

**PRIMAX ELECTRONICS LTD.**  
**Minutes of 2017 Annual General Shareholders' Meeting**  
**(Translation)**

Time: 9 a.m., May 25, 2017 (Thursday)

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

Present: A total of 392,735,405 shares (including 301,052,938 shares represented by shareholders exercising voting rights electronically) are held by shareholders attending the shareholders' meeting in person or by a proxy, who represent 88.29% of the total number of the Company's outstanding 444,779,324 shares.

Present Directors: Li-Sheng Liang, Hai-Hung Yang, Tze-Ting Yang, Yung-Tai Pan,  
Chung-Feng Tsao, Tai-Jau Ku (Independent Director),  
Yung-Do Way (Independent Director)

Chairman: Li-Sheng Liang, the chairman of the Board of Directors

Recorder: Li-Hsueh Lee

**A. Meeting called to order:**

The total numbers of shares represented by the shareholders present constitute the quorum prescribed by law, hence the Chairman called this meeting to order.

**B. Chairperson Remark:** (omitted)

**C. Report**

**Report No. 1:** The Company's 2016 Business Report, please refer to Schedule 1.

**Report No. 2:** Audit Committee's Review Report on the 2016 Financial Statements for review, please refer to Schedule 2.

**Report No. 3:** Distribution of directors' and employees' compensation in 2016.

**Description:**

- (1) The Board of Directors resolved to distribute NT\$ 74,000,000 for employees' compensation and NT\$ 36,800,000 for directors' compensation for year 2016.
- (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 2016 was NT\$2,347,524,347, the amount before deducting the sums of compensation of directors and employees was NT\$2,458,327,843. Hence, the aforementioned compensation of employees and directors are respectively 3.01% and 1.50% of the said NT\$2,458,327,843.
- (3) In the internal financial statements, the employees' compensation was recorded as NT\$74,000,000 and NT\$36,803,496 as directors' compensation for year 2016. The discrepancy amount was NT\$0 and NT\$3,496 respectively. The discrepancies were the difference between the outcomes of an accounting estimate, which will be handled by principles of accounting change.

## D. Adoption

1. (Proposed by the Board)  
**Proposal** : Adoption of the Company's 2016 Business Report and Financial Statements.

### Description:

The Company has completed the internal preparation of the 2016 Annual Parent Company Only and Consolidated Financial Statements and has provided the reports to HUANG YUNG-HUA, CPA and YU CHI-LUNG, CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Please refer to Schedule 1 and Schedule 3 for the above Financial Statements as well as the Business Report.

**Resolved:** the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 392,735,405

(Including votes casted electronically: 301,052,938votes)

Voting Results*		% of the total represented share present
Votes in favor	312,956,152 votes (221,494,845votes)	79.68%
Votes against	14,007 votes (14,007 votes)	0.00%
Votes invalid	0 votes	0.00%
Votes abstained	79,765,246 votes (79,544,086 votes)	20.31%

\*including votes casted electronically (number in brackets)

2. (Proposed by the Board)  
**Proposal** : Adoption of the Company's 2016 distribution of earnings.

### Description:

- (1) The Company's 2016 net profit after tax is NT\$ 1,934,070,448, minus this year's actuarial gain from defined benefit plans NT\$9,440,643, minus legal reserve provision NT\$ 193,407,045, plus beginning retained earnings NT\$ 2,846,688,768, the distributable retained earnings are NT\$ 4,577,911,528. The 2016 distribution of earnings prepared according to the Articles of Incorporation is as follows:

PRIMAX ELECTRONICS LTD.  
PROFIT ALLOCATION PROPOSAL  
December 31, 2016

Unit: NT\$

Item	Amount	
<b>Beginning retained earnings</b>		<b>2,846,688,768</b>
Add: net profit after tax	1,934,070,448	
Actuarial Gain from Defined Benefit Plans	(9,440,643)	
<b>Distributable net profit</b>		<b>4,771,318,573</b>
Less : 10% legal Reserve	193,407,045	
<b>distributable retained earnings</b>		<b>4,577,911,528</b>
Distribution Item :		
Cash Dividends to Common Share Holders (NT\$2.5 per share)	1,111,885,810	
<b>Unappropriated Retained Earnings</b>		<b>3,466,025,718</b>

Chairman :

Liang, Li-Sheng

General Manager :

Yang, Hai-Hung

Accounting Manager:

Pan, Yan-Jen

- Note: 1.The per share dividends above are based on the 444,754,324 outstanding shares as of Feb. 28, 2017.  
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 57.49%

- (2) For this distribution of profits, the 2016 earnings will be subject to distribution on a priority basis.
- (3) The cash dividends total NT\$1,111,885,810 and the per share dividends to be distributed are NT\$ 2.5. 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 444,754,324 outstanding shares as of February 28, 2017. After the proposal is approved at the regular shareholders' meeting, it is proposed the board of directors shall be authorized to determine the ex-dividend date and relevant matters.
- (4) For the distribution of earnings, in the event of an employee's exercise of the right to convert the subscription warrants to common shares, satisfaction of the vesting conditions on restrictive stock awards, buyback of the Company's shares, assignment or cancellation of treasury stock which influences the ratio of distributable dividends, it is proposed the shareholders' meeting shall authorize the Board of Directors to make proportionate adjustments to the ratio of distributable dividends based on the number of outstanding shares on the ex-dividend date.

