

Stock Code: 4915



## **PRIMAX ELECTRONICS LTD.**

### Handbook for the 2018 Annual General Meeting of Shareholders (Translation)

Time : May 30, 2018

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

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# **PRIMAX ELECTRONICS LTD.**

## **Procedure for the 2018 Annual General Meeting of Shareholders**

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

**PRIMAX ELECTRONICS LTD.**  
**2018 Annual General Shareholders' Meeting Agenda**

Time : May 30, 2018 (Wednesday) 9 AM

Venue : 4F No. 2, Xuzhou Road, Zhongzheng District 100, Taipei City  
(NTUH International Convention Center)

- 1、Meeting called to order (declare the number of shares represented by shareholders present at the meeting)
- 2、Chairperson Remark
- 3、Report
  - a. The Company's 2017 Business Report.
  - b. Audit Committee's Review Report on the 2017 Financial Statements.
  - c. Distribution of employees' and directors' compensation in 2017.
- 4、Adoption
  - a. The Company's 2017 business report and financial statements.
  - b. The Company's 2017 distribution of earnings.
- 5、Discussion
  - a. Amend the Company's "Articles of Incorporation".
  - b. Amend the Company's "Procedures for Acquisition or Disposal of Assets".
- 6、Election
  - a. Election of all directors
- 7、Other Matters
  - a. Removal of the non-compete restrictions on the newly elected directors.
- 8、Extempore Motion
- 9、Meeting Adjournment

## **Report**

**Report No. 1** : The Company's 2017 Business Report for review.

**Description:**

Refer to Schedule 1 of the Handbook (from page 7 to page 9) for the 2017 Business Report.

**Report No. 2** : Audit Committee's Review Report on the 2017 Financial Statements for review.

**Description:**

Refer to Schedule 2 of the Handbook (page10) for the Audit Committee's Review Report.

**Report No. 3** : Distribution of employees' and directors' compensation in 2017.

**Description:**

- (1) The Board of Directors resolved to distribute NT\$ 68,260,000 for employees' compensation and NT\$ 34,000,000 for directors' compensation for year 2017.
- (2) According to Article 25 of the Company's "Articles of Incorporation", 2% to 10% of the profit before tax (PBT) (i.e. before deducting the sums of employee's compensation and directors' compensation) shall be distributed as compensation for employees and not more than 2% of the PBT shall be distributed as compensation for directors. The Company's PBT for year 2017 was NT\$2,178,832,959, the amount before deducting the sums of compensation of directors and employees was NT\$2,281,108,741. Hence, the aforementioned compensation of employees and directors are respectively 2.99% and 1.49% of the said NT\$2,281,108,741.
- (3) In the internal financial statements, the employees' compensation was recorded as NT\$68,181,524 and NT\$34,094,258 as directors' compensation for year 2017. The discrepancy amount was NT\$78,476 and NT\$-94,258 respectively. The discrepancies were the difference between the outcomes of an accounting estimate, which will be handled by principles of accounting change.

## **Adoption**

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

**Proposal** : Adoption of the Company's 2017 Business Report and Financial Statements.

**Description:**

The Company has completed the internal preparation of the 2017 Annual Parent Company Only and Consolidated Financial Statements and has provided the reports to MEI-PIN WU CPA and YUNG-HUA HUANG CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Please refer to Schedule 1, from page 7 to page 9, and Schedule 3, from page 11 to page 26, of the Handbook for the above Financial Statements as well as the Business Report.

**Resolution:**

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

**Proposal** : Adoption of the Company's 2017 distribution of earnings.

**Description:**

- (1) The Company's 2017 net profit after tax is NT\$ 2,057,414,500, minus this year's actuarial gain from defined benefit plans NT\$5,909,014, minus legal reserve provision NT\$ 205,741,450, minus special reserve provision NT\$201,765,167, plus beginning retained earnings NT\$3,474,126,029, minus adjustments on equity method investments NT\$517,287,466, the distributable retained earnings are NT\$4,600,837,432. The 2017 distribution of earnings prepared according to the Articles of Incorporation is as follows:

PRIMAX ELECTRONICS LTD.  
PROFIT ALLOCATION PROPOSAL  
December 31, 2017

Unit: NT\$

Item	Amount	
<b>Beginning retained earnings</b>		<b>3,474,126,029</b>
Less : Adjustments on equity method investments	517,287,466	
<b>Adjusted unallocated earnings, beginning of year</b>		<b>2,956,838,563</b>
Add : Net profit after tax	2,057,414,500	
Less : Actuarial Gain from Defined Benefit Plans	5,909,014	
Less : 10% Legal Reserve	205,741,450	
Less : Special reserve provision	201,765,167	
<b>Distributable retained earnings</b>		<b>4,600,837,432</b>
Distribution Item :		
Cash Dividends to Common Share Holders(NT\$3.2 per share)	1,430,068,237	
<b>Unappropriated Retained Earnings</b>		<b>3,170,769,195</b>

Chairman :  
Liang, Li-Sheng

General Manager :  
Yang, Hai-Hung

Accounting Manager:  
Chang, Shu-chuan

- Note: 1. The per share dividends above are based on the 446,896,324 outstanding shares as of March 2, 2018.  
2. For the distribution of cash dividends, all dollar amounts less than NT\$ 1 for fractional shares shall be listed as the Company's other income.  
3. The excepted dividend payout ratio for this distribution of profits is 68.52%

- (2) For this distribution of profits, the 2017 earnings will be subject to distribution on a priority basis.
- (3) The cash dividends total NT\$1,430,068,237 and the per share dividends to be distributed are NT\$3.2. The dividends will be distributed to the shareholders listed in the shareholders' roster on the ex-dividend date according to their respective shareholding. The above distribution ratio is calculated based on the total 446,896,324 outstanding shares as of March 2, 2018. After the proposal is approved at the regular shareholders' meeting, it is proposed the board of directors shall be authorized to determine the ex-dividend date and relevant matters.
- (4) For the distribution of earnings, in the event of satisfaction of the vesting conditions on restrictive stock awards, buyback of the Company's shares, assignment or cancellation of treasury stock which influences the ratio of distributable dividends, it is proposed the shareholders' meeting shall authorize the Board of Directors to make proportionate adjustments to the ratio of distributable dividends based on the number of outstanding shares on the ex-dividend date.

***Resolution:***

## **Discussion**

1. **(Proposed by the Board)**  
**Proposal :** Resolution of amendments to the Company's "Articles of Incorporation".

**Description:**

- (1) It is proposed certain provisions of the Company's "Articles of Incorporation" shall be amended as needed for the Company's operational requirements.
- (2) Refer to Schedule 4, pages 27, of the Handbook for a comparison of the amendments to the "Articles of Incorporation".

**Resolution:**

2. **(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 due to the constitution amendment and the Company's operational requirements.
- (2) Refer to Schedule 5, pages 28 to page 32, 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** : Election of all directors.

**Description:**

- (1) As the term of the incumbent directors of the Company will expire on June 28, 2018, it is proposed new directors shall be elected at the 2018 regular shareholders' meeting.
- (2) According to the Articles of Incorporation, five to nine directors may be elected. It is proposed nine directors (including three independent directors) shall be elected.
- (3) Mr. TAI-JAU KU, the candidate of the independent director, served as an independent director of the company for more than three consecutive terms (the actual term of office: 2010/3/30~2018/5/30, 8 years and 2 months in total). In view of the expertise and relevant experience of finance and Corporate Governance to the benefit of the Company, Mr. TAI-JAU KU is renominated as the candidate of independent director so as to furnish the Board with professional advice continuously.
- (4) New directors (including independent directors) shall have a term of three years from May 30, 2018 to May 29, 2021.
- (5) According to the Articles of Incorporation, the candidate nomination system shall be adopted for the election of directors (including independent director), please refer to Schedule 6, from page 33 to page 36, of the Handbook for the list of the director candidates and their academic background, work experiences, and shareholdings.
- (6) The election shall be conducted according to the Company's "Rules for Election of Directors".

