

Stock Code: 4915



## **PRIMAX ELECTRONICS LTD.**

### Handbook for the 2019 Annual General Meeting of Shareholders (Translation)

Time : June 18, 2019

Venue : 4F., No. 2, Xuzhou Rd., Zhongzheng Dist., Taipei City  
(NTUH International Convention Center)

# Table of Contents

	Page
<b>I.Meeting Procedure .....</b>	<b>1</b>
<b>II. Meeting Agenda .....</b>	<b>2</b>
1. Report .....	3
2. Adoption .....	3
3. Discussion.....	4
4. Election .....	9
5. Other Matters .....	10
6. Extempore Motion .....	10
7. Meeting Adjournment.....	10
<b>III. Schedule</b>	
1. 2018Business Report .....	11
2. 2018 Audit Committee's Review Report .....	13
3. 2018 CPA Audit Report and Annual Parent Company Only and Consolidated Financial Statements .....	14
4. Comparison of Amendments to the " Procedures for Acquisition or Disposal of Assets " .....	32
5. Comparison of Amendments to the " Procedures for Lending Funds to Other Parties ".....	44
6. Comparison of Amendments to the" Procedures for Endorsements & Guarantees".....	51
7. List of Independent Director Candidate .....	55
8. Proposal of removal of the non-competition restrictions on Directors .....	56
<b>IV. Appendix</b>	
1. Regulations of Shareholders' Meeting Proceedings .....	57
2. Articles of Incorporation.....	60
3. Procedures for Acquisition or Disposal of Assets .....	65
4. Procedures for Lending Funds to Other Parties.....	80
5. Procedures for Endorsements & Guarantees .....	85
6. Rules for Election of Directors .....	90
7. Shareholding of Directors.....	92

# **PRIMAX ELECTRONICS LTD.**

## **Procedure for the 2019 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.**  
**2019 Annual General Shareholders' Meeting Agenda**

Time : June 18, 2019 (Tuesday) 9 AM

Venue : 4F., No. 2, Xuzhou Road, Zhongzheng Dist., 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
  - I. The Company's 2018 Business Report.
  - II. Audit Committee's Review Report on the 2018 Financial Statements.
  - III. Distribution of employees' and directors' compensation in 2018.
- 4、Adoption
  - I. The Company's 2018 business report and financial statements.
  - II. The Company's 2018 distribution of earnings.
- 5、Discussion
  - I. Amend the Company's " Procedures for Acquisition or Disposal of Assets ".
  - II. Amend the Company's " Procedures for Lending Funds to Other Parties ".
  - III. Amend the Company's " Procedures for Endorsements & Guarantees ".
  - IV. Proposed Issuance of Restricted Employee Stock Awards.
  - V. The Company's subsidiary, Tymphany Acoustic Technology (Huizhou) Co., Ltd., to make an initial public offering and apply for the listing of its common shares (A Shares) on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange.
- 6、Election
  - I. Election of Independent director.
- 7、Other Matters
  - I. Removal of the non-compete restrictions on directors.
- 8、Extempore Motion
- 9、Meeting Adjournment

## **Report**

**Report No. 1** : The Company's 2018 Business Report for review.

**Description:**

Refer to Schedule 1 of the Handbook (from page 11 to page12) for the 2018 Business Report.

**Report No. 2** : Audit Committee's Review Report on the 2018 Financial Statements for review.

**Description:**

Refer to Schedule 2 of the Handbook (page13) for the Audit Committee's Review Report.

**Report No. 3** : Distribution of employees' and directors' compensation in 2018.

**Description:**

- (1) The Board of Directors resolved to distribute NT\$ 64,430,000 for employees' compensation and NT\$ 32,200,000 for directors' compensation for year 2018.
- (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 2018 was NT\$2,111,130,209, the amount before deducting the sums of compensation of directors and employees was NT\$2,207,760,209. Hence, the aforementioned compensation of employees and directors are respectively 2.92% and 1.46% of the said NT\$2,207,760,209.
- (3) In the internal financial statements, the employees' compensation was recorded as NT\$64,430,580 and NT\$32,219,290 as directors' compensation for year 2018. The discrepancy amount was NT\$-8,580 and NT\$-19,290 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 2018 Business Report and Financial Statements.

**Description:**

The Company has completed the internal preparation of the 2018 Annual Parent Company Only and Consolidated Financial Statements and has provided the reports to MEI-PIN WU CPA and CHI -LUNG YU CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Please refer to Schedule 1, from page 11 to page 12, and Schedule 3, from page 14 to page 29, 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 2018 distribution of earnings.

**Description:**

- (1) The Company's 2018 net profit after tax is NT\$ 1,826,870,779, minus this year's actuarial gain from defined benefit plans NT\$473,288, minus disposal unrealized gain(losses) from financial assets measured at fair value through other comprehensive income carried forward to unappropriated retained earnings NT\$1,256,254, minus legal reserve provision NT\$ 182,687,078, minus special reserve provision NT\$363,283,289, plus beginning retained earnings NT\$3,170,769,195, plus effects of retrospective application NT\$42,572,400, the distributable retained earnings are NT\$4,492,512,465. The 2018 distribution of earnings prepared according to the Articles of Incorporation is as follows:

PRIMAX ELECTRONICS LTD.  
PROFIT ALLOCATION PROPOSAL  
December 31, 2018

Unit: NT\$

Item	Amount	
<b>Beginning retained earnings</b>		<b>3,170,769,195</b>
Less : Effects of retrospective application	42,572,400	
<b>Adjusted unallocated earnings, beginning of year</b>		<b>3,213,341,595</b>
Add : Net profit after tax	1,826,870,779	
Less : Actuarial Gain from Defined Benefit Plans	473,288	
Less : Disposal unrealized gain(losses) from financial assets measured at fair value through other comprehensive income carried forward to unappropriated retained earnings	1,256,254	
Less : 10% Legal Reserve	182,687,078	
Less : Special reserve provision	363,283,289	
<b>Distributable retained earnings</b>		<b>4,492,512,465</b>
Distribution Item :		
Cash Dividends to Common Share Holders(NT\$2.4 per share)	1,072,341,178	
<b>Unappropriated Retained Earnings</b>		<b>3,420,171,287</b>

Chairman :

Li-Sheng Liang

General Manager :

Li-Sheng Liang

Accounting Manager:

Shu-chuan Chang

- Note: 1. The per share dividends above are based on the 446,808,324 outstanding shares as of March 15, 2019.  
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 58.25%

- (2) For this distribution of profits, the 2018 earnings will be subject to distribution on a priority basis.
- (3) The cash dividends total NT\$1,072,341,178 and the per share dividends to be distributed are NT\$2.4. 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 446,808,824 outstanding shares as of March 15, 2019. 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 "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 4, from page 32 to page 43, of the Handbook for a comparison of the amendments to the " Procedures for Acquisition or Disposal of Assets ".

**Resolution:**

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

**Proposal :** Resolution of amendmenst to the Company's " Procedures for Lending Funds to Other Parties ".

**Description:**

- (1) It is proposed certain provisions of the Company's " Procedures for Lending Funds to Other Parties " shall be amended due to the constitution amendment.
- (2) Refer to Schedule 5, from page 44 to page 50, of the Handbook for a comparison of the amendments to the " Procedures for Lending Funds to Other Parties "

**Resolution:**

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

**Proposal :** Resolution of amendmenst to the Company's " Procedures for Endorsements & Guarantees ".

**Description:**

- (1) It is proposed certain provisions of the Company's " Procedures for Endorsements & Guarantees " shall be amended due to the constitution amendment.
- (2) Refer to Schedule 6, from page 51 to page 54, of the Handbook for a comparison of the amendments to the " Procedures for Endorsements & Guarantees "

**Resolution:**

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

**Proposal :** Resolution of issue of Restricted Employee Stock Award.

**Description:**

- (1) In accordance with Article 267 of the Company Act and Regulations Governing the Offering and Issurance of Secururities by Secururities Issuers published by the Financial Supervisory Commission.
- (2) Expected total amounts(shares) of issuance : 2,000,000 shares.
- (3) Expected issue price : NT\$0 per share
- (4) Vesting conditions :

**I. Vesting conditions :**

Divided into three categories: A, B and C and the vesting of each is based on achieving personal performance goals.

**(I)Vesting for Category A :**

- i.. Each Award shall vest at a rate of thirty percent (30%) at the end of the first twelve months of continuous employment after granting the Award and achievement of personal performance goals and business performance goals in the previous year.
- ii. Each Award shall vest at a rate of thirty percent (30%) at end of two years of continuous employment after granting the Award and achievement of personal performance goals and business performance goals in the previous year.
- iii.Each Award shall vest at a rate of forty percent (40%) at end of three years of continuous employment after granting the Award and achievement of personal performance goals and business performance goals in the previous year.

**(II)Vesting for Category B :**

- i. .Each Award shall vest at a rate of fifty percent (50%) at the end of the first twelve months of continuous employment after granting the Award and achievement of

personal performance goals and business performance goals in the previous year.

- ii. Each Award shall vest at a rate of fifty percent (50%) at end of two years of continuous employment after granting the Award and achievement of personal performance goals and business performance goals in the previous year.

(III) Vesting for Category C :

Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals and business performance goals established by the Company for the one-year period before the expiry date will be entitled to 100% shares.

(IV) The aforementioned personal performance goals shall mean the accomplishment of individual performance goals in accordance with the Company's "Performance Evaluation and Development Measures", including pre-set goals and special awards.

(V) The aforementioned business performance goals shall mean the Earnings Per Share (EPS) and the Return On Equity (ROE) of the Company for the previous year prior to the scheduled date to vest are not less than NT\$3 and 12% respectively.

II. The type of shares: new common shares of the Company.

III. Measures to be taken when employees fail to meet the vesting conditions or in the event of inheritance: In circumstance where the Restricted Stock was not vested due to failure to meet vesting conditions, such shares will be bought back by the Company without charge and will be written off.

(5) Qualification requirements for employees :

I. Employees who will be eligible to receive Award are limited to full-time employees who have registered with the Company, and will be limited to the ones who are important to the Company's future success and development; whose individual performance are valuable to the Company; or those who are considered as the valuable new hires.

II. Eligible employees and the actual number of shares to be granted will take into account the rank of the employee, performance, overall contribution and other factors, as well as the Company's operational requirements and business development strategy. Prior approval of the Compensation Committee shall be obtained for those who are employed as managers.

III. The total number of shares each individual employee may acquire by exercising the Award, plus the total number of employee stock options issued by the Company in accordance with Article 56-1 (1) of Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall not exceed 0.3% of the total number of issued shares. In addition, the number of shares each individual employee may acquire through the exercise of employee stock options issued by the Company in accordance with Article 56-1 (1) of the said Regulations shall not exceed 1% of the total number of issued shares.

(6) The reason why it is necessary to issue restricted stocks for employees :

For attracting and retaining outstanding professionals, in order to create long-term Company growth and benefits for employees and shareholders.

(7) Calculated expense amount :

Estimations are made based on NT\$60, the Company's highest closing share price for common shares over the 60 trading-day period prior to March 6, 2019. The amount of annual cost sharing for year 2019, 2020, 2021, 2022 and 2023 shall be NT\$1,583,333, NT\$45,700,000, NT\$44,850,000, NT\$21,466,667 and NT\$6,400,000 respectively, with a total amount of NT\$120,000,000.

(8) Dilution of EPS and other factors affecting shareholder's equity :

Estimations are made based on NT\$60, the Company's highest closing share price for common



shares over the 60 trading-day period prior to March 6, 2019. The diluted EPS for year 2019, 2020, 2021, 2022 and 2023 shall be NT\$0.00, NT\$0.10, NT\$0.10, NT\$0.05 and NT\$0.01 respectively.

(9) Restricted rights before employees meet the vesting conditions :

Restrictions, covenants or outstanding issues in relation to the establishment of this Plan shall be dealt in accordance with the relevant laws and the Company's Procedures.

(10) Other important stipulations :

The new shares issued by the Company through the exercise of Restricted Stock shall be dealt in accordance with measures for stock trust.

(11) Any other matters that need to be specified :

I. The Award shall be issued mainly for Category A. Award for Category B and C will be issued subject to the commitment, and for the below purpose:

(I) For employment of major talents.

(II) For the urgent cases (Retain for main technical talents, main manufacturing process talents and high operational impact managers).

The average number of Restricted Employee Stock Award issued for Category B in recent years (Y2016 to Y2017) is 1.2% of the total number of Restricted Employee Stock Award ; Category C is 0%.

II. In circumstance where amendments to the conditions for issuance of Restricted Stock are required by instructions from the competent authorities, the amended of relevant laws and rules, or in response to financial market conditions, the Chairman of the Company is authorized to amend these provisions, which shall become effective upon approval by the Board of Directors.

III. Based on the total number of issued shares (446,875,324 shares) as of March 6, 2019, the 2,000,000 new shares to be issued will account for 0.45% of the total number of issued shares.