**Resolved:** the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 392,735,405

(Including votes casted electronically: 301,052,938votes)

Voting Results*		% of the total represented share present
Votes in favor	312,956,152 votes (221,494,845votes)	79.68%
Votes against	14,007 votes (14,007 votes)	0.00%
Votes invalid	0 votes	0.00%
Votes abstained	79,763,246 votes (79,542,086 votes)	20.30%

\*including votes casted electronically (number in brackets)

## E. Discussion

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

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

#### **Description:**

- (1)The Company intends to issue Restricted Employee Stock Award in accordance with Article 267 of the Company Act and Regulations Governing the Offering and Issuance of Securities by Securities 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)Determination of the terms and conditions :
  - A. Vesting : the Award is divided into three categories: A, B and C and the vesting of each is based on achieving personal performance goals and business performance goals.
    - a. Type A vesting conditions :
      - (i) Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals and business performance goals established by the Company for the one-year period before the expiry date will be entitled to 30% shares.
      - (ii) Employees who are continuously employed by the Company for two years after granting of the awards and have accomplished the individual's performance goals and business performance goals established by the Company for the one-year period before the expiry date will be entitled to 30% shares.

(iii) Employees who are continuously employed by the Company for three years after granting of the awards and have accomplished the individual's performance goals and business performance goals established by the Company for the one-year period before the expiry date will be entitled to 40% shares.

b. Type B vesting conditions :

(i) Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals and business performance goals established by the Company for the one-year period before the expiry date will be entitled to 50% shares.

(ii) Employees who are continuously employed by the Company for two years after granting of the awards and have accomplished the individual's performance goals and business performance goals established by the Company for the one-year period before the expiry date will be entitled to 50% shares.

c. Type C vesting conditions:

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

d. 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.

e. 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.

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

C. Lapse of Restricted Stock: 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) Eligible Employees :

A. Employees who will be eligible to receive RSA 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.

B. 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.

C. The total number of shares each individual employee may acquire by exercising the RSAs, plus the total number of employee stock warrants 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 warrants 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\$45, the Company's average closing share price for common shares over the 60 trading-day period prior to February 9, 2017. The amount of annual cost sharing for year 2017, 2018, 2019 and 2020 shall be NT\$4,375,000, NT\$50,250,000, NT\$24,375,000 and NT\$11,000,000 respectively, with a total amount of NT\$90,000,000.

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

Estimations are made based on NT\$45, the Company's average closing share price for common shares over the 60 trading-day period prior to February 9, 2017. The diluted EPS for year 2017, 2018, 2019 and 2020 shall be NT\$0.01, NT\$0.11, NT\$0.05 and NT\$0.02 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 :

A. The Award shall be issued mainly for Category A. Award for Category B and C will be issued subject to the commitment for employment of major talents or the urgent cases especially for the purpose of retaining outstanding professionals. The Compensation Committee, comprised of two independent directors and an expert from external, have evaluated the operation results and assessed the personnel under consideration. The Compensation Committee has determined that it is in the best interest of Company and shareholders to grant such employees RSA under Plan B and Plan C. The average number of Restricted Employee Stock Award issued for Category B and C in recent years (Y2014 to Y2016) is 2% of the total number of Restricted Employee Stock Award.

B. 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.

C. Based on the total number of issued shares (444,754,324 shares) as of February 28, 2017, the 2,000,000 new shares to be issued will account for 0.45% of the total number of issued shares.

**Resolved:** the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 392,735,405

(Including votes casted electronically: 301,052,938votes)

Voting Results*		% of the total represented share present
Votes in favor	300,461,043 votes (221,494,845votes)	79.50%
Votes against	12,499,116 votes (12,499,116votes)	3.18%
Votes invalid	0 votes	0.00%
Votes abstained	79,775,246 votes (79,541,086 votes)	20.31%

\*including votes casted electronically (number in brackets)

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

**Proposal :** Resolution of removal of the non-compete restrictions on director.

**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.
- (3) Detailed list of the relevant director's positions in other companies is as follows :

Name of Director	Item of competitive conduct in which the director is permitted to engage
Way, Yung-Do	KAIMEI EL ELECTRONIC CORP. / Institutional Supervisor Representative

**Resolved:** the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 392,735,405

(Including votes casted electronically: 301,052,938votes)

Voting Results*		% of the total represented share present
Votes in favor	299,192,043 votes (207,743,736votes)	76.18%
Votes against	104,116 votes (104,116 votes)	0.02%
Votes invalid	0 votes	0.00%
Votes abstained	93,439,246 votes (93,205,086 votes)	23.79%

\*including votes casted electronically (number in brackets)

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

**Proposal :** Resolution of amendment to the "Regulations of Shareholders' Meeting Proceedings ".

**Description:**

- (1)The Company hereby proposes to amend the " Regulations of Shareholders' Meeting Proceedings " in accordance with the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" published by Taiwan Stock Exchange Corporation.
- (2)Please Refer to Schedule 4, pages 29 to page 33, of the Handbook for a comparison of the amendments to the "Regulations of Shareholders' Meeting Proceedings ".