**Voting Results:**

## **Other Matters**

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

**Proposal** : Resolution of removal of the non-compete restrictions on the newly elected directors.

**Description:**

- (1) According to Article 209 of the Company Act, a director who conducts business within the business scope of the Company for himself or others shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) To draw on the expertise and relevant experience of the Company's directors to the benefit of the Company, as certain newly elected directors concurrently work for other companies, which may constitute the act restricted under Article 209 of the Company Act, it is proposed for resolution to remove the non- compete restrictions on the company's newly elected directors. Refer to Schedule 7, from page 37 to page 38, of the Handbook for the details.

**Resolution:**

## **Extempore Motion**

## **Meeting Adjournment**



## Business Report

The export-oriented Taiwanese electronics manufacturing industry has faced tremendous pressure in business development and revenue growth, due to the slow recovery of global economy in 2017 and the unfavorable trend of the exchange rate movement. While facing these challenges in the market, PRIMAX has continued to seek the Company's profit growth and optimization based on a stable corporate management strategy while also accumulating the Company's next-phase growth momentum through prudent investment cooperation.

Having benefited from the continuous expansion of the electronic consumer products and rise of demand, such as the introduction of dual-camera modules for smart devices like mobile phones and the introduction of audio products, non-PC segment business that have been cultivated by the Company for years have been successfully partnered with key market players in the development and manufacturing of related products throughout 2017 with significant orders and revenue growth achieved. At the same time, led by the surging tide of the gaming market, PRIMAX has continued to strengthen its partnership with leading gaming manufacturers with the competitive advantage in PC peripheral products accumulated for years, and introducing new gaming products to the market. Based on existing revenue and profit contribution, the Company has gradually carried out the business transformation of PC segment.

As always, PRIMAX upholds high standards for product quality and yield rate, strengthens investments in automation processes, and seeks continuous improvement in manufacturing cost control. With stable revenue being generated, the Company's overall gross profit in 2017 was further improved over the same period of the previous year. In addition, focusing on the importance of the development of new technologies and new products for the future, the Company controlled expenses strategically, overall generating a outstanding profit numbers in 2017

### I. 2017 Financial Performance

#### (I) Financial Results

Affected by the slow recovery of global economy and the appreciation of the New Taiwan Dollar, the Company's consolidated net revenues amounted to NT\$60,741,692 thousand in 2017, which was a marginal decline of 5.6% from NT\$64,329,462 thousand in 2016. The consolidated net income in 2017 amounted to NT\$2,168,981 thousand, an increase of 5.9% from NT\$2,048,662 thousand in 2016.

#### (II) Cash Flow Analysis

Unit : NT\$ thousand

Account	2017	2016	Net change
Net cash inflow (outflow) from operating activities	3,412,165	2,268,257	1,143,908
Net cash inflow (outflow) from investing activities	(1,452,394)	(717,299)	(735,095)
Net cash inflow (outflow) from financing activities	(451,649)	(2,615,165)	2,163,516

### (III) Profitability Analysis

Account	2017	2016
Return on Equity (%)	17.20	16.28
Operating Income to Paid-in Capital (%)	49.33	53.65
Profit before Tax to Paid-in Capital (%)	63.85	62.48
Net Profit Margin (%)	3.57	3.18
Earnings per Share (Dollars)	4.67	4.40

### (IV) R&D Investments

The Company spent NT\$2,364,974 thousand on research and development in 2017. This investment aimed at the design and development of new products and new technologies, and the upgrade and improvement of production process.

## II. Business Strategy and Technology Developments

Looking into the future product strategy and development, the Company will continue to focus on the steady growth of overall revenues with a healthy product mix. In addition, under the trend of Industry 4.0, the Company will further deepen the introduction of smart manufacturing applications in order to enhance the core competitiveness of its overall manufacturing capacity.

In the area of business development, non-PC segment have performed outstandingly in revenue growth in 2017 and gradually become the Company's main revenue and profit source. The demand for audio products like smart speakers and wireless headphones, as well as high-end applications related to camera modules will continue to grow in 2018. PRIMAX will stabilize the production and development of related products, and strive for revenue growth. Simultaneously, the Company will actively grasp the market development trend and consumer demand, and continue to conduct research and development on application products derived from the trend development of cloud technology, mobile devices, digital home, and the Internet of Things, in seeking business opportunities for high-end audio products and lens-related products.

In the area of auto electronics business development, at the end of 2017, PRIMAX had taken a very important step in auto electronics market deployment by acquiring 37% stock shares of Belfast Holdings (Cayman), a supplier of Tier1 auto companies. The product line of Belfast Holdings (Cayman) includes electric power steering systems and advanced front headlight steering lighting systems, which are key technologies for the future development of electric vehicles and unmanned driving. Through this investment and cooperation, PRIMAX will have a new wave of momentum for revenue growth in the future.

In terms of PC segment business, PRIMAX has successful entered into the gaming market and generated stable revenue,; besides, the Company will continue to develop new application technologies in response to new market trends and customer needs leverage its accumulated technology and design foundation. PRIMAX will continue to seek business transformation and growth of the PC segment and maintain stable profit contribution among a matured and saturated PC market.

Last but not least, focusing on the trend of smart manufacturing and Industry 4.0, the Company will continuously introduce in-depth automation processes and make good use of information technology to increase the transmission of manufacturing information in order to reduce manufacturing costs, improve manufacturing yield rate, and optimize productivity.

In sum, PRIMAX will continue to increase the market share of related products, extend existing products and technologies to different applications and platforms, and conduct more effective assessment and control of various investments, in order to face the changes in the global economic environment and the challenges from competitors, as well as achieving mid-to-long term goals of stable business growth and profitability enhancement.

Chairman : Liang, Li-Sheng

General Manager : Yang, Hai-Hung

Accounting Manager : Chang, Shu-chuan

## **Audit Committee's Review Report**

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2017 Business Report, Financial Statements and Proposal for Distribution of Earnings prepared and submitted by the Board of Directors, the Financial Statements have been fully audited by KPMG Taiwan which has issued the audit report.

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

Chairman of the Audit Committee: Way, Yung-Do

Date: March 13, 2018

## Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the financial statements of PRIMAX ELECTRONICS LTD. (“the Company”), which comprise the balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of certain investees accounted for using equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the reports of the other auditors. The Company's investment in these companies constituting 6% and 4% of the total assets, as of December 31, 2017 and 2016, respectively. The related share of profit of associates accounted for using the equity method amounted constituting 17% and 11% of the profit before tax, for the years ended December 31, 2017 and 2016, respectively.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

## 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of the Company; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyze the changes of the aging of inventories; sampling the inventories sold in subsequent period to assess whether the allowance for inventories are reasonable.

