial assets	(245,600)	-
Acquisition of property, plant and equipment	(1,131,498)	(865,411)
Proceeds from disposal of property, plant and equipment	36,818	164,879
Acquisition of other deferred assets	(77,700)	(16,666)
Other	<u>(9,273)</u>	<u>(5,082)</u>
<b>Net cash flows used in investing activities</b>	<u>(3,756,779)</u>	<u>(722,280)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,083,965	658,900
Increase in long-term borrowings	1,419,722	-
Increase in guarantee deposits	74,431	38,020
Cash dividends	(347,105)	(647,019)
Exercise of employee stock options	48,589	37,731
<b>Net cash flows provided by financing activities</b>	<u>2,279,602</u>	<u>87,632</u>
Effect of foreign currency exchange translation	<u>150,140</u>	<u>17,063</u>
Net increase in cash and cash equivalents	2,027,158	2,373,427
Cash and cash equivalents at beginning of year	4,786,865	2,413,438
Cash and cash equivalents at end of year	\$ <u><u>6,814,023</u></u>	\$ <u><u>4,786,865</u></u>

## PRIMAX ELECTRONICS LTD.

Comparison of Amendments to the  
Articles of Incorporation

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
Article 6	When the Company issues new stock, all shares for that issuance may be printed in one printing in accordance with Article 162-1 of the Company Act, and shall be deposited with the centralized securities depository enterprise. Alternatively, if the Company does not need to print shares for its issued stock in accordance with Article 162-2 of the Company Act, must register stock with the centralized securities depository enterprise.	<u>The Company's stock shall generally be registered, and at least three of the Company's directors shall sign or affix their seals, and affix the Company's seal and serial numbers to the shares. Stock shall be issued after attestation by the competent authority or an issuance attestation organization approved by the competent authority. Stock shall be issued after attestation by the competent authority.</u> When the Company issues new stock after becoming a public company, all shares for that issuance may be printed in one printing in accordance with Article 162-1 of the Company Act, and shall be deposited with the centralized securities depository enterprise. Alternatively, if the Company does not need to print shares for its issued stock in accordance with Article 162-2 of the Company Act, must register stock with the centralized securities depository enterprise.	Amendment in accordance with actual needs
Article 11	Except in the circumstances set forth in the Company Act under which the shares shall have no voting power, shareholders of the Company shall be entitled to one vote for each share they hold. <u>The voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. Such shareholder's declaration of intention shall be dealt with in accordance Article 177-2 of the Company Act.</u>	Except in the circumstances set forth in the Company Act under which the shares shall have no voting power, shareholders of the Company shall be entitled to one vote for each share they hold.	To implement E-voting and amend the relevant provision
Article 16	The Company shall establish a Board consisting of from 5 to 9 persons, all to be elected from among persons with legal capacities by the shareholders for terms of 3 years. <u>A candidate nomination system shall be adopted for the election of directors and</u> the same person may be elected again upon expiry of the term. Among the above-mentioned number of directors, the Company may have at least <u>three</u> and not less than one-fifth (1/5) of the directors	The Company shall establish a Board consisting of from 5 to 9 persons, all to be elected from among persons with legal capacities by the shareholders for terms of 3 years. The same person may be elected again upon expiry of the term. Among the above-mentioned number of directors, the Company may have at least <u>2</u> and not less than one-fifth (1/5) of the directors as independent directors, who shall be elected by the shareholders under the candidate	To implement E-voting and amend the relevant provision

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
	<p>as independent directors, who shall be elected by the shareholders under the candidate nomination system. The professional qualifications, shareholding, restrictions on serving other functions, determination of independence, method of nomination and election and other compliance matters with regard to independent directors shall be in accordance with relevant rules of the competent authority. The directors of the Company shall be elected in accordance with the Rules for Election of Directors of the Company.</p> <p>The total number of registered shares of the Company that may be held by all directors shall follow the standard established in accordance with the “Guidelines for Shareholding Percentage by Directors and Supervisors of Publicly Traded Companies and Audit Practice” promulgated by the competent authority.</p> <p>The Company may establish a remuneration committee or other functional committees in accordance with actual needs.</p>	<p>nomination system. The professional qualifications, shareholding, restrictions on serving other functions, determination of independence, method of nomination and election and other compliance matters with regard to independent directors shall be in accordance with relevant rules of the competent authority. The directors <u>and supervisors</u> of the Company shall be elected in accordance with the <u>internal</u> Rules for Election of Directors <u>and Supervisors</u>.</p> <p>The total number of registered shares of the Company that may be held by all directors <u>and supervisors</u> shall follow the standard established in accordance with the “Guidelines for Shareholding Percentage by Directors and Supervisors of Publicly Traded Companies and Audit Practice” promulgated by the competent authority.</p> <p>The Company may establish a remuneration committee or other functional committees in accordance with actual needs.</p>	
Article 16-1	<p>The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, which shall be responsible for exercising such powers and duties of supervisors specified in the Company Act, the Securities and Exchange Act and other laws.</p> <p>The audit committee shall be composed of the entire number of independent directors, at least one of whom shall have accounting or financial expertise, and one of whom shall be convener.</p> <p>A resolution of the audit committee shall have the concurrence of one-half or more of all members.</p>	<p>When the Company <u>establishes</u> an audit committee in accordance with the law, (that is, such committee shall be composed of the entire number of independent directors, <u>which shall not be fewer than three persons in number, and at least one of whom shall have accounting or financial expertise</u>), <u>its supervisors shall be discharged immediately and Articles hereof with regards to the supervisors shall no longer be applicable</u>. The number and term of office of <u>audit committee members, exercise of powers, rules of procedure for meetings, and other relevant matters, shall be handled in accordance with relevant requirements of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies and a separately adopted audit committee charter</u>.</p>	Audit Committee to be established in lieu of supervisors and amendments to relevant provision
Article 18	<p>Unless otherwise provided by law, meeting of the Board of Directors shall be called and chaired by its Chairman. In case the Chairman of the Board of Directors is on leave or absent or can not exercise his/her power and authority for any cause, the Chairman of the Board of Directors shall designate one of the directors to act on his/her behalf. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the Board of Directors. In calling a meeting of the Board of Directors, a notice shall be given to</p>	<p>Unless otherwise provided by law, meeting of the Board of Directors shall be called and chaired by its Chairman. In case the Chairman of the Board of Directors is on leave or absent or can not exercise his/her power and authority for any cause, the Chairman of the Board of Directors shall designate one of the directors to act on his/her behalf. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the Board of Directors. In calling a meeting of the Board of Directors, a notice shall be given to</p>	The same as above reason.

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
	each director no later than 7 days prior to the scheduled meeting date. In the case of emergency, the meeting may be convened at any time. The notice may be <u>delivered</u> in writing, by email or fax.	each director <u>and supervisor</u> no later than 7 days prior to the scheduled meeting date. In the case of emergency, the meeting may be convened at any time. The notice may be <u>sent</u> in writing, by email or fax.	
	Chapter V. <u>Management Personne</u>	Chapter V. <u>Supervisors</u>	Chapter adjustment
Article 23	<u>The Company shall have general manager responsible for managing all business at the Company in accordance with Board decisions. The general manager shall be appointed or dismissed by a resolution to be adopted by a majority vote of the directors at a meeting of the Board of Directors attended by at least a majority of the entire directors of the Company.</u>	<u>The Company has 3 supervisors, all to be elected from among persons with legal capacities by the shareholder meeting for terms of 3 years. The same person may be elected again upon expiry of the term.</u>	Audit Committee to be established in lieu of supervisors 、 amendments to relevant provision and adjust the order of provisions
	Chapter VI. <u>Accounting</u>		Chapter adjustment
Article 24	<u>The Board of Directors shall prepare the following statements at the closing date/end of each fiscal year, and submit them to the general shareholder meeting for recognition:</u>  <u>(1) Report on operations;</u> <u>(2) Financial Statements; and</u> <u>(3) Proposal concerning distribution of net profits or action to deal with losses.</u>	<u>The functions of the supervisor(s) shall be:</u>  <u>(1) Inspection of accounting results;</u> <u>(2) Inspection of the accounting books and financial conditions of the Company;</u> <u>(3) Investigation of the operations of the Company; and</u> <u>(4) Other functions prescribed by Board resolutions.</u>	Audit Committee to be established in lieu of supervisors 、 amendments to relevant provision and adjust the order of provisions
Article 25	<u>The Company's net profit following annual closing, if any, shall be distributed in the following order:</u>  1. <u>Compensate loss;</u> 2. <u>10% legal reserve, unless the amount of legal reserve has reached the total capital amount;</u> 3. <u>Special reserve in accordance with law and the competent authority;</u> 4. <u>Employee bonus in the amount between 2 to 10% of the balance, and directors' bonuses in the amount not more than 2% of the balance under subsections 1 to 3 above;</u> 5. <u>The balance of the remaining net profit shall combined into an aggregate amount of undistributed surplus, which shall become the aggregate distributable surplus; to be distributed by the Board's distribution proposals and according to the resolution adopted at the shareholders' meeting.</u>  <u>If employees' bonuses shall be issued as stock</u>	<u>Supervisors of the Company may attend the meeting of the Board of Directors to their opinions but they have no right to vote.</u>	The same as above reason.

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
	<u>bonuses, such bonuses shall be given to all employees of subordinate companies meeting certain criteria. The Board of Directors is authorized to determine the relevant rules for distribution of such bonuses.</u>		
Article 26	<u>Based on the Company's current environment, growth stage, future capital needs and long term financial planning, and taking into consideration on the interests of shareholders and a balanced dividend; dividend shall be distributed as a stock or cash dividend, but a cash dividend should be no lower than ten percent (10%) of the total shareholder dividend. However, the proportion of the above cash dividend shall be adjusted based on the overall business operations of the current year.</u>	<u>The Company's supervisors shall be entitled to travel allowances at an amount determined by the Board. The Board shall be authorized to determine the compensation of all supervisors on the basis of the prevailing standards in the industry.</u>	The same as above reason.
Article 27	<u>When the Company issues employee share subscription warrant at the offering price below their market value (net worth of each stock), a special resolution shall be adopted, at a shareholders' meeting, by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company. To transfer shares to employees at less than the average actual share repurchase price, the Company must have, before such transfers, obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.</u>	<u>Supervisors of the Company may authorize the Board to purchase liability insurance during the terms of the supervisors to cover the liability for compensation borne by them in accordance with the law within the scope of their duties.</u>	The same as above reason
	<u>Chapter VII. Supplementary Provisions</u>	<u>Chapter VI. Management Personnel</u>	Chapter adjustment
Article 28	<u>Rules for implementation of these Articles of Incorporation may be set up separately.</u>	<u>The Company shall have general manager responsible for managing all business at the Company in accordance with Board decisions. The general manager shall be appointed or dismissed by a resolution to be adopted by a majority vote of the directors at a meeting of the Board of Directors attended by at least a majority of the entire directors of the Company.</u>	Adjustment to the order of provisions
		<u>Chapter VII. Accounting</u>	The same as above reason.



Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
Article 29	<u>Provisions of the Company Act shall be referred to for matters not provided for in these Articles of Incorporation.</u>	<u>The Board of Directors shall prepare the following statements at the closing date/end of each fiscal year, submit them to the supervisors for inspection 30 days prior to the general shareholder meeting and then submit them to the general shareholder meeting for recognition:</u>  <u>(1) Report on operations;</u> <u>(2) Financial Statements; and</u> <u>(3) Proposal concerning distribution of net profits or action to deal with losses.</u>	The same as above reason.
Article 30	<u>These Articles of Incorporation were established on March 8, 2006,</u> <u>First amendment was made on April 3, 2007.</u> <u>Second amendment was made on June 13, 2007.</u> <u>Third amendment was made on October 5, 2007.</u> <u>Fourth amendment was made on November 7, 2007.</u> <u>Fifth amendment was made on December 28, 2007.</u> <u>Sixth amendment was made on August 27, 2009.</u> <u>Seventh amendment was made on September 22, 2009.</u> <u>Eighth amendment was made on October 23, 2009.</u> <u>Ninth amendment was made on November 20, 2009.</u> <u>Tenth amendment was made on June 25, 2010.</u> <u>Eleventh amendment was made on June 19, 2012.</u> <u>Twelfth amendment was made on June 25, 2013.</u> <u>Thirteenth amendment was made on September 5, 2014.</u> <u>Fourteenth amendment was made on June 29, 2015.</u>	<u>The Company's net profit following annual closing, if any, shall be distributed in the following order:</u>  <u>1. Compensate loss;</u> <u>2. 10% legal reserve, unless the amount of legal reserve has reached the total capital amount;</u> <u>3. Special reserve in accordance with law and the competent authority;</u> <u>4. Employee bonus in the amount between 2 to 10% of the balance, and directors' and supervisors' bonuses in the amount not more than 2% of the balance under subsections 1 to 3 above;</u> <u>5. The balance of the remaining net profit shall combined into an aggregate amount of undistributed surplus, which shall become the aggregate distributable surplus; to be distributed by the Board's distribution proposals and according to the resolution adopted at the shareholders' meeting.</u>  <u>If employees' bonuses shall be issued as stock bonuses, such bonuses shall be given to all employees of subordinate companies meeting certain criteria. The Board of Directors is authorized to determine the relevant rules for distribution of such bonuses.</u>	The same as above reason and additional information about amendment date
Article 31	Delete	<u>Based on the Company's current environment, growth stage, future capital needs and long term financial planning, and taking into consideration on the interests of shareholders and a balanced dividend; dividend shall be distributed as a stock or cash dividend, but a cash dividend should be no lower than ten percent (10%) of the total shareholder dividend. However, the proportion of the above cash dividend shall be adjusted based on the overall business operations of the current year.</u>	Adjustment to the order of provisions

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
Article 32	Delete	<u>When the Company issues employee share subscription warrant at the offering price below their market value (net worth of each stock), a special resolution shall be adopted, at a shareholders' meeting, by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company. To transfer shares to employees at less than the average actual share repurchase price, the Company must have, before such transfers, obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.</u>	The same as above reason.
		<u>Chapter VIII. Supplementary Provisions</u>	The same as above reason.
Article 33	Delete	<u>Rules for implementation of these Articles of Incorporation may be set up separately.</u>	The same as above reason.
Article 34	Delete	<u>Provisions of the Company Act shall be referred to for matters not provided for in these Articles of Incorporation.</u>	The same as above reason.
Article 35	Delete	<u>These Articles of Incorporation were established on March 8, 2006,</u> <u>First amendment was made on April 3, 2007.</u> <u>Second amendment was made on June 13, 2007.</u> <u>Third amendment was made on October 5, 2007.</u> <u>Fourth amendment was made on November 7, 2007.</u> <u>Fifth amendment was made on December 28, 2007.</u> <u>Sixth amendment was made on August 27, 2009.</u> <u>Seventh amendment was made on September 22, 2009.</u> <u>Eighth amendment was made on October 23, 2009.</u> <u>Ninth amendment was made on November 20, 2009.</u> <u>Tenth amendment was made on June 25, 2010.</u> <u>Eleventh amendment was made on June 19, 2012.</u> <u>Twelfth amendment was made on June 25, 2013.</u>	The same as above reason.

PRIMAX ELECTRONICS LTD.  
Comparison of Amendments to the  
Rules for Election of Directors and Supervisors of Primax Electronics Ltd.

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
Title	Rules for Election of Directors	Rules for Election of Directors <u>and Supervisors</u>	Audit Committee to be established in lieu of supervisors
Article 1	Purpose and Legal Basis To elect and appoint directors in a fair, impartial and open manner, these Rules are established in accordance with the provisions of the Company Act and the Articles of Incorporation with reference to Article 41 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	Purpose and Legal Basis To elect and appoint directors <u>and supervisors</u> in a fair, impartial and open manner, these Rules are established in accordance with the provisions of the Company Act and the Articles of Incorporation with reference to Article 41 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	Audit Committee to be established in lieu of supervisors
Article 2	Scope of Application Unless otherwise provided for under the law or in the Articles of Incorporation, election and appointment of the directors of the Company shall be subject to the regulations of these Rules for Election.	Scope of Application Unless otherwise provided for under the law or in the Articles of Incorporation, election and appointment of the directors <u>and supervisors</u> of the Company shall be subject to the regulations of these Rules for Election.	Audit Committee to be established in lieu of supervisors
Article 3	Directors of the Company shall be elected from among persons with disposing capacity or corporate shareholders at a shareholders' meeting. Members of the Board of Directors of the Company are expected to have the knowledge, skills and ability required to perform their duties.	Directors <u>and supervisors</u> of the Company shall be elected from among persons with disposing capacity or corporate shareholders at a shareholders' meeting. Members of the Board of Directors <u>and supervisors</u> of the Company are expected to have the knowledge, skills and ability <u>generally</u> required to perform their duties.	Audit Committee to be established in lieu of supervisors
Article 4	Directors of the Company shall be elected by uninominal and cumulative voting. Unless otherwise provided for under the Company Act, in an election of the directors of the Company, each share is entitled to such number of votes equal to the number of directors to be elected and these votes may be cast to one single candidate or distributed among several candidates, <u>with the candidates receiving the votes representing more voting rights to be elected as directors.</u>	Directors <u>and supervisors</u> of the Company shall be elected by uninominal and cumulative voting. Unless otherwise provided for under the Company Act, in an election of the directors <u>and supervisors</u> of the Company, each share is entitled to such number of votes equal to the number of directors <u>and supervisors</u> to be elected and these votes may be cast to one single candidate or distributed among several candidates.	Audit Committee to be established in lieu of supervisors and amendments to relevant provisions



Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
Article 5	<p>Qualifications of the independent directors of the Company shall be consistent with the requirements under Articles 2, 3 and 4 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company.</p> <p>Election of the independent directors of the Company shall be consistent with the requirements under Articles 5, 6, 7, 8 and 9 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company and shall be in compliance with Article 24 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>	<p><u>Where appointment of independent directors is required for the Company or the Company voluntarily chooses to appoint independent directors</u>, qualifications of the independent directors shall be consistent with the requirements under Articles 2, 3 and 4 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company.</p> <p>Election of the independent directors of the Company shall be consistent with the requirements under Articles 5, 6, 7, 8 and 9 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company and shall be in compliance with Article 24 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>	Amendments to relevant provisions due to election of independent directors
Article 6	Number of directors of the Company to be elected shall be subject to the Company's Articles of Incorporation. For the <u>procedure</u> of election of directors, the candidate nomination system shall be adopted.	Number of directors <u>and supervisors</u> of the Company to be elected shall be subject to the Company's Articles of Incorporation. For the election of <u>independent</u> directors, the <u>procedure</u> of candidate nomination system shall be adopted <u>according to Article 192-1 of the Company Act</u> .	Audit Committee to be established in lieu of supervisors
Article 8	In an election of the directors of the Company, voting rights shall be calculated for independent and non-independent directors separately according to the number of directors set forth in the Company's Articles of Incorporation. Independent and non-independent director candidates receiving the votes representing more voting rights, as indicated in the tally of the election votes, shall be elected as independent and non-independent directors. In the event of two or more candidates receiving the same weighted votes and the number of elected directors exceeds the required number, the candidates receiving the same weighted votes shall draw lots to decide who will be elected or the chairperson of the meeting shall draw the lot of the absent candidate.	<p>In an election of the directors <u>and supervisors</u> of the Company, voting rights shall be calculated for independent and non-independent directors separately according to the number of directors set forth in the Company's Articles of Incorporation. Independent and non-independent director <u>or supervisor</u> candidates receiving the votes representing more voting rights, as indicated in the tally of the election votes, shall be elected as independent and non-independent directors. In the event of two or more candidates receiving the same weighted votes and the number of elected directors exceeds the required number, the candidates receiving the same weighted votes shall draw lots to decide who will be elected or the chairperson of the meeting shall draw the lot of the absent candidate.</p> <p><u>If a candidate is elected as director and supervisor at the same time according to the first paragraph, he or she shall decide if he or she will be elected as director or supervisor and shall not take both positions concurrently. In the event an elected director or supervisor is found and confirmed having non-compliance personal information or incapable of acting as director or supervisor, the vacancy shall be filled by the candidate receiving the second most votes in the election.</u></p>	Audit Committee to be established in lieu of supervisors

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
		<u>In the event of one-third or more of the directors become vacant, a special shareholders' meeting shall be convened for by-election.</u>	
Article 9	The Board of Directors shall produce the same number of ballots as the number of directors to be elected, specified with the weighted voting rights, to be distributed to the shareholders present at the shareholders' meeting.	The Board of Directors shall produce the same number of ballots as the number of directors <u>and supervisors</u> to be elected, specified with the weighted voting rights, to be distributed to the shareholders present at the shareholders' meeting.	Audit Committee to be established in lieu of supervisors
Article 12	In an election of directors, when all the votes are cast, votes shall be counted immediately after the vote monitoring personnel open the ballot box. The chairperson of the meeting or the emcee designated by the chairperson shall announce the elected directors according to the tally of votes.	In an election of directors <u>and supervisors with two separate ballot boxes</u> , when all the votes are cast, votes shall be counted immediately after the vote monitoring personnel open the ballot boxes. The chairperson of the meeting or the emcee designated by the chairperson shall announce the elected directors <u>and supervisors</u> according to the tally of votes.	Audit Committee to be established in lieu of supervisors
Article 14	The Board of Directors of the Company shall issue an election notice to each of the elected directors.	The Board of Directors of the Company shall issue an election notice to each of the elected directors <u>and supervisors</u> .	Audit Committee to be established in lieu of supervisors
Article 15	Establishment and amendments to these Rules shall be approved by the Board of Directors of the Company, and passed at the shareholders' meeting before coming into force. The same shall apply to amendments. <u>For matters not provided for in these Rules, the Articles of Incorporation, the Company Act and the applicable laws and regulations shall govern.</u>	Establishment and amendments to these Rules shall be approved by the Board of Directors of the Company, and passed at the shareholders' meeting before coming into force. The same shall apply to amendments.	Additional description of compliance of law
Article 16	These Rules were established on November 7, 2008. The first amendment was made on June 4, 2009. The second amendment was made on June 19, 2012. <u>The third amendment was made on June 29, 2015.</u>	These Rules were established on November 7, 2008. The first amendment was made on June 4, 2009. The second amendment was made on June 19, 2012.	Additional information about amendment date

PRIMAX ELECTRONICS LTD.  
Comparison of Amendments to the  
Procedures for Lending Funds to Other Parties

Amended Content	Current Content	Description and Background of Amendment
<p>Article 5: Procedures for the Loaning of Funds</p> <p>i. Detailed Procedures</p> <p>.....</p> <p>5. The company’s internal auditors shall audit all fund loaning operations and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <u>audit committee</u> in writing of any material violation found.</p> <p>.....</p> <p>7. If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company’s finance department shall adopt rectification plans, submit the rectification plans to the <u>audit committee</u>, and complete the rectification according to the timeframe set out in the plan.</p> <p>.....</p>	<p>Article 5: Procedures for the Loaning of Funds</p> <p>i. Detailed Procedures</p> <p>.....</p> <p>5. The company’s internal auditors shall audit all fund loaning operations and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <u>supervisors</u> in writing of any material violation found.</p> <p>.....</p> <p>7. If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company’s finance department shall adopt rectification plans, submit the rectification plans to the <u>supervisors</u>, and complete the rectification according to the timeframe set out in the plan.</p> <p>.....</p>	<p>The procedures amendment for the company establish the audit committee.</p>
<p>Article 9: Control Procedures for the Loaning of Funds of the Subsidiary</p> <p>i. If the subsidiary of the company is to loan funds to others, operational procedures must be in place and in accordance with “Procedures for Lending Funds to Other Parties”, with approval from the board of directors and shareholders, and submitted to the <u>audit committee</u>. This also applies to amendments of said operational procedures.</p> <p>ii. If the subsidiary of the company is to loan funds to others, it should do so in accordance with the policies and procedures of “Internal Control Policies” and “Procedures for Lending Funds to Other Parties”, and submit written reports of the previous month’s loan balance, borrower, dates, etc. on the fifth day of each month. The company’s auditors shall list the subsidiary’s fund loaning matters as quarterly auditing items and the status of the audit shall be reported to the board of directors and the <u>audit committee</u>.</p>	<p>Article 9: Control Procedures for the Loaning of Funds of the Subsidiary</p> <p>i. If the subsidiary of the company is to loan funds to others, operational procedures must be in place and in accordance with “Procedures for Lending Funds to Other Parties”, with approval from the board of directors and shareholders, and submitted to the <u>supervisors</u>. This also applies to amendments of said operational procedures.</p> <p>ii. If the subsidiary of the company is to loan funds to others, it should do so in accordance with the policies and procedures of “Internal Control Policies” and “Procedures for Lending Funds to Other Parties”, and submit written reports of the previous month’s loan balance, borrower, dates, etc. on the fifth day of each month. The company’s auditors shall list the subsidiary’s fund loaning matters as quarterly auditing items and the status of the audit shall be reported to the board of directors and the <u>supervisors</u>.</p>	<p>The same as above reason.</p>