**Resolution:**

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

**Proposal :** To discuss the Company's subsidiary, Tymphony Acoustic Technology(Huizhou) Co., Ltd., to make an initial public offering and apply for the listing of its common shares (A Shares) on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange

**Description:**

(1) The purposes of the IPO and listing of Oversea Stock Market

The Company's subsidiary, Tymphony Acoustic Technology (Huizhou) Co., Ltd. ("TATC"), is planning to apply for the listing of its common shares on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange for rapid expansion of business in China, attraction of local talents, enhancement of market influences and integration of resources. The Company indirectly owns 71.4321% shares of TATC now. If the process of IPO has been successfully completed, it will bring positive effects to the Company's image and business, and increase the value of the Company's investment. Therefore, the Company and all shareholders will be benefited.

(2) Assessment of the impact on the Company's financial and business operations and impact of the proposed changes in the organizational structure and business on the Company.

I. On financial operations

(I) With the injection of new capital, TATC expects to expand and improve its current

product development and business competitiveness, enhance its innovation capabilities and expand its business with respect to audio accessories, speakers and its components in China. The expansion and improvement shall enhance the Company's net profits and stockholders' equity.

(II) The proposed IPO and listing on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange will open an additional channel for the Company to raise capital, make the capital resources more diversified in China, and reduce current capital costs and related financial costs.

(III) The Company will still retain its control over TATC after the proposed IPO and listing on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange is approved. TATC will issue new shares for the proposed IPO and accordingly it does not involve any transfer of the Company's existing shares.

## II. On business operations

(I) The proposed IPO and listing on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange will enhance the Company's image, attract local talents, and increase production capacity, which will assist the Company to develop the corporate group's business.

(II) After the proposed IPO and listing on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, with the injection of new capital, TATC will increase its competitive ability and expand current market. By increasing the scale of business, research and development capabilities, and market position, TATC will raise the threshold of market and enhance the current advantages, which will bring more profits.

## III. The proposed changes in the organizational structure and business on the Company.

There is no sudden adjustment because TATC is applying for an IPO. The organizational structure of TATC will build up a sound shareholders' meeting, board of directors, and board of supervisors, independent directors and board secretary in accordance with local regulations.

## IV. Impact of the proposed changes in the organizational structure and business on the Company.

TATC will build up the organizational structure in accordance with local regulations and its business won't be changed upon the proposed IPO, so there is no impact on the Company.

### (3) Share diversifications and proposed reduction of shareholding

TATC plans to apply for an IPO and listing on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange with the par value of one RMB per share. The total number of new shares proposed to be issued is approximately 10% (tentative) of TATC's total capital at the time of issuance. It is expected that the shareholding ratio indirectly owned by the Company will be reduced around 7.14%. If the proposed IPO and listing is approved, the Company will request the shareholders' meeting to authorize the board of directors and other representative designated by it to discuss with lead securities underwriter for making necessary adjustments at their discretion with regard to final issuance volume and offering price based on the local regulations, required capitals, communication with the regulator of the stock exchange, and market conditions.

### (4) The use of the capital raised through the proposed IPO and listing

The purpose of the raised capital is majorly for the investment with respect to "Tymphony Acoustic Technology (Huizhou) Co., Ltd intelligent audio new campus project" and other permitted areas, including but limited to supplement of working capital.

(5) The offering price

The final IPO price will be determined according to the procedures established by the relevant listing regulations or other methods recognized by the regulator of the relevant stock exchange.

(6) Investors of the new shares to be issued

The potential investors of the new shares to be issued by TATC through the proposed IPO and listing include natural persons having the stock account in the local stock exchange, corporate investors, and other investors qualified by the regulator of the relevant stock exchange. The Company will not participate in subscribing any new share to be issued this time.

(7) Impact on the continuity of the Company's own listing on the Taiwan Stock Exchange

The Company existing listing in Taiwan will not be affected after the proposed IPO and listing on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange.

(8) Others

- I. The application for the proposed IPO and listing has not been filed. Accordingly, there remain uncertainties with regard to when to file such an application and how long the approval process will take.
- II. It should be noted that according to the relevant securities laws and requirements of the regulator of the stock exchange in the Mainland China, the directly and indirectly controlling shareholders (including the Company) of TATC are required to avoid engaging in businesses that are competing with TATC's. TATC's direct or indirect shareholders (including the Company) accordingly will have to sign non-compete undertakings in compliance with the aforesaid requirements. Since the Company has a controlling power over TATC, signing a non-compete agreement does not violate the Fair Trade Law of the Republic of China.
- III. It should be further noted that according to the relevant securities laws and regulations in the Mainland China, there are other representations and warranties that the directly and indirectly controlling shareholders (including the Company) of TATC need to provide, such as IPO lock-up and Stock price stability commitment, etc. The Company will make such representations and warranties as required and execute relevant documents accordingly.
- IV. In order to cooperate with TATC's application with respect to the listing of its common shares on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, the Company may request the shareholders' meeting to authorize the Board of Directors or other representative designated by it to handle all matters, including but not limited to engaging professional firms and determination of issuance terms, timing, volume, target, method, pricing strategy, issue price (including the range between prices and final price), the date of issuance, strategic placement, the usage of raised capital, other commitment letter and confirmation letter, relevant document and other IPO and listing details, etc., with full discretion concerning the proposed IPO and listing according to the progress of IPO and listing, the opinions of the competent authority, the relevant laws and regulations in the Mainland China, market conditions or actual situation.

## **Election**

1.

**(Proposed by the Board)**

**Proposal** : Election of independent director.

**Description:**

- (1) According to the Articles of Incorporation, the Board shall consist of from five to nine directors. Due to the resignation of Director Hai-Hung Yang on October 1, 2018, the Board is

short of one seat of director.

- (2) In order to coordinate with the Company's operational planning and strengthen corporate governance, it is proposed to elect one independent director. Refer to Schedule 7, page 55, of the Handbook for the candidate information.
- (3) The new elected independent director shall have a term from June 18, 2019 to May 29, 2021.
- (4) 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 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 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 Director Li-Sheng Liang, Director Yung-Tai Pan, Director Yung-Chung Pan and newly elected director. Refer to Schedule 8, page 56, of the Handbook for the details.

***Resolution:***

## **Extempore Motion**

## **Meeting Adjournment**

## Business Report

In 2018, growth of the global economy had weakened. Although new consumer electronics were still being introduced to the market and emerging technologies were being applied on a larger scale, uncertainties associated with the ongoing trade war between USA and China caused demands to weaken on a global scale, which undermined the performance of the global manufacturing industry. For an economy that is highly dependent upon export, Taiwan's electronics manufacturing sector has suffered greatly as a result.

Amidst the challenging environment, PRIMAX has adhered to its existing strategy of stability and directed focus towards maintaining revenue growth and optimizing its product portfolio. With regards to business activities, increasing popularity and evolution of smart speakers in product technology and features have contributed significantly to Tymphany's revenues and profits. As for auto electronics, one of our long-established product lines, PRIMAX received certification from major international auto maker in 2018, beginning shipment of multi-lens automobile camera modules and contributing revenues during the year. This certification and shipment represents PRIMAX's successful entry into the field of intelligent drive. With regards to PC peripherals, the gaming market continued to exhibit growth in 2018, an advantage that PRIMAX has capitalized on by collaborating with top gaming brands to introduce newer products into the market. Today, gaming business continues to drive transformations of the PC peripherals sector, aside from its significant revenue and profit contributions.

In terms of manufacturing technology, PRIMAX remains committed to its highest standard for product quality and yields. Meanwhile, the organization is actively adopting the concept of Industry 4.0 and has initiated a series of transformation and improvements to the manufacturing process as well as R&D capacity to further enhance its competitive advantage, thereby preparing the organization for the next stage of growth.

The following is an overview of the Company's 2018 performance.

### I. 2018 Financial Performance

#### (I) Financial Results

The Company generated NT\$64,811,408 thousand of consolidated net revenues worldwide in 2018, representing a 6.7% growth over the NT\$60,741,692 thousand in 2017. Consolidated net income totaled NT\$1,913,975 thousand in 2018, representing an 11.8% decline compared to the NT\$2,168,981 thousand in 2017.

#### (II) Cash Flow Analysis

Unit : NT\$ thousand

Account	2018	2017	Net change
Net cash inflow (outflow) from operating activities	1,786,951	3,412,165	(1,625,214)
Net cash inflow (outflow) from investing activities	(2,917,352)	(1,452,394)	(1,464,958)
Net cash inflow (outflow) from financing activities	(1,539,774)	(451,649)	(1,088,125)

#### (III) Profitability Analysis

Account	2018	2017
Return on Equity (%)	13.69	17.20
Operating Income to Paid-in Capital (%)	43.41	49.33
Profit before Tax to Paid-in Capital (%)	52.84	63.85
Net Profit Margin (%)	2.95	3.57
Earnings per Share (Dollars)	4.12	4.67

#### (IV) R&D Investments

The Company spent NT\$2,664,477 thousand on research and development expenses in 2018 as a means to enhance its R&D capacity and competitive advantage. This investment was spent on the development and design of new products/technologies and improvement of the production process.

## II. Business Strategy and Technology Developments

In 2019, PRIMAX will continue focusing its business development efforts in areas that it possesses a technological advantage, and strive to increase the market share of new products while at the same time exploring application and transformation opportunities for existing products. Non-PC peripheral have emerged to become a key revenue and profit contributor to the Company in recent years, for which PRIMAX will aim to increase its share in the ODM market and continuously expand the scope of products manufactured in the coming year. Demands for acoustic products such as smart speakers and wireless headphones are expected to grow in 2019, a trend that the Company plans to take advantage of by collaborating more closely with customers on product design and adoption of new technologies.

Year 2018 marked PRIMAX's successful entry into the field of auto electronics, and the Company plans to build on top of this success in 2019 by growing its shipment of automobile camera modules in terms of volume, quality and market share. In addition, PRIMAX will actively explore new customers and make auto electronics the third pillar of its business operations. Technologies including cloud computing, mobile device, digital home and IoT have gradually matured, therefore the Company will shift its camera module development focus towards the integration of multi-lens, AI and intelligent image processing for broader applications.

In the PC peripheral segment, revenues and profits from gaming products continued to exhibit significant growth in 2018, and is gradually becoming a dominant force that drives the transformation of PC peripheral. Demands in the gaming market should remain active throughout 2019, and the Company's long-established technology and design capacity will enable it to meet new market trends and customers' needs. By actively assisting customers with their product development, we expect to inspire new revenue growth from this particular business segment.

In terms of production management, the Company will be making progressive upgrades to its production capacity in 2019 to realize its vision of intelligent manufacturing and Industry 4.0. Starting with the adoption of automated production process and new information technology for communications, PRIMAX expects to reduce production cost, increase yield and optimize utilization of production capacity.

The global economy should remain susceptible to the impacts of the US-China trade war, geopolitics and protectionism in the coming year, which the Company plans to respond by focusing on Asia as the world's fastest growing market and the dominant supply chain, and adopt a global manufacturing philosophy inspired by Industry 4.0.

Chairman and General Manager: Li-Sheng Liang

Accounting Manager: Shu-chuan Chang

## Audit Committee's Review Report

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2018 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: Tai-Jau Ku

Date: March 28, 2019

## Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the parent company only financial statements of PRIMAX ELECTRONICS LTD.(“the Company”), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Other Matter

We did not audits the financial statements of certain investments accounted for using equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the reports of the other auditors. The Company's investment in these companies constituting 13% and 6% of the total assets, as of December 31, 2018 and 2017, respectively. The related share of profit of associates accounted for using the equity method amounted constituting 31% and 17% of the profit before tax, for the years ended December 31, 2018 and 2017, respectively.

### Key Audit Matters

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



## 1. Evaluation of inventories

Please refer to Note 4(g) “Inventories”, Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(f) “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. Acquisition of investments accounted for using equity method

Please refer to Note 4(i) “Business combination” and Note 6(h) “Acquisition of subsidiaries”.

Description of key audit matter:

In 2018, the Company obtained control over Belfast Limited (renamed as ALT International Co., Ltd (Cayman) after the acquisition) which became its sub-subsidiary through its subsidiary, Primax AE (Cayman) Holdings Ltd. This merger is deemed as a non-routine and significant transaction for the year 2018 and will influence the users’ comprehension on the financial statements. Therefore, the acquisition of investments accounted for using equity method is one of the key audit matters for the audit of the parent company only financial statement.

How the matter was addressed in our audit:

The principal audit procedures on the acquisition of investments accounted for using equity method includes: determining whether the above transaction is in compliance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the internal control regulations; reading the contracts to obtain a deeper understanding about the counter-party, price and other information; reviewing the payments, registration of shares amendment and other external document; appointing our internal expert to review the purchase price allocation report of shares, and assessing the reasonability of assumptions.

## 3. 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 Tymphony Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in 2018, the Company obtained control over Belfast Limited (renamed as ALT International Co., Ltd. (Cayman) after the acquisition) through its subsidiary, Primax AE (Cayman) Holdings Ltd.. The merger resulted in the Company to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained 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 Tymphony Worldwide Enterprises Ltd. and its subsidiaries were audited by other auditors; therefore, we issued audit instructions to their auditors as guidelines to communicate the key audit matters with them and obtained the feedbacks required in the audit instructions.