**Resolved:** the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 392,735,405

(Including votes casted electronically: 301,052,938votes)

Voting Results*		% of the total represented share present
Votes in favor	307,984,043 votes (216,535,736votes)	78.42%
Votes against	4,976,116 votes (4,976,116votes)	1.26%
Votes invalid	0 votes	0.00%
Votes abstained	79,775,246 votes (79,541,086votes)	20.31%

\*including votes casted electronically (number in brackets)

**F. Extempore Motion:** None.

**G. The meeting was adjourned at 10:56 a.m.**

(The Minutes record the summary of the essential points of the proceedings and the results of the meeting in accordance with Article 183 of Company Act. For more details please refer to the audio and video recording of the meeting.)

## Business Report

2016 has been a year of challenge and opportunity to PRIMAX. In the wake of the declining growth in the PC peripherals industries under weak demand, PRIMAX could still hold its position in the business of PC segment and assist major customers to launch new products in the market of high competition. This contributed to the successful growth and transformation of the PC peripherals business.

We have witnessed the significant growth of audio products enjoyed in sale orders and revenue in 2016 after years of hard work in this business category. Together with the growth momentum in mobile device related business, non-PC segment has contributed a bigger share of revenue and profit to PRIMAX.

PRIMAX continued with its effort in pushing product quality and yield rate to a higher standard and reinforcing related investment in process automation for better control of the costs and expenses in manufacturing so as to optimize the gross profit structure of products. In light of the importance of the research and development of new technologies and new products in the future, expenses have been incurred only for achieving the set objectives. As a result, PRIMAX delivered another great performance in 2016. The following is the operation highlight of the company in 2016

### I. 2016 Financial Performance

#### (I) Financial Results

PRIMAX had global consolidated net revenues amounted to NT\$64,329,462 thousand in 2016, which was a marginal growth of 1.25% from NT\$63,538,187 thousand in the same period of 2015. The consolidated net income in 2016 amounted to NT\$2,048,662 thousand, an increase of 12.75% from the same period of 2015.

#### (II) Cash Flow Analysis

Unit : NT\$ thousand

Account	2016	2015	Net change
Net cash inflow (outflow) from operating activities	2,282,949	5,022,351	(2,739,402)
Net cash inflow (outflow) from investing activities	(731,991)	(1,974,604)	1,242,613
Net cash inflow (outflow) from financing activities	(2,615,165)	(2,227,894)	(387,271)

#### (III) Profitability Analysis

Account	2016	2015
Return on Equity (%)	16.28	15.65
Operating Income to Paid-in Capital (%)	53.68	47.75
Profit before Tax to Paid-in Capital (%)	62.53	54.80
Net Profit Margin (%)	3.18	2.86
Earnings per Share (Dollars)	4.40	4.06



#### (IV) R&D Investments

The company spent NT\$2,204,249 thousand on research and development in 2016. This investment aimed at the design and development of new products and new technologies, and the upgrade and enhancement of production process.

## II. Business Strategy and Technology Developments

PRIMAX has been successful in the last few years in its strategy of new technologies and products, such as the touch control technology, fingerprint identification, backlight keyboard, cable/wireless audio products, and high-end camera modules encapsulation process, etc., which were a transformation of the research and development results in related key technologies into product application and have helped bringing in revenue to the Company.

In the aspects of strategic and product planning development, among the two core business segments, non-PC segment has seen great result in 2016. PRIMAX will keep abreast of the trend of development in the market and the demand of the consumption end proactively by aiming at the research and development of cloud technology, mobile devices, digital home and IoT related application products. In addition, the Company will transcend to the high-end market of wireless audio products, headphone, high-end camera modules and dual-camera module application so as to optimize the product lines and get a greater share of contribution to revenue and profit. With its solid product portfolio, PRIMAX will seek to explore the potential business opportunity in the new market of automotive electronics products.

The PC segment has long been a stable source of revenue and profit to PRIMAX. Since the demand in market is getting saturated, the Company has to upgrade the quality of existing product line and reduce the cost of production. In addition, the Company seeks to develop new application technologies in response to the new market trend and the needs of the customers so as to satisfy the needs of the competition of PC peripherals, high-end touch panel and related products. This will be necessary for maintaining the steady stream of income from the business of PC peripherals and gradual transformation of the product line.

In general, PRIMAX will continue to upgrade the market share of related products, extend the products and technologies to different applications and platforms albeit the change in the macroeconomic environment and the challenges from the competitors, and conduct efficient assessment and control of its investment to achieve steady growth in business development and profitability.