Amended Content	Current Content	Description and Background of Amendment
<p>Article 10: Penal provisions ..... v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the <u>audit committee</u> shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.</p>	<p>Article 10: Penal provisions ..... v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the <u>supervisors</u> shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.</p>	<p>The same as above reason.</p>
<p>Article 11: The Procedures for Lending Funds to Other Parties are approved by the board of directors, having been submitted to the <u>audit committee</u>, and reported to the shareholders' meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the <u>audit committee</u> and report this to the shareholders' meeting for discussion. This also applies to the amendments of said operational procedures. (Note: When the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.)</p>	<p>Article 11: The Procedures for Lending Funds to Other Parties are approved by the board of directors, having been submitted to the <u>supervisors</u>, and reported to the shareholders' meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the <u>supervisors</u> and report this to the shareholders' meeting for discussion. This also applies to the amendments of said operational procedures. (Note: When the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.)</p>	<p>The same as above reason.</p>
<p>Article 12: This corporate document was created on 2008/11/7. First-time amendments were made on 2009/6/4. Second-time amendments were made on 2010/6/25. Third-time amendments were made on 2013/6/25. <u>Fourth-time amendments were made on 2015/6/29.</u></p>	<p>Article 12: This corporate document was created on 2008/11/7. First-time amendments were made on 2009/6/4. Second-time amendments were made on 2010/6/25. Third-time amendments were made on 2013/6/25.</p>	<p>Adding update Amendment date.</p>

PRIMAX ELECTRONICS LTD.  
Comparison of Amendments to the  
Procedures for Endorsements & Guarantees

Amended Content	Current Content	Description and Background of Amendment
<p>V. Procedures for Making Endorsements / Guarantees</p> <p>.....</p> <p>iv. The company's internal auditors shall audit the Procedures for Endorsements &amp; guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all <u>audit committee</u> in writing of any material violation found.</p> <p>.....</p> <p>vi. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the operational procedures or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, have the chairman complete the rectification according to the timeframe set out in the plan, and submit the rectification plans to the <u>audit committee</u>.</p>	<p>V. Procedures for Making Endorsements / Guarantees</p> <p>.....</p> <p>iv. The company's internal auditors shall audit the Procedures for Endorsements &amp; guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all <u>supervisors</u> in writing of any material violation found.</p> <p>.....</p> <p>vi. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the operational procedures or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, have the chairman complete the rectification according to the timeframe set out in the plan, and submit the rectification plans to the <u>supervisors</u>.</p>	<p>Procedure amendment for the company to establish the audit committee</p>
<p>VII. Control Procedures for Endorsements/Guarantees of the Subsidiary</p> <p>i. If the subsidiary of the company is to make endorsements/guarantees to others, operational procedures must be in place and in accordance with said operational procedures, with approval from the board of directors and shareholders, submitted to the <u>audit committee</u>. This also applies to amendments of said operational procedures.</p> <p>ii. If the subsidiary of the company is to make endorsements/guarantees to others, it should submit written reports of the previous month's endorsement/ guarantee balance, borrower, dates, etc. on the fifth day of each month to the parent company. The company's auditors shall list the subsidiary's endorsement/guarantee matters as quarterly auditing items and the status of the audits shall be reported to the board of directors and the <u>audit committee</u>.</p>	<p>VIII. Control Procedures for Endorsements/Guarantees of the Subsidiary</p> <p>i. If the subsidiary of the company is to make endorsements/guarantees to others, operational procedures must be in place and in accordance with said operational procedures, with approval from the board of directors and shareholders, submitted to the <u>supervisors</u>. This also applies to amendments of said operational procedures.</p> <p>ii. If the subsidiary of the company is to make endorsements/guarantees to others, it should submit written reports of the previous month's endorsement/ guarantee balance, borrower, dates, etc. on the fifth day of each month to the parent company. The company's auditors shall list the subsidiary's endorsement/guarantee matters as quarterly auditing items and the status of the audits shall be reported to the board of directors and the <u>supervisors</u>.</p>	<p>The same as above reason.</p>
<p>XI. Penal Provisions</p> <p>.....</p> <p>v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations</p>	<p>XI. Penal Provisions</p> <p>.....</p> <p>v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations</p>	<p>The same as above reason.</p>

Amended Content	Current Content	Description and Background of Amendment
<p>or the resolutions of the shareholders' meeting, the <u>audit committee</u> shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.</p>	<p>or the resolutions of the shareholders' meeting, the <u>supervisors</u> shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.</p>	
<p>XII. Supplemental Items The Procedures for Endorsements &amp; Guarantees are approved by the board of directors, having been submitted to the <u>audit committee</u> and reported to the shareholders' meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the <u>audit committee</u> and report this to the shareholders' meeting for discussion. This also applies to the modifications of the operational procedures. When the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	<p>XII. Supplemental Items The Procedures for Endorsements &amp; Guarantees are approved by the board of directors, having been submitted to the <u>Supervisors</u> and reported to the shareholders' meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the <u>Supervisors</u> and report this to the shareholders' meeting for discussion. This also applies to the modifications of the operational procedures. When the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	<p>The same as above reason.</p>
<p>XIII. This corporate document was created on 2008/11/7. First-time amendment were made on 2009/6/4. Second-time amendment were made on 2009/11/20. Third-time amendment were made on 2010/6/25. Fourth-time Amendment were made on 2013/6/25. <u>Fifth-time Amendment were made on 2015/6/29.</u></p>	<p>XIII. This corporate document was created on 2008/11/7. First-time amendment were made on 2009/6/4. Second-time amendment were made on 2009/11/20. Third-time amendment were made on 2010/6/25. Fourth-time Amendment were made on 2013/6/25.</p>	<p>Adding update to amendment date.</p>



## PRIMAX ELECTRONICS LTD.

Comparison of Amendments to the  
Procedures for Acquisition or Disposal of Assets

Amendment Article	Existing Article	Explanation
<p>IV. After the procedures have been approved of by the board of directors, they shall be submitted to the <u>audit committee</u> and reported to the shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the <u>audit committee</u>. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>IV. After the procedures have been approved of by the board of directors, they shall be submitted to the <u>supervisors</u> and reported to the shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the <u>supervisors</u>. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>Procedure amendment for the company to establish the audit committee.</p>
<p>V. After the board of directors have approved of the procedures for the acquisition and disposal of assets, if any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the <u>audit committee</u>. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>V. After the board of directors have approved of the procedures for the acquisition and disposal of assets, if any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the <u>supervisors</u>. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>The same as above reason.</p>
<p>XIV. Appraisal Procedures</p> <p>When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the <u>audit committee</u>:</p> <p>.....</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with (ii) of article IXXX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and</p>	<p>XIV. Appraisal Procedures</p> <p>When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the <u>supervisors</u>:</p> <p>.....</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with (ii) of article IXXX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and</p>	<p>The same as above reason.</p>

Amendment Article	Existing Article	Explanation
<p>recognized by the <u>audit committee</u> need not be counted toward the transaction amount.</p> <p>.....</p>	<p>recognized by the <u>supervisors</u> need not be counted toward the transaction amount.</p> <p>.....</p>	
<p>XVII. Where the company acquires real property from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>i.....</p> <p>ii.Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders’ meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus</p>	<p>XVII. Where the company acquires real property from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>i.....</p> <p><u>ii. Supervisors shall comply with Article 218 of the Company Act.</u></p> <p><u>iii.</u> Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders’ meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus</p>	<p>Delete article XVII ii.</p>
<p>XX. Internal Audit System:</p> <p>The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the <u>audit committee</u> shall be notified in writing.</p>	<p>XX. Internal Audit System:</p> <p>The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the <u>Supervisors</u> shall be notified in writing.</p>	<p>Procedure amendment for the company to establish the audit committee.</p>
<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>i. The company’s subsidiaries shall also establish and execute “Procedures for Acquisition or Disposal of Assets” in accordance with regulations of the governing body, obtain approval from the board of directors, and submit it to the <u>audit committee</u> and report to the shareholders’ meeting for resolution. This also applies to amendments of the standard operating procedures.</p> <p>ii. Assets acquired or disposed by subsidiaries shall be conducted in accordance with the separate “Control System” and “Procedures for Acquisition or Disposal of Assets”. The company shall compile monthly reports on the status of individual or accumulated acquired or disposed assets trading or transactions of similar nature reaching NT\$10 million or more of the preceding month and the status of derivatives trading up to the end of the previous month, and report to the company in written form on the 5th day of each month. The</p>	<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>i. The company’s subsidiaries shall also establish and execute “Procedures for Acquisition or Disposal of Assets” in accordance with regulations of the governing body, obtain approval from the board of directors, and submit it to the supervisors and report to the shareholders’ meeting for resolution. This also applies to amendments of the standard operating procedures.</p> <p>ii. Assets acquired or disposed by subsidiaries shall be conducted in accordance with the separate “Control System” and “Procedures for Acquisition or Disposal of Assets”. The company shall compile monthly reports on the status of individual or accumulated acquired or disposed assets trading or transactions of similar nature reaching NT\$10 million or more of the preceding month and the status of derivatives trading up to the end of the previous month, and report to the company in written form on the 5th day of each month. The</p>	<p>The same as above reason.</p>



Amendment Article	Existing Article	Explanation
<p>company’s auditors shall list subsidiaries’ acquired or disposed asset matters as monthly auditing items and the status of the audit shall be reported to the board of directors and the <u>audit committee</u>.</p> <p>.....</p>	<p>company’s auditors shall list subsidiaries’ acquired or disposed asset matters as monthly auditing items and the status of the audit shall be reported to the board of directors and the <u>supervisors</u>.</p> <p>.....</p>	
<p>XXXII. Penal Provisions:</p> <p>.....</p> <p>v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the <u>audit committee</u> shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.</p>	<p>XXXII. Penal Provisions:</p> <p>.....</p> <p>v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the <u>supervisors</u> shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.</p>	<p>The same as above reason.</p>
<p>XXXIV.</p> <p>This corporate document was created on 2008/11/7</p> <p>First-time amendments were made on 2009/6/4</p> <p>Second-time amendments were made on 2012/6/19</p> <p>Third-time amendments were made on 2013/6/25</p> <p>Fourth-time amendments were made on 2014/6/24</p> <p><u>Fifth-time amendments were made on 2015/6/29</u></p>	<p>XXXIV.</p> <p>This corporate document was created on 2008/11/7</p> <p>First-time amendments were made on 2009/6/4</p> <p>Second-time amendments were made on 2012/6/19</p> <p>Third-time amendments were made on 2013/6/25</p> <p>Fourth-time amendments were made on 2014/6/24</p>	<p>Adding update to amendment date.</p>

PRIMAX ELECTRONICS LTD.  
Regulations of Shareholders' Meeting Proceedings

1. Unless otherwise provided for under the law or the Articles of Incorporation, the shareholders' meetings of the Company shall be conducted according to these Regulations.
2. Attending shareholders (or their proxies) shall wear an attendance card. The number of their shares and voting rights shall be calculated according to the submitted sign-in card.

The Company shall provide an attendance book for attending shareholders or their proxies (hereinafter the "Shareholders") to sign their names. As an alternative, attending shareholders may submit a sign-in card in lieu of signature on the attendance book.

Shareholders shall attend a shareholders' meeting by presenting their attendance card, sign-in card or other attendance document. Proxy solicitors shall bring their ID with them for verification.

3. Calculation of attendance and voting at a shareholders' meeting shall be based on the shares.
4. The shareholders' meeting of the Company shall take place at the location of the Company or another place convenient for attendance by shareholders and appropriate for a shareholders' meeting to take place. The meeting shall not start earlier than 9 AM or later than 3 PM.
5. The board chairperson shall act as the chairperson of the shareholders' meeting he or she convenes. In the event that the board chairperson is on leave or unable to exercise powers and authorities with cause, the vice chairperson of the board shall act on his or her behalf. In the absence of a vice chairperson or if the vice chairperson is also on leave or unable to exercise powers and authorities, one of the managing director shall be appointed by the board chairperson to act on his or her behalf. In the absence of managing directors, one of the directors shall be appointed. In the event of failure of appointment by the board chairperson, the chairperson of the meeting shall be elected from among the managing directors or other directors.