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

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

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

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

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

### **Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of the Company.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are MEI-PIN WU and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2019

#### **Notes to Readers**

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 2,239,009	8	3,979,290	17
1110 Current financial assets at fair value through profit or loss (note 6(b))	75,081	-	93,095	-
1170 Accounts receivable, net (notes 6(e) and (t))	7,505,903	27	6,256,390	26
1180 Accounts receivable from related parties, net (notes 6(e), (t) and 7)	111,619	1	29,181	-
1200 Other receivables (notes 6(e) and 7)	258,597	1	184,718	1
1310 Inventories (note 6(f))	2,182,893	8	2,128,441	9
1470 Other current assets	30,164	-	27,641	-
	<u>12,403,266</u>	<u>45</u>	<u>12,698,756</u>	<u>53</u>
<b>Non-current assets:</b>				
1523 Non-current available-for-sale financial assets (note 6(d))	-	-	397,252	2
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	263,624	1	-	-
1550 Investments accounted for using equity method (notes 6(g) and 7)	14,166,264	51	10,287,105	43
1600 Property, plant and equipment (note 6(i))	92,023	-	69,036	-
1760 Investment property (note 6(j))	248,028	1	251,589	1
1780 Intangible assets (note 6(k))	13,738	-	18,351	-
1840 Deferred tax assets (note 6(p))	433,179	2	338,330	1
1990 Other non-current assets	65,658	-	68,465	-
	<u>15,282,514</u>	<u>55</u>	<u>11,430,128</u>	<u>47</u>
<b>Total assets</b>	<u>\$ 27,685,780</u>	<u>100</u>	<u>24,128,884</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings (note 6(l))	\$ 950,000	3	-	-
Notes and accounts payable	5,161	-	28,195	-
Accounts payable to related parties (note 7)	10,475,212	38	8,339,013	35
Current financial liabilities at fair value through profit or loss (note 6(b))	19,449	-	103,107	-
Other payables (note 7)	1,228,790	4	1,828,968	8
Salaries payable	244,773	1	206,129	1
Other current liabilities	213,283	1	248,553	1
Long-term borrowings, current portion (note 6(m))	55,556	-	135,555	-
Refund liabilities	1,062,412	4	-	-
	<u>14,254,636</u>	<u>51</u>	<u>10,889,520</u>	<u>45</u>
<b>Non-current liabilities:</b>				
Long-term accounts payable to related parties (note 7)	357,703	2	423,944	2
Long-term borrowings (note 6(m))	27,777	-	83,333	-
Long-term deferred revenue (note 6(i))	807,831	3	885,580	4
Other non-current liabilities (notes 6(o) and (p))	612,012	2	461,235	2
	<u>1,805,323</u>	<u>7</u>	<u>1,854,092</u>	<u>8</u>
<b>Total liabilities</b>	<u>16,059,959</u>	<u>58</u>	<u>12,743,612</u>	<u>53</u>
Ordinary shares (note 6(q))	4,474,523	16	4,456,883	18
Capital collected in advance (note 6(q))	-	-	3,085	-
Capital surplus (note 6(q))	1,377,077	5	1,232,490	5
Legal reserve (note 6(q))	1,187,783	5	982,041	4
Special reserve (note 6(q))	299,065	1	97,300	-
Unappropriated retained earnings (notes 6(c) and (q))	5,038,483	18	5,008,344	21
Other equity interest (note 6(c))	(751,110)	(3)	(394,871)	(1)
<b>Total equity</b>	<u>11,625,821</u>	<u>42</u>	<u>11,385,272</u>	<u>47</u>
<b>Total liabilities and equity</b>	<u>\$ 27,685,780</u>	<u>100</u>	<u>24,128,884</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		<u>2018</u>		<u>2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(t), (u) and 7)</b>	\$ 33,984,435	100	35,023,563	100
5000	<b>Operating costs (notes 6(f), (o), (v), 7 and 12)</b>	<u>31,565,824</u>	<u>93</u>	<u>32,785,654</u>	<u>94</u>
	<b>Gross profit from operations</b>	<u>2,418,611</u>	<u>7</u>	<u>2,237,909</u>	<u>6</u>
	<b>Operating expenses (notes 6(o), (r), (v), 7 and 12):</b>				
6100	Selling expenses	530,897	2	605,515	2
6200	Administrative expenses	475,000	1	434,624	1
6300	Research and development expenses	999,294	3	971,418	3
6450	Reversal of expected credit loss (note 6(e))	<u>(54,910)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>1,950,281</u>	<u>6</u>	<u>2,011,557</u>	<u>6</u>
	<b>Net operating income</b>	<u>468,330</u>	<u>1</u>	<u>226,352</u>	<u>-</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes 6(c), (w), and 7)	39,800	-	52,076	-
7020	Other gains and losses (notes 6(d), (x) and 7)	288,389	1	619,291	2
7070	Share of profit of subsidiaries accounted for using equity method	1,332,971	4	1,291,934	4
7050	Finance costs	<u>(18,361)</u>	<u>-</u>	<u>(10,820)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>1,642,799</u>	<u>5</u>	<u>1,952,481</u>	<u>6</u>
	<b>Profit before income tax</b>	2,111,129	6	2,178,833	6
7950	Less: Income tax expenses (note 6 (p))	<u>284,259</u>	<u>1</u>	<u>121,418</u>	<u>-</u>
	<b>Profit</b>	<u>1,826,870</u>	<u>5</u>	<u>2,057,415</u>	<u>6</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Losses on remeasurements of defined benefit plans (note 6(o))	(473)	-	(5,909)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(134,472)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(134,945)</u>	<u>-</u>	<u>(5,909)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations financial statements	(187,628)	(1)	(112,643)	-
8362	Unrealized losses on available-for-sale financial assets (note 6(y))	-	-	(331,977)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(187,628)</u>	<u>(1)</u>	<u>(444,620)</u>	<u>(1)</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>(322,573)</u>	<u>(1)</u>	<u>(450,529)</u>	<u>(1)</u>
	<b>Comprehensive income</b>	<u>\$ 1,504,297</u>	<u>4</u>	<u>1,606,886</u>	<u>5</u>
	<b>Earnings per share (note 6(s))</b>				
9710	<b>Basic earnings per share (NT dollars)</b>	<u>\$ 4.12</u>		<u>4.67</u>	
9810	<b>Diluted earnings per share (NT dollars)</b>	<u>\$ 4.09</u>		<u>4.63</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Other equity interest			Total equity	
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets		Unearned employee compensation
<b>Balance on January 1, 2017</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:											
Appropriated legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-	-
Cash dividends of 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 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 options	-	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 on 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
Effects of retrospective application	-	-	-	-	-	42,573	-	30,916	(73,489)	-	-
Balance on January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	-	(95,806)	11,385,272
Profit	-	-	-	-	-	1,826,870	-	-	-	-	1,826,870
Other comprehensive income	-	-	-	-	-	(473)	(187,628)	(134,472)	-	-	(322,573)
Comprehensive income	-	-	-	-	-	1,826,397	(187,628)	(134,472)	-	-	1,504,297
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-	-
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	-	-	(1,430,068)
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-	-	134	-	-	81,705
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	-	84,615
Retirement of restricted stock	(3,640)	-	(45,324)	-	-	-	-	-	-	-	48,964
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	-	-	(126,535)
Issuance of ordinary shares for employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(1,256)	-	1,256	-	-	-
<b>Balance on December 31, 2018</b>	4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	-	(88,762)	11,625,821

See accompanying notes to parent company only financial statements.

## PRIMAX ELECTRONICS LTD.

## Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 2,111,129	2,178,833
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	40,667	43,534
Losses related to inventories	73,441	112,940
Amortization of long-term deferred revenue	(358,985)	(378,087)
Reversal of expected credit loss / Provision (reversal of provision) for bad debt expense and sales returns and discounts	(54,910)	37,431
Interest expense	12,439	6,804
Interest income	(17,889)	(20,293)
Compensation cost of share-based payment	84,615	79,420
Share of profit of subsidiaries accounted for using equity method	(1,332,971)	(1,291,934)
Gain on disposal of property, plant and equipment	-	(186)
Gain on disposal of available-for-sale financial assets	-	(330,887)
Amortization of unrealized revenue of patents disposed	(2,571)	-
<b>Total adjustments to reconcile profit (loss)</b>	<u>(1,556,164)</u>	<u>(1,741,258)</u>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, including related parties	(1,249,212)	1,530,152
Other receivable	(7,921)	842,880
Inventories	(127,893)	52,038
Other current assets	(2,523)	5,891
Other operating assets	18,014	48,222
<b>Changes in operating assets</b>	<u>(1,369,535)</u>	<u>2,479,183</u>
Notes and accounts payable, including related parties	2,113,165	(1,769,025)
Salaries payable	38,644	(151,212)
Other payables	223,930	(120,371)
Other current liabilities	(35,270)	28,697
Long-term deferred revenue	281,236	104,594
Other operating liabilities	(85,041)	(48,548)
<b>Changes in operating liabilities</b>	<u>2,536,664</u>	<u>(1,955,865)</u>
<b>Total changes in operating assets and liabilities</b>	<u>1,167,129</u>	<u>523,318</u>
<b>Total adjustments</b>	<u>(389,035)</u>	<u>(1,217,940)</u>
Cash inflow generated from operations	1,722,094	960,893
Interest received	17,889	20,293
Interest paid	(12,368)	(6,736)
Income taxes paid	(118,360)	(417,927)
<b>Net cash flows from operating activities</b>	<u>1,609,255</u>	<u>556,523</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(8,880)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,343	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	691	-
Acquisition of available-for-sale financial assets	-	(21,045)
Proceeds from capital reduction of available-for-sale financial assets	-	2,816
Proceeds from disposal of available-for-sale financial assets	-	497,186
Acquisition of investments accounted for using equity method	(2,804,040)	-
Acquisition of property, plant and equipment	(39,909)	(21,309)
Acquisition of unamortized expense	(14,462)	(10,120)
Decrease (increase) in refundable deposits	1,790	(510)
Proceeds from disposal of intangible assets	154,500	-
Dividends received	13,437	23,325
Other investing activities	(90)	1,826
<b>Net cash flows from (used in) investing activities</b>	<u>(2,689,620)</u>	<u>472,169</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	950,000	-
Repayments of long-term borrowings	(135,555)	(382,223)
Decrease in guarantee deposits received	21,948	34,936
Cash dividends paid	(1,430,068)	(1,111,886)
Exercise of employee share options	-	15,892
Decrease in long-term accounts payable to related parties	(66,241)	(357,319)
<b>Net cash flows used in financing activities</b>	<u>(659,916)</u>	<u>(1,800,600)</u>
<b>Net decrease in cash and cash equivalents</b>	(1,740,281)	(771,908)
<b>Cash and cash equivalents at beginning of period</b>	3,979,290	4,751,198
<b>Cash and cash equivalents at end of period</b>	<u>\$ 2,239,009</u>	<u>3,979,290</u>

See accompanying notes to parent company only 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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Other Matter**

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2018 and 2017, the assets of these subsidiaries constitute 33% and 30%, respectively, of the consolidated total assets. For the years ended December 31, 2018 and 2017, the operating revenue of these subsidiaries constitute 41% and 34%, 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, 2018 and 2017, on which we have issued an unmodified opinion with other matter paragraph.

## Key Audit Matters

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

### 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of the Group; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyse 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 have issued audit instructions to their auditors as guidelines to communicate the above key audit matters with them and reviewed other auditors' working papers, as well as obtained the feedbacks required in the audit instructions.

### 2. Acquisition of subsidiaries

Please refer to Note 4(j) "Business combination" and Note 6(h) "Business combination".

Description of key audit matter:

In 2018, PRIMAX ELECTRONICS LTD. obtained control over Belfast Limited (renamed as ALT International Co., Ltd. (Cayman) after the acquisition) which became its sub-subsidiary through its subsidiary, Primax AE (Cayman) Holdings Ltd.. This merger is deemed as non-routine and significant transaction for the year 2018 and will influence the users' comprehension on the financial statements. Therefore, the acquisition of subsidiaries is one of our key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the acquisition of subsidiaries includes: determining whether the above transaction is in compliance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the internal control regulations; reading the contracts to obtain a deeper understanding about the counter-party, price and other information; reviewing the payments, registration of shares amendment and other external document; appointing our internal expert to review the purchase price allocation report of shares, and assessing the reasonability of assumptions.

### 3. Impairment assessment of intangible assets

Please refer to Note 4(o) “Impairment of non-financial assets”, Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(m) “Intangible assets” of the consolidated financial statements.