## 2. Investments accounted for using equity method

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

Description of key audit matter:

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

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

How the matter was addressed in our audit:

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of the Company.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are MEI-PIN WU and YUNG-HUA HUANG.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2018



(English Translation of Financial Statements and Report Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
<b>Current assets:</b>					<b>Liabilities and Equity</b>			
1100 Cash and cash equivalents (note 6(a))	\$ 3,979,290	17	4,751,198	18	2170 Notes and accounts payable	28,195	-	783,593
1110 Current financial assets at fair value through profit or loss (note 6(b))	93,095	-	141,317	1	2180 Accounts payable to related parties (note 7)	8,339,013	35	9,352,640
1170 Accounts receivable, net (note 6(d))	6,256,390	26	7,339,708	27	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	103,107	-	150,430
1180 Accounts receivable from related parties, net (notes 6(d) and 7)	29,181	-	513,446	2	Other payables (note 7)	1,828,968	8	2,331,760
1200 Other receivables, net (notes 6(d) and 7)	184,718	1	1,050,923	4	Salary payable (note 6(p))	206,129	1	359,279
1310 Inventories (note 6(e))	2,128,441	9	2,293,419	8	Other current liabilities	248,553	1	219,856
1470 Other current assets	27,641	-	33,532	-	Long-term borrowings, current portion (note 6(k))	135,555	-	382,222
	12,698,756	53	16,123,543	60		10,889,520	45	13,579,780
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>			
1523 Available-for-sale financial assets-non-current (note 6(c))	397,252	2	873,921	3	2622 Long-term accounts payable to related parties (note 7)	423,944	2	781,263
1550 Investments accounted for using equity method (note 6(f))	10,287,105	43	9,317,894	35	2540 Long-term borrowings (note 6(k))	83,333	-	218,889
1600 Property, plant and equipment (note 6(g))	69,036	-	68,785	-	2630 Long-term deferred revenue (note 6(g))	885,580	4	1,159,073
1760 Investment property (note 6(h))	251,589	1	255,149	1	2600 Other non-current liabilities (notes 6(m) and (n))	461,235	2	345,574
1780 Intangible assets (note 6(i))	18,351	-	22,966	-	<b>Total liabilities</b>	1,854,092	8	2,504,799
1840 Deferred tax assets (note 6(n))	338,330	1	348,269	1	Ordinary shares (note 6(o))	12,743,612	53	16,084,579
1990 Other non-current assets	68,465	-	73,776	-	Capital collected in advance (note 6(o))	4,456,883	18	4,421,343
	11,430,128	47	10,960,760	40	Capital surplus (notes 6(o) and 6(p))	3,085	-	3,024
					Legal reserve (note 6(o))	1,232,490	5	791,466
					Special reserve (note 6(o))	982,041	4	788,634
					Unappropriated retained earnings (note 6(o))	97,300	-	97,300
					Other equity interest	5,008,344	21	4,779,419
						(394,871)	(1)	118,538
					<b>Total equity</b>	11,385,272	47	10,999,724
<b>Total assets</b>	\$ 24,128,884	100	27,084,303	100	<b>Total liabilities and equity</b>	\$ 24,128,884	100	27,084,303

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		<u>2017</u>		<u>2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(r) and 7)</b>	\$ 35,023,563	100	45,739,783	100
5000	<b>Operating costs (notes 6(e), (m), (s), 7 and 12)</b>	<u>32,785,654</u>	<u>94</u>	<u>42,106,442</u>	<u>92</u>
	<b>Gross profit</b>	<u>2,237,909</u>	<u>6</u>	<u>3,633,341</u>	<u>8</u>
	<b>Operating expenses (notes 6(m), (s), 7 and 12):</b>				
6100	Selling expenses	605,515	2	670,475	2
6200	Administrative expenses	434,624	1	442,145	1
6300	Research and development expenses	<u>971,418</u>	<u>3</u>	<u>970,860</u>	<u>2</u>
	<b>Total operating expenses</b>	<u>2,011,557</u>	<u>6</u>	<u>2,083,480</u>	<u>5</u>
	<b>Net operating income</b>	<u>226,352</u>	<u>-</u>	<u>1,549,861</u>	<u>3</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes 6(t) and 7)	52,076	-	33,468	-
7020	Other gains and losses (notes 6(c), (u) and 7)	619,291	2	371,406	1
7070	Share of profit of subsidiaries accounted for using equity method	1,291,934	4	424,575	1
7050	Finance costs	<u>(10,820)</u>	<u>-</u>	<u>(31,786)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>1,952,481</u>	<u>6</u>	<u>797,663</u>	<u>2</u>
	<b>Profit from operations before tax</b>	2,178,833	6	2,347,524	5
7950	Less: Income tax expense (note 6 (n))	<u>121,418</u>	<u>-</u>	<u>413,454</u>	<u>1</u>
	<b>Profit</b>	<u>2,057,415</u>	<u>6</u>	<u>1,934,070</u>	<u>4</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Actuarial gains (losses) on defined benefit plans	<u>(5,909)</u>	<u>-</u>	<u>(1,340)</u>	<u>-</u>
		<u>(5,909)</u>	<u>-</u>	<u>(1,340)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign operation's financial statements	(112,643)	-	(610,956)	(1)
8362	Unrealized gains on available-for-sale financial assets (note 6(v))	<u>(331,977)</u>	<u>(1)</u>	<u>110,706</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(444,620)</u>	<u>(1)</u>	<u>(500,250)</u>	<u>(1)</u>
8300	<b>Other comprehensive income after tax</b>	<u>(450,529)</u>	<u>(1)</u>	<u>(501,590)</u>	<u>(1)</u>
	<b>Comprehensive income</b>	<u>\$ 1,606,886</u>	<u>5</u>	<u>1,432,480</u>	<u>3</u>
	<b>Earnings per share (note 6(q))</b>				
9710	Basic earnings per share (NT dollars)	<u>\$ 4.67</u>		<u>4.40</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 4.63</u>		<u>4.36</u>	

(English Translation of and Report Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Total other equity interest			
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity
<b>Balance at January 1, 2016</b>	4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,399)	10,430,381
Profit	-	-	-	-	-	1,934,070	-	-	-	1,934,070
Other comprehensive income	-	-	-	-	-	(1,340)	(610,956)	110,706	-	(501,590)
Comprehensive income	-	-	-	-	-	1,932,730	(610,956)	110,706	-	1,432,480
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	177,312	-	(177,312)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(927,933)	-	-	-	(927,933)
Retirement of restricted employee stock	(3,850)	-	(6,350)	-	-	-	-	-	10,200	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	43,182	43,182
Compensation cost of share-based payment	-	-	2,517	-	-	-	-	-	-	2,517
Exercise of employee stock option	-	19,097	-	-	-	-	-	-	-	19,097
Issuance of ordinary shares for employee stock options and abandonment	13,316	(31,247)	17,931	-	-	-	-	-	-	-
<b>Balance at December 31, 2016</b>	4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	405,466	(27,017)	10,999,724
Profit	-	-	-	-	-	2,057,415	-	-	-	2,057,415
Other comprehensive income	-	-	-	-	-	(5,909)	(112,643)	(331,977)	-	(450,529)
Comprehensive income	-	-	-	-	-	2,051,506	(112,643)	(331,977)	-	1,606,886
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	(1,111,886)	-	-	-	(1,111,886)
Changes in shares of investment accounted for using equity method	-	-	299,514	-	-	(517,288)	-	-	-	(217,774)
Retirement of restricted employee stock	(940)	-	(2,881)	-	-	-	-	-	3,821	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	79,420	79,420
Compensation cost of share-based payment	-	-	11,072	-	-	-	-	-	-	11,072
Exercise of employee stock option	-	15,892	-	-	-	-	-	-	-	15,892
Issuance of ordinary shares for employee stock option and abandonment	6,480	(15,831)	11,289	-	-	-	-	-	-	1,938
Issuance of restricted stock	30,000	-	122,030	-	-	-	-	-	(152,030)	-
<b>Balance at December 31, 2017</b>	4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	73,489	(95,806)	11,385,272