When a shareholders' meeting is convened by a person with the right to convene the meeting other than a member of the Board of Directors, the person with the right to convene the meeting shall act as the chairperson of the meeting.

6. The Company may send its appointed lawyers, public certified accountants or other relevant persons to attend a shareholders' meeting and respond to relevant questions during the meeting.
7. The Company shall audio or video record the proceedings of the whole shareholders' meeting and keep the recording for at least one year or a longer period of time until conclusion of a litigation proceedings if a shareholder files an action in accordance with Article 189 of the Company Act.
8. The chairperson of the meeting shall have the meeting called to order when the meeting is scheduled to start, provided that if the shareholders present at the meeting represent less than a majority of the total issued shares, the chairperson may announce to delay the meeting not more

than twice for less than a total delay of one hour. In the event after two delays the quorum is not met but the shareholders present at the meeting represent one-third of the total issued shares or more, a tentative resolution may be passed according to Paragraph 1, Article 175 of the Company Act.

In the case that the shareholders present at the meeting represent a majority of the total issued shares before the conclusion of the meeting, the chairperson may submit the tentative resolution to the shareholders' meeting for a vote of approval according to Article 174 of the Company Act.

9. The agenda of a shareholders' meeting shall be created by the Board of Directors with the proposal submitted by the Board of Directors to be dealt with on a prioritized basis during the meeting. When the above proposals are being discussed, the chairperson of the meeting may determine if a shareholder's comments are related to the proposal in question. If the feedback or comments are not related to the proposal in question, discussion shall be continued at an extempore motion. A meeting shall be proceeded with in accordance with a predetermined agenda unless changed by the resolution of a shareholders' meeting.

The chairperson of the meeting shall not close the meeting prior to conclusion of the agenda unless a resolution is passed in favor of the closure.

After closure of the meeting, shareholders shall not select a new chairperson to continue the meeting at the same location or a new location, except in the case of closure announced by the chairperson in violation of the regulations of meeting proceedings when a new chairperson may be elected with a majority vote of the attending shareholders to continue the meeting.

10. When a meeting is in progress, the chairperson may announce a break based on time considerations.
11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his or her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairperson.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder that has the floor; the chairperson shall stop any violation.

12. No shareholders may pose questions about the issues stated in the report part of the agenda until the chairperson or his or her designated person has read aloud the contents or completed the report. Each shareholder may speak not more than twice and for not more than five minutes every time he or she speaks. The chairperson may permit an extension of five minutes and there may be only one extension.

The requirements on the amount of time and number of times in the preceding paragraph shall apply when a shareholder is speaking about the agenda items listed in the recognition and

discussion parts, and the various issues brought up in the extempore motion.

The provisions in Paragraph 1 above shall apply mutatis mutandis when a shareholder is speaking about anything unrelated to the agenda item in the extempore motion for the amount of time and number of times of speech. If the shareholder's speech violates the above rules or exceeds the scope of the agenda item, the chairperson may terminate the speech.

13. When a corporation is appointed to attend the shareholders' meeting as proxy, it may designate only one person to represent it in the meeting.

If a corporate shareholder designated two or more persons to represent it in the shareholders' meeting, only one person may speak about the same agenda item.

14. After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.

15. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.

16. For voting of a proposal, the proposal is approved with a majority votes of the attending shareholders except for the special resolutions otherwise provided for under the Company Act and the Articles of Incorporation. When a proposal is voted, if all the attending shareholders indicate unanimous consent when consulted by the chairperson, the proposal shall be deemed approved with the same validity as ballot voting. In the absence of unanimous consent, ballots shall be cast in a manner as provided under the applicable laws and regulations.

If a shareholder authorizes a proxy to attend the shareholders' meeting, with the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

17. When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

18. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairperson, provided that all monitoring personnel shall be shareholders of the Company. The tally of the vote shall be immediately announced and recorded.

If an air raid alarm rings during a meeting, the chairperson shall immediately announce the meeting is halted or suspended and have all attendees evacuated. The meeting shall be resumed an hour after the alarm is turned off.

If a force majeure event occurs when a meeting is in progress, the chairperson may rule the meeting

temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

19. For matters not provided for in these Rules, the Company Act and other applicable laws and regulations shall govern.
20. These Regulations shall come into force upon approval of the shareholders' meeting. The same shall apply to amendments hereto.
21. These Regulations were established on November 7, 2008.  
The first amendment was made on June 4, 2009.

**ARTICLES OF INCORPORATION  
OF  
PRIMAX ELECTRONICS LTD.**

【Appendix 2】

Chapter I. General provisions

- Article 1. The Company shall be named Primax Electronics Ltd. (致伸科技股份有限公司) and be incorporated as a Company Limited by Shares in accordance with the Company Act of the Republic of China.
- Article 2. The scope of business of the Company shall be as follows:
1. CB01020 Office Machines Manufacturing
  2. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
  3. CC01060 Wired Communication Equipment and Apparatus Manufacturing
  4. CC01070 Telecommunication Equipment and Apparatus Manufacturing
  5. CC01080 Electronic Parts and Components Manufacturing
  6. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
  7. CC01110 Computers and Computing Peripheral Equipments Manufacturing
  8. CE01030 Photographic and Optical Equipment Manufacturing
  9. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
  10. I301010 Software Design Services
  11. F113050 Wholesale of Computing and Business Machinery Equipment
  12. F118010 Wholesale of Computer Software
  13. F213030 Retail sale of Computing and Business Machinery Equipment
  14. F218010 Retail Sale of Computer Software
  15. C805050 Industrial Plastic Products Manufacturing
  16. CA02010 Metal Architectural Components Manufacturing
  17. CA02090 Metal Line Products Manufacturing
  18. F401010 International Trade
  19. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The head office of the Company shall be located in Taipei City. The Board of Directors may decide to establish branch offices in other appropriate locations, and shall decide for the establishment and dissolution of such branch offices.
- Article 4. The Company may provide guarantees for third parties as it deemed necessary for business or investment purposes in accordance with its internal Rules for Endorsement and Guarantee
- Article 4-1. The Company may invest in other enterprises as deemed necessary for its business operations, and may, upon the approval of the Board of Directors, act as a shareholder with limited liability of another company, and its total investment in other enterprises is not subject to the limit of 40% of the Company's paid-in capital prescribed in Article 13 of the Company Act.
- Article 4-2. The Company shall make public announcements in accordance with Article 28 of the Company Act.

Chapter II. Shares

- Article 5. The total capital of the Company is authorized at Five and Half Billion New Taiwan Dollars (NT\$5,500,000,000), which consists of 550,000,000 common shares, with a par value of Ten New Taiwan Dollars (NT\$10) per share, which the Board of Directors

has been authorized to issue in stages. Forty Million (40,000,000) shares of the total number of shares specified in the preceding paragraph, with a par value of Ten New Taiwan Dollars (NT\$10) per share, shall be preserved for issuing employee share subscription warrant, which the Board of Directors has been authorized to issue in one-time or in stages in accordance with actual needs.

- Article 6. The Company's stock shall generally be registered, and at least three of the Company's directors shall sign or affix their seals, and affix the Company's seal and serial numbers to the shares. Stock shall be issued after attestation by the competent authority or an issuance attestation organization approved by the competent authority. Stock shall be issued after attestation by the competent authority. When the Company issues new stock after becoming a public company, all shares for that issuance may be printed in one printing in accordance with Article 162-1 of the Company Act, and shall be deposited with the centralized securities depository enterprise. Alternatively, if the Company does not need to print shares for its issued stock in accordance with Article 162-2 of the Company Act, must register stock with the centralized securities depository enterprise.
- Article 6-1. A shareholders' resolutions shall be adopted before the Company withdraws its public offering of shares, and this provision shall not be amended while the Company is still listed (or OTC listed).
- Article 7. Except when the requirements of other laws or securities rules apply, the Company's stock affairs including transfer, creation of pledge, reporting of loss, transfer via inheritance, transfer via gift, lost or change of specimen chop and change of address shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.
- Article 8. The entries in the shareholders' roster shall not be altered within the time periods specified in Article 165 of the Company Act.

### Chapter III. Shareholders' Meetings

- Article 9. Shareholder meetings shall consist of regular meetings and special meetings. Regular meetings shall be convened once a year within 6 months from the end of each accounting year. Special meetings shall be convened as required.
- Article 10. A notice to convene a regular meeting of shareholders shall be given to each shareholder thirty (30) days in advance. A notice to convene a special meeting of shareholders shall be given to each shareholder fifteen (15) days in advance. The notice shall state when, where and why the meeting is to be convened. The company shall also prepare a manual for shareholders' meeting proceedings prior to the scheduled meeting date of that shareholders' meeting.
- Article 11. Except in the circumstances set forth in the Company Act under which the shares shall have no voting power, shareholders of the Company shall be entitled to one vote for each share they hold.
- Article 12. Except where other legal regulations apply, all shareholders meetings shall be convened by the Board of Directors in accordance with the Company Act, and the Chairman of the Board of Directors shall serve as the chairman of shareholder meetings. In case the Chairman of the Board is on leave or absent or can not exercise his/her power and authority for any cause, the designation of his/her duties shall follow Article 208 of the Company Act; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.
- Article 13. Resolutions at a Shareholders' meeting shall, unless otherwise provided by law, be



adopted by a majority vote of shareholders present in person or by proxy, who represent a majority of the total number of outstanding shares.

- Article 14. In case a shareholder is unable to attend the shareholders' meeting, that shareholder may explicitly appoint one proxy agent to attend on his/her behalf within a scope of authorization upon presentation of a proxy letter issued by the Company. Except when the requirements of the Company Act apply, the use of proxies for attendance at shareholder meetings shall be handled in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- Article 15. Resolutions made in shareholder meetings shall be recorded in the minutes and signed and affixed thereon by the chairman. The minutes shall be sent to all shareholders within 20 days after the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding paragraph may be effected by means of electronic transmission or a public announcement

#### Chapter IV. The Board of Directors

- Article 16. The Company shall establish a Board consisting of from 5 to 9 persons, all to be elected from among persons with legal capacities by the shareholders for terms of 3 years. The same person may be elected again upon expiry of the term. Among the above-mentioned number of directors, the Company may have at least 2 and not less than one-fifth (1/5) of the directors as independent directors, who shall be elected by the shareholders under the candidate nomination system. The professional qualifications, shareholding, restrictions on serving other functions, determination of independence, method of nomination and election and other compliance matters with regard to independent directors shall be in accordance with relevant rules of the competent authority. The directors and supervisors of the Company shall be elected in accordance with the internal Rules for Election of Directors and Supervisors.

The total number of registered shares of the Company that may be held by all directors and supervisors shall follow the standard established in accordance with the "Guidelines for Shareholding Percentage by Directors and Supervisors of Publicly Traded Companies and Audit Practice" promulgated by the competent authority.

The Company may establish a remuneration committee or other functional committees in accordance with actual needs.

- Article 16-1 When the Company establishes an audit committee in accordance with the law, (that is, such committee shall be composed of the entire number of independent directors, which shall not be fewer than three persons in number, and at least one of whom shall have accounting or financial expertise), its supervisors shall be discharged immediately and Articles hereof with regards to the supervisors shall no longer be applicable. The number and term of office of audit committee members, exercise of powers, rules of procedure for meetings, and other relevant matters, shall be handled in accordance with relevant requirements of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies and a separately adopted audit committee charter.
- Article 17. The directors shall form a Board of Directors. The Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting attended by two-thirds or more of the directors. The Chairman of the Board of Directors shall represent the Company externally.
- Article 18. Unless otherwise provided by law, meeting of the Board of Directors shall be called and chaired by its Chairman. In case the Chairman of the Board of Directors is on leave or absent or can not exercise his/her power and authority for any cause, the Chairman of the Board of Directors shall designate one of the directors to act on

his/her behalf. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the Board of Directors. In calling a meeting of the Board of Directors, a notice shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. In the case of emergency, the meeting may be convened at any time. The notice may be sent in writing, by email or fax.