Description of key audit matter:

In 2014, PRIMAX ELECTRONICS LTD. acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in 2018, PRIMAX ELECTRONICS LTD. obtained control over Belfast Limited (renamed as ALT International Co., Ltd. (Cayman) after the acquisition) through its subsidiary, Primax AE (Cayman) Holdings Ltd.. The merger resulted in PRIMAX ELECTRONICS LTD. to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained estimation uncertainty; therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are MEI-PIN WU and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2019

#### **Notes to Readers**

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

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



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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2018 and 2017**

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

		2018		2017	
		Amount	%	Amount	%
4000	<b>Operating revenue (notes 6(v), 6 (w) and 7)</b>	\$ 64,811,408	100	60,741,692	100
5000	<b>Operating costs (notes 6(g), (q), (x), 7 and 12)</b>	<u>57,021,985</u>	<u>88</u>	<u>53,261,685</u>	<u>88</u>
	<b>Gross profit from operation</b>	<u>7,789,423</u>	<u>12</u>	<u>7,480,007</u>	<u>12</u>
	<b>Operating expenses (notes 6(q), (t), (x) and 12):</b>				
6100	Selling expenses	1,447,730	2	1,460,339	2
6200	Administrative expenses	1,796,927	3	1,454,789	2
6300	Research and development expenses	2,664,477	4	2,364,974	4
6450	Reversal of expected credit loss (note 6(e))	<u>(62,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>5,846,909</u>	<u>9</u>	<u>5,280,102</u>	<u>8</u>
	<b>Net operating income</b>	<u>1,942,514</u>	<u>3</u>	<u>2,199,905</u>	<u>4</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes 6(c) and (y))	133,045	-	143,367	-
7020	Other gains and losses (notes 6 (d), (g) and (z))	349,320	1	541,030	1
7060	Share of loss of associates accounted for using equity method (note 6(g))	(16,753)	-	-	-
7050	Finance costs	<u>(43,924)</u>	<u>-</u>	<u>(36,722)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>421,688</u>	<u>1</u>	<u>647,675</u>	<u>1</u>
	<b>Profit before income tax</b>	2,364,202	4	2,847,580	5
7950	<b>Less: income tax expenses (note 6(r))</b>	<u>450,227</u>	<u>1</u>	<u>678,599</u>	<u>1</u>
	<b>Profit</b>	<u>1,913,975</u>	<u>3</u>	<u>2,168,981</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	Losses on remeasurements of defined benefit plans (note 6(q))	(473)	-	(5,909)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(134,472)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(134,945)</u>	<u>-</u>	<u>(5,909)</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	(192,374)	-	(108,024)	-
8362	Unrealized losses on available-for-sale financial assets (notes 6(d) and (aa))	-	-	(331,977)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(192,374)</u>	<u>-</u>	<u>(440,001)</u>	<u>(1)</u>
8300	<b>Other comprehensive loss after tax</b>	<u>(327,319)</u>	<u>-</u>	<u>(445,910)</u>	<u>(1)</u>
	<b>Comprehensive income</b>	<u>\$ 1,586,656</u>	<u>3</u>	<u>1,723,071</u>	<u>3</u>
	<b>Profit attributable to:</b>				
8610	Owners of parent	\$ 1,826,870	3	2,057,415	4
8620	Non-controlling interests (note 6(j))	<u>87,105</u>	<u>-</u>	<u>111,566</u>	<u>-</u>
		<u>\$ 1,913,975</u>	<u>3</u>	<u>2,168,981</u>	<u>4</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 1,504,297	3	1,606,886	3
8720	Non-controlling interests (note 6(j))	<u>82,359</u>	<u>-</u>	<u>116,185</u>	<u>-</u>
		<u>\$ 1,586,656</u>	<u>3</u>	<u>1,723,071</u>	<u>3</u>
	<b>Earnings per share (note 6(u))</b>				
9710	<b>Basic earnings per share (NT dollars)</b>	<u>\$ 4.12</u>		<u>4.67</u>	
9810	<b>Diluted earnings per share (NT dollars)</b>	<u>\$ 4.09</u>		<u>4.63</u>	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2018 and 2017**

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

	Equity attributable to owners of parent										Other equity interest		Total equity				
	Share capital					Retained earnings					Unrealized gains (losses) from financial assets at fair value through other comprehensive income			Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests					
<b>Balance at January 1, 2017</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	-	-	-	-	2,057,415	111,566	2,168,981				
Other comprehensive income	-	-	-	-	-	(5,909)	(112,643)	(331,977)	(331,977)	(450,529)	4,619	4,619	(445,910)				
Comprehensive income	-	-	-	-	-	2,051,506	(112,643)	(331,977)	(331,977)	1,606,886	116,185	1,723,071					
Appropriation and distribution of retained earnings:																	
Appropriated 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)				
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	79,420	-	-	79,420				
Retirement of restricted stock	(940)	-	(2,881)	-	-	-	-	-	-	3,821	-	-	-				
Compensation cost of share-based payment	-	-	11,072	-	-	-	-	-	-	-	11,072	2,604	13,676				
Issuance of restricted stock	30,000	-	122,030	-	-	-	-	-	-	(152,030)	-	-	-				
Exercise of employee stock options	-	15,892	-	-	-	-	-	-	-	-	15,892	-	15,892				
Issuance of ordinary shares for employee stock option 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				
Effects of retrospective application	-	-	-	-	-	42,573	-	-	(73,489)	-	-	-	-				
Balance at January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	-	-	(95,806)	11,385,272	1,596,530	12,981,802				
Profit	-	-	-	-	-	1,826,870	-	-	-	-	1,826,870	87,105	1,913,975				
Other comprehensive income	-	-	-	-	-	(473)	(187,628)	(134,472)	-	(322,573)	(4,746)	(4,746)	(327,319)				
Comprehensive income	-	-	-	-	-	1,826,397	(187,628)	(134,472)	-	1,504,297	82,359	82,359	1,586,656				
Appropriation and distribution of retained earnings:																	
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-	-	-	-				
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-	-	-	-				
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	-	(1,430,068)	-	-	(1,430,068)				
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-	-	134	-	81,705	230,640	-	312,345				
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	84,615	-	-	84,615				
Retirement of restricted stock	(3,640)	-	(45,324)	-	-	-	-	-	-	48,964	-	-	-				
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	-	(126,535)	-	-	-				
Issuance of ordinary shares for employees stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	-	-	-				
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(1,256)	-	-	-	-	-	-	-				
Acquired non-controlling interest from business combination	-	-	-	-	-	-	-	-	-	-	1,434,768	1,434,768	1,434,768				
<b>Balance at December 31, 2018</b>	\$ 4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821	3,344,297	14,970,118					

See accompanying notes to consolidated financial statements.



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

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2018 and 2017**

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

	<u>2018</u>	<u>2017</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 2,364,202	2,847,580
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	1,614,689	1,513,201
Losses related to inventories	249,385	67,188
Reversal of expected credit loss / Provision (reversal of provision) for bad debt expense and sales returns and discounts	(62,225)	(10,392)
Interest expense	38,001	32,707
Interest income	(112,306)	(110,012)
Compensation cost of share-based payment	122,994	93,096
Share of loss of associates accounted for using equity method	16,753	-
Loss on disposal of property, plant and equipment	11,843	77,548
Gain from disposal of available-for-sale financial assets	-	(330,887)
Loss on disposal of investments accounted for using equity method	(4,950)	-
<b>Total adjustments to reconcile profit (loss)</b>	<u>1,874,184</u>	<u>1,332,449</u>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	25,543	166
Notes and accounts receivable	(2,839,678)	1,002,173
Accounts receivable from related parties	(185,411)	(3,070)
Other receivables	(280,343)	(259,689)
Inventories	(841,284)	224,508
Other current assets	21,876	60
Other operating assets	18,528	1,131
<b>Changes in operating assets</b>	<u>(4,080,769)</u>	<u>965,279</u>
Financial liabilities at fair value through profit or loss	(83,127)	(47,323)
Notes and accounts payable	1,944,724	(856,204)
Salaries payable	26,099	(39,092)
Accounts payable to related parties	(67,661)	-
Other payables	353,358	220,175
Other current liabilities	(60,961)	9,942
Refund liabilities	(15,838)	-
Other operating liabilities	(130,527)	(364,760)
<b>Changes in operating liabilities</b>	<u>1,966,067</u>	<u>(1,077,262)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(2,114,702)</u>	<u>(111,983)</u>
<b>Total adjustments</b>	<u>(240,518)</u>	<u>1,220,466</u>
Cash inflow generated from operations	2,123,684	4,068,046
Interest received	112,306	110,012
Interest paid	(37,931)	(32,639)
Income taxes paid	(411,108)	(733,254)
<b>Net cash flows from operating activities</b>	<u>1,786,951</u>	<u>3,412,165</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(8,880)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,343	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,107	-
Acquisition of subsidiaries (minus cash acquired)	-	(646,638)
Acquisition of available-for-sale financial assets	-	(21,045)
Proceeds from disposal of available-for-sale financial assets	-	497,186
Proceeds from capital reduction of available-for-sale financial assets	-	7,573
Acquisition of investments accounted for using equity method	(1,370,824)	-
Increase in restricted deposits	(57,751)	-
Acquisition of property, plant and equipment	(1,973,862)	(1,226,326)
Proceeds from disposal of property, plant and equipment	60,841	24,358
Decrease (increase) in refundable deposits	48,944	(46,376)
Dividends received	13,437	23,325
Change in non-controlling interest	273,832	25,366
Acquisition of unamortized expense	(37,027)	(89,783)
Aggregation from business combination without consideration transferred	379,844	-
Increase in other non-current assets	(255,356)	-
Other investing activities	-	(34)
<b>Net cash flows used in investing activities</b>	<u>(2,917,352)</u>	<u>(1,452,394)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(16,678)	995,638
Decrease in long-term borrowings	(106,914)	(382,223)
Increase in guarantee deposits received	13,886	30,930
Cash dividends	(1,430,068)	(1,111,886)
Exercise of employee share options	-	15,892
<b>Net cash flows used in financing activities</b>	<u>(1,539,774)</u>	<u>(451,649)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(160,378)</u>	<u>(47,027)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(2,830,553)</u>	<u>1,461,095</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>7,821,011</u>	<u>6,359,916</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,990,458</u>	<u>7,821,011</u>

See accompanying notes to consolidated financial statements.