Note : For the years ended December 31, 2017 and 2016, the Directors' remuneration amounted to 34,094 and 36,803, and the employee remuneration amounted to 68,182 and 74,000, respectively. The amounts were deducted from the statements of comprehensive income in 2017 and 2016, respectively.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 2,178,833	2,347,524
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	43,534	41,765
Losses related to inventories	112,940	32,516
Amortization of long-term deferred revenue	(378,087)	(336,211)
Provision (reversal of provision) for bad debt expense and sales returns and discounts	37,431	43,345
Interest expense	6,804	31,383
Interest income	(20,293)	(11,599)
Compensation cost of share-based payment	79,420	43,182
Share of profit of subsidiaries accounted for using equity method	(1,291,934)	(424,575)
Gain on disposal of subsidiaries	-	(248,006)
Loss (gain) on disposal of property, plant and equipment	(186)	474
Gain on disposal of available-for-sale financial assets	(330,887)	(140,969)
<b>Total adjustments to reconcile profit (loss)</b>	(1,741,258)	(968,695)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, including related parties	1,530,152	3,477,770
Other receivables	842,880	(1,036,774)
Inventories	52,038	225,636
Other current assets	5,891	(5,079)
Deferred tax assets	-	(54,750)
Other operating assets	48,222	(62,265)
<b>Changes in operating assets</b>	2,479,183	2,544,538
Notes and accounts payable, including related parties	(1,769,025)	(422,970)
Salary payable	(151,212)	(52,401)
Other payables	(120,371)	569,820
Other current liabilities	28,697	72,680
Other operating liabilities	(48,548)	132,613
<b>Changes in operating liabilities</b>	(2,060,459)	299,742
<b>Total changes in operating assets and liabilities</b>	418,724	2,844,280
<b>Total adjustments</b>	(1,322,534)	1,875,585
Cash inflow generated from operations	856,299	4,223,109
Interest received	20,293	11,599
Interest paid	(6,736)	(31,315)
Income taxes paid	(417,927)	(234,992)
<b>Net cash flows from operating activities</b>	451,929	3,968,401
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal and settle of share of subsidiaries accounted for using equity method	-	559,498
Acquisition of available-for-sale financial assets	(21,045)	-
Proceeds from capital reduction of available-for-sale financial assets	2,816	1,280
Proceeds from disposal of available-for-sale financial assets	497,186	220,270
Acquisition of property, plant and equipment	(21,309)	(23,062)
Acquisition of long-term deferred revenue	104,594	476,552
Acquisition of unamortized expense	(10,120)	(23,710)
Decrease in refundable deposits	(510)	(441)
Dividends received	23,325	14,692
Other investing activities	1,826	91
<b>Net cash flows from investing activities</b>	576,763	1,225,170
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	-	(1,120,518)
Repayment of long-term borrowings	(382,223)	(715,556)
Decrease in guarantee deposits	34,936	34,977
Cash dividends	(1,111,886)	(927,933)
Exercise of employee stock options	15,892	19,097
Decrease in long-term accounts payable to related parties	(357,319)	-
<b>Net cash flows used in financing activities</b>	(1,800,600)	(2,709,933)
<b>Net increase (decrease) in cash and cash equivalents</b>	(771,908)	2,483,638
<b>Cash and cash equivalents at beginning of year</b>	4,751,198	2,267,560
<b>Cash and cash equivalents at end of year</b>	\$ 3,979,290	4,751,198

See accompanying notes to financial statements.

## **Independent Auditors' Report**

To the board of directors of PRIMAX ELECTRONICS LTD.:

### **Opinion**

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Other Matter**

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2017 and 2016, the assets of these subsidiaries constitute 30% and 14%, respectively, of the consolidated total assets. For the years ended December 31, 2017 and 2016, the operating revenue of these subsidiaries constitute 34% and 14%, respectively, of the consolidated operating revenue.

PRIMAX ELECTRONICS LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion with other matter paragraph.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

### 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of the Group; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyze the changes of the aging of inventories; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

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

### 2. Impairment assessment of intangible assets

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

Description of key audit matter:

In 2014, PRIMAX ELECTRONICS LTD. acquired Tymphony Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd., and recognized its goodwill, technologies and customer relationships as intangible assets. Due to the rapid industrial transformation, the assessment of impairment contains estimation uncertainty. Therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are MEI-PIN WU and YUNG-HUA HUANG .