- Article 19. Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.
- Article 20. If, for any reason whatsoever, a director cannot attend a Board meeting, that director may issue a letter of authorization designating another director to act on behalf of the absent director; however, a director may act as the representative of only one other director. When a Board meeting is held by video conference, directors participating in such a meeting through video conference shall be deemed to have participated in the meeting in person.
- Article 21. The Company's directors shall be entitled to travel allowances at an amount determined by the Board. The Board shall be authorized to determine the compensation of all directors on the basis of the prevailing standards in the industry. If a director concurrently holds another post at the Company, the salary received by such director for the other post shall be provided in accordance with the rules of the Company relating to personnel management.
- Article 22. Directors of the Company may authorize the Board to purchase liability insurance during the terms of the directors to cover the liability for compensation borne by them in accordance with the law within the scope of their duties.

#### Chapter V. Supervisors

- Article 23. The Company has 3 supervisors, all to be elected from among persons with legal capacities by the shareholder meeting for terms of 3 years. The same person may be elected again upon expiry of the term.
- Article 24. The functions of the supervisor(s) shall be:  
(1) Inspection of accounting results;  
(2) Inspection of the accounting books and financial conditions of the Company;  
(3) Investigation of the operations of the Company; and  
(4) Other functions prescribed by Board resolutions.
- Article 25. Supervisors of the Company may attend the meeting of the Board of Directors to their opinions but they have no right to vote.
- Article 26. The Company's supervisors shall be entitled to travel allowances at an amount determined by the Board. The Board shall be authorized to determine the compensation of all supervisors on the basis of the prevailing standards in the industry.
- Article 27. Supervisors of the Company may authorize the Board to purchase liability insurance during the terms of the supervisors to cover the liability for compensation borne by them in accordance with the law within the scope of their duties.

#### Chapter VI. Management Personnel

- Article 28. The Company shall have general manager responsible for managing all business at the Company in accordance with Board decisions. The general manager shall be appointed or dismissed by a resolution to be adopted by a majority vote of the directors at a meeting of the Board of Directors attended by at least a majority of the entire directors of the Company.

## Chapter VII. Accounting

Article 29. The Board of Directors shall prepare the following statements at the closing date/end of each fiscal year, submit them to the supervisors for inspection 30 days prior to the general shareholder meeting and then submit them to the general shareholder meeting for recognition:

- (1) Report on operations;
- (2) Financial Statements; and
- (3) Proposal concerning distribution of net profits or action to deal with losses.

Article 30. The Company's net profit following annual closing, if any, shall be distributed in the following order:

1. Compensate loss;
2. 10% legal reserve, unless the amount of legal reserve has reached the total capital amount;
3. Special reserve in accordance with law and the competent authority;
4. Employee bonus in the amount between 2 to 10% of the balance, and directors' and supervisors' bonuses in the amount not more than 2% of the balance under subsections 1 to 3 above;
5. The balance of the remaining net profit shall combined into an aggregate amount of undistributed surplus, which shall become the aggregate distributable surplus; to be distributed by the Board's distribution proposals and according to the resolution adopted at the shareholders' meeting.

If employees' bonuses shall be issued as stock bonuses, such bonuses shall be given to all employees of subordinate companies meeting certain criteria. The Board of Directors is authorized to determine the relevant rules for distribution of such bonuses.

Article 31. Based on the Company's current environment, growth stage, future capital needs and long term financial planning, and taking into consideration on the interests of shareholders and a balanced dividend; dividend shall be distributed as a stock or cash dividend, but a cash dividend should be no lower than ten percent (10%) of the total shareholder dividend. However, the proportion of the above cash dividend shall be adjusted based on the overall business operations of the current year.

Article 32. When the Company issues employee share subscription warrant at the offering price below their market value (net worth of each stock), a special resolution shall be adopted, at a shareholders' meeting, by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company. To transfer shares to employees at less than the average actual share repurchase price, the Company must have, before such transfers, obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares

## Chapter VIII. Supplementary Provisions

Article 33. Rules for implementation of these Articles of Incorporation may be set up separately.

Article 34. Provisions of the Company Act shall be referred to for matters not provided for in these Articles of Incorporation.

Article 35. These Articles of Incorporation were established on March 8, 2006.  
First amendment was made on April 3, 2007.  
Second amendment was made on June 13, 2007.  
Third amendment was made on October 5, 2007.  
Fourth amendment was made on November 7, 2007.

Fifth amendment was made on December 28, 2007.  
Sixth amendment was made on August 27, 2009.  
Seventh amendment was made on September 22, 2009.  
Eighth amendment was made on October 23, 2009.  
Ninth amendment was made on November 20, 2009.  
Tenth amendment was made on June 25, 2010.  
Eleventh amendment was made on June 19, 2012.  
Twelfth amendment was made on June 25, 2013.  
Thirteenth amendment was made on September 5, 2014.

Primax Electronics Ltd.

Chairman: Liang, Li-Sheng

PRIMAX ELECTRONICS LTD.  
Rules for Election of Directors and Supervisors

- Article 1: Purpose and Legal Basis
- To elect and appoint directors and supervisors in a fair, impartial and open manner, these Rules are established in accordance with the provisions of the Company Act and the Articles of Incorporation with reference to Article 41 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.
- Article 2: Scope of Application
- Unless otherwise provided for under the law or in the Articles of Incorporation, election and appointment of the directors and supervisors of the Company shall be subject to the regulations of these Rules for Election.
- Article 3: Directors and supervisors of the Company shall be elected from among persons with disposing capacity or corporate shareholders at a shareholders' meeting. Members of the Board of Directors and supervisors of the Company are expected to have the knowledge, skills and ability generally required to perform their duties.
- Article 4: Directors and supervisors of the Company shall be elected by uninominal and cumulative voting.
- Unless otherwise provided for under the Articles of Incorporation, in an election of the directors and supervisors of the Company, each share is entitled to such number of votes equal to the number of directors and supervisors to be elected and these votes may be cast to one single candidate or distributed among several candidates.
- Article 5: Where appointment of independent directors is required for the Company or the Company voluntarily chooses to appoint independent directors, qualifications of the independent directors shall be consistent with the requirements under Articles 2, 3 and 4 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company.
- Election of the independent directors of the Company shall be consistent with the requirements under Articles 5, 6, 7, 8 and 9 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company and shall be in compliance with Article 24 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
- Article 6: Number of directors and supervisors of the Company to be elected shall be subject to the Company's Articles of Incorporation. For the election of independent directors, the procedure of candidate nomination system shall be adopted according to Article 192-1 of the Company Act.
- Article 7: If a candidate in the election is a shareholder, voters shall indicate the shareholder account name and account number of the shareholder candidate in the "Candidate" column on the ballot. For candidates who are not shareholders, their name and National ID Number shall be specified. If, however, the candidate is a government authority or corporate shareholder, the name of the government authority or corporate shareholder or both the name of the government authority or corporate shareholder and the name of their representative shall be entered in the account name of the candidate on the ballots. When there are more than one representatives, all their name shall be specified on the ballot.
- Article 8: In an election of the directors and supervisors of the Company, voting rights shall be calculated for independent and non-independent directors separately according to the number of directors set forth in the Company's Articles of Incorporation. Independent and

non-independent director or supervisor candidates receiving the votes representing more voting rights, as indicated in the tally of the election votes, shall be elected as independent and non-independent directors. In the event of two or more candidates receiving the same weighted votes and the number of elected directors exceeds the required number, the candidates receiving the same weighted votes shall draw lots to decide who will be elected or the chairperson of the meeting shall draw lots for the absent candidate.

If a candidate is elected as director and supervisor at the same time according to the first paragraph, he or she shall decide if he or she will be elected as director or supervisor and shall not take both positions concurrently. In the event an elected director or supervisor is found and confirmed having non-compliance personal information or incapable of acting as director or supervisor, the vacancy shall be filled by the candidate receiving the second most votes in the election.

In the event of one-third or more of the directors become vacant, a special shareholders' meeting shall be convened for by-election.

- Article 9: The Board of Directors shall produce the same number of ballots as the number of directors and supervisors to be elected, specified with the weighted voting rights, and distribute to the shareholders present at the shareholders' meeting.
- Article 10: Prior to an election, the chairperson shall designate several vote monitoring and counting personnel to perform the various duties. The vote monitoring personnel shall be shareholders. The ballot box shall be prepared by the Board of Director and opened by the vote monitoring personnel for inspection in public prior to voting.
- Article 11: Votes shall be invalid in one of the following circumstances:
1. Ballots are not prepared by the Board of Directors.
  2. Blank ballots in the ballot box.
  3. Illegible handwriting or altered handwriting.
  4. More candidates than the number of candidates to be elected are listed in the same ballot.
  5. Symbols, graphics or texts other than the account name of the candidate or account number of the shareholder (or ID number) are entered on the ballot.
  6. In the case of a candidate who is a shareholder, the account name and account number of the shareholder are inconsistent with the information specified in the shareholder roster; or in the case of a candidate who is not a shareholder, the name and ID number are found incorrect upon verification.
  7. The name or account number of the shareholder (or ID number) of the candidate are not entered on the ballot.
  8. The name of the candidate entered on the ballot is the name of another shareholder but no information such as account number of the shareholder or ID number is shown on the ballot for identification.
- Article 12: In an election of directors and supervisors with two separate ballot boxes, when all the votes are cast, votes shall be counted immediately after the vote monitoring personnel open the ballot boxes. The chairperson of the meeting or the emcee designated by the chairperson shall announce the elected directors and supervisors according to the tally of votes.
- Article 13: In the event the provisions under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act are violated, the election shall be deemed invalid.

- Article 14: The Board of Directors of the Company shall issue an election notice to each of the elected directors and supervisors.
- Article 15: Establishment and amendments to these Rules shall be approved by the Board of Directors of the Company, and passed at the shareholders' meeting before coming into force. The same shall apply to amendments.
- Article 16: These Rules were established on November 7, 2008.  
The first amendment was made on June 4, 2009.



PRIMAX ELECTRONICS LTD.  
Procedures for Lending Funds to Other Parties

【 Appendix 4 】

Article 1: The Procedures for Lending Funds to Other Parties are created according to the governing body's "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" to enforce the control of the loaning of funds for others and to minimize business risks; the company shall fully comply with said operational procedures upon the loaning of funds for others.

Article 2: Under Article 15 of the Company Act, the company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

- i. Where an inter-company or inter-firm business transaction calls for a loan agreement.
- ii. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.

The term "short-term" as used in the preceding paragraph refers to one year, or where the company's operating cycle exceeds one year, one operating cycle.

The term "financing amount" as used in sub-paragraph 2 of the first paragraph refers to the cumulative balance of the company's short-term financing.

The restriction in the sub-paragraph of the first paragraph shall not apply to inter-company loans of funds between foreign companies in which the company directly or indirectly holds 100 percent of the voting shares. However, article 4 and 6 of the operational procedures concerning the setting of the amount limits and the durations of loans shall still apply.

Article 3: Other companies with which the company does business with and loans funds to are, in principle, those where the business has already taken place, and the amount of the loan shall be equivalent to the company's purchase amount or sales amount, whichever the higher the amount, of the most recent year's or the present fiscal year's until the time of the loan taking place.

Other companies for which the company processes short term financial loans are limited to the following:

- i. Those requesting for funds due to the needs of repaying bank loans, purchasing company facilities, or the turnover of working capital, and are invested upon by the company following the equity method evaluation.
- ii. Those requesting for funds due to the needs of repaying bank loans, purchasing company facilities, or the turnover of working capital, in which the company directly or indirectly holds 50 percent or more of stock shares.
- iii. Those requesting for funds due to the needs of joint ventures in which the company directly or indirectly holds 50 percent or more of stock shares, with said joint venture related to the company's business operations and is beneficial for the company's future business developments.

Article 4: Ceilings on the Aggregated Amount Made in Loaned Funds and for Individual Loans

The amount of loaned funds the company is permitted to make for others must not exceed 40 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the accountant. The ceilings on the amounts made for each borrower and the uses for the loaned fund are as stated below:

- i. The amount of loans for any single entity due to business needs shall not exceed the company's purchase amount or sales amount, whichever the higher the amount, of the most recent year's or the present fiscal year's until the time of the loan taking place.

- ii. The amount of individual short term financial loans must not exceed 20 percent of the net worth of the public company according to its fiscal financial statement most recently ratified or reviewed by the accountant.

The aggregated amount of loaned funds for others between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed 60 percent of the net worth of the company according to its most recent fiscal financial statement.

