

Stock Code: 4915



## **PRIMAX ELECTRONICS LTD.**

### Handbook for the 2018 First Extraordinary Meeting of Shareholders (Translation)

Time : October 25, 2018

Venue : 2F, No.24, Sec. 1, Hangzhou S. Road, Zhongzheng District, Taipei City  
(GIS MOTC Convention Center)

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# **PRIMAX ELECTRONICS LTD.**

## **Procedure for the 2018 First Extraordinary Meeting of Shareholders**

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

**PRIMAX ELECTRONICS LTD.**  
**2018 First Extraordinary Meeting of shareholders**

**Agenda**

Time : October 25, 2018 (Thursday) 9 AM

Venue : 2F., No.24, Sec. 1, Hangzhou S. Road, Zhongzheng District , Taipei City  
(GIS MOTC Convention Center)

- 1 、 Meeting called to order (declare the number of shares represented by shareholders present at the meeting)
- 2 、 Chairperson Remark
- 3 、 Discussion
  - a. Amend the Company's "Procedures for Acquisition or Disposal of Assets ".
- 4 、 Election
  - a. Elect one seat of Independent Director to fill the vacancy.
- 5 、 Extempore Motion
- 6 、 Meeting Adjournment

## **Discussion**

1. **(Proposed by the Board)**  
**Proposal :** Resolution of amendment 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 to align with the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Company's operational requirements.
- (2) Refer to Schedule 1, from pages 4 to page 9, of the Handbook for a comparison of the amendments to the "Procedures for Acquisition or Disposal of Assets "

**Resolution:**

## **Election**

1. **(Proposed by the Board)**  
**Proposal :** Elect one seat of Independent Director to fill the vacancy.

**Description:**

- (1) According to the Articles of Incorporation, five to nine directors may be elected (including independent directors). Due to the vacancy of one seat of independent director of the Company, for compliance with corporate governance, it is proposed to elect one independent director. Please refer to Schedule 2, page10, of the Handbook for the candidate's related information.
- (2) The new appointed independent director shall have a term from October 25, 2018 until May 29, 2021.
- (3) The election shall be conducted according to the Company's "Rules for Election of Directors".

**Resolution:**

## **Extempore Motion**

## **Meeting Adjournment**

PRIMAX ELECTRONICS LTD.  
Comparison of Amendments to the  
Procedures for Acquisition or Disposal of Assets