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2018



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

**Consolidated Balance Sheets**

**December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 7,821,011	21	6,359,916	17
1110 Current financial assets at fair value through profit or loss (note 6(b))	141,151	-	141,317	-
1170 Notes and accounts receivable, net (note 6(d))	13,014,207	35	13,603,873	37
1180 Accounts receivable from related parties, net (notes 6(d) and 7)	105,911	-	102,841	-
1200 Other receivables, net (note 6(d))	737,687	2	495,392	2
1310 Inventories (note 6(e))	6,791,093	18	6,670,547	18
1470 Other current assets	530,360	1	425,668	1
	<u>29,141,420</u>	<u>77</u>	<u>27,799,554</u>	<u>75</u>
<b>Non-current assets:</b>				
1523 Available-for-sale financial assets—non-current (notes 6(c) and (g))	402,997	1	887,801	2
1600 Property, plant and equipment (note 6(i))	4,437,684	12	4,717,422	13
1760 Investment property (note 6(j))	35,214	-	35,677	-
1780 Intangible assets (note 6(k))	2,730,188	7	2,673,670	7
1840 Deferred tax assets (note 6(p))	548,995	1	570,205	2
1985 Long-term prepaid rents	217,520	1	264,014	1
1990 Other non-current assets (note 8)	261,125	1	173,706	-
	<u>8,633,723</u>	<u>23</u>	<u>9,322,495</u>	<u>25</u>
<b>Total assets</b>	<u>\$ 37,775,143</u>	<u>100</u>	<u>\$ 37,122,049</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings (note 6(l))	\$ 995,638	3	-	-
Notes and accounts payable	16,350,178	43	16,892,918	46
Current financial liabilities at fair value through profit or loss (note 6(b))	103,107	-	150,430	-
Other payables	3,991,128	11	3,878,606	10
Salary payable (note 6(r))	1,105,153	3	1,146,183	3
Other current liabilities	433,894	1	350,860	1
Long-term borrowings, current portion (note 6(m))	135,555	-	382,222	1
	<u>23,114,653</u>	<u>61</u>	<u>22,801,219</u>	<u>61</u>
<b>Non-Current liabilities:</b>				
Long-term borrowings (note 6(m))	83,333	-	218,889	1
Long-term deferred revenue (note 6(i))	1,039,581	3	1,408,138	4
Other non-current liabilities (notes 6(o) and (p))	555,774	2	449,345	1
	<u>1,678,688</u>	<u>5</u>	<u>2,076,372</u>	<u>6</u>
<b>Total liabilities</b>	<u>24,793,341</u>	<u>66</u>	<u>24,877,591</u>	<u>67</u>
<b>Equity attributable to owners of parent:</b>				
Ordinary shares (note 6(q))	4,456,883	12	4,421,343	12
Capital collected in advance (note 6(q))	3,085	-	3,024	-
Capital surplus (notes 6(q) and (r))	1,232,490	3	791,466	2
Legal reserve (note 6(q))	982,041	3	788,634	2
Special reserve (note 6(q))	97,300	-	97,300	-
Unappropriated retained earnings (note 6(q))	5,008,344	13	4,779,419	13
Other equity interest	(394,871)	(1)	118,538	-
36XX Non-controlling interests (note 6(h))	1,596,530	4	1,244,734	4
	<u>12,981,802</u>	<u>34</u>	<u>12,244,458</u>	<u>33</u>
<b>Total equity</b>	<u>\$ 37,775,143</u>	<u>100</u>	<u>\$ 37,122,049</u>	<u>100</u>
<b>Total liabilities and equity</b>	<u>\$ 37,775,143</u>	<u>100</u>	<u>\$ 37,122,049</u>	<u>100</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2017 and 2016**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(t) and 7)</b>	\$ 60,741,692	100	64,329,462	100
5000 <b>Operating costs (notes 6(e), (o), (r), (u) and 12(a))</b>	<u>53,261,685</u>	<u>88</u>	<u>57,062,275</u>	<u>89</u>
<b>Gross profit</b>	<u>7,480,007</u>	<u>12</u>	<u>7,267,187</u>	<u>11</u>
<b>Operating expenses (notes 6(f), (o), (r), (u) and 12(a)):</b>				
6100 Selling expenses	1,460,339	2	1,555,372	2
6200 Administrative expenses	1,454,789	2	1,134,095	2
6300 Research and development expenses	<u>2,364,974</u>	<u>4</u>	<u>2,204,249</u>	<u>3</u>
<b>Total operating expenses</b>	<u>5,280,102</u>	<u>8</u>	<u>4,893,716</u>	<u>7</u>
<b>Net operating income</b>	<u>2,199,905</u>	<u>4</u>	<u>2,373,471</u>	<u>4</u>
<b>Non-operating income and expenses:</b>				
7010 Other income (note 6(v))	143,367	-	149,924	-
7020 Other gains and losses (notes 6(c), (g) and (w) and 7)	541,030	1	331,952	-
7050 Finance costs	<u>(36,722)</u>	<u>-</u>	<u>(90,895)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>647,675</u>	<u>1</u>	<u>390,981</u>	<u>-</u>
<b>Profit from continuing operations before tax</b>	2,847,580	5	2,764,452	4
7950 <b>Less: income tax expense (note 6(p))</b>	<u>678,599</u>	<u>1</u>	<u>777,686</u>	<u>1</u>
<b>Profit from continuing operations</b>	<u>2,168,981</u>	<u>4</u>	<u>1,986,766</u>	<u>3</u>
8100 <b>Profit from discontinued operations, net of tax (note 12(b))</b>	<u>-</u>	<u>-</u>	<u>61,896</u>	<u>-</u>
<b>Profit</b>	<u>2,168,981</u>	<u>4</u>	<u>2,048,662</u>	<u>3</u>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311 Actuarial gains (losses) on defined benefit plans (note 6(o))	(5,909)	-	(1,340)	-
8349 Income tax expense related to items that may not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(5,909)</u>	<u>-</u>	<u>(1,340)</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss:</b>				
8361 Exchange differences on translation of foreign operation's financial statements	(108,024)	-	(656,445)	(1)
8362 Unrealized gains on available-for-sale financial assets (notes 6(c) and (x))	(331,977)	(1)	110,706	-
8399 Income tax expense related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that may be reclassified to profit or loss	<u>(440,001)</u>	<u>(1)</u>	<u>(545,739)</u>	<u>(1)</u>
8300 <b>Other comprehensive income after tax</b>	<u>(445,910)</u>	<u>(1)</u>	<u>(547,079)</u>	<u>(1)</u>
<b>Comprehensive income</b>	<u>\$ 1,723,071</u>	<u>3</u>	<u>1,501,583</u>	<u>2</u>
<b>Profit attributable to:</b>				
8610 Owners of parent	\$ 2,057,415	4	1,934,070	3
8620 Non-controlling interests (note 6(h))	<u>111,566</u>	<u>-</u>	<u>114,592</u>	<u>-</u>
<b>Comprehensive income attributable to:</b>	<u>\$ 2,168,981</u>	<u>4</u>	<u>2,048,662</u>	<u>3</u>
8710 Owners of parent	\$ 1,606,886	3	1,432,480	2
8720 Non-controlling interests (note 6(h))	<u>116,185</u>	<u>-</u>	<u>69,103</u>	<u>-</u>
	<u>\$ 1,723,071</u>	<u>3</u>	<u>1,501,583</u>	<u>2</u>
<b>Earnings per share (note 6(s))</b>				
9710 <b>Basic earnings per share (NT dollars)</b>				
Profit from continuing operations	\$	4.67	4.36	
Profit from discontinued operations	<u>-</u>	<u>-</u>	<u>0.04</u>	
<b>Profit per share</b>	<u>\$</u>	<u>4.67</u>	<u>4.40</u>	
9810 <b>Diluted earnings per share (NT dollars)</b>				
Profit from continuing operations	\$	4.63	4.32	
Profit from discontinued operations	<u>-</u>	<u>-</u>	<u>0.04</u>	
<b>Profit per share</b>	<u>\$</u>	<u>4.63</u>	<u>4.36</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Total equity	
	Share capital			Retained earnings				Total other equity interest				
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2016</b>	\$ 4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,392)	10,430,381	2,486,204	12,916,585
Profit	-	-	-	-	-	1,934,070	-	-	-	1,934,070	114,592	2,048,662
Other comprehensive income	(3,850)	-	(6,350)	-	-	(1,340)	(610,956)	110,706	10,200	(501,590)	(45,489)	(547,079)
Comprehensive income	-	-	-	-	-	1,932,730	(610,956)	110,706	43,182	1,432,480	69,103	1,501,583
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	177,312	-	(177,312)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(927,933)	-	-	-	(927,933)	-	(927,933)
Retirement of restricted employee stock	-	-	-	-	-	-	-	-	10,200	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	43,182	43,182	-	43,182
Compensation cost of share-based payment	-	-	2,517	-	-	-	-	-	-	2,517	-	3,596
Exercise of employee stock option	-	19,097	-	-	-	-	-	-	-	19,097	-	19,097
Issuance of ordinary shares for employee stock options and abandonment	13,316	(31,247)	17,931	-	-	-	-	-	-	-	-	-
Recognize non-controlling interests due to dispose subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2016</b>	4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	405,466	(27,017)	10,999,724	1,244,734	12,244,458
Profit	-	-	-	-	-	2,057,415	(112,643)	(331,977)	-	2,057,415	111,566	2,168,981
Other comprehensive income	-	-	-	-	-	(5,909)	(112,643)	(331,977)	-	(450,529)	4,619	(445,910)
Comprehensive income	-	-	-	-	-	2,051,506	(112,643)	(331,977)	-	1,606,886	116,185	1,723,071
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,111,886)	-	-	-	(1,111,886)	-	(1,111,886)
Changes in shares of investment accounted for using equity method	-	-	299,514	-	-	(517,288)	-	-	-	(217,774)	-	(217,774)
Issuance of restricted employee stock	30,000	-	122,030	-	-	-	-	-	(152,030)	-	-	-
Retirement of restricted employee stock	(940)	-	(2,881)	-	-	-	-	-	3,821	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	79,420	79,420	-	79,420
Compensation cost of share-based payment	-	-	11,072	-	-	-	-	-	-	11,072	2,604	13,676
Exercise of employee stock option	-	15,892	-	-	-	-	-	-	-	15,892	-	15,892
Issuance of ordinary shares for employee stock options and abandonment	6,480	(15,831)	11,289	-	-	-	-	-	-	1,938	-	1,938
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	233,007	233,007
<b>Balance at December 31, 2017</b>	\$ 4,456,883	3,085	1,232,490	982,041	97,300	5,008,344	(372,554)	73,489	(95,806)	11,385,272	1,596,530	12,981,802