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”:</p> <p>.....</p> <p>v. Derivatives: <u>Refers to</u> Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value <u>is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>contracts.</u></p> <p>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 156-3 of the Company Act.</p> <p>vii. <u>Right-of-use assets.</u></p> <p>viii. <u>Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</u></p> <p>ix. <u>Other major assets.</u></p>	<p>II. Applicability of “Assets”:</p> <p>.....</p> <p>v. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes, or other interests.</u> The term “<u>forwards</u>” as <u>previously stated</u> does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>agreements.</u></p> <p>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 <u>156, paragraph 8</u> of the Company Act.</p> <p>vii. Other major assets.</p>	<p>Per amended ROC regulations.</p>
<p>III. Evaluation Procedures:</p> <p>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, <u>equipment and right-of-use asset, capital expenditure plans</u></p>	<p>III. Evaluation Procedures:</p> <p>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 <u>and equipment, capital expenditure plans shall be drafted</u></p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>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.</p>	<p>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.</p>	
<p>IV. <u>The establishment of the procedures shall be executed after the approval of the shareholders upon approval and submission by the board of directors. Regarding the amendment of procedures, after the procedures have been approved of by over half of all members of the Audit Committee, they shall be submitted to the board of directors and reported to the shareholders' meeting for approval. 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. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the operating procedures, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>IV. After the procedures have been approved of by over half of all members of the Audit Committee, they shall be submitted to the board of directors and reported to the shareholders' meeting for approval; <u>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.</p>	<p>through its regulations has revised the policy and this article per amended ROC regulations.</p>
<p>VI. <u>Evaluation Procedures on Acquisition or Disposal of Assets, Equipment or Right-of-Use Assets</u> In acquiring or disposing of real property, equipment or right-of-use assets where the transaction amount reaches 20 percent of the</p>	<p>VI. <u>Assets Evaluation Procedures</u> 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</p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> 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 <u>or its right-of-use assets</u>, 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:</p> <p>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.</p> <p>.....</p>	<p>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:</p> <p>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.</p> <p>.....</p>	
<p>IIX. Where the company acquires or disposes of intangible assets <u>or its right-of-use assets</u>, <u>or</u> memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic</u> 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.</p> <p>.....</p>	<p>IIX. Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>.....</p>	Per amended ROC regulations.
<p>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:</p> <p>.....</p> <p>iv. For acquired or disposed real property, equipment <u>or right-of-use assets</u>, 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</p>	<p>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:</p> <p>.....</p> <p>iv. For acquired or disposed real property <u>and</u> 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</p>	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
<p>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.</p> <p>.....</p>	<p>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.</p> <p>.....</p>	
<p>XII. Investment Amounts and Limits The company and subsidiaries may invest on assets for the uses of business operations and also real property, <u>equipment, its right-of use assets</u> and securities for uses other than business operations, the amounts and limits are as stated below:</p> <p>i. <u>For non-business use operations, the aggregated amount of initially invested real property, equipment, its right-of-use assets, and marketable securities of financial assets classified as fair value through profit and loss</u>, shall not exceed 20 percent of the shareholders' equity according to the most recent fiscal financial statement. Initially invested amount of <u>a single company on marketable securities categorized as a financial asset classified as fair value through profit and loss</u> shall not exceed 5 percent of the shareholders' equity aforementioned. Initially invested amount of the purchase of money market funds shall not exceed 50 percent of shareholders' equity as aforementioned. This policy also applies to the company's subsidiaries. If a subsidiary's invested amount exceeds the limit, it can be excluded from this policy following the company's board of directors' approval and subsequent ratification of the approval.</p> <p>ii. The aggregated amount of initially invested securities by the company shall not exceed 150 percent of the shareholders' equity according to the most recent fiscal financial statement certified by the public accountant. However, the initially invested amount of joint venture for a single company <u>on a financial asset not classified as fair value through profit and loss</u>, is limited to 80 percent of the shareholders' equity aforementioned.</p>	<p>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.</p> <p>i. The aggregated amount of initially invested real property and <u>short-term securities for uses other than business operations</u> shall not exceed 20 percent of the shareholders' equity according to the most recent fiscal financial statement. Initially invested amount of <u>short-term investments</u> for a single company shall not exceed 5 percent of the shareholders' equity aforementioned. Initially invested amount of the purchase of money market funds shall not exceed 50 percent of shareholders' equity as aforementioned. This policy also applies to the company's subsidiaries. If a subsidiary's invested amount exceeds the limit, it can be excluded from this policy following the company's board of directors' approval and subsequent ratification of the approval.</p> <p>ii. The aggregated amount of initially invested securities by the company shall not exceed 150 percent of the shareholders' equity according to the most recent fiscal financial statement certified by the public accountant. However, the initially invested amount of <u>long-term</u> joint venture for a single company is limited to 80 percent of the shareholders' equity aforementioned.</p>	<p>Per amended ROC regulations and in line with wording of IFRS 9.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>“Regulations Governing the Preparation of Financial Reports by Securities Issuers” shall apply to related parties and subsidiaries.</p>		
<p>XIV. Appraisal Procedures</p> <p>When the company intends to acquire or dispose of real property <u>or its right-of-use assets</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or its right-of-use assets</u> 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 <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the Audit Committee with approval from over half of all committee members, followed by approval from the board of directors:</p> <p>.....</p> <p>iii. With respect to the acquisition of real property <u>or right-of-use assets</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with articles XV and XVI.</p> <p>.....</p> <p>With respect to the <u>types of transactions listed below, when to be conducted between a the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, 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:</p> <p><u>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></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 repurchase of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the Audit Committee with approval from over half of all committee members, followed by approval from the board of directors:</p> <p>.....</p> <p>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.</p> <p>.....</p> <p>With respect to the <u>acquisition or disposal of business-use equipment between the company and related parties</u>, 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.</p> <p>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</p>	<p>Per amended ROC regulations with the addition of appraisal procedure details. Having taken into consideration company business development plans, procurement planning and equipment rentals needs, and the comparably low risks of the transfer or leasing of property or assets between the company and its 100 percent owned parent or subsidiaries, or between its subsidiaries.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>2. Acquisition or disposal of real property right-of-use assets held for business use.</u> 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.</p> <p><u>Article I of this procedure shall be recognized by the Audit Committee, and it shall first be approved by more than half of all Audit Committee members and then submitted to the board of directors for a resolution. If approval by more than half of all Audit Committee members is not acquired, it shall be approved of by more than two-thirds of the board of directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes.</u></p>	<p>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>XV. Evaluation of the Reasonableness of the Transaction Costs: When the company acquires real property <u>or right-of-use assets</u> 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 <u>or right-of-use assets</u> 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 <u>or right-of-use assets</u> 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, <u>or the real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, where article XIV shall apply.</p>	<p>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.</p> <p>.....</p> <p>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</p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>.....</p> <p>iii. Where land and structures thereupon are combined as a single property purchased <u>or rented</u> 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.</p>	<p>listed in the two preceding paragraphs.</p>	
<p>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:</p> <p>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:</p> <p>.....</p> <p>2. 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 <u>purchase or rental practices</u>.</p> <p>ii. Where the company acquiring real property <u>or renting real property right-of-use assets</u> from a related party provides evidence that the terms of the transaction are similar to the <u>terms of transactions</u> for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>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</p>	<p>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:</p> <p>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:</p> <p>.....</p> <p>2. <u>Completed</u> 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.</p> <p>3. <u>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.</u></p> <p>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</p>	<p>Per amended ROC regulations.</p>



Amended Content	Current Content	Reason for Amendment and Explanation
<p>meters or parcels close in publicly announced current value; transactions 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 <u>or right-of-use assets</u>.</p>	<p>transactions <u>completed</u> for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p><u>Completed</u> 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.</p>	
<p>XVII. Where the company acquires real property <u>or right-of-use assets</u> from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>i. 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 <u>or right-of-use assets</u> 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 <u>or rented</u> at a premium, or they have been disposed of, <u>or the leasing contract has</u></p>	<p>XVII. Where the company acquires real property from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>i. 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</p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>been terminated</u>, 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.</p> <p>ii. <u>All members of the Audit Committee shall comply with Article 218 of the Company Act.</u></p> <p>iii. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>iv. <u>When obtaining real property or right-of-use assets thereof from a related party, it shall also comply with subparagraph 1 and subparagraph 2 if there is other evidence indicating that the acquisition was not an arms length transaction.</u></p>	<p>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.</p> <p>ii. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p>	
<p>XIIX. Trading Principles and Strategies</p> <p>i. Types of derivatives: Forward contracts, options contracts, interest and exchange swaps, future contracts, <u>leverage contracts</u> and compound contracts combining the above products, <u>or hybrid contracts or structured products containing embedded derivatives.</u> Any other products must be approved of for trading by the board of directors.</p> <p>.....</p>	<p>XIIX. Trading Principles and Strategies</p> <p>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.</p> <p>.....</p>	Per amended ROC regulations.
<p>XX. Internal Audit System:</p> <p>The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the Audit Committee shall be notified in writing. <u>Where independent directors have been appointed in accordance with the</u></p>	<p>XX. Internal Audit System:</p> <p>The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the Audit Committee shall be notified in writing.</p>	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>provisions of the Act, for matters for which notice shall be given to the Audit Committee under the preceding paragraph, written notice shall also be given to the independent directors.</u></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> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property <u>or right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets</u> 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises</li> <li>.....</li> <li>4. Where the type of asset acquired or disposed is equipment/machinery for business use <u>or right-of-use assets</u>, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</li> <li>5. 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, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the</li> </ol>	<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> <ol style="list-style-type: none"> <li>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 repurchase of money market funds issued by domestic securities investment trust enterprises.</li> <li>.....</li> <li>4. 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.</li> <li>5. 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</li> </ol>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>company expects to invest in the transaction is less than NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of <u>domestic</u> government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>ii. The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>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.</p> <p>3. The cumulative transaction amount of real property <u>or right-of-use asset</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>.....</p>	<p>than NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>ii. The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>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.</p> <p>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.</p> <p>.....</p>	
<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>.....</p> <p>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</p>	<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>.....</p> <p>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</p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>regulations requiring a public announcement and regulatory filing in the event the type of transaction specified therein of the total assets.</p>	<p>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 <u>reaches 20 percent of paid-in capital or 10 percent</u> of the total assets.</p>	
<p>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 <u>and shall comply with article V of the previsions of public enterprises acquiring or disposing of assets.</u></p>	<p>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 .</p>	<p>Per amended ROC regulations.</p>
<p>XXXIV. This corporate document was created on 200811/7. ..... <u>Seventh-time amendments were made on 2019/06/18.</u></p>	<p>XXXIV. This corporate document was created on 200811/7. ..... Sixth-time amendments were made on 2018/5/30.</p>	<p>The addition of the date of the most recent amendments.</p>

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

Amended Content	Current Content	Reason for Amendment and Explanation
<p>Article 2: Under Article 15 of the Company Act, the company shall not loan funds to any of its shareholders or any other person except under the following circumstances:</p> <p>i. Where an inter-company or inter-firm business transaction calls for a loan agreement.</p> <p>ii. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender’s net worth. The term “short-term” as used in the preceding paragraph refers to one year, or where the company’s operating cycle exceeds one year, one operating cycle. The term “financing amount” as used in sub-paragraph 2 of the first paragraph refers to the cumulative balance of the company’s short-term financing.</p> <p>The restriction in the sub-paragraph of the first paragraph shall not apply to inter-company loans of funds between foreign companies in which the company directly or indirectly holds 100 percent of the voting shares, <u>or from foreign companies that directly or indirectly hold 100 percent of the voting shares on the company.</u> However, article 4 and 6 of the operational procedures concerning the setting of the amount limits and the durations of loans shall still apply.</p> <p><u>If the owner of the company violates the regulation stated in article 1, he or she shall be held liable along with the party making the loan; if the company is subject to any damages, said owner shall also be held liable for the damages.</u></p>	<p>Article 2: Under Article 15 of the Company Act, the company shall not loan funds to any of its shareholders or any other person except under the following circumstances:</p> <p>i. Where an inter-company or inter-firm business transaction calls for a loan agreement.</p> <p>ii. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender’s net worth. The term “short-term” as used in the preceding paragraph refers to one year, or where the company’s operating cycle exceeds one year, one operating cycle. The term “financing amount” as used in sub-paragraph 2 of the first paragraph refers to the cumulative balance of the company’s short-term financing.</p> <p>The restriction in the sub-paragraph of the first paragraph shall not apply to inter-company loans of funds between foreign companies in which the company directly or indirectly holds 100 percent of the voting shares. However, article 4 and 6 of the operational procedures concerning the setting of the amount limits and the durations of loans shall still apply.</p>	<p>Per amended ROC regulations.</p>
<p>Article 4: Ceilings on the Aggregated Amount Made in Loaned Funds and for Individual Loans The amount of loaned funds the company is permitted to make for others must not exceed 40 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the accountant.</p>	<p>Article 4: Ceilings on the Aggregated Amount Made in Loaned Funds and for Individual Loans The amount of loaned funds the company is permitted to make for others must not exceed 40 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the accountant.</p>	<p>1. Addition of amount ceilings per amended ROC regulations. 2. As stated in ROC</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>The ceilings on the amounts made for each borrower and the uses for the loaned fund are as stated below:</p> <p>i. The amount of loans for any single entity due to business needs shall not exceed the company’s purchase amount or sales amount, whichever the higher the amount, of the most recent year’s or the present fiscal year’s until the time of the loan taking place.</p> <p>ii. The amount of individual short term financial loans must not exceed 20 percent of the net worth of the public company according to its fiscal financial statement most recently ratified or reviewed by the accountant. The aggregated amount of loaned funds for others between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed 60 percent of the net worth of the company according to its most recent fiscal financial statement.</p> <p><u>Regarding loans from a foreign company that directly or indirectly hold 100 percent of the voting shares on the company, the amount of the loan must not exceed 100 percent of the company’s net worth as stated in the most recent fiscal financial statement.</u></p>	<p>The ceilings on the amounts made for each borrower and the uses for the loaned fund are as stated below:</p> <p>i. The amount of loans for any single entity due to business needs shall not exceed the company’s purchase amount or sales amount, whichever the higher the amount, of the most recent year’s or the present fiscal year’s until the time of the loan taking place.</p> <p>ii. The amount of individual short term financial loans must not exceed 20 percent of the net worth of the public company according to its fiscal financial statement most recently ratified or reviewed by the accountant. The aggregated amount of loaned funds for others between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed 60 percent of the net worth of the company according to its most recent fiscal financial statement.</p>	<p>regulations, the lending of funds from foreign subsidiaries that directly or indirectly hold 100 percent of the voting shares on the company is similar to the lending of funds between company departments, with comparably low risks involved, thus the revision of the limit of the loan to 100 percent of net worth per the company’s most recent fiscal financial statement.</p>
<p>Article 5: Procedures for the Loaning of Funds</p> <p>i. Detailed Procedures</p> <p>1. When processing the loaning of funds or short-term financial items, the company shall carefully evaluate if requirements are met under the governing body’s “Regulations governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and regulations on the loaning of funds for others set by the company. The accounting department shall review the application and report to <u>the Audit Committee for approval from over half of its members, and then submitted to the board of directors for board resolution. If approval from over</u></p>	<p>Article 5: Procedures for the Loaning of Funds</p> <p>i. Detailed Procedures</p> <p>1. When processing the loaning of funds or short-term financial items, the company shall carefully evaluate if requirements are met under the governing body’s “Regulations governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and regulations on the loaning of funds for others set by the company. The accounting department shall review the application and report to <u>the board of directors for board resolution.</u></p> <p>2. The loaning of funds between the company and subsidiaries or within the subsidiaries shall be made after board</p>	<p>Per regulations stated in article VI of the Audit Committee Charter, the lending of funds of significant amounts and its related matters is listed as one of the dutiful functions and powers of the Audit Committee, thus the</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>half of the Audit Committee members as aforementioned is not acquired, the procedures may only 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. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the loan and its related matters, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.</u></p> <p>2. The loaning of funds between the company and subsidiaries or within the subsidiaries shall be made after board resolution according to the rules stated in the preceding paragraph. The board of directors may authorize the chairman to allocate loans in batches or conduct revolving credit for a single borrower with a fixed amount and within one year’s timeframe. The fixed amount previously stated must comply with Article 2 and with the approval from <u>the Audit Committee and</u> the board of directors. The amount of the loaned fund from the company or subsidiaries to any single entity shall not exceed 10 percent of the company’s net worth as stated in the most recent fiscal financial statement.</p> <p><u>3.</u> The finance department shall prepare a memorandum book for its fund-loaning activities. After being granted approval of the memorandum book by its board of directors, the following information must be truthfully recorded: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated according to the company’s operational procedures.</p> <p><u>4.</u> The company’s internal auditors shall audit all fund loaning operations and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.</p>	<p>resolution according to the rules stated in the preceding paragraph. The board of directors may authorize the chairman to allocate loans in batches or conduct revolving credit for a single borrower with a fixed amount and within one year’s timeframe. The fixed amount previously stated must comply with Article 2 and with the approval from the board of directors. The amount of the loaned fund from the company or subsidiaries to any single entity shall not exceed 10 percent of the company’s net worth as stated in the most recent fiscal financial statement.</p> <p><u>3.</u> <u>Where the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors’ opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors’ meeting.</u></p> <p><u>4.</u> The finance department shall prepare a memorandum book for its fund-loaning activities. After being granted approval of the memorandum book by its board of directors, the following information must be truthfully recorded: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated according to the company’s operational procedures.</p> <p><u>5.</u> The company’s internal auditors shall audit all fund loaning operations and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.</p> <p><u>6.</u> The finance department shall create, track and control a detailed list for the company’s occurred or cancelled loaned funds by the month, and apply for announcing and reporting. The accounting department shall evaluate and record any uncollectable bad debts no less frequently than quarterly, adequately disclose information on loaned funds in the financial reports, and provide certified public accountants with relevant information.</p>	<p>revision in the procedures and the revision on paragraph numbering in article 5.</p>



Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>5.</u> The finance department shall create, track and control a detailed list for the company’s occurred or cancelled loaned funds by the month, and apply for announcing and reporting. The accounting department shall evaluate and record any uncollectable bad debts no less frequently than quarterly, adequately disclose information on loaned funds in the financial reports, and provide certified public accountants with relevant information.</p> <p><u>6.</u> If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company’s finance department shall adopt rectification plans, submit the rectification plans to the Audit Committee, and complete the rectification according to the timeframe set out in the plan.</p> <p>ii. Review Procedures</p> <ol style="list-style-type: none"> <li>1. When processing the loaning of funds for others from the company, the company or proprietorship that is the borrower of the fund shall submit relevant financial information and statement of the uses of the loaned fund in advance in written form.</li> <li>2. When the company approves of the application, the claims department shall investigate and evaluate the necessity of and reasonableness of extending loans to others, the direct or indirect business relationship between the company and the borrower, the financial condition of the borrower, repayment capacity, credit status, profitability, the uses of the loaned fund, the impact of the loaned fund and the sum towards the company’s operational risks, financial condition, and shareholders’ equity, and submit a written report to <u>the Audit Committee and the board of directors</u> for evaluation and resolution.</li> <li>3. When processing the loaning of funds or short-term financial items, a bill of guarantee of the equivalent amount shall be obtained and chattel mortgage or real estate mortgage shall be set up if necessary. The company shall also</li> </ol>	<p><u>7.</u> If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company’s finance department shall adopt rectification plans, submit the rectification plans to the Audit Committee, and complete the rectification according to the timeframe set out in the plan.</p> <p>ii. Review Procedures</p> <ol style="list-style-type: none"> <li>1. When processing the loaning of funds for others from the company, the company or proprietorship that is the borrower of the fund shall submit relevant financial information and statement of the uses of the loaned fund in advance in written form.</li> <li>2. When the company approves of the application, the claims department shall investigate and evaluate the necessity of and reasonableness of extending loans to others, the direct or indirect business relationship between the company and the borrower, the financial condition of the borrower, repayment capacity, credit status, profitability, the uses of the loaned fund, the impact of the loaned fund and the sum towards the company’s operational risks, financial condition, and shareholders’ equity, and submit a written report to the board of directors for evaluation and <u>board</u> resolution.</li> <li>3. When processing the loaning of funds or short-term financial items, a bill of guarantee of the equivalent amount shall be obtained and chattel mortgage or real estate mortgage shall be set up if necessary. The company shall also evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the loaned fund and balance, possibly requesting for additional security from the entity when it is deemed necessary.</li> </ol>	

Amended Content	Current Content	Reason for Amendment and Explanation
<p>evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the loaned fund and balance, possibly requesting for additional security from the entity when it is deemed necessary.</p>		
<p>Article 6:            Financing Deadline and Interest Calculation            All funds financed from the company for others are limited to one year.            The interests of loans and funds shall not be lower than the company’s average interest rates for short-term loans for financial institutions. The rates shall be calculated monthly.            Adjustments may be made towards exceptions with approval from the board of directors.            Financing deadlines between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed two years. <u>Financing deadlines from foreign companies in which the company directly or indirectly holds 100 percent of the voting shares on the company shall not exceed two years.</u></p>	<p>Article 6:            Financing Deadline and Interest Calculation            All funds financed from the company for others are limited to one year.            The interests of loans and funds shall not be lower than the company’s average interest rates for short-term loans for financial institutions. The rates shall be calculated monthly.            Adjustments may be made towards exceptions with approval from the board of directors.            Financing deadlines between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed two years.</p>	<p>1. Revision of deadlines of loaned funds per amended ROC regulations.            2. Deadline set as two years considering the comparably low risk involved for loans from foreign subsidiaries in which the company holds 100 percent of the voting shares.</p>
<p>Article 8: Announce and Report Procedures            These regulations shall be enforced from the date of promulgation.            i. The finance department shall announce and report the previous month’s loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.            ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence and it shall also announce and report loans and balances every month:            1. The aggregate balance of loans for others by the company and subsidiaries reaches 20 percent or more of the company’s net worth as stated in its latest fiscal financial statement.            2. The aggregated balance of loans by the company and subsidiaries to a single enterprise reaches 10 percent or more of</p>	<p>Article 8: Announce and Report Procedures            These regulations shall be enforced from the date of promulgation.            i. The finance department shall announce and report the previous month’s loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.            ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence and it shall also announce and report loans and balances every month:            1. The aggregate balance of loans for others by the company and subsidiaries reaches 20 percent or more of the company’s net worth as stated in its latest fiscal financial statement.            2. The aggregated balance of loans by the company and subsidiaries to a single enterprise reaches 10 percent or more of</p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>the company’s net worth as stated in its latest fiscal financial statement.</p> <p>3. The amount of new loans made by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</p> <p>iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if there are items to announce and report as stated in the third sub-paragraph of the previous paragraph. If its balance of loans reaches the standards of announce and report as stated in Article 8-2, the company shall, prior to the occurrence of the fact, announce and report pursuant to regulations at the designated website. The term “occurrence of the fact” as used in the operational procedures refers to the contract day <u>upon signing of contract</u>, or the payment date, or the date designated by the board of directors, or the date of confirmed <u>loan</u>, counterparty <u>and</u> amount, whichever the earlier date prevails.</p>	<p>the company’s net worth as stated in its latest fiscal financial statement.</p> <p>3. The amount of new loans made by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</p> <p>iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if there are items to announce and report as stated in the third sub-paragraph of the previous paragraph. If its balance of loans reaches the standards of announce and report as stated in Article 8-2, the company shall, prior to the occurrence of the fact, announce and report pursuant to regulations at the designated website. The term “occurrence of the fact” as used in the operational procedures refers to the contract day <u>for the transaction</u>, or the payment date, or the date designated by the board of directors, or the date of confirmed counterparty or <u>transaction</u> amount, whichever the earlier date prevails.</p>	
<p>Article 9: Control Procedures for the Loaning of Funds of the Subsidiary</p> <p>i. If the subsidiary of the company is to loan funds to others, operational procedures must be in place and in accordance with “Procedures for Lending Funds to Other Parties”. This also applies to amendments of said operational procedures.</p> <p>.....</p>	<p>Article 9: Control Procedures for the Loaning of Funds of the Subsidiary</p> <p>i. If the subsidiary of the company is to loan funds to others, operational procedures must be in place and in accordance with “Procedures for Lending Funds to Other Parties”, <u>with approval from the board of directors and shareholders, and submitted to the Audit Committee</u>. This also applies to amendments of said operational procedures.</p> <p>.....</p>	<p>Details on the procedures of the lending of funds to others and the amendments of the procedures for company subsidiaries can be found in their respective regulations.</p>
<p>Article 11: The Procedures for Lending Funds to Other Parties <u>shall be</u> approved by the board of directors and reported to the shareholders’ meeting for approval prior to implementation. <u>The amendment of the procedures shall be approved of by over half of the members of the Audit Committee, submitted to the board of directors for resolution, and then reported to the board of shareholders for final ratification prior to implementation. If approval from over half of the members of the Audit Committee is not obtained, it shall be approved of by over</u></p>	<p>Article 11: The Procedures for Lending Funds to Other Parties are approved by the board of directors, <u>having been submitted to the Audit Committee</u>, and reported to the shareholders’ meeting for approval prior to implementation. <u>If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the Audit Committee and report this to the shareholders’ meeting for discussion. This also applies to the amendments of said operational procedures. (Note: When the company has established the position of</u></p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>two-thirds of the board of directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors' meeting.</u></p> <p><u>The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the amendment of said operational procedures, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.</u></p>	<p><u>independent director, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.)</u></p>	
<p>Article 12: This corporate document was created on 2008/11/7. ..... <u>Fifth-time amendments were made on 2019/6/18.</u></p>	<p>Article 12: This corporate document was created on 2008/11/7. ..... Fourth-time amendments were made on 2015/6/29.</p>	<p>Most recent amendment date added to content.</p>