Chairman : Liang, Li-Sheng

General Manager : Yang, Hai-Hung

Accounting Manager : Pan, Yen-Jen

**Audit Committee's Review Report**

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2016 Business Report, Financial Statements and Proposal for Distribution of Earnings prepared and submitted by the Board of Directors, the Financial Statements have been fully audited by KPMG Taiwan, appointed by the Board of Directors, which has issued the audit report.

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

Chairman of the Audit Committee: Way, Yung-Do

Date: March 7, 2017

## Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the financial statements of PRIMAX ELECTRONICS LTD. (“the Company”), which comprise the balance sheets as of 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of certain investees accounted for under the 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 4% of the total assets, as of December 31, 2016 and 2015. The related share of profit of associates accounted for using the equity method amounted constituting 11% and 9% of the profit before tax, for the years ended December 31, 2016 and 2015, respectively.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of the Company; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories; inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in subsequent period to assess whether the allowance for inventories are reasonable.

2. Investments accounted for using equity method

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

Description of key audit matter:

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

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

How the matter was addressed in our audit:

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

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

### 3. Disposal of subsidiaries

Please refer to Note 4(h) “Investments in subsidiaries”, Note 6(c) “Available-for-sale financial assets-noncurrent of the financial statements”, and Note 6(f) “Investments accounted for using equity method” of the consolidated financial statements.

Description of key audit matter:

The Company sold parts of its shares in its subsidiary, Global TEK Fabrication Co., Ltd, and lost control over the subsidiary on October 3, 2016. This is a non-recurring transaction to the Company, wherein the trading parties are its related parties. Therefore, the disposal of subsidiaries is one of the key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the disposal of its subsidiary included: assessing whether the transactions complies with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Regulations of Internal Control System of PRIMAX ELECTRONICS LTD.; reading the contracts to fully understand the trading parties involved, prices, and other agreements; inspecting the external materials of cash proceeds and amendment of shares register; obtaining the audit report from other auditors on the date the Company lost its control over the subsidiary to be the base to recognize its profit (loss) using equity method accordingly; and evaluating the completeness of disclosure in the financial reports.

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

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the

Company’s financial reporting process.

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are YUNG-HUA HUANG and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)  
March 7, 2017

#### **Notes to Readers**

The accompanying financial statements are intended only to present the statement 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 financial statements are those generally accepted and applied in the Republic of China.

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

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

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>Assets</b>									
<b>Current assets:</b>									
1100 Cash and cash equivalents (note 6(a))	\$ 4,751,198	18	2,267,560	8	2100 Short-term borrowings (note 6(j))	\$ -	-	1,120,518	4
1110 Current financial assets at fair value through profit or loss (note 6(b))	141,317	1	79,052	-	2170 Notes and accounts payable	783,593	3	264	-
1170 Accounts receivable, net (note 6(d))	7,339,708	27	9,321,764	34	2180 Accounts payable to related parties (note 7)	9,352,640	35	11,340,202	41
1180 Accounts receivable from related parties, net (notes 6(d) and 7)	513,446	2	2,052,505	8	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	150,430	1	52,765	-
1200 Other receivables, net (notes 6(d) and 7)	1,050,923	4	28,841	-	2200 Other payables (note 7)	2,331,760	8	1,583,478	6
1310 Inventories (note 6(e))	2,293,419	8	2,551,571	9	2201 Salary payable (note 6(p))	359,279	1	411,680	1
1470 Other current assets	33,532	-	28,453	-	2300 Other current liabilities	219,856	1	147,176	1
	16,123,543	60	16,329,746	59	2320 Long-term borrowings, current portion (note 6(k))	382,222	1	548,889	2
						13,579,780	50	15,204,972	55
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
1523 Available-for-sale financial assets-non-current (note 6(c))	873,921	3	567,897	2	2622 Long-term accounts payable to related parties (note 7)	781,263	3	-	-
1550 Investments accounted for using equity method (note 6(f))	9,317,894	35	10,088,961	37	2540 Long-term borrowings (note 6(k))	218,889	1	767,778	3
1600 Property, plant and equipment (note 6(g))	68,785	-	65,554	-	2630 Long-term deferred revenue (note 6(g))	1,159,073	4	1,018,732	3
1760 Investment property (note 6(h))	255,149	1	258,709	1	2600 Other non-current liabilities (notes 6(m) and (n))	345,574	1	274,053	1
1780 Intangible assets (note 6(i))	22,966	-	29,514	-		2,504,799	9	2,060,563	7
1840 Deferred tax assets (note 6(n))	348,269	1	293,519	1		16,084,579	59	17,265,535	62
1990 Other non-current assets	73,776	-	62,016	-	<b>Total liabilities</b>	4,421,343	16	4,411,877	16
	10,960,760	40	11,366,170	41	Ordinary shares (note 6(o))				
					Capital collected in advance (note 6(o))	3,024	-	15,174	-
					Capital surplus (note 6(o))	791,466	3	777,368	3
					Legal reserve (note 6(o))	788,634	3	611,322	2
					Special reserve (note 6(o))	97,300	-	97,300	-
					Unappropriated retained earnings (note 6(o))	4,779,419	18	3,951,934	15
					Other equity interest	118,538	1	565,406	2
						10,999,724	41	10,430,381	38
<b>Total assets</b>	<b>\$ 27,084,303</b>	<b>100</b>	<b>27,695,916</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 27,084,303</b>	<b>100</b>	<b>27,695,916</b>	<b>100</b>