#### Article 5: Procedures for the Loaning of Funds

##### i. Detailed Procedures

1. When processing the loaning of funds or short-term financial items, the company shall carefully evaluate if requirements are met under the governing body's "Regulations governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and regulations on the loaning of funds for others set by the company. The accounting department shall review the application and report to the board of directors for board resolution.
2. The loaning of funds between the company and subsidiaries or within the subsidiaries shall be made after board resolution according to the rules stated in the preceding paragraph. The board of directors may authorize the chairman to allocate loans in batches or conduct revolving credit for a single borrower with a fixed amount and within one year's timeframe. The fixed amount previously stated must comply with Article 2 and with the approval from the board of directors. The amount of the loaned fund from the company or subsidiaries to any single entity shall not exceed 10 percent of the company's net worth as stated in the most recent fiscal financial statement.
3. Where the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.
4. The finance department shall prepare a memorandum book for its fund-loaning activities. After being granted approval of the memorandum book by its board of directors, the following information must be truthfully recorded: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated according to the company's operational procedures.
5. The company's internal auditors shall audit all fund loaning operations and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Supervisors in writing of any material violation found.
6. The finance department shall create, track and control a detailed list for the company's occurred or cancelled loaned funds by the month, and apply for announcing and reporting. The accounting department shall evaluate and record any uncollectable bad debts no less frequently than quarterly, adequately disclose information on loaned funds in the financial reports, and provide certified public accountants with relevant information.
7. If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, submit the rectification plans to the Supervisors, and complete the rectification according to the timeframe set out in the plan.

##### ii. Review Procedures

1. When processing the loaning of funds for others from the company, the company or proprietorship that is the borrower of the fund shall submit relevant financial information and statement of the uses of the loaned fund in advance in written form.

2. When the company approves of the application, the claims department shall investigate and evaluate the necessity of and reasonableness of extending loans to others, the direct or indirect business relationship between the company and the borrower, the financial condition of the borrower, repayment capacity, credit status, profitability, the uses of the loaned fund, the impact of the loaned fund and the sum towards the company's operational risks, financial condition, and shareholders' equity, and submit a written report to the board of directors for evaluation and board resolution.
3. When processing the loaning of funds or short-term financial items, a bill of guarantee of the equivalent amount shall be obtained and chattel mortgage or real estate mortgage shall be set up if necessary. The company shall also evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the loaned fund and balance, possibly requesting for additional security from the entity when it is deemed necessary.

#### Article 6: Financing Deadline and Interest Calculation

All funds financed from the company for others are limited to one year.

The interests of loans and funds shall not be lower than the company's average interest rates for short-term loans for financial institutions. The rates shall be calculated monthly.

Adjustments may be made towards exceptions with approval from the board of directors.

Financing deadlines between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed two years.

#### Article 7: Control Procedures for Processed Loans and Procedures for Management of Overdue Claims

Following the disbursement of each loan and fund, the finance department must regularly observe and make written records of the borrower's and its guarantor's financial status, business operation, changes to related credit status, and changes to the value of security.

When the loan is due or prior to the loan's due date, the borrower shall return the principle along with the interest before it returns the bill of guarantee to the lender or applies for lien cancellations.

The borrower must raise a request in advance and report to the board of directors for approval if it fails to return the loan by the end of the timeframe set out and requires an extension; the company may impose penalties or make claims according to the law with the violator's provided security or towards the violator's guarantor.

#### Article 8: Announce and Report Procedures

These regulations shall be enforced from the date of promulgation.

- i. The finance department shall announce and report the previous month's loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.
- ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence and it shall also announce and report loans and balances every month:
  1. The aggregate balance of loans for others by the company and subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest fiscal financial statement.
  2. The aggregated balance of loans by the company and subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest fiscal financial statement.
  3. The amount of new loans made by the company or its subsidiaries reaches NT\$10

million or more, and reaches 2 percent or more of the company's net worth as stated in its latest fiscal financial statement.

- iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if there are items to announce and report as stated in the third sub-paragraph of the previous paragraph. If its balance of loans reaches the standards of announce and report as stated in Article 8-2, the company shall, prior to the occurrence of the fact, announce and report pursuant to regulations at the designated website.

The term "occurrence of the fact" as used in the operational procedures refers to the contract day for the transaction, or the payment date, or the date designated by the board of directors, or the date of confirmed counterparty or transaction amount, whichever the earlier date prevails.

#### Article 9: Control Procedures for the Loaning of Funds of the Subsidiary

- i. If the subsidiary of the company is to loan funds to others, operational procedures must be in place and in accordance with "Procedures for Lending Funds to Other Parties", with approval from the board of directors and shareholders, and submitted to the Supervisors. This also applies to amendments of said operational procedures.
- ii. If the subsidiary of the company is to loan funds to others, it should do so in accordance with the policies and procedures of "Internal Control Policies" and "Procedures for Lending Funds to Other Parties", and submit written reports of the previous month's loan balance, borrower, dates, etc. on the fifth day of each month. The company's auditors shall list the subsidiary's fund loaning matters as quarterly auditing items and the status of the audit shall be reported to the board of directors and the Supervisors.

#### Article 10: Penal provisions

Upon the violation of the Securities and Futures Bureau's "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" by the relevant representing agent of the company's loaned fund, penalties shall be imposed according to the condition of violation as regulated by the following, with the violation included in the year's individual performance evaluation:

- i. Violation of appraisal authorization: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- ii. Violation of review procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- iii. Violation of announce and report procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings. Repeated violators or gross violators shall be relocated.
- iv. Penalties shall be imposed to and accepted by the supervisor of the violator provided that said supervisor fails to provide a reasonable explanation detailing that precautions were made.
- v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the supervisors shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.

Article 11: The Procedures for Lending Funds to Other Parties are approved by the board of directors, having been submitted to the Supervisors, and reported to the shareholders' meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the Supervisors and report this to the shareholders' meeting for discussion. This also applies to the amendments of said operational procedures. (Note: When the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.)

Article 12: This corporate document was created on 2008/11/7.

First-time amendments were made on 2009/6/4.

Second-time amendments were made on 2010/6/25.

Third-time amendments were made on 2013/6/25.

PRIMAX ELECTRONICS LTD.  
Procedures for Endorsements & Guarantees

I. Purpose

To standardize the company's endorsements/guarantees operations, enforce the monetary management of endorsements/guarantees and minimize business risks. Relevant regulations of such act shall prevail under the circumstance of any matters not mentioned herein.

II. Applicability

The term "endorsements/guarantees" as used in this document refers to the following:

- i. Financing endorsements/guarantees, including:
  1. Bill discount financing.
  2. Endorsement or guarantee made to meet the financing needs of another company.
  3. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
- ii. Customs duty endorsements/guarantee: An endorsement or guarantee for the company itself or another company with respect to customs duty matters.
- iii. Other endorsements/guarantees: Endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these rules.

III. Subject of Endorsements/Guarantees

Endorsements/guarantees may be made for the following companies:

- i. A company with which it does business.
- ii. A company in which the company directly and indirectly holds more than 50 percent of the voting shares.
- iii. A company that directly and indirectly holds more than 50 percent of the voting shares in the company.

Other companies in which the company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, the amount of which not exceeding 10% of the net worth of the company, provided that this restriction shall not apply to endorsements/guarantees made between companies when the company directly or indirectly holds 100 percent of the voting shares.

IV. Ceilings on the Amounts Made in Endorsements/Guarantees

The amount of endorsements/guarantees the company and subsidiaries as a whole are permitted to make must not exceed 80 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the accountant. The amount of endorsements/guarantees for any single entity must not exceed 30 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the account. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the company and subsidiaries as a whole reaches 50 percent or more of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the accountant, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.

The amount of endorsements/guarantees for any single entity due to business needs shall be regulated according to the rules aforementioned, whereas the amount of endorsements/guarantees shall be equivalent to the company's purchase amount or sales amount, whichever the higher the



amount, of the most recent year's or the present fiscal year's until the time of the endorsements/guarantees taking place.

#### V. Procedures for Making Endorsements/Guarantees

- i. During the process of endorsements/guarantees applications, the finance department shall carefully evaluate the company's qualifications and amounts to ensure that it fully complies with the company's operational procedures and that all is in accordance with the announcing and reporting procedures. The company may loan funds to others only after the evaluation results have been submitted to the chairman and are resolved upon by the board of directors. If the amount of the fund is in accordance with regulated amounts, the chairman shall proceed with authorization according to the other company's credit status and financial condition, followed by subsequent ratification by the board of directors.
- ii. Before making any endorsements/guarantees, a subsidiary in which the company directly or indirectly holds 90 percent or more of the voting shares shall submit the proposed endorsement/guarantee to the company's board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the company directly or indirectly holds 100 percent of the voting shares.
- iii. The finance department shall prepare a memorandum book for its fund-lending activities. After being granted approval of the memorandum book by its board of directors or by its chairman, a corporate chop must be applied for according to regulated procedures, and the following information must be truthfully recorded: borrower, amount, date of approval by the board of directors or by the chairman, lending/borrowing date, and matters to be carefully evaluated according to the company's operational procedures. All relevant bills, agreements, and other documents shall be photocopied and kept in secure custody.
- iv. The company's internal auditors shall audit the Procedures for Endorsements & guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all Supervisors in writing of any material violation found.
- v. The finance department shall create, track and control a detailed list for the company's occurred or cancelled guaranteed items by the month, and apply for announcing and reporting. The accounting department shall evaluate and record any contingent losses for endorsement/guarantee no less frequently than quarterly, adequately disclose information on endorsement/guarantee in the financial reports, and provide certified public accountants with relevant information for implementation of necessary audit procedures.
- vi. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the operational procedures or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, have the chairman complete the rectification according to the timeframe set out in the plan, and submit the rectification plans to the Supervisors.
- vii. Prior to the end of the endorsement/guarantee, the finance department shall initiate a notification to be sent to the entity for which the endorsement/ guarantee is made, informing it that bills of guarantee of banks or loan institutions are to be returned and that all related contract material of the endorsement/guarantee are to be cancelled.
- viii. If the subject of the endorsement/guarantee is a subsidiary with net worth lower than 50 percent of actual paid in capital, the company shall regularly review its operating status. If the subsidiary's operating status continually deteriorates or endorsement/guarantee risks may likely occur, the chairman must be promptly reported to and a rectification plan on lowering endorsement/guarantee risks shall be adopted. If the subsidiary's stock is of no-par value or does not exceed NT\$10, the amount of actual paid in capital shall be calculated in accordance with this policy of the sum of the premium issued share of its capital stock and additional paid



in capital.

#### VI. Detailed Review Procedures:

During the process of endorsement/guarantee applications, the finance department shall carefully review, evaluate and record the following:

- i. The relationship between the company and its subject of endorsement/ guarantee, the purpose and uses of the loan, the relevancy of businesses in between the companies or the significance of its business operations to the company, along with the limit and current balance of the endorsement/ guarantee amount, to evaluate the necessity and reasonableness of the endorsement/guarantee.
- ii. The annual report and financial reports and other relevant data of the entity for which the endorsement/guarantee is made, to analyze the entity's business operations, financial status, credit status, and sources of repayment, etc. and determine the possible risks.
- iii. Analyze the ratio of the endorsement/guarantee balance within the company's net worth, its liquidity and cash flow situations, and the results of (i) and (ii), to evaluate the impact on the company's business operations, financial condition and shareholder' equity.
- iv. Based on the evaluation results of the nature of the loan and the entity's credit status from (i) to (iii), determine if appropriate security shall be requested of the entity, and evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the endorsement/ guarantee amount, possibly requesting for additional security from the entity when it is deemed necessary.

#### VII. Control Procedures for Endorsements/Guarantees of the Subsidiary

- i. If the subsidiary of the company is to make endorsements/guarantees to others, operational procedures must be in place and in accordance with said operational procedures, with approval from the board of directors and shareholders, submitted to the Supervisors. This also applies to amendments of said operational procedures.
- ii. If the subsidiary of the company is to make endorsements/guarantees to others, it should submit written reports of the previous month's endorsement/ guarantee balance, borrower, dates, etc. on the fifth day of each month to the parent company. The company's auditors shall list the subsidiary's endorsement/guarantee matters as quarterly auditing items and the status of the audits shall be reported to the board of directors and the Supervisors.