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

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit from continuing operations before tax	\$ 2,847,580	2,764,452
Profit from discontinued operations before tax	-	<u>105,225</u>
Profit before tax	<u>2,847,580</u>	<u>2,869,677</u>
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,513,201	1,650,235
Losses related to inventories	67,188	947,465
Provision (reversal of provision) for bad debt expense and sales returns and discounts	(10,392)	137,481
Gain from disposal of subsidiaries	-	(248,006)
Gain from disposal of available-for-sale financial assets	(330,887)	(140,969)
Impairment losses on property, plant and equipment	-	86,850
Interest expense	32,707	98,693
Interest income	(110,012)	(126,400)
Compensation cost of share-based payment	93,096	46,778
Loss from disposal of property, plant and equipment	<u>77,548</u>	<u>14,814</u>
<b>Total adjustments to reconcile profit (loss)</b>	<u>1,332,449</u>	<u>2,466,941</u>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss— current	166	(53,611)
Notes and accounts receivable	1,002,173	(1,165)
Accounts receivable from related parties	(3,070)	(47,846)
Other receivable— current and non-current	(259,689)	(132,548)
Inventories	224,508	(691,918)
Other current assets	60	(185,378)
Deferred tax assets	-	(223,244)
Other operating assets	<u>1,131</u>	<u>(6,288)</u>
<b>Changes in operating assets</b>	<u>965,279</u>	<u>(1,341,998)</u>
Notes and accounts payable	(856,204)	(1,271,222)
Salary payable	(39,092)	(80,924)
Other payables	220,175	224,411
Other current liabilities	9,942	104,737
Other operating liabilities	<u>(412,083)</u>	<u>115,582</u>
<b>Changes in operating liabilities</b>	<u>(1,077,262)</u>	<u>(907,416)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(111,983)</u>	<u>(2,249,414)</u>
<b>Total adjustments</b>	<u>1,220,466</u>	<u>217,527</u>
Cash inflow generated from operations	4,068,046	3,087,204
Interest received	110,012	126,400
Interest paid	(32,639)	(98,448)
Income taxes paid	<u>(733,254)</u>	<u>(846,899)</u>
<b>Net cash flows from operating activities</b>	<u>3,412,165</u>	<u>2,268,257</u>
<b>Cash flows from (used in) investing activities:</b>		
Net cash flow from acquisition of subsidiaries (minus cash acquired)	(646,638)	-
Proceeds from disposal of subsidiaries (minus subsidiaries' cash)	-	108,980
Changes in non-controlling interests	25,366	-
Acquisition of property, plant and equipment	(1,226,326)	(1,107,108)
Proceeds from disposal of property, plant and equipment	24,358	72,617
Acquisition of unamortized expense	(89,783)	(50,813)
Acquisition of available-for-sale financial assets	(21,045)	-
Proceeds from disposal of available-for-sale financial assets	497,186	220,270
Dividends received	23,325	14,692
Other investing activities	<u>(38,837)</u>	<u>24,063</u>
<b>Net cash flows used in investing activities</b>	<u>(1,452,394)</u>	<u>(717,299)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	995,638	(974,439)
Decrease in long-term borrowings	(382,223)	(759,456)
Increase in guarantee deposits	30,930	27,566
Cash dividends	(1,111,886)	(927,933)
Exercise of employee share options	<u>15,892</u>	<u>19,097</u>
<b>Net cash flows used in financing activities</b>	<u>(451,649)</u>	<u>(2,615,165)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(47,027)</u>	<u>(199,257)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,461,095	(1,263,464)
<b>Cash and cash equivalents at beginning of year</b>	<u>6,359,916</u>	<u>7,623,380</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 7,821,011</u>	<u>6,359,916</u>

See accompanying notes to consolidated financial statements.

PRIMAX ELECTRONICS LTD.  
Comparison of Amendments to the  
Articles of Incorporation

Amended Content	Current Content	Reason for Amendment and Explanation
<p>Article 17</p> <p>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. <u>The Board of Directors may also in the same manner elect the Vice Chairman.</u> The Chairman of the Board of Directors shall represent the Company externally.</p>	<p>Article 17</p> <p>The directors shall form a Board of Directors. The Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting attended by two-thirds or more of the directors. The Chairman of the Board of Directors shall represent the Company externally.</p>	Amendment for the Company's operational requirements
<p>Article 35</p> <p>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 <u>Sixteenth amendment was made on May 30, 2018.</u></p>	<p>Article 35</p> <p>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.</p>	Add an update to the amendment date.

**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>The Audit Committee is fully independent hence the amendment to the provision will reinforce the regularity of disposition procedures.</p>
<p>XII. Investment Amounts and Limits  .....  i. The aggregated amount of <u>initially</u> invested real property and short-term securities for uses other than business operations shall not exceed <u>30</u> percent of the shareholders’ equity according to the most recent fiscal financial statement. <u>Initial investment amount of purchases of a single currency option fund shall not exceed 20 percent of the aforementioned shareholders’ equity; as for the initial amount of other short-term investments for a single company shall not</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 subsidiaries.</p>	<p>1. Amendment of the limit of initial investment amount on real property and short-term securities for uses other than business operations.  2. In terms of</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>exceed 5 percent of the shareholders' equity aforementioned.</p> <p>This policy also applies to the company's subsidiaries.</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.</p> <p>“Regulations Governing the Preparation of Financial Reports by Securities Issuers” shall apply to related parties and 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.</p> <p>“Regulations Governing the Preparation of Financial Reports by Securities Issuers” shall apply to related parties and subsidiaries.</p>	<p>short-term investments, currency type funds are low-risk investments, hence the separate calculation of its limit.</p> <p>3. The company's current initial investment amount on securities has reached 65% of the company's most recent fiscal financial statement certified by the public accountant, hence the proposed amendment.</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.</p> <p>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.</p> <p>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>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>XIV. Appraisal Procedures</p> <p>When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <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>XIV. Appraisal Procedures</p> <p>When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <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>Per the constitution amendment. Amendment of appraisal procedures.</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</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</p>	<p>"FSC" replaced by "governing body" for more flexibility. The addition of exemptions regulated by the</p>



Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>body</u> is notified in advance of extraordinary circumstances and grants consent, <u>the company shall convene a board of directors meetings on the day of the transaction.</u></p>	<p>consent.</p>	<p>law, or those already reported to the governing body.</p>
<p>XXIX. Announce and Report Procedures: i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</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. <u>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:</u>  (1) <u>Trading of government bonds.</u>  (2) <u>Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</u></p> <p>.....</p> <p>v. When the company at the time of public announcement makes an error or omission in an</p>	<p>XXIX. Announce and Report Procedures: i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</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. <u>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:</u>  (1) <u>Trading of government bonds.</u>  (2) <u>Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</u>  (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</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>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 <u>within 2 days of the date of notice of such amendments to content.</u></p> <p>.....</p>	<p>announced and so is required to correct it, all 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>	<p>The Subsidiaries are not public companies and the business operations shall be executed mainly pursuant to the resolutions to be adopted by the Board of Directors, therefore it is proposed to amend the disposition procedures. The clause might be amended again afterwards for the purpose of compliance with local laws and regulations when the Subsidiaries are public.</p>
<p>XXXIV. This corporate document was created on 200811/7.</p> <p>.....</p> <p><u>Sixth-time amendments were made on 2018/5/30.</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>	<p>The addition of the date of the most recent amendments.</p>