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

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		<u>2016</u>		<u>2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(r) and 7)</b>	\$ 45,739,783	100	51,638,181	100
5000	<b>Operating costs (notes 6(e), (m), (o), (p), (s), 7 and 12)</b>	<u>42,106,442</u>	<u>92</u>	<u>48,703,633</u>	<u>94</u>
	<b>Gross profit</b>	<u>3,633,341</u>	<u>8</u>	<u>2,934,548</u>	<u>6</u>
	<b>Operating expenses (notes 6(m), (o), (p), (s), 7 and 12):</b>				
6100	Selling expenses	670,475	2	610,013	1
6200	Administrative expenses	442,145	1	414,570	1
6300	Research and development expenses	<u>970,860</u>	<u>2</u>	<u>983,295</u>	<u>2</u>
	<b>Total operating expenses</b>	<u>2,083,480</u>	<u>5</u>	<u>2,007,878</u>	<u>4</u>
	<b>Net operating income</b>	<u>1,549,861</u>	<u>3</u>	<u>926,670</u>	<u>2</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes 6(t) and 7)	33,468	-	22,053	-
7020	Other gains and losses (notes 6(c), (u) and 7)	371,406	1	283,488	-
7070	Share of profit of subsidiaries accounted for using equity method	424,575	1	755,092	1
7050	Finance costs	<u>(31,786)</u>	<u>-</u>	<u>(53,380)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>797,663</u>	<u>2</u>	<u>1,007,253</u>	<u>1</u>
	<b>Profit from operations before tax</b>	2,347,524	5	1,933,923	3
7950	Less: Income tax expense (note 6 (n))	<u>413,454</u>	<u>1</u>	<u>160,801</u>	<u>-</u>
	<b>Profit</b>	<u>1,934,070</u>	<u>4</u>	<u>1,773,122</u>	<u>3</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Actuarial gains (losses) on defined benefit plans	<u>(1,340)</u>	<u>-</u>	<u>(8,100)</u>	<u>-</u>
		<u>(1,340)</u>	<u>-</u>	<u>(8,100)</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	(610,956)	(1)	(71,337)	-
8362	Unrealised gains on available-for-sale financial assets (notes 6(c) and (v))	<u>110,706</u>	<u>-</u>	<u>294,053</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(500,250)</u>	<u>(1)</u>	<u>222,716</u>	<u>-</u>
8300	<b>Other comprehensive income after tax</b>	<u>(501,590)</u>	<u>(1)</u>	<u>214,616</u>	<u>-</u>
	<b>Comprehensive income</b>	<u>\$ 1,432,480</u>	<u>3</u>	<u>1,987,738</u>	<u>3</u>
	<b>Earnings per share (note 6(q))</b>				
9710	Basic earnings per share (NT dollars)	<u>\$ 4.40</u>		<u>4.06</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 4.36</u>		<u>4.01</u>	

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
<b>Balance at January 1, 2015</b>	\$ 4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	707	(18,241)	9,150,513	
Profit	-	-	-	-	-	1,773,122	-	-	-	1,773,122	
Other comprehensive income	-	-	-	-	-	(8,100)	(71,337)	294,053	-	214,616	
Comprehensive income	-	-	-	-	-	1,765,022	(71,337)	294,053	-	1,987,738	
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	154,469	-	(154,469)	-	-	-	-	
Cash dividends on ordinary share	-	-	-	-	-	(791,107)	-	-	-	(791,107)	
Issuance of restricted employee stock	30,000	-	91,693	-	-	-	-	-	(121,693)	-	
Retirement of restricted employee stock	(2,800)	-	(10,258)	-	-	-	-	-	13,058	-	
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	46,477	46,477	
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	-	4,087	
Exercise of employee stock option	-	32,673	-	-	-	-	-	-	-	32,673	
Issuance of ordinary shares for employee stock options and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-	-	
<b>Balance at December 31, 2015</b>	4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,399)	10,430,381	
Profit	-	-	-	-	-	1,934,070	(1,340)	110,706	-	1,934,070	
Comprehensive income	-	-	-	-	-	1,932,730	(610,956)	110,706	-	(501,590)	
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	177,312	-	(177,312)	-	-	-	-	
Cash dividends on ordinary share	-	-	-	-	-	(927,933)	-	-	-	(927,933)	
Retirement of restricted employee stock	(3,850)	-	(6,350)	-	-	-	-	-	10,200	-	
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	43,182	43,182	
Compensation cost of share-based payment	-	-	2,517	-	-	-	-	-	-	2,517	
Exercise of employee stock option	-	19,097	-	-	-	-	-	-	-	19,097	
Issuance of ordinary shares for employee stock option and abandonment	13,316	(31,247)	17,931	-	-	-	-	-	-	-	
<b>Balance at December 31, 2016</b>	\$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	405,466	(27,017)	10,999,724	

Note 1 : For the years ended December 31, 2016 and 2015, the Directors' remuneration amounted to 36,803 and 31,907, and the employee remuneration amounted to 74,000 and 78,269, respectively. The amounts were deducted from the statements of comprehensive income in 2016 and 2015, respectively.