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

Amended Content	Current Content	Reason for Amendment and Explanation
<p>V. Procedures for Making Endorsements / Guarantees</p> <p>.....</p> <p>i. During the process of endorsements/guarantees applications, the finance department shall carefully evaluate the company’s qualifications and amounts to ensure that it fully complies with the company’s operational procedures and that all is in accordance with the announcing and reporting procedures. The company may loan funds to others only after the evaluation results have been submitted to the chairman <u>for approval, followed by obtaining the approval of over half of the member of the Audit Committee, and then submitted and resolved upon by the board of directors. If approval from over half of the members of the Audit Committee is not obtained, it shall be approved of by over two-thirds of the board of directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the endorsements/guarantees and related matters, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.</u> If the amount of the fund is in accordance with regulated amounts, the chairman shall proceed with authorization according to the other company’s credit status and financial condition, followed by subsequent ratification by the board of directors.</p> <p>ii. Before making any endorsements/guarantees, a subsidiary in which the company directly or indirectly holds 90 percent or more of the voting shares shall submit the proposed endorsement/guarantee to <u>the Audit Committee and</u> the company’s board of directors for a resolution, provided that this restriction shall not apply to endorsements/</p>	<p>V. Procedures for Making Endorsements / Guarantees</p> <p>.....</p> <p>i. During the process of endorsements/guarantees applications, the finance department shall carefully evaluate the company’s qualifications and amounts to ensure that it fully complies with the company’s operational procedures and that all is in accordance with the announcing and reporting procedures. The company may loan funds to others only after the evaluation results have been submitted to the chairman <u>and are resolved upon by the board of directors.</u> If the amount of the fund is in accordance with regulated amounts, the chairman shall proceed with authorization according to the other company’s credit status and financial condition, followed by subsequent ratification by the board of directors.</p> <p>ii. Before making any endorsements/guarantees, a subsidiary in which the company directly or indirectly holds 90 percent or more of the voting shares shall submit the proposed endorsement/guarantee to the company’s board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the company directly or indirectly holds 100 percent of the voting shares.</p> <p>.....</p>	<p>Per regulations stated in article VI of the Audit Committee Charter, major endorsements and guarantees are listed as one of the dutiful functions and powers of the Audit Committee, thus the revision in the procedures.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>guarantees made between companies in which the company directly or indirectly holds 100 percent of the voting shares. .....</p>		
<p>VII. Control Procedures for Endorsements/Guarantees of the Subsidiary i. If the subsidiary of the company is to make endorsements/guarantees to others, operational procedures must be in place and in accordance with said <u>“Procedures for Endorsements &amp; Guarantees”</u>. This also applies to amendments of said operational procedures. .....</p>	<p>VII. Control Procedures for Endorsements/Guarantees of the Subsidiary i. If the subsidiary of the company is to make endorsements/guarantees to others, operational procedures must be in place and in accordance with said <u>operational procedures, with approval from the board of directors and shareholders, submitted to the audit committee. This also applies to amendments of said operational procedures.</u> .....</p>	<p>Details on the procedures of endorsements and guarantees and the amendments of the procedures for company subsidiaries can be found in their respective regulations.</p>
<p>VIII. Hierarchy of Decision-Making Authority and Delegation i. Upon an endorsement/guarantee being made by the company, authorization shall be made in accordance with V. Procedures for making endorsements/guarantees of operating procedures. To be in accordance with the limitation period, as stated in IV. If the aggregate amount of endorsement/guarantees that is set as the ceiling for the company and its subsidiaries as a whole shall not exceed 50 percent or more of the endorsement/guarantee limit and also the limit set out towards any single entity, the board of directors shall authorize the chairman to grant approval followed by subsequent ratification by the board of directors. .....</p>	<p>VIII. Hierarchy of Decision-Making Authority and Delegation i. Upon an endorsement/guarantee being made by the company, authorization shall be made in accordance with V. Procedures for making endorsements/guarantees of operating procedures <u>and with the approval of the board of directors.</u> To be in accordance with the limitation period, as stated in IV. If the aggregate amount of endorsement/guarantees that is set as the ceiling for the company and its subsidiaries as a whole shall not exceed 50 percent or more of the endorsement/guarantee limit and also the limit set out towards any single entity, the board of directors shall authorize the chairman to grant approval followed by subsequent ratification by the board of directors. <u>Where the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors’ opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors’ meeting.</u> .....</p>	<p>Removed from this article as the content can be found in article V above.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>X. Announce and Report Procedures These regulations shall be enforced from the date of promulgation.</p> <p>i. The finance department shall announce and report the previous month’s loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.</p> <p>ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. The aggregate balance of endorsements/guarantees to others by the company and subsidiaries reaches 50 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</li> <li>2. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches 20 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</li> <li>3. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>invested book amount per the equity method in</u>, and balance of loans to, such enterprise reaches 30 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</li> <li>4. The amount of new endorsements/guarantees made by the company or subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company’s net worth as stated in its latest financial statement.</li> </ol> <p>iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its balance of endorsements/guarantees reaches the standards of announce and report as stated in the operational procedures prior to the occurrence of the fact, and the company shall announce and report</p>	<p>X. Announce and Report Procedures These regulations shall be enforced from the date of promulgation.</p> <p>i. The finance department shall announce and report the previous month’s loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.</p> <p>ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. The aggregate balance of endorsements/guarantees to others by the company and subsidiaries reaches 50 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</li> <li>2. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches 20 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</li> <li>3. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>investment of a long-term nature in</u>, and balance of loans to, such enterprise reaches 30 percent or more of the company’s net worth as stated in its latest fiscal financial statement.</li> <li>4. The amount of new endorsements/guarantees made by the company or subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company’s net worth as stated in its latest financial statement.</li> </ol> <p>iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its balance of endorsements/guarantees reaches the standards of announce and report as stated in the operational procedures prior to the occurrence of the fact, and the company shall announce and report</p>	<p>Per amended ROC regulations.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>pursuant to regulations at the designated website.</p> <p>The term “occurrence of the fact” as used in the operational procedures refers to the contract day <u>upon date of signature</u>, or the payment date, or the date designated by the board of directors, or the date of confirmed counterparty or amount <u>of the endorsement/guarantee</u>, whichever the earlier date prevails.</p>	<p>pursuant to regulations at the designated website.</p> <p>The term “occurrence of the fact” as used in the operational procedures refers to the contract day <u>for the transaction</u>, or the payment date, or the date designated by the board of directors, or the date of confirmed counterparty or <u>transaction</u> amount, whichever the earlier date prevails.</p>	
<p>XII. Supplemental Items</p> <p>The Procedures for Endorsements &amp; Guarantees are <u>resolved by the board of directors and submitted for approved of by the shareholders. The modifications of the operational procedures shall be approved of by over half of the members of the Audit Committee, submitted to the board of directors for resolution and reported to the shareholders’ for subsequent approval prior to implementation. If approval from over half of the members of the Audit Committee as aforementioned is not obtained, it shall be approved of by over two-thirds of the board of directions, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations towards the amendment of said operational procedures, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>XII. Supplemental Items</p> <p>The Procedures for Endorsements &amp; Guarantees are <u>approved by the board of directors, having been submitted to the Audit Committee and reported to the hareholders’ meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the Audit Committee and report this to the shareholders’ meeting for discussion. This also applies to the modifications of the operational procedures. When the company has established the position of independent director, it shall take into full consideration the opinions of each independent director; independent directors’ opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors’ meeting.</u></p>	<p>Per amended ROC regulations.</p>
<p>XIII.</p> <p>This corporate document was created on 2008/11/7.</p> <p>.....</p> <p>Sixth-time amendments were made on 2019/06/18.</p>	<p>XIII.</p> <p>This corporate document was created on 2008/11/7.</p> <p>.....</p> <p>Fifth-time Amendment were made on 2015/6/29.</p>	<p>Adding update to amendment date.</p>



## List of Independent Director Candidate

Title	Name of Candidates	Education	Experience	Current Position	Shares
Independent Director	Jia-Chyi Wang	Master of management, Northwestern University, JL Kellogg School	<ul style="list-style-type: none"> <li>● Ping An Insurance(Group)Company of China, Ltd. / Tutor</li> <li>● Egon Zehnder International / Global Senior Partner&amp; Consumer Electronics BU,GM</li> <li>● PRIMAX Electronics Ltd. / Corporate development Director (Term of employment: from Mar. 4, 2002 to Oct. 22, 2004)</li> <li>● McKinsey&amp; Company(HK/Shanghai) / Consultant</li> <li>● P&amp;G, TAIWAN / Project Manager</li> </ul>	<ul style="list-style-type: none"> <li>● Zenith Consulting Company limited / Managing Partner and Director</li> <li>● CITIC Capital Investment Holdings Limited / Business partner</li> <li>● ALT International Co., Ltd. / Independent Director</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 candidate for independent director :

Title	Name	Basic composition				Professional Experience				Professional knowledge and skills					
		Gender	Nationality	Age	Term of Independent director	Industry	Research and Development	Marketing	Financial Management	Leadship and Policy decision	Operating and Management	Risk Management	Information Technology	Accounting and Financial	Law
Independent Director	Jia-Chyi Wang	Female	Republic of China	45~50	Less than 3 years	V	V	V	V	V	V	V	V	V	

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 2018 Annual Report.

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

Title	Name	Current Position in the other companies
Director	Li-Sheng Liang	● ALT International Co., Ltd. Director
Director	Yung-Tai Pan	● Tymphany Acoustic Technology (Huizhou) Co., Ltd. Director ● ALT International Co., Ltd. Director
Director	Yung-Chung Pan	● ALT International Co., Ltd. Director
Independent Director	Jia-Chyi Wang	● ALT International Co., Ltd. Independent Director

PRIMAX ELECTRONICS LTD.  
Regulations of Shareholders' Meeting Proceedings

1. Unless otherwise provided for under the law or the Articles of Incorporation, the shareholders' meetings of the Company shall be conducted according to these Regulations.
2. The Company shall provide an attendance book for attending shareholders or their proxies (hereinafter the "Shareholders") to sign their names. As an alternative, attending shareholders may submit a sign-in card in lieu of signature on the attendance book.

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

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

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

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

6. The Company may send its appointed lawyers, public certified accountants or other relevant persons to attend a shareholders' meeting and respond to relevant questions during the meeting.
7. The Company shall audio or video record the proceedings of the whole shareholders' meeting and keep the recording for at least one year or a longer period of time until conclusion of a litigation proceedings if a shareholder files an action in accordance with Article 189 of the Company Act.
8. The chairperson of the meeting shall have the meeting called to order when the meeting is scheduled to start, provided that if the shareholders present at the meeting represent less than a majority of the total issued shares, the chairperson may announce to delay the meeting not more than twice for less than a total delay of one hour. In the event after two delays the quorum is not met but the shareholders present at the meeting represent one-third of the total issued shares or more, a tentative resolution may be passed according to Paragraph 1, Article 175 of the Company Act.

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

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

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

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

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

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

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

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

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

The requirements on the amount of time and number of times in the preceding paragraph shall apply when a shareholder is speaking about the agenda items listed in the recognition and discussion parts, and the various issues brought up in the extempore motion.

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

13. When the government or a corporation is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a corporation is appointed to attend the shareholders' meeting as proxy, it may designate only one person to represent it in the meeting.

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

14. After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.
15. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.
16. For voting of a proposal, the proposal is approved with a majority vote of the attending shareholders except for the special resolutions otherwise provided for under the Company Act and

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

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

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

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

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

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

18. If a force majeure event occurs when a meeting is in progress, the chairperson may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

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

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

19. For matters not provided for in these Rules, the Company Act and other applicable laws and regulations shall govern.
20. These Regulations shall come into force upon approval of the shareholders' meeting. The same shall apply to amendments hereto.
21. These Regulations were established on November 7, 2008.  
The first amendment was made on June 4, 2009.  
The second amendment was made on May 25, 2017.

ARTICLES OF INCORPORATION  
OF  
PRIMAX ELECTRONICS LTD.

**Chapter I. General provisions**

- Article 1. The Company shall be named Primax Electronics Ltd. (致伸科技股份有限公司) and be incorporated as a Company Limited by Shares in accordance with the Company Act of the Republic of China.
- Article 2. The scope of business of the Company shall be as follows:
1. CB01020 Office Machines Manufacturing
  2. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
  3. CC01060 Wired Communication Equipment and Apparatus Manufacturing
  4. CC01070 Telecommunication Equipment and Apparatus Manufacturing
  5. CC01080 Electronic Parts and Components Manufacturing
  6. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
  7. CC01110 Computers and Computing Peripheral Equipments Manufacturing
  8. CE01030 Photographic and Optical Equipment Manufacturing
  9. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
  10. I301010 Software Design Services
  11. F113050 Wholesale of Computing and Business Machinery Equipment
  12. F118010 Wholesale of Computer Software
  13. F213030 Retail sale of Computing and Business Machinery Equipment
  14. F218010 Retail Sale of Computer Software
  15. F114030 Wholesale of Motor Vehicle Parts and Supplies
  16. F214030 Retail Sale of Motor Vehicle Pars and Supplies
  17. C805050 Industrial Plastic Products Manufacturing
  18. CA02010 Metal Architectural Components Manufacturing
  19. CA02090 Metal Line Products Manufacturing
  20. F401010 International Trade
  21. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The head office of the Company shall be located in Taipei City. The Board of Directors may decide to establish branch offices in other appropriate locations, and shall decide for the establishment and dissolution of such branch offices.
- Article 4. The Company may provide guarantees for third parties as it deemed necessary for business or investment purposes in accordance with its internal Rules for Endorsement and Guarantee
- Article 4-1. The Company may invest in other enterprises as deemed necessary for its business operations, and may, upon the approval of the Board of Directors, act as a shareholder with limited liability of another company, and its total investment in other enterprises is not subject to the limit of 40% of the Company's paid-in capital prescribed in Article 13 of the Company Act.
- Article 4-2. The Company shall make public announcements in accordance with Article 28 of the Company Act.

**Chapter II. Shares**

- Article 5. The total capital of the Company is authorized at Five and Half Billion New Taiwan Dollars (NT\$5,500,000,000), which consists of 550,000,000 common shares, with a par value of Ten New Taiwan Dollars (NT\$10) per share, which the Board of Directors has been authorized to issue in stages. Forty Million (40,000,000) shares of the total number

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

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

### **Chapter III. Shareholders' Meetings**

- Article 9. Shareholder meetings shall consist of regular meetings and special meetings. Regular meetings shall be convened once a year within 6 months from the end of each accounting year. Special meetings shall be convened as required.
- Article 10. A notice to convene a regular meeting of shareholders shall be given to each shareholder thirty (30) days in advance. A notice to convene a special meeting of shareholders shall be given to each shareholder fifteen (15) days in advance. The notice shall state when, where and why the meeting is to be convened. The company shall also prepare a manual for shareholders' meeting proceedings prior to the scheduled meeting date of that shareholders' meeting.
- Article 11. Except in the circumstances set forth in the Company Act under which the shares shall have no voting power, shareholders of the Company shall be entitled to one vote for each share they hold. The voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. Such shareholder's declaration of intention shall be dealt with in accordance Article 177-2 of the Company Act.
- Article 12. Except where other legal regulations apply, all shareholders meetings shall be convened by the Board of Directors in accordance with the Company Act, and the Chairman of the Board of Directors shall serve as the chairman of shareholder meetings. In case the Chairman of the Board is on leave or absent or can not exercise his/her power and authority for any cause, the designation of his/her duties shall follow Article 208 of the Company Act; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

- Article 13. Resolutions at a Shareholders' meeting shall, unless otherwise provided by law, be adopted by a majority vote of shareholders present in person or by proxy, who represent a majority of the total number of outstanding shares.
- Article 14. In case a shareholder is unable to attend the shareholders' meeting, that shareholder may explicitly appoint one proxy agent to attend on his/her behalf within a scope of authorization upon presentation of a proxy letter issued by the Company. Except when the requirements of the Company Act apply, the use of proxies for attendance at shareholder meetings shall be handled in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- Article 15. Resolutions made in shareholder meetings shall be recorded in the minutes and signed and affixed thereon by the chairman. The minutes shall be sent to all shareholders within 20 days after the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding paragraph may be effected by means of electronic transmission or a public announcement

#### **Chapter IV. The Board of Directors**

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

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

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

- Article 16-1 The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, which shall be responsible for exercising such powers and duties of supervisors specified in the Company Act, the Securities and Exchange Act and other laws.

The audit committee shall be composed of the entire number of independent directors, at least one of whom shall have accounting or financial expertise, and one of whom shall be convener.

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

- Article 17. The directors shall form a Board of Directors. The Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting attended by two-thirds or more of the directors. The Board of Directors may also in the same manner elect the Vice Chairman. The Chairman of the Board of Directors shall represent the Company externally.