#### VIII. Hierarchy of Decision-Making Authority and Delegation

- i. Upon an endorsement/guarantee being made by the company, authorization shall be made in accordance with V. Procedures for making endorsements/ guarantees of operating procedures and with the approval of the board of directors. To be in accordance with the limitation period, as stated in IV. If the aggregate amount of endorsement/guarantees that is set as the ceiling for the company and its subsidiaries as a whole shall not exceed 50 percent or more of the endorsement/guarantee limit and also the limit set out towards any single entity, the board of directors shall authorize the chairman to grant approval followed by subsequent ratification by the board of directors. Where the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.
- ii. Where the company needs to exceed the limits set out in the operational procedures for endorsements/guarantees to satisfy its business requirements, and where the conditions set out in the operational procedures for endorsements/guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/ guarantee. It shall also amend to the shareholders' meeting for ratification after the fact. If the

shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.

#### IX. Custody of Corporate Chop and Relevant Procedures

- i. The company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of the stock service agent and the chairman's office approved by the board of directors. The change of the custodian of the chop shall be approved by the board of directors prior to the transfer of said corporate chop.
- ii. When making a guarantee for a foreign company, the company shall have the Guarantee Agreement signed by the chairman or general manager or vice president of finance that is approved by the board of directors.

#### X. Announce and Report Procedures

These regulations shall be enforced from the date of promulgation.

- i. The finance department shall announce and report the previous month's loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.
- ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  1. The aggregate balance of endorsements/guarantees to others by the company and subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest fiscal financial statement.
  2. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest fiscal financial statement.
  3. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of the company's net worth as stated in its latest fiscal financial statement.
  4. The amount of new endorsements/guarantees made by the company or subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.
- iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its balance of endorsements/guarantees reaches the standards of announce and report as stated in the operational procedures prior to the occurrence of the fact, and the company shall announce and report pursuant to regulations at the designated website.

The term "occurrence of the fact" as used in the operational procedures refers to the contract day for the transaction, or the payment date, or the date designated by the board of directors, or the date of confirmed counterparty or transaction amount, whichever the earlier date prevails.

#### XI. Penal Provisions

Upon the violation of the Securities and Futures Bureau's Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies by the relevant representing agent of the company's endorsements/guarantees, penalties shall be imposed according to the condition of violation as regulated by the following:

- i. Violation of appraisal authorization: First-time violators shall receive verbal counsel.

Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.

- ii. Violation of review procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- iii. Violation of announce and report procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings. Repeated violators or gross violators shall be relocated.
- iv. Penalties shall be imposed to and accepted by the supervisor of the violator provided that said supervisor fails to provide a reasonable explanation detailing that precautions were made.
- v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the supervisors shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.

## XII. Supplemental Items

The Procedures for Endorsements & Guarantees are approved by the board of directors, having been submitted to the Supervisors and reported to the shareholders' meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the Supervisors and report this to the shareholders' meeting for discussion. This also applies to the modifications of the operational procedures. When the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

XIII. This corporate document was created on 2008/11/7.

First-time amendment were made on 2009/6/4.

Second-time amendment were made on 2009/11/20.

Third-time amendment were made on 2010/6/25.

Fourth-time Amendment were made on 2013/6/25.

## PRIMAX ELECTRONICS LTD.

### Procedures for Acquisition or Disposal of Assets

#### Section One – General Provisions

##### I. Purpose and Legal Source:

The standard operating procedures are adopted in accordance with the governing body's "Regulations governing the Acquisition and Disposal of Assets by Public Companies" for the purpose of enforcing asset management and the transparency of information, and shall apply to all company operations.

##### II. Applicability of "Assets":

- i. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- ii. Real property and equipment.
- iii. Memberships.
- iv. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- v. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes, or other interests. The term "forwards" as previously stated does not include insurance contracts, performance contracts, aftersales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- vi. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as "transfer of shares") under Article 156, paragraph 6 of the Company Act.
- vii. Other major assets.

##### III. Evaluation Procedures:

Upon the acquisition or disposal of negotiable securities or the trading of derivatives, the finance department shall first analyze the interests and evaluate possible risks; upon the acquisition or disposal of real property and equipment, capital expenditure plans shall be drafted by respective departments in advance, providing feasibility assessment on the purpose of the acquisition or the disposal and the expected effects; upon related party transactions, evaluation on the reasonableness of terms and conditions of the transaction shall be carried out in accordance with Segment 3 of Section 2 of this standard operation procedure; upon the trading of derivatives, the status on futures market transactions, interest rates and foreign exchange rates shall be taken into account for consideration; upon mergers, demergers, acquisition or transfer of shares, the nature of the business, net value per share, value of asset, techniques and profitability, capacity and future growth potential, etc. shall be taken into account for consideration.

#### Section Two – Disposition Procedures

##### Segment One – Establishment of Disposition Procedures

- IV. After the procedures have been approved of by the board of directors, they shall be submitted to the Supervisors and reported to the shareholders' meeting for approval; the same applies when the

procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Supervisors. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

- V. After the board of directors have approved of the procedures for the acquisition and disposal of assets, if any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Supervisors. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

## Segment Two – Acquisition or Disposal of Assets

### VI. Assets Evaluation Procedures

In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- ii. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- iii. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereafter referred to as ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- iv. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these regulations, 10 percent of equity attributable to owners of the parent shall be substituted.



- VII. When acquiring or disposing securities the company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the certified public accountant needs to use the report of an expert as evidence, said accountant shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (hereinafter referred to as "FSC").
- IIIX. Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with (ii) of article XXIX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained need not be counted toward the transaction amount.

- IX. Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or the certified public accountant's opinion.
- X. Aside from professional appraisal and opinions from certified public accountants and field experts, for the calculation of the price of the acquired or disposed asset and the basis for reference, the following procedures shall apply to the specific situations accordingly:
- i. Acquired or disposed securities at the centralized market or via over-the-counter trading shall be determined by the prices of shares or bonds at the time of the event.
  - ii. For securities acquired or disposed at the centralized market or via over-the-counter trading, the net value per share, techniques and profitability, future growth potential, market rate, bonds and coupon rates, the debtor's credit rating, etc. along with the strike price at the time of the event shall be taken into account for consideration.
  - iii. For acquired or disposed memberships, the potential profits and the concluding price shall be taken into account for consideration; for acquired or disposed patents, copyrights, trademarks, franchise rights, and other intangible assets, the international or market practices, serviceable time period, the impact on company techniques and business sales shall be taken into account for consideration.
  - iv. For acquired or disposed real property and equipment, the current value, assessed value, actual selling price or book value of neighboring real property, and vendors' price quotes shall be taken into account for consideration. If real property is purchased from a related party, the calculation of the price should follow the regulations stated in segment 3 of section 2 of the standard operating procedures to assess the reasonableness of the transaction price.
  - v. For the trading of derivatives the company's business needs and the relevant items' trade status shall be taken into account for consideration. Trend analysis on future stocks, foreign exchange rates and interest rates from financial institutions and securities firms of good credibility shall also be referred to. The combination of the above data shall determine the appropriate timing, merchandise and concluding price.

- vi. For mergers, demergers, acquisitions or transfer of shares, the nature of the business, net value per share, value of asset, techniques and profitability, capacity and potential future growth shall be taken into account for consideration.

## XI. Operating Procedures:

### i. Degree/Level of Authority Delegated

The “Decree of Authority Chart for Acquisition and Disposal of Assets” approved by the board of directors shall apply. For investments in Mainland China regions, the “Permit for Investment or Technical Collaboration in Mainland China Regions” of the Investment Commission in Taiwan (hereinafter referred to as “MOEAIC”) shall apply.

### ii. Units Responsible for Implementation and Transaction Process

The company’s “Regulations for Investment Managements” shall apply to the investment of securities by the implementing unit; the implementing unit for real property and other assets is the department of the application and competent units. Upon regulated appraisal and approval of the acquisition or disposal of assets, the implementing unit shall proceed with the process of contract initiation, payments, consignment, inspection and acceptance, etc. and perform control management according to the nature of the asset and the relevant regulations.

## XII. Investment Amounts and Limits

The company and subsidiaries may invest on assets for the uses of business operations and also real property and securities for uses other than business operations, the amounts and limits are as stated below.

- i. The aggregated amount of invested real property and short-term securities for uses other than business operations shall not exceed 20 percent of the shareholders’ equity according to the most recent fiscal financial statement; the amount of short-term investments for a single company shall not exceed 5 percent of the shareholders’ equity aforementioned.

This policy also applies to the company’s subsidiaries.

- ii. The aggregated amount of invested securities by the company shall not exceed the shareholders’ equity according to the most recent fiscal financial statement certified by the public accountant. However, the amount of long-term joint venture for a single company is limited to 80 percent of the shareholders’ equity aforementioned.

“Regulations Governing the Preparation of Financial Reports by Securities Issuers” shall apply to related parties and subsidiaries.

## Segment Three – Related Party Transactions

### XIII. Basis of Review

When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions from the previous segment and the present one are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a certified public accountant’s opinion in compliance with the provisions of the preceding segment.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with (ii) of article IIX herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Regulations regarding 10 percent of total assets mentioned herein shall be based on the total assets amount of the company’s or the individual’s most recent fiscal financial report that is in accordance with Regulations Governing the Preparation of Financial Reports by Securities



Issuers.

#### XIV. Appraisal Procedures

When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the Supervisors:

- i. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- ii. The reason for choosing the related party as a trading counterparty.
- iii. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with articles XV and XVI.
- iv. The date and price at which the related party originally acquired the real property, the original trading counterparty, and the trading counterparty's relationship to the company and the related party.
- v. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- vi. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.
- vii. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with (ii) of article IXXX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the Supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the company and related parties, the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

#### XV. Evaluation of the Reasonableness of the Transaction Costs:

When the company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means along with the review and opinions of a certified public accountant, provided that the real property was not acquired via inheritance or as a gift, or that more than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction, or the real property was acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land, where article XIV shall apply.

- i. Based upon the related party's transaction price plus necessary interest on funding and the costs

to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

- ii. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- iii. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the two preceding paragraphs.

XVI. When the results of the company's appraisal conducted in accordance with the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with article XVII. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply:

- i. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - 1. Where undeveloped land is appraised in accordance with the means in the preceding article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - 3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- ii. Where the company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

XVII. Where the company acquires real property from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction

price, the following steps shall be taken:

- i. A special reserve shall be set aside in accordance with article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company that is a public company, then the special reserve called for under article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. The special reserve as stated in the preceding paragraph may not be utilized until the company has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- ii. Supervisors shall comply with Article 218 of the Company Act.
- iii. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus

#### Segment Four – Engaging in Derivatives Trading

#### XIIX. Trading Principles and Strategies

- i. Types of derivatives: Forward contracts, options contracts, interest and exchange swaps, future contracts, and compound contracts combining the above products. Any other products must be approved of for trading by the board of directors.
- ii. Operating or Hedging Strategies: The trading of derivatives within the company is categorized into hedge trades and non-hedge trades (as in for the purposes of trade). The strategies shall aim at operational risk aversion with the trading products chosen to avert the risks of foreign exchange earnings, expenditures, assets, debts, etc. that may arise from company businesses. If non-hedge trading of derivatives is chosen at the appropriate time due to objective changes to circumstances, it should increase the company's non-business income or lower non-business losses. Moreover, financial institutions that do business with the company shall be prioritized as the counterparty of the transaction to avoid the occurrence of credit risks. To establish the basis for accounting, the transaction must be determined in advance as either a hedge trade or a financial operation and transaction with investment and profit objectives.
- iii. Ceilings on the Transaction Amount:
  1. Hedge Trades: Not exceeding the company's total foreign currency assets and debts positions (including the total assets and foreign currency debts positions forecasted for the succeeding six months).
  2. Non-Hedge Trades: The "Decree of Authority Chart for Acquisition and Disposal of Assets" approved by the board of directions shall apply. Prior to the execution of the transaction, the trader shall submit a foreign exchange analysis report detailing the analysis of foreign exchange market trends and suggested operating procedures for approval.
- iv. Maximum Loss Limit on Total Trading and for Individual Contracts
  1. Hedge Trades: Hedge trades shall be performed based on the company's actual hedging needs. If any of the following situations occur, a countermeasure plan shall be immediately submitted to the finance department's director and the chairman for resolution.
    - (1) Unexpired individual contracts: Appraised amount of losses exceeds 20 percent or more of said contract's amount.
    - (2) Total unexpired contracts: Appraised amount of losses exceeds 10 percent or more of the

aggregated amount of all contracts.