See accompanying notes to financial statements.

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

**Statements of Cash Flows**

**For the years ended December 31, 2016 and 2015**

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

	<u>2016</u>	<u>2015</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 2,347,524	1,933,923
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	41,765	36,999
Losses related to inventories	32,516	175,361
Amortization of long-term deferred revenue	(336,211)	(121,262)
Provision (reversal of provision) for bad debt expense and sales returns and discounts	43,345	(4,603)
Interest expense	31,383	53,380
Interest income	(11,599)	(13,235)
Compensation cost of share-based payment	43,182	49,041
Share of profit of subsidiaries accounted for using equity method	(424,575)	(755,092)
Gain on disposal of subsidiaries	(248,006)	-
Loss from disposal of property, plan and equipment	474	269
Gain on disposal of available-for-sale financial assets	(140,969)	-
Impairment losses on financial assets	-	939
<b>Total adjustments to reconcile profit (loss)</b>	<u>(968,695)</u>	<u>(578,203)</u>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, including related parties	3,477,770	(2,686,191)
Other receivables	(1,022,082)	(19,177)
Inventories	225,636	(1,268,443)
Other current assets	(5,079)	(4,688)
Deferred tax assets	(54,750)	(229,498)
Other operating assets	<u>(62,265)</u>	<u>(58,729)</u>
<b>Changes in operating assets</b>	<u>2,559,230</u>	<u>(4,266,726)</u>
Notes and accounts payable, including related parties	(422,970)	3,306,055
Salary payable	(52,401)	23,768
Other payables	569,820	679,328
Other current liabilities	72,680	86,321
Other operating liabilities	<u>132,613</u>	<u>51,366</u>
<b>Changes in operating liabilities</b>	<u>299,742</u>	<u>4,146,838</u>
<b>Total changes in operating assets and liabilities</b>	<u>2,858,972</u>	<u>(119,888)</u>
<b>Total adjustments</b>	<u>1,890,277</u>	<u>(698,091)</u>
Cash inflow generated from operations	4,237,801	1,235,832
Interest received	11,599	13,235
Interest paid	(31,315)	(53,265)
Income taxes paid	<u>(234,992)</u>	<u>(159,152)</u>
<b>Net cash flows from operating activities</b>	<u>3,983,093</u>	<u>1,036,650</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal and settle of share of subsidiaries using equity method	559,498	-
Acquisition of share of subsidiaries using equity method	-	(808,020)
Proceeds from capital reduction of available-for-sale financial assets	1,280	1,600
Proceeds from disposal of available-for-sale financial assets	220,270	-
Acquisition of property, plant and equipment	(23,062)	(23,292)
Acquisition of long-term deferred revenue	476,552	1,076,851
Acquisition of unamortized expense	(23,710)	(9,862)
Decrease in refundable deposits	(441)	(684)
Other investing activities	<u>91</u>	<u>(35)</u>
<b>Net cash flows from investing activities</b>	<u>1,210,478</u>	<u>236,558</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(1,120,518)	(1,028,282)
Repayment of long-term borrowings	(715,556)	(183,333)
Increase (decrease) in guarantee deposits	34,977	(37,478)
Cash dividends	(927,933)	(791,107)
Exercise of employee stock options	<u>19,097</u>	<u>32,673</u>
<b>Net cash flows used in financing activities</b>	<u>(2,709,933)</u>	<u>(2,007,527)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	2,483,638	(734,319)
<b>Cash and cash equivalents at beginning of period</b>	<u>2,267,560</u>	<u>3,001,879</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,751,198</u>	<u>2,267,560</u>

See accompanying notes to financial statements.

## **Independent Auditors' Report**

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

### **Opinion**

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2016 and consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Other Matter**

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2016 and 2015, the assets of these subsidiaries constitute 14% and 17%, respectively, of the consolidated total assets. For the years ended December 31, 2016 and 2015, the operating revenue of these subsidiaries constitute 14% and 13%, 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, 2016 and 2015, on which we have issued an unmodified opinion with other matter paragraph.

## Key Audit Matters

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

### 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of the Group; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories; inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

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

### 2. Impairment assessment of intangible assets

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

### 3. Disposal of subsidiaries

Please refer to Note 4(c) “Basis of consolidation”, Note 4(i) “Discontinued operations”, Note 6 (g) “Loss of control of subsidiaries”, and Note 12 (b) “Discontinued operations” of the consolidated financial statements.