List of Director Candidates

Title	Name of Candidates	Education	Experience	Current Position	Shares
Director	Liang, Li-Sheng	Department of Business Administration, Tamkang University	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Chairman</li> </ul>	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Chairman</li> <li>● Polaris Electronics, Inc. Director</li> <li>● Primax Ind (Hong Kong) Ltd. Director</li> <li>● Primax Tech.(Cayman Holding) Ltd. Director</li> <li>● Primax Ind.(Cayman Holding) Ltd. Director</li> <li>● Destiny Tech Holding Co.,Ltd. Director</li> <li>● Beijing Destiny Electronic Technology Corporation Chairman</li> <li>● Diamond (Cayman) Holdings Ltd. Representative of Institutional Director</li> <li>● Tymphany Worldwide Enterprises Ltd. Representative of Institutional Director</li> <li>● Tymphany Logistics, Inc. Director</li> <li>● Pemium Loudspeakers ( Huizhou ) Co., Ltd. Representative of Institutional Director,</li> <li>● Tymphany Acoustic Technology Limited Director</li> <li>● Gratus Technology Corp. Director</li> <li>● Primax AE (Cayman) Holdings Ltd. Director</li> <li>● Alpine Asia Investment Limited Director</li> </ul>	1,500,001
Director	Yang, Hai-Hung	Master of Mechanical Engineering, University of Texas, USA	<ul style="list-style-type: none"> <li>● Primax Electronics Limited General Manage of Business Department</li> </ul>	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Director and General Manager</li> <li>● Polaris Electronics, Inc. Director</li> <li>● Primax Ind (Hong Kong) Ltd. Director</li> <li>● Primax Tech.(Cayman Holding) Ltd. Director</li> <li>● Primax Ind.(Cayman Holding) Ltd. Director</li> <li>● Beijing Destiny Electronic Technology Corporation Director</li> <li>● Primax Electronic ( Kunshan ) Co., Ltd. Legal Representative and Executive Director</li> <li>● Primax Electronics ( Chongqing ) Corp. Ltd. Legal Representative and Executive Director</li> <li>● Destiny Technology ( Japan ) Corporation Director</li> <li>● Tymphany Worldwide Enterprises Ltd. Representative of Institutional Director</li> </ul>	1,962,465

Title	Name of Candidates	Education	Experience	Current Position	Shares
Director	Yang, Tze-Ting	MBA, University of Southern California, USA	<ul style="list-style-type: none"> <li>● Chailease Holding Company Limited Chief Auditor</li> </ul>	<ul style="list-style-type: none"> <li>● GLOBAL-TEK Representative of Insitutional Director</li> <li>● Gratus Technology Corp. Director</li> <li>● Campbell Technology Corporation Director</li> </ul>	1,926,963
Director	Pan, Yung-Tai	Department of Mechanical Engineering, Chung Yuan Christian University	<ul style="list-style-type: none"> <li>● Primax Electronics Limited General Manage of Business Department</li> </ul>	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Director</li> <li>● Tymphany Worldwide Enterprises Ltd. Representative of Insitutional Director,</li> <li>● Tymphany Acoustic Technology Limited Director</li> </ul>	4,764,599
Director	Pan, Yung-Chung	Department of Electronics, Feng Chia University	<ul style="list-style-type: none"> <li>● Primax Electronics Limited General Manage of Business Department</li> </ul>	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Director</li> <li>● Tymphany Worldwide Enterprises Ltd. Representative of Insitutional Director</li> <li>● TYP Enterprises, Inc. Representative of Insitutional Director</li> <li>● Tymphany HK Ltd. Representative of Insitutional Director</li> <li>● Premium Loudspeakers ( Huizhou ) Co., Ltd. Representative of Insitutional Director</li> <li>● Dongguan Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager</li> <li>● Dongguan Dongcheng Acoustic Technology Co. Ltd. Executive Director and General Manager</li> <li>● Tymphany Acoustic Technology HK Limited Director</li> <li>● Tymphany Acoustic Technology Limited Director</li> </ul>	7,455,046
Director	Sunshine Coast Services Limited Representative: Chen, Jie-Chi	Master of Science in Electrical Engineering, ILLIONS INSTITUTE OF TECHNOLOGY	<ul style="list-style-type: none"> <li>● De Amertek Corporation Chairman</li> <li>● MB Financial Bank Director</li> <li>● Mid City Bank(State of Illinois) Director</li> <li>● De Amertek Corporation Founder</li> <li>● Universal Scientific Industrial Co.,</li> </ul>	<ul style="list-style-type: none"> <li>● Belfast Limited Chairman</li> <li>● De Amertek Technology Chairman</li> <li>● Advanced Leading Technology (Shanghai), Co., Ltd Chairman</li> <li>● Advanced Micro Electronics Co., Ltd. Chairman</li> <li>● Advanced Leading Technology Co., Ltd. Chairman</li> </ul>	4,000,000

Title	Name of Candidates	Education	Experience	Current Position	Shares
Independent Director	Ku, Tai-Jau	Bachelor of Business, College of Law, National Taiwan University	Ltd. Founder <ul style="list-style-type: none"> <li>● Taiwan Stock Exchange Vice President</li> <li>● Taiwan Semiconductor Manufacturing Company, Ltd. Director</li> <li>● Wafer Tech, LLC. Director of Treasury</li> </ul>	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Independent Director</li> </ul>	0
Independent Director	Cheng, Chih-Kai	MBA, National Chiao-Tung University	<ul style="list-style-type: none"> <li>● Harbinger Venture Management Co-Founder and General Partner</li> <li>● Synnex Corporation (USA) Senior Vice President</li> </ul>	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Independent Director</li> <li>● B Current Impact Investment Inc. Director</li> <li>● Crown Bioscience Inc. Director</li> <li>● Eureka Therapeutics (California) Director</li> <li>● Social Enterprise Insights Director</li> <li>● Gaatu Holding Director</li> <li>● H3 Platform Director</li> <li>● B Current Impact Investment Fund II. Chairman</li> <li>● Acorn Pacific Ventures Partner</li> </ul>	0
Independent Director	Chen, Su-Jen	Department of Business Administration, Tamkang University	<ul style="list-style-type: none"> <li>● Far EasTone Telecommunications Co., Ltd. Vice President of Marketing</li> <li>● NetEase, Inc. Chief Operating Officer</li> <li>● American Express Co., Ltd. Director of Marketing</li> <li>● Johnson &amp; Johnson Co., Ltd. Supervisor of Marketing</li> </ul>	<ul style="list-style-type: none"> <li>● Swatch Group Ltd. President of China Region</li> <li>● Swatch Art Peace Hotel General Manager</li> </ul>	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 candidates for the directors (including 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	Ability to make policy decisions	Number of other public companies in which the individual is concurrently serving
Director	Liang, Li-Sheng	Male				V	V	V	V	V	V	V	V	0
Director	Sunshine Coast Services Limited Representative: Chen, Jie-Chi	Male	71~80			V	V	V	V	V	V	V	V	0
Director	Yang, Tze-Ting	Male				V	V	V	V	V	V	V	V	0
Director	Pan, Yung-Tai	Male			V	V	V	V	V	V	V	V	V	0
Director	Pan, Yung-Chung	Male			V	V	V	V	V	V	V	V	V	0
Independent Director	Ku, Tai-Jau	Male	61~70	V		V	V	V	V	V	V	V	V	0
Independent Director	Cheng, Chih-Kai	Male		V		V	V	V	V	V	V	V	V	1
Director	Yang, Hai-Hung	Male			V	V	V	V	V	V	V	V	V	1
Independent Director	Chen, Su-Jen	Female	51~60	V		V	V	V	V	V	V	V	V	0

The information regarding the current operation of the Board of Directors and the Functional Committees, please refer to 「III. Corporate Governance Report 4. Status of Corporate Governance Implementation」 of the 2017 Annual Report.