Amended Content	Current Content	Reason for Amendment and Explanation
<p>II. Applicability of “Assets”: ..... 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, <u>paragraph 8</u> of the Company Act .....</p>	<p>II. Applicability of “Assets”: ..... 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, <u>paragraph 6</u> of the Company Act. ....</p>	<p>Change of numbering per the constitution amendment.</p>
<p>IV. After the procedures have been approved of by <u>over half of all members of the Audit Committee, they shall be submitted to the board of directors</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 Audit Committee. 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. <u>If approval of more than half of all Audit Committee members as aforementioned is not obtained, the procedures may be implemented if they are approved of by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes..</u></p>	<p>IV. After the procedures have been approved of by <u>the board of directors, they shall be submitted to the 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 Audit Committee. 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>Amendment of disposition procedures.</p>
<p>XII. Investment Amounts and Limits ..... i. The aggregated amount of <u>initially invested real property</u> 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. <u>Initially invested amount</u> of short-term investments for a single company shall not exceed 5 percent of the shareholders' equity aforementioned. <u>Initially invested amount of the purchase of money market</u></p>	<p>XII. Investment Amounts and Limits ..... i. The aggregated amount of invested real property and short-term securities for uses other than business operations shall not exceed <u>20</u> percent of the shareholders’ equity according to the most recent fiscal financial statement; <u>the amount of short-term investments for a single company shall not exceed 5 percent of the shareholders’ equity aforementioned.</u> This policy also applies to the company’s</p>	<p>1. "Initially invested amount" used in text to calculate limits so that it is in line with actual company practices and doesn't mislead. 2. I In terms of short-term investments, money market funds are low-risk investments, and can be provided short-term investment</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>funds shall not exceed 50 percent of shareholders' equity as aforementioned.</u> This policy also applies to the company's subsidiaries. <u>If a subsidiary's invested amount exceeds the limit, it can be excluded from this policy following the company's board of directors' approval and subsequent ratification of the approval.</u></p> <p>ii. The aggregated amount of <u>initially</u> invested securities by the company shall not exceed <u>150 percent</u> of the shareholders' equity according to the most recent fiscal financial statement certified by the public accountant. However, the <u>initially invested</u> 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.</p>	<p>subsidiaries.</p> <p>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.</p>	<p>parking, hence the separate calculation of its limit.<sup>[1]</sup></p> <p>3. Request for amendment made after taking into account the company's future operational developments and little space is left for investments.<sup>[2]</sup></p> <p>4. As company subsidiaries vary in scale and actual operational needs, the exclusion of exceeded amounts can be allowed if granted approval from the board of directors based on the subsidiary's actual needs for operational purposes. This is also necessary in the management and supervision of company subsidiaries.</p>
<p>XIII. Basis of Review</p> <p>.....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.</p> <p>When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship <u>shall</u> also be considered.</p> <p>Regulations regarding 10 percent of total assets mentioned herein shall be based on the total assets amount of the company's most recent fiscal financial report that is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>XIII. Basis of Review</p> <p>.....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.</p> <p>When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship <u>shall</u> also be considered.</p> <p>Regulations regarding 10 percent of total assets mentioned herein shall be based on the total assets amount of the company's <u>or the individual's</u> most recent fiscal financial report that is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>Per the constitution amendment. Removal of redundant wording.</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</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</p>	<p>Per the constitution amendment. Amendment of appraisal procedures.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>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 <u>repurchase of money market funds issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>submitted to the Audit Committee with approval from over half of all committee members, followed by approval from the board of directors</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 <u>submitted to the Audit Committee with approval from the board of directors</u> need not be counted toward the transaction amount.</p> <p>.....</p>	<p>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 <u>redemption of domestic money market funds</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>approved by the board of directors and recognized by the 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 <u>approved by the board of directors and recognized by the Audit Committee</u> need not be counted toward the transaction amount.</p> <p>.....</p>	
<p>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. <u>However, when the company participates in a merger of any subsidiary of which it owns 100 percent direct or indirect issued stocks or capital sum, or when the company participates in a merger of its subsidiaries of which the company owns 100 percent direct or indirect issued stocks or capital sum, it needs not obtain the opinion from the aforementioned experts on the reasonableness of such an event.</u></p>	<p>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.</p>	<p>Per the constitution amendment.</p>
<p>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. <u>When participating in the transfer of shares, unless another act provides otherwise or the governing body is notified in advance of extraordinary circumstances and grants consent, the company shall convene a board of directors meetings on the day of the transaction.</u></p>	<p>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 <u>FSC</u> is notified in advance of extraordinary circumstances and grants consent.</p>	<p>"FSC" replaced by "governing body" for more flexibility. The addition of exemptions regulated by the law, or those already reported to the governing body.</p>



Amended Content	Current Content	Reason for Amendment and Explanation
<p>XXIX. Announce and Report Procedures:</p> <p>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:</p> <p>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 <u>repurchase of money market funds issued by domestic securities investment trust enterprises.</u></p> <p>.....</p> <p>4. <u>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.</u></p> <p>5. <u>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.</u></p> <p>6. Where an asset transaction other than any of those referred to in the preceding 5 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:</p> <p>(1) Trading of government bonds.  (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>.....</p> <p>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</p>	<p>XXIX. Announce and Report Procedures:</p> <p>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:</p> <p>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 <u>redemption of domestic money market funds.</u></p> <p>.....</p> <p>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:</p> <p>(1) Trading of government bonds.  (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.  (3) <u>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.</u>  (4) <u>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.</u></p> <p>.....</p> <p>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</p>	<p>Per the constitution amendment.  Rearrangement of the order of the current articles from article 4 paragraph 3 to article 4, article 4 paragraph 4 to article 5, and the remaining paragraph of article 4 to article 6.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>the items shall be again publicly announced and reported in their entirety <u>within 2 days of the date of notice of such amendments to content.</u></p> <p>.....</p>	<p>the items shall be again publicly announced and reported in their entirety.</p> <p>.....</p>	
<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>i. The company’s subsidiaries shall also establish and execute “Standard Operating Procedures for Acquisition or Disposal of Assets” in accordance with regulations of the governing body, obtain approval from the board of directors. 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 “Standard Operating 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 <u>the Audit Committee and the board of directors.</u></p> <p>.....</p>	<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>i. The company’s subsidiaries shall also establish and execute “Standard Operating Procedures for Acquisition or Disposal of Assets” in accordance with regulations of the governing body, obtain approval from the board of directors, <u>and submit it to the Audit Committee and report to the shareholders’ meeting for resolution.</u> 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 “Standard Operating 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 <u>the board of directors and the Audit Committee.</u></p> <p>.....</p>	Amendment of procedures
<p>XXXIV. This corporate document was created on 200811/7.</p> <p>.....</p> <p><u>Sixth-time amendments were made on 2018/10/25.</u></p>	<p>XXXIV. This corporate document was created on 200811/7.</p> <p>.....</p> <p>Fifth-time amendments were made on 2015/6/29</p>	The addition of the date of the most recent amendments.