Description of key audit matter:

The Company sold parts of its shares in its subsidiary, Global TEK Fabrication Co., Ltd, and lost control over the subsidiary on October 3, 2016. This is a non-recurring transaction to the Group, wherein the trading parties are its related parties. Therefore, the disposal of subsidiaries is one of the key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the disposal of its subsidiary included: assessing whether the transactions complying with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Regulation of Internal Control System of PRIMAX ELECTRONICS LTD.; reading the contracts to fully understand the trading parties involved, prices, and other agreements; inspecting the external materials of cash proceeds and amendment of shares register; obtaining the audit report from other auditors on the date the Group lost its control over the subsidiary to be the base to derecognize the assets and liabilities of the subsidiary and to present its operating results as discontinued operation in the consolidated statement of comprehensive income. Evaluating the completeness of the disclosure in the the consolidated financial reports.

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

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

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

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

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

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

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

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

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are YUNG-HUA HUANG and CHI-LUNG YU.

KPMG

Taipei, Taiwan (Republic of China)

March 7, 2017

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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



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

**Consolidated Balance Sheets**

**December 31, 2016 and 2015**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>Assets</b>									
<b>Current assets:</b>									
1100 Cash and cash equivalents (note 6(a))	\$ 6,359,916	17	7,623,380	18	2100 Short-term borrowings (note 6(l))	\$ -	-	1,350,569	3
1110 Current financial assets at fair value through profit or loss (note 6(b))	141,317	-	88,717	-	2170 Notes and accounts payable	16,892,918	46	18,723,930	45
1170 Notes and accounts receivable, net (note 6(d))	13,603,873	37	14,424,622	35	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	150,430	-	60,105	-
1180 Accounts receivable from related parties, net (notes 6(d) and 7)	102,841	-	54,995	-	Other payables (note 7)	3,878,606	10	3,891,786	9
1200 Other receivables, net (note 6(d))	495,392	2	462,242	1	2201 Salary payable (note 6(r))	1,146,183	3	1,227,107	3
1310 Inventories (note 6(e))	6,670,547	18	7,350,609	18	2300 Other current liabilities	350,860	1	279,120	1
1470 Other current assets (note 8)	425,668	1	408,596	1	2320 Long-term borrowings, current portion (note 6(m))	382,222	1	622,347	2
	<u>27,799,554</u>	<u>75</u>	<u>30,413,161</u>	<u>73</u>		<u>22,801,219</u>	<u>61</u>	<u>26,154,964</u>	<u>63</u>
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>				
1523 Available-for-sale financial assets – non-current (note 6(c))	887,801	2	584,430	1	2540 Long-term borrowings (note 6(m))	218,889	1	1,055,140	2
1600 Property, plant and equipment (notes 6(i) and 8)	4,717,422	13	6,284,023	15	2630 Long-term deferred revenue (note 6(i))	1,408,138	4	1,084,133	3
1760 Investment property (note 6(j))	35,677	-	258,709	1	2600 Other non-current liabilities (notes 6(o) and (p))	449,345	1	520,911	1
1780 Intangible assets (note 6(k))	2,673,670	7	3,322,191	8		<u>2,076,372</u>	<u>6</u>	<u>2,660,184</u>	<u>6</u>
1840 Deferred tax assets (note 6(p))	570,205	2	390,414	1	<b>Total liabilities</b>	<u>24,877,591</u>	<u>67</u>	<u>28,815,148</u>	<u>69</u>
1985 Long-term prepaid rents (note 8)	264,014	1	306,125	1	<b>Equity attributable to owners of parent:</b>				
1990 Other non-current assets (note 8)	173,706	-	172,680	-	3110 Ordinary shares (note 6(q))	4,421,343	12	4,411,877	11
	<u>9,322,495</u>	<u>25</u>	<u>11,318,572</u>	<u>27</u>	3140 Capital collected in advance (note 6(q))	3,024	-	15,174	-
					3200 Capital surplus (note 6(q))	791,466	2	777,368	2
					3310 Legal reserve (note 6(q))	788,634	2	611,322	1
					3320 Special reserve (note 6(q))	97,300	-	97,300	-
					3350 Unappropriated retained earnings (note 6(q))	4,779,419	13	3,951,934	10
					3400 Other equity interest	118,538	-	565,406	1
					36XX Non-controlling interests (note 6(h))	1,244,734	4	2,486,204	6
						<u>12,244,458</u>	<u>33</u>	<u>12,916,585</u>	<u>31</u>
<b>Total assets</b>	<u>\$ 37,122,049</u>	<u>100</u>	<u>41,731,733</u>	<u>100</u>	<b>Total equity</b>	<u>\$ 37,122,049</u>	<u>100</u>	<u>41,731,733</u>	<u>100</u>
					<b>Total liabilities and equity</b>				