- Article 18. Unless otherwise provided by law, meeting of the Board of Directors shall be called and chaired by its Chairman. In case the Chairman of the Board of Directors is on leave or absent or can not exercise his/her power and authority for any cause, the Chairman of the



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

Article 19. Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

Article 20. If, for any reason whatsoever, a director cannot attend a Board meeting, that director may issue a letter of authorization designating another director to act on behalf of the absent director; however, a director may act as the representative of only one other director. When a Board meeting is held by video conference, directors participating in such a meeting through video conference shall be deemed to have participated in the meeting in person.

Article 21. The Company's directors shall be entitled to travel allowances at an amount determined by the Board. The Board shall be authorized to determine the compensation of all directors on the basis of the prevailing standards in the industry. If a director concurrently holds another post at the Company, the salary received by such director for the other post shall be provided in accordance with the rules of the Company relating to personnel management.

Article 22. Directors of the Company may authorize the Board to purchase liability insurance during the terms of the directors to cover the liability for compensation borne by them in accordance with the law within the scope of their duties.

#### **Chapter V. Management Personnel**

Article 23. The Company shall have general manager responsible for managing all business at the Company in accordance with Board decisions. The general manager shall be appointed or dismissed by a resolution to be adopted by a majority vote of the directors at a meeting of the Board of Directors attended by at least a majority of the entire directors of the Company.

Article 24. The Board of Directors shall prepare the following statements at the closing date/end of each fiscal year, and submit them to the general shareholder meeting for recognition:

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

Article 25. When allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the earing left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside special capital reserve in accordance with relevant laws, the balance of the earings shall combined into an aggregate amount of undistributed surplus, which shall become the aggregate distributable surplus; to be distributed by the Board's distribution proposals and according to the resolution adopted at the shareholders meeting.

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

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

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

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

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

- Article 26. Based on the Company's current environment, growth stage, future capital needs and long term financial planning, and taking into consideration on the interests of shareholders and a balanced dividend; dividend shall be distributed as a stock or cash dividend, but a cash dividend should be no lower than ten percent (10%) of the total shareholder dividend. However, the proportion of the above cash dividend shall be adjusted based on the overall business operations of the current year.
- Article 27. When the Company issues employee share subscription warrant at the offering price below their market value (net worth of each stock), a special resolution shall be adopted, at a shareholders' meeting, by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company. To transfer shares to employees at less than the average actual share repurchase price, the Company must have, before such transfers, obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.

#### **Chapter VI. Supplementary Provisions**

- Article 28. Rules for implementation of these Articles of Incorporation may be set up separately.
- Article 29. Provisions of the Company Act shall be referred to for matters not provided for in these Articles of Incorporation.
- Article 30. These Articles of Incorporation were established on March 8, 2006.  
First amendment was made on April 3, 2007.  
Second amendment was made on June 13, 2007.  
Third amendment was made on October 5, 2007.  
Fourth amendment was made on November 7, 2007.  
Fifth amendment was made on December 28, 2007.  
Sixth amendment was made on August 27, 2009.  
Seventh amendment was made on September 22, 2009.  
Eighth amendment was made on October 23, 2009.  
Ninth amendment was made on November 20, 2009.  
Tenth amendment was made on June 25, 2010.  
Eleventh amendment was made on June 19, 2012.  
Twelfth amendment was made on June 25, 2013.  
Thirteenth amendment was made on September 5, 2014.  
Fourteenth amendment was made on June 29, 2015.  
Fifteenth amendment was made on June 20, 2016.  
Sixteenth amendment was made on May 30, 2018.

Primax Electronics Ltd.

Chairman: Li-Sheng Liang

## 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 8 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 over half of all members of the Audit**

Committee,, they shall be submitted to the board of directors 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. 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.

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

## Segment Two – Acquisition or Disposal of Assets

### VI. Assets Evaluation Procedures

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

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

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

In the case of a company whose shares have no par value or a par value other than NT\$10, for

the calculation of transaction amounts of 20 percent of paid-in capital under these regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

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

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

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with (ii) of article XXIX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction.

Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained need not be counted toward the transaction amount.

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

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

i. Acquired or disposed securities at the centralized market or via over-the-counter trading shall be determined by the prices of shares or bonds at the time of the event.

ii. For securities acquired or disposed at the centralized market or via over-the-counter trading, the net value per share, techniques and profitability, future growth potential, market rate, bonds and coupon rates, the debtor's credit rating, etc. along with the strike price at the time of the event shall be taken into account for consideration.

iii. For acquired or disposed memberships, the potential profits and the concluding price shall be taken into account for consideration; for acquired or disposed patents, copyrights, trademarks, franchise rights, and other intangible assets, the international or market practices, serviceable time period, the impact on company techniques and business sales shall be taken into account for consideration.

iv. For acquired or disposed real property and equipment, the current value, assessed value, actual selling price or book value of neighboring real property, and vendors' price quotes shall be taken into account for consideration. If real property is purchased from a related party, the calculation of the price should follow the regulations stated in segment 3 of section 2 of the standard operating procedures to assess the reasonableness of the transaction price.

v. For the trading of derivatives the company's business needs and the relevant items' trade status shall be taken into account for consideration. Trend analysis on future stocks,

foreign exchange rates and interest rates from financial institutions and securities firms of good credibility shall also be referred to. The combination of the above data shall determine the appropriate timing, merchandise and concluding price.

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

#### XI. Operating Procedures:

- i. Degree/Level of Authority Delegated

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

- ii. Units Responsible for Implementation and Transaction Process

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

#### XII. Investment Amounts and Limits

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

- i. The aggregated amount of initially 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; Initially invested amount of short-term investments for a single company shall not exceed 5 percent of the shareholders’ equity aforementioned. Initially invested amount of the purchase of money market funds shall not exceed 50 percent of shareholders' equity as aforementioned. This policy also applies to the company’s subsidiaries. If a subsidiary's invested amount exceeds the limit, it can be excluded from this policy following the company's board of directors' approval and subsequent ratification of the approval.
- ii. The aggregated amount of initially invested securities by the company shall not exceed 150 percent of the shareholders’ equity according to the most recent fiscal financial statement certified by the public accountant. However, the initially invested 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 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 repurchase of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the Audit Committee with approval from over half of all committee members, followed by approval from the board of directors:

- 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 submitted to the Audit Committee with approval from the board of directors 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. 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.

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. When participating in the transfer of shares, unless another act provides otherwise or the governing body is notified in advance of extraordinary circumstances and grants consent, the company shall convene a board of directors meetings on the day of the transaction.

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

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

the convening of a board of directors meeting.

- iii. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

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

Where the company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an over-the-counter market, the company so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding paragraphs.

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

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

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

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

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

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

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

- i. Companies participating in the merger, demerger acquisition, or share transfer intends shall issue a confidentiality undertaking in written form and they shall not disclose any information prior to public disclosure of the information, nor shall they purchase or sell any stocks or equity-based securities of all related companies of the transaction under individual name or using other individuals' names.
- ii. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.
- iii. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of article XXV, (i) and (ii) of the preceding article.

**Section Three – Public Disclosure of Information**

**XXIX. Announce and Report Procedures:**

- i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
  1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
  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 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.
  5. 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.
  6. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

- (1) Trading of government bonds.
  - (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
- 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 within 2 days of the date of notice of such amendments to content.
- 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. 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 Audit Committee and the board of directors.
- 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.  
Sixth-time amendments were made on 2018/10/25.

Primax Electronics Ltd.  
Procedures for Lending Funds to Other Parties

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

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

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

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

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

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

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

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

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

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

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

- i. The amount of loans for any single entity due to business needs shall not exceed the company's purchase amount or sales amount, whichever the higher the amount, of the most recent year's or the present fiscal year's until the time of the loan taking place.
- ii. The amount of individual short term financial loans must not exceed 20 percent of the net worth of the public company according to its fiscal financial statement most recently ratified or reviewed by the accountant.

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

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

##### i. Detailed Procedures

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

##### ii. Review Procedures

1. When processing the loaning of funds for others from the company, the company or proprietorship that is the borrower of the fund shall submit relevant financial information and statement of the uses of the loaned fund in advance in written form.
2. When the company approves of the application, the claims department shall investigate and evaluate the necessity of and reasonableness of extending loans to

others, the direct or indirect business relationship between the company and the borrower, the financial condition of the borrower, repayment capacity, credit status, profitability, the uses of the loaned fund, the impact of the loaned fund and the sum towards the company's operational risks, financial condition, and shareholders' equity, and submit a written report to the board of directors for evaluation and board resolution.

3. When processing the loaning of funds or short-term financial items, a bill of guarantee of the equivalent amount shall be obtained and chattel mortgage or real estate mortgage shall be set up if necessary. The company shall also evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the loaned fund and balance, possibly requesting for additional security from the entity when it is deemed necessary.

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

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

The interests of loans and funds shall not be lower than the company's average interest rates for short-term loans for financial institutions. The rates shall be calculated monthly. Adjustments may be made towards exceptions with approval from the board of directors.

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

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

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

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

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

#### Article 8: Announce and Report Procedures

These regulations shall be enforced from the date of promulgation.

- i. The finance department shall announce and report the previous month's loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.
- ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence and it shall also announce and report loans and balances every month:
  1. The aggregate balance of loans for others by the company and subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest fiscal financial statement.
  2. The aggregated balance of loans by the company and subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest fiscal financial statement.
  3. The amount of new loans made by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest fiscal financial statement.
- iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if there are items to announce and report as stated in the third

sub-paragraph of the previous paragraph. If its balance of loans reaches the standards of announce and report as stated in Article 8-2, the company shall, prior to the occurrence of the fact, announce and report pursuant to regulations at the designated website.

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

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

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

Article 10: Penal provisions

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

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

Article 11: The Procedures for Lending Funds to Other Parties are approved by the board of directors, having been submitted to the Audit Committee, and reported to the shareholders’ meeting for approval prior to implementation. If any director expresses objection and is recorded or stated in written form, the company shall pass on the objection to the Audit Committee and report this to the shareholders’ meeting for discussion. This also applies to the amendments of said operational procedures. (Note: When the company has established the position of independent director, it shall take

into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.)

Article 12: This corporate document was created on 2008/11/7.  
First-time amendments were made on 2009/6/4.  
Second-time amendments were made on 2010/6/25.  
Third-time amendments were made on 2013/6/25.  
Fourth-time amendments were made on 2015/6/29.

PRIMAX ELECTRONICS LTD.  
Procedures for Endorsements & Guarantees

I. Purpose

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

II. Applicability

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

i. Financing endorsements/guarantees, including:

1. Bill discount financing.
2. Endorsement or guarantee made to meet the financing needs of another company.
3. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.

ii. Customs duty endorsements/guarantee: An endorsement or guarantee for the company itself or another company with respect to customs duty matters.

iii. Other endorsements/guarantees: Endorsements or guarantees beyond the scope of the above two subparagraphs.

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

III. Subject of Endorsements/Guarantees

Endorsements/guarantees may be made for the following companies:

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

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

IV. Ceilings on the Amounts Made in Endorsements/Guarantees

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

The amount of endorsements/guarantees for any single entity due to business needs shall be regulated according to the rules aforementioned, whereas the amount of

endorsements/guarantees shall be equivalent to the company's purchase amount or sales amount, whichever is higher, of the most recent year's or the present fiscal year's until the time of the endorsements/ guarantees taking place.

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

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



risks may likely occur, the chairman must be promptly reported to and a rectification plan on lowering endorsement/guarantee risks shall be adopted. If the subsidiary's stock is of no-par value or does not exceed NT\$10, the amount of actual paid in capital shall be calculated in accordance with this policy of the sum of the premium issued share of its capital stock and additional paid in capital.

#### VI. Detailed Review Procedures:

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

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

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

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

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

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

endorsements/guarantees to satisfy its business requirements, and where the conditions set out in the operational procedures for endorsements/guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/ guarantee. It shall also amend to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.

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

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

#### X. Announce and Report Procedures

These regulations shall be enforced from the date of promulgation.

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

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

## XI. Penal Provisions

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

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

## XII. Supplemental Items

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

- XIII. This corporate document was created on 2008/11/7.  
First-time amendment were made on 2009/6/4.  
Second-time amendment were made on 2009/11/20.  
Third-time amendment were made on 2010/6/25.  
Fourth-time Amendment were made on 2013/6/25.  
Fifth-time Amendment 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\$ 4,468,753,240 and have issued 446,875,324 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 20, 2019), which have met the percentage standards required by law.

Position	Name	Date elected	Current Shareholding shares	Shareholding ratio (%)
Chariman	Li-Sheng Liang	May 30, 2018	2,101,001	0.47
Director	Tze-Ting Yang	May 30, 2018	1,926,963	0.43
Director	Yung-Tai Pan	May 30, 2018	4,872,599	1.09
Director	Yung-Chung Pan	May 30, 2018	7,455,046	1.67
Director	Sunshine Coast Services Limited Representative: Jie-Chi Chen	May 30, 2018	4,000,000	0.90
Independent Director	Tai-Jau Ku	May 30, 2018	0	0
Independent Director	Chih-Kai Cheng	May 30, 2018	0	0
Independent Director	Chun-Pang Wu	October 25, 2018	0	0
Shareholdings of all Directors			20,355,609	4.56