2. Non-Hedge Trades: The stop loss limit shall be set up following the establishment of the position to prevent the excess of loss, with the stop loss limit not exceeding 35 percent of the transaction contract amount and the amount of the fiscal year's aggregated losses not exceeding US\$300 million.

v. Segregation of Duties

1. Trader: The executor of the derivatives trading shall be appointed by the chairman, responsibilities of whom including the establishment of trading strategies within the limits of delegated authority, the execution of transaction instructions, revealing future trading risks, and providing instant updates to relevant departments for reference.
2. Accounting unit: Credit and record transaction data in accordance with relevant regulations, regularly execute fair market price appraisal on all positions and provide such information to the transaction exclusive personnel, reveal relevant data on derivatives in financial statements, and regularly perform announce and report items.
3. Finance unit: Confirm transactions and execute regular fair market price appraisal on all derivatives trading positions, handle settlements of the trading of derivatives.
4. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

vi. Essentials of Performance Evaluation

1. 1. Hedge Trades: Execute performance evaluation no less frequently than twice a month on the profits and losses based on book value of foreign exchange (interest) rates and financial derivative transactions, and report evaluation results to company executives for reference.
2. 2. Non-Hedge Trades: Execute performance evaluation no less frequently than weekly on actual profits and losses and report evaluation results to company executives for reference.

XIX. Risk Management Measures

Upon the trading of derivatives, the company shall implement risk management measures and with limits of risk management according to the following:

- i. Credit risks: Selection of the trading counterparty shall prioritize companies with good reputation and financial institutions and commission merchants that can offer professional information.
- ii. Market risks: Changeable losses due to the future market price fluctuation for derivatives, the company must strictly abide by the stop loss limit set up following the establishment of the position.
- iii. Liquidity risks: To ensure the liquidity of derivatives, the trading body must have sufficient equipment, information, trading capacity, and be able to trade in any market.
- iv. Operational risks: The delegation of authority and operational procedures must be strictly abided by to avoid operational risks.
- v. Legal risks: Any contracts signed with financial institutions shall strive for compliance with international standards of documents to avoid legal risks.
- vi. Product risks: The internal trader shall have complete and accurate professional knowledge of the derivatives for trading to avoid losses caused by the misuse of derivatives.
- vii. Cash settlement risks: The delegated trader shall fully abide by the policies of the level of delegated authority and take heed of company cash flow to ensure there is sufficient cash available for cash settlements.
- viii. Personnel engaged in derivatives trading may not serve concurrently in other operations such

as confirmation and settlement.

- ix. The accounting unit shall regularly execute reconciliation or confirmation with the bank with which the company does business and constantly certify that the aggregated amount of transactions does not exceed the limits regulated in the standard operating procedures.
- x. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph (iix) and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
- xi. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

#### XX. Internal Audit System :

The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the Supervisors shall be notified in writing.

#### XXI. Regular Evaluation Methods and Handling of Irregular Circumstances:

- i. Monthly or weekly assessment of derivatives trading shall be performed and the profit-loss situations and open interest positions of non-hedge trades shall be reported to the chairman and the senior management personnel appointed by the board of directors for reference during performance evaluation management and risk assessment.
- ii. The company's board of directors shall faithfully supervise and manage derivatives trading. It shall also periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- iii. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
  - 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the FSC's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and these regulations and the procedures for engaging in derivatives trading formulated by the company.
  - 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors.  
  
(Where the company already has independent directors, an independent director shall be present at the meeting and express an opinion.)
- iv. When the company engages in derivatives trading it shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, monthly or weekly evaluation reports, and regular assessments performed by the senior management personnel delegated by the chairman and the board of directors shall be recorded in detail in the log book.

The company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the standard operating procedures.



## Segment Five – Mergers and Consolidations, Splits, Acquisitions, Transfer of Shares

- XXII. When the company participates in a merger, demerger, acquisition, or transfer of shares, it shall do so after the approval of the shareholders' meeting, provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Also, the transfer of shares shall be approved of by the board of directors prior to its execution.
- XXIII. When the company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a certified public account, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.
- XXIV. When the company participates in a merger, demerger, acquisition, or transfer of shares it shall prepare a public report to the shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding article when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution or the proposal is rejected by the shareholders' meeting, the company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.
- XXV. When the company participates in a merger, demerger, or acquisition it shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on the exchange or has its shares traded on the over-the-counter market shall prepare a full written record of the following information and retain it for 5 years for reference:

- i. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- ii. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- iii. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an over-the-counter market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report in the prescribed format and via the Internet-based information system the information set out in (i) and (ii) of the preceding paragraph to the governing body for recordation.

Where the company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an

over-the-counter market, the company so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding paragraphs.

#### XXVI. Share Exchange Ratio and Acquisition Price:

When participating in a merger, demerger, acquisition, or transfer of shares, the share exchange ratio or acquisition price may not arbitrarily alter unless under the below-listed circumstances:

- i. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- ii. An action, such as a disposal of major assets, that affects the company's financial operations.
- iii. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- iv. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- v. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- vi. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

#### XXVII. Items to be Recorded in Contracts

The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations, the share exchange ratio and acquisition price of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- i. Handling of breach of contract.
- ii. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- iii. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- iv. The manner of handling changes in the number of participating entities or companies.
- v. Preliminary progress schedule for plan execution, and anticipated completion date.
- vi. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

#### XXIIX. Additional Provisions for the Company's Mergers, Demergers, Acquisitions, or Transfer of Shares:

- i. Companies participating in the merger, demerger acquisition, or share transfer intends shall issue a confidentiality undertaking in written form and they shall not disclose any information prior to public disclosure of the information, nor shall they purchase or sell any stocks or equity-based securities of all related companies of the transaction under individual name or using other individuals' names.
- ii. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward



the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

- iii. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of article XXV, (i) and (ii) of the preceding article.

### **Section Three – Public Disclosure of Information**

#### **XXIX. Announce and Report Procedures:**

- i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
  1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
  2. Merger, demerger, acquisition, or transfer of shares.
  3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in (iv) of article XIIX of the standard operating procedures.
  4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
    - (1) Trading of government bonds.
    - (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
    - (3) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
    - (4) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.
- ii. The amount of transactions above shall be calculated as follows:
  1. The amount of any individual transaction.
  2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
  3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.

4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- iii. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount.
  - iv. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the governing body by the 10th day of each month.
  - v. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.
  - vi. Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the governing body within 2 days commencing immediately from the date of occurrence of the event:
    1. Change, termination or rescission of a contract signed in regard to the original transaction.
    2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
    3. Change to the originally publicly announced and reported information.

Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

- XXX. When acquiring or disposing assets the company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and certified public account, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

#### **Section Four – Additional Provisions**

##### **XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries**

- i. The company's subsidiaries shall also establish and execute "Procedures for Acquisition or Disposal of Assets" in accordance with regulations of the governing body, obtain approval from the board of directors, and submit it to the Supervisors and report to the shareholders' meeting for resolution. This also applies to amendments of the standard operating procedures.
- ii. Assets acquired or disposed by subsidiaries shall be conducted in accordance with the separate "Control System" and "Procedures for Acquisition or Disposal of Assets". The company shall compile monthly reports on the status of individual or accumulated acquired or disposed assets trading or transactions of similar nature reaching NT\$10 million or more of the preceding month and the status of derivatives trading up to the end of the previous month, and report to the company in written form on the 5th day of each month. The company's auditors shall list subsidiaries' acquired or disposed asset matters as monthly auditing items and the status of the audit shall be reported to the board of directors and the Supervisors.

iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its acquired or disposed assets reach the standards of announce and report as stated in article IXXX prior to the occurrence of the fact, and the company shall announce and report pursuant to regulations at the designated website. The paid-in capital or total assets of the subsidiary shall be the standard for determining whether or not the subsidiary is subject to

regulations requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

#### XXXII. Penal Provisions:

Upon the violation of the Securities and Futures Bureau's "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" by the relevant representing agent of the company's acquired or disposed assets, penalties shall be imposed according to the condition of violation as regulated by the following, with the violation included in the year's individual performance evaluation:

- i. Violation of appraisal authorization: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- ii. Violation of review procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- iii. Violation of announce and report procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings. Repeated violators or gross violators shall be relocated.
- iv. Penalties shall be imposed to and accepted by the supervisor of the violator provided that said supervisor fails to provide a reasonable explanation detailing that precautions were made.
- v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the supervisors shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.

XXXIII. Regarding appraisal reports obtained for the company or opinions from public lawyers, or accountants, or securities underwriters, said appraiser, lawyer, accountant, or securities underwrite must not be related to the parties involved in the transaction.

XXXIV. This corporate document was created on 2008/11/7.

First-time amendments were made on 2009/6/4.

Second-time amendments were made on 2012/6/19.

Third-time amendments were made on 2013/6/25.

Fourth-time amendments were made on 2014/6/24.

### The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate

Item	year	Year 2014 (Forecast)	
Beginning Paid-in Capital (NTD thousand)		4,346,578	
Dividend Distribution	Cash dividend per share (NTD) <sup>(1)</sup>	1.8	
	Cash dividend per share from capital reserve (Share) <sup>(1)</sup>	—	
	Stock dividend per share for capital increase from retained earnings (Share) <sup>(1)</sup>	—	
	Stock dividend per share for capital increase from capital reserve (Share) <sup>(1)</sup>	—	
Business Performance Variation	Operating profit	N/A <sup>(2)</sup>	
	Year-on-year increase / decrease (%) of operating profit		
	Net profit after tax		
	Year-on-year increase / decrease (%) of net profit after tax		
	Earnings per share		
	Year-on-year increase / decrease of earnings per share		
	Average return over investment (annualized)		
Pro forma earnings per share and its P/E ratio	If cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share (NTD)	N/A <sup>(2)</sup>
		Pro forma average return over investment (annualized)	
	If no capital increase from capital reserve	Pro forma earnings per share (NTD)	
		Pro forma average return over investment (annualized)	
	If no capital reserve and cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share (NTD)	
		Pro forma average return over investment (annualized)	

Note 1: Based on the total outstanding 439,503,712 shares of the Company as of March 24, 2015 and upon resolution at the regular shareholders' meeting, the Board of Directors shall be authorized to set the ex-dividend date and determine the relevant matters. In the case of changes in the number of total outstanding shares on the ex-dividend date, the Board of Directors shall also be authorized to adjust the amount of dividends per share to be distributed based on the actual number of the total outstanding shares on the ex-dividend date.

Note 2: Not applicable as the Company has not published the 2015 financial forecast.

**PRIMAX ELECTRONICS LTD.**  
**Shareholding of Directors and Supervisors**

1. The Company's paid-in capital is NT\$ 4,386,486,820 and have issued 438,648,682 shares.
2. According to Article 26 of the Securities and Exchange Act, the minimum shares held by all the directors shall be 16,000,000 shares, and the minimum shares held by all the supervisors shall be 1,600,000 shares.
3. The table below provides the information about the shares held by individual and all the directors and supervisors as recorded in the shareholders' roster as of the lockup date (May 1, 2015), which have met the percentage standards required by law.

Book closure date : May 1, 2015

Position	Name	Date elected	Current Shareholding shares	Shareholding ratio
Chariman	Liang, Li-Sheng	June 19, 2012	1,500,001	0.34%
Director	Yang, Hai-Hung	June 19, 2012	1,962,465	0.45%
Director	Yang, Tze-Ting	June 19, 2012	1,926,963	0.44%
Director	Pan, Yung-Tai	Sep. 5, 2014	8,291,046	1.89%
Director	Pan, Yung-Chung	Sep. 5, 2014	4,617,987	1.05%
Independent Director	Ku, Tai-Jau	June 19, 2012	0	0
Independent Director	Liu, Jung-Hsi	June 19, 2012	0	0
Shareholdings of all Directors			18,298,462	4.17%

Title	Name	Date of election	Current Shareholding shares	Shareholding ratio
Supervisor	Tsai, Yu-Wei	June 19, 2012	1,000,000	0.23%
Supervisor	Shyu, Chiang-Chan	June 19, 2012	3,580,977	0.81%
Supervisor	Chang, Te-Tsai	June 19, 2012	1,937,828	0.44%
Shareholdings of all Supervisors			6,518,805	1.48%