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		<u>2016</u>		<u>2015 (restated)</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(t) and 7)</b>	\$ 64,329,462	100	63,538,187	100
5000	<b>Operating costs (notes 6(e), (o), (q), (r), (u) and 12)</b>	<u>57,062,275</u>	<u>89</u>	<u>56,794,922</u>	<u>89</u>
	<b>Gross profit</b>	<u>7,267,187</u>	<u>11</u>	<u>6,743,265</u>	<u>11</u>
	<b>Operating expenses (notes 6(f), (o), (q), (r), (u) and 12):</b>				
6100	Selling expenses	1,555,372	2	1,445,224	2
6200	Administrative expenses	1,134,095	2	1,147,541	2
6300	Research and development expenses	<u>2,204,249</u>	<u>3</u>	<u>2,043,632</u>	<u>3</u>
	<b>Total operating expenses</b>	<u>4,893,716</u>	<u>7</u>	<u>4,636,397</u>	<u>7</u>
	<b>Net operating income</b>	<u>2,373,471</u>	<u>4</u>	<u>2,106,868</u>	<u>4</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (note 6(v))	149,924	-	173,459	-
7020	Other gains and losses (notes 6(c), (g) and (w))	331,952	-	280,153	-
7070	Share of profit of subsidiaries accounted for using equity method	-	-	3,772	-
7050	Finance costs	<u>(90,895)</u>	<u>-</u>	<u>(146,350)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>390,981</u>	<u>-</u>	<u>311,034</u>	<u>-</u>
	<b>Profit from continuing operations before tax</b>	2,764,452	4	2,417,902	4
7950	<b>Less: income tax expense (note 6(p))</b>	<u>777,686</u>	<u>1</u>	<u>631,009</u>	<u>1</u>
	<b>Profit from continuing operations</b>	<u>1,986,766</u>	<u>3</u>	<u>1,786,893</u>	<u>3</u>
8100	<b>Profit from discontinued operations, net of tax (note 12(b))</b>	<u>61,896</u>	<u>-</u>	<u>30,042</u>	<u>-</u>
	<b>Profit</b>	<u>2,048,662</u>	<u>3</u>	<u>1,816,935</u>	<u>3</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Actuarial gains (losses) on defined benefit plans	<u>(1,340)</u>	<u>-</u>	<u>(8,540)</u>	<u>-</u>
		<u>(1,340)</u>	<u>-</u>	<u>(8,540)</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	(656,445)	(1)	(60,203)	-
8362	Unrealised gains on available-for-sale financial assets (notes 6(c) and (x))	110,706	-	294,053	-
8399	Income tax expense related to items that may be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(545,739)</u>	<u>(1)</u>	<u>233,850</u>	<u>-</u>
8300	<b>Other comprehensive income after tax</b>	<u>(547,079)</u>	<u>(1)</u>	<u>225,310</u>	<u>-</u>
	<b>Comprehensive income</b>	<u>\$ 1,501,583</u>	<u>2</u>	<u>2,042,245</u>	<u>3</u>
	<b>Profit attributable to:</b>				
8610	Owners of parent	\$ 1,934,070	3	1,773,122	3
8620	Non-controlling interests	<u>114,592</u>	<u>-</u>	<u>43,813</u>	<u>-</u>
		<u>\$ 2,048,662</u>	<u>3</u>	<u>1,816,935</u>	<u>3</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 1,432,480	2	1,987,738	3
8720	Non-controlling interests	<u>69,103</u>	<u>-</u>	<u>54,507</u>	<u>-</u>
		<u>\$ 1,501,583</u>	<u>2</u>	<u>2,042,245</u>	<u>3</u>
	<b>Earnings per share (note 6(s))</b>				
9710	<b>Basic earnings per share (NT dollars)</b>				
	Profit from continuing operations	\$ 4.36		4.04	
	Profit from discontinued operations	<u>0.04</u>		<u>0.02</u>	
	<b>Profit per share</b>	<u>\$ 4.40</u>		<u>4.06</u>	
9810	<b>Diluted earnings per share (NT dollars)</b>				
	Profit from continuing operations	\$ 4.32		3.99	
	Profit from discontinued operations	<u>0.04</u>		<u>0.02</u>	
	<b>Profit per share</b>	<u>\$ 4.36</u>		<u>4.01</u>	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
	Share capital		Retained earnings				Exchange differences on translation of foreign operation's financial statements				Total equity
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	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, 2015</b>	\$ 4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	707	9,150,513	1,158,234	10,308,747
Profit	-	-	-	-	-	1,773,122	(71,337)	-	1,773,122	43,813	1,816,935
Other comprehensive income	-	-	-	-	-	(8,100)	-	-	294,053	-	225,310
Comprehensive income	-	-	-	-	-	1,765,022	(71,337)	-	294,053	43,813	2,042,245
Appropriation and distribution of retained earnings:											
Legal reserved	-	-	-	-	-	(154,469)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	(791,107)	-	-	(791,107)	-	(791,107)
Issuance of restricted employee stock	30,000	-	91,693	-	-	-	-	-	-	-	-
Retirement of restricted employee stock	(2,800)	-	(10,258)	-	-	-	-	-	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	46,477	-	46,477
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	4,087	-	4,740
Exercise of employee stock option	-	32,673	-	-	-	-	-	-	32,673	-	32,673
Issuance of ordinary shares for employee stock option and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-	-	-
Acquire non-controlling interests in a business combination	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2015</b>	4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	10,430,381	2,486,204	12,916,585
Profit	-	-	-	-	-	1,934,070	-	-	1,934,070	114,592	2,048,662
Other comprehensive income	-