Note 1:

Money market funds purchased by the company shall in principle meet all the criteria of the company's credit evaluation, funding scale requirements and guarantee the principle. Information on the aforementioned operations shall be made public per the company's acquisition or disposal of assets procedures.

Note 2:

1. The company's individual shareholders' equity amounted to NT\$ 10.72 billion for the 2nd quarter (abbreviated as Q2 hereinafter) of 2018; the aggregated amount of initially invested securities was NT\$ 9.15 billion, and the amount of those that contributed to the core business revenues and profits of the company was NT\$ 8.78 billion, including Primax Electronics Ltd's Chinese and overseas subsidiaries which amounted at NT\$ 3.485 billion; NT\$ 3.867 billion for audio businesses ("Tymphony ") and NT\$ 1.43 billion for automotive electronics business ("AIC"). (Refer to consolidated financial reports for Q2 2018.)

2. Based on the major investment records made by the company since IPO in 2012 and peer group benchmarking, the limit of the aggregate amount of invested securities is proposed to revise from 100 percent to 150 percent of the shareholders' equity.

- (1) Invested amount in "Tymphany" in 2014 was USD 84 million (approximately 23.5% of Primax shareholders' equity for Q2 2018);
- (2) Invested amount in "AIC " (Originally "Belfast") in 2017 was USD 48.1 million (approximately 13.5% of Primax shareholders' equity for Q2 2018);
- (3) Invested amount in "Tymphany" in 2018 increased by USD 45 million (approximately 12.6% of Primax shareholders' equity for Q2 2018);
- (4) Peer group benchmarking of the limit of the aggregate amount of invested securities for reference as shown below:

Company Name	Limits for Invested Amount in Marketable Securities
ASE GROUP	The total amount invested in securities by the relevant company shall not exceed 300% of such company's net worth shown in its Latest Financial Statements.
WPG HOLDING CO LTD	The limits for the acquisitions of the above assets for this Company and each of its Subsidiary shall be as follows: (1) For real estate not for operational uses, the total amount shall not be more than 30% of their net values; (2) Total amount of investment in long-term and short-term Securities shall not exceed 300% of the net value.
WISTRON CORPORATION	Total investment in securities shall not exceed 200% of the equity attributable to owners of the Company as the most recent financial report audited or reviewed by the accountant.
LITE-ON CORPORATION	Company's invested amount does not go over 150 percent of the company's net value

List of Independent Director Candidate

Title	Name of Candidate	Education	Experience	Current Position	Shares
Independent Director	James Wu	MBA, University of Missouri	<ul style="list-style-type: none"> <li>● Deutsche Bank, Country Head Taiwan</li> <li>● Citibank Corp &amp; Investment Banking ,Vice Chairman</li> <li>● Fidelity Investments, Country Head Taiwan</li> <li>● Bankers Trust Bank, Country Head Japan</li> <li>● Bankers Trust Bank, Derivatives Trading, Managing Director, New York</li> <li>● Chase Manhattan Bank, Corp &amp; Commercial Banking, Vice President, Hong Kong / Taiwan</li> </ul>	Far Eastern International Bank/ Director	0

Addendum :

1. Nomination Policy and Process: Directors (including independent director) shall be elected pursuant to the candidate nomination system as specified in the Articles of Incorporation of the Company. The Nomination Committee undertakes a review of the qualification of candidates and submits a candidate list for elections to the Board. In accordance with the Corporate Governance Best Practice Principles of the Company, when reviewing the qualification of candidates, the Nomination Committee shall take into account the operation requirements as well as the diversity of Board Directors, such as the background, work experience, gender, knowledge, and skills.

2. The overall capacity and diversity of candidate for independent director :

Title	Name	Gender	Age	Meet the Independence Criteria	Hold a position with the Company	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead to decisions	Ability to make policy decisions	Number of other public companies in which the individual is concurrently serving
Independent Director	James Wu	Male	61~70	V		V	V	V	V	V	V	V	V	1

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. 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.  
The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
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 managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

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.

The chair may direct the proctors or security personnel to help maintain order at the meeting place.

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 the government or a corporation is a shareholder, it may be represented by more than one representative at a shareholders' meeting. 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 the government or 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 vote 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.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

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

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.