## Proposal of removal of the non-competition restrictions on the newly elected Directors

Title	Name	Current Position in the other companies
Director	Liang, Li-Sheng	<ul style="list-style-type: none"> <li>● Polaris Electronics, Inc. Director</li> <li>● Primax Ind (Hong Kong) Ltd. Director</li> <li>● Primax Tech.(Cayman Holding) Ltd. Director</li> <li>● Primax Ind.(Cayman Holding) Ltd. Director</li> <li>● Destiny Tech Holding Co., Ltd. Director</li> <li>● Beijing Destiny Electronic Technology Corporation Chairman</li> <li>● Diamond (Cayman) Holdings Ltd. Representative of Institutional Director</li> <li>● Tymphony Worldwide Enterprises Ltd. Representative of Institutional Director</li> <li>● Tymphony Logistics, Inc. Director</li> <li>● Premium Loudspeakers ( Huizhou ) Co., Ltd. Representative of Institutional Director</li> <li>● Tymphony Acoustic Technology Limited Director</li> <li>● Gratus Technology Corp. Director</li> <li>● Primax AE (Cayman) Holdings Ltd. Director</li> <li>● Alpine Asia Investment Limited Director</li> </ul>
Director	Yang, Hai-Hung	<ul style="list-style-type: none"> <li>● Polaris Electronics, Inc. Director</li> <li>● Primax Ind (Hong Kong) Ltd. Director</li> <li>● Primax Tech.(Cayman Holding) Ltd. Director</li> <li>● Primax Ind.(Cayman Holding) Ltd. Director</li> <li>● Beijing Destiny Electronic Technology Corporation Director</li> <li>● Primax Electronic ( Kunshan ) Co., Ltd. Legal Representative and Executive Director</li> <li>● Primax Electronics ( Chongqing ) Corp. Ltd. Legal Representative and Executive Director</li> <li>● Destiny Technology ( Japan ) Corporation Director</li> <li>● Tymphony Worldwide Enterprises Ltd. Representative of Institutional Director</li> <li>● GLOBAL-TEK Representative of Institutional Director</li> <li>● Gratus Technology Corp. Director</li> <li>● Campbell Technology Corporation Director</li> </ul>
Director	Yang, Tze-Ting	<ul style="list-style-type: none"> <li>● Chinlease Auto Rental Chairman and General Manager</li> <li>● Apex Credit Chairman and General Manager</li> <li>● Fina Finance &amp; Trading Co., Ltd. Supervisor</li> </ul>
Director	Pan, Yung-Tai	<ul style="list-style-type: none"> <li>● Tymphony Worldwide Enterprises Ltd. Representative of Institutional Director</li> <li>● Tymphony Acoustic Technology Limited Director</li> </ul>

Title	Name	Current Position in the other companies
Director	Pan, Yung-Chung	<ul style="list-style-type: none"> <li>● Primax Electronics Limited Director</li> <li>● Tymphany Worldwide Enterprises Ltd. Representative of Insitutional Director</li> <li>● TYP Enterprises, Inc. Representative of Insitutional Director</li> <li>● Tymphany HK Ltd. Representative of Insitutional Director</li> <li>● Premium Loudspeakers ( Huizhou ) Co., Ltd. Representative of Insitutional Director</li> <li>● Dongguan Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager</li> <li>● Dongguan Dongcheng Acoustic Technology Co. Ltd. Executive Director and General Manager</li> <li>● Tymphany Acoustic Technology HK Limited Director</li> <li>● Tymphany Acoustic Technology Limited Director</li> </ul>
Director	Sunshine Coast Services Limited Representative: Chen, Jie-Chi	<ul style="list-style-type: none"> <li>● Belfast Limited Chairman</li> <li>● De Amertek Technology Chairman</li> <li>● Advanced Leading Technology (Shanghai), Co., Ltd Chairman</li> <li>● Advanced Micro Electronics Co., Ltd. Chairman</li> <li>● Advanced Leading Technology Co., Ltd. Chairman</li> </ul>
Independent Director	Cheng, Chih-Kai	<ul style="list-style-type: none"> <li>● B Current Impact Investment Inc. Director</li> <li>● Crown Bioscience Inc. Director</li> <li>● Eureka Therapeutics (California) Director</li> <li>● Social Enterprise Insights Director</li> <li>● Gaatu Holding Director</li> <li>● H3 Platform Director</li> <li>● B Current Impact Investment Fund II. Chairman</li> <li>● Acorn Pacific Ventures Partner</li> </ul>
Independent Director	Chen, Su-Jen	<ul style="list-style-type: none"> <li>● Swatch Group Ltd. President of China Region</li> <li>● Swatch Art Peace Hotel General Manager</li> </ul>
Independent Director	Ku, Tai-Jau	None.



**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 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 earning 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 earnings 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 year 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 Company'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.

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").

IIIX. Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

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

IX. Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or the certified public accountant's opinion.

X. Aside from professional appraisal and opinions from certified public accountants and field experts, for the calculation of the price of the acquired or disposed asset and the basis for reference, the following procedures shall apply to the specific situations accordingly:

- i. Acquired or disposed securities at the centralized market or via over-the-counter trading shall be determined by the prices of shares or bonds at the time of the event.
- ii. For securities acquired or disposed at the centralized market or via over-the-counter trading, the net value per share, techniques and profitability, future growth potential, market rate, bonds and coupon rates, the debtor's credit rating, etc. along with the strike price at the time of the event shall be taken into account for consideration.
- iii. For acquired or disposed memberships, the potential profits and the concluding price shall be taken into account for consideration; for acquired or disposed patents, copyrights, trademarks, franchise rights, and other intangible assets, the international or market practices, serviceable time period, the impact on company techniques and business sales shall be taken into account for consideration.
- iv. For acquired or disposed real property and equipment, the current value, assessed value, actual selling price or book value of neighboring real property, and vendors' price quotes shall be taken into account for consideration. If real property is purchased from a related party, the calculation of the price should follow the regulations stated in segment 3 of section 2 of the standard operating procedures to assess the reasonableness of the

transaction price.

- v. For the trading of derivatives the company's business needs and the relevant items' trade status shall be taken into account for consideration. Trend analysis on future stocks, foreign exchange rates and interest rates from financial institutions and securities firms of good credibility shall also be referred to. The combination of the above data shall determine the appropriate timing, merchandise and concluding price.
- vi. For mergers, demergers, acquisitions or transfer of shares, the nature of the business, net value per share, value of asset, techniques and profitability, capacity and potential future growth shall be taken into account for consideration.

#### XI. Operating Procedures:

- i. Degree/Level of Authority Delegated

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

- ii. Units Responsible for Implementation and Transaction Process

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

#### XII. Investment Amounts and Limits

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

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

This policy also applies to the company's subsidiaries.

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

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

#### Segment Three – Related Party Transactions

#### XIII. Basis of Review

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

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

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

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

#### XIV. Appraisal Procedures

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

1. The Company's paid-in capital is NT\$ 4,469,163,240 and have issued 446,916,324 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 (April 1, 2018), which have met the percentage standards required by law.

Position	Name	Date elected	Current Shareholding shares	Shareholding ratio (%)
Chariman	Liang, Li-Sheng	June 29, 2015	1,500,001	0.34%
Director	Yang, Hai-Hung	June 29, 2015	1,962,465	0.44%
Director	Yang, Tze-Ting	June 29, 2015	1,926,963	0.43%
Director	Pan, Yung-Chung	June 29, 2015	4,764,599	1.07%
Director	Pan, Yung-Tai	June 29, 2015	7,455,046	1.67%
Director	Tsao, Chung-Feng	June 29, 2015	3,212,651	0.72%
Independent Director	Ku, Tai-Jau	June 29, 2015	0	0
Independent Director	Way, Yung-Do	June 29, 2015	620,000	0.14%
Independent Director	Cheng, Chih-Kai	June 29, 2015	0	0
Shareholdings of all Directors			21,441,725	4.80%