18. 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.  
The second amendment was made on May 25, 2017.

# ARTICLES OF INCORPORATION OF PRIMAX ELECTRONICS LTD.

## 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. F114030 Wholesale of Motor Vehicle Parts and Supplies
  16. F214030 Retail Sale of Motor Vehicle Pars and Supplies
  17. C805050 Industrial Plastic Products Manufacturing
  18. CA02010 Metal Architectural Components Manufacturing
  19. CA02090 Metal Line Products Manufacturing
  20. F401010 International Trade
  21. 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. 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.
- 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. 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 respect 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.
- 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. A candidates nomination system shall be adopted for the election of directors and 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 three 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 of the Company shall be elected in accordance with the Rules for Election of Directors of the Company.

The total number of registered shares of the Company that may be held by all directors shall be 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 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.

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.

A resolution of the audit committee shall have the concurrence of one-half or more of all members.

- 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 Board of Directors may also in the same manner elect the Vice Chairman. 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 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 delivered 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. Management Personnel**

Article 23. 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.

Article 24. 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:

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

Article 25. When allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the earing left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside special capital reserve in accordance with relevant laws, the balance of the earings 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.

The Company shall distribute 2 to 10 percent of distributable profit of the current yea as employee's compensation and not more than 2% of the profit for Directors' compensation; provided, however, that the Company shall have reserved a sufficient amount to offset its accumulated losses.

The employee's compensation may be distributed by way of shares or cash ; and the employees entitled to receive shares or cash includes the employees of subsidiaries of the company meeting certain requirements.

The said Copmany's profit for each year as set forth in the second paragraph shall be the

profit before tax (PBT) (i.e. before deducting the sums of employee's compensation and Directors' compensation).

The Company may distribute employee's compensation and the Directors' compensation by a resolution adopted by a majority vote at a meeting of the Board attended by two-thirds of the total number of Directors; a report of such distribution shall be submitted to the meeting of the Members.

- Article 26. 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 27. 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 VI. Supplementary Provisions**

- Article 28. Rules for implementation of these Articles of Incorporation may be set up separately.
- Article 29. Provisions of the Company Act shall be referred to for matters not provided for in these Articles of Incorporation.
- Article 30. 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.  
Fourteenth amendment was made on June 29, 2015.  
Fifteenth amendment was made on June 20, 2016.  
Sixteenth amendment was made on May 30, 2018.

Primax Electronics Ltd.

Chairman: Liang, Li-Sheng

**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 audit committee 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 audit committee. 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 audit committee. 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").

- IIX. 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 audit committee:

- 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 audit committee 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. 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. 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. 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 (viii) 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 audit committee 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

### XXIIX. 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 audit committee 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 audit committee.
- 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 audit committee 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.  
Fifth-time amendments were made on 2015/6/29.



**PRIMAX ELECTRONICS LTD.**  
**Rules for Election of Directors**

**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.

**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.

**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.**

**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, with the candidates receiving the votes representing more voting rights to be elected as directors.

**Article 5: 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 of the Company to be elected shall be subject to the Company's Articles of Incorporation. For the procedure of election of t directors, the candidate nomination system shall be adopted.**

**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 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 lots for the absent candidate.

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, 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, 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 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.

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. For matters not provided for in these Rules, the Articles of Incorporation, the Company Act and the applicable laws and regulations shall govern.

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.  
The third amendment was made on June 29, 2015.

**PRIMAX ELECTRONICS LTD.**  
**Shareholdings of Directors**

1. The Company's paid-in capital is NT\$ 4,468,153,240 and have issued 446,815,324 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.
3. The table below provides the information about the shares held by individual and all the directors as recorded in the shareholders' roster as of the lockup date (Sep. 26, 2018), which have met the percentage standards required by law.

Position	Name	Date elected	Current Shareholding shares	Shareholding ratio (%)
Chariman	Liang, Li-Sheng	May 30, 2018	1,500,001	0.34%
Director	Yang, Tze-Ting	May 30, 2018	1,926,963	0.43%
Director	Pan, Yung-Chung	May 30, 2018	4,812,599	1.08%
Director	Pan, Yung-Tai	May 30, 2018	7,455,046	1.67%
Director	Sunshine Coast Services Limited Representative: Chen, Jie-Chi	May 30, 2018	4,000,000	0.90%
Independent Director	Ku, Tai-Jau	May 30, 2018	0	0
Independent Director	Cheng, Chih-Kai	May 30, 2018	0	0
Shareholdings of all Directors			19,694,609	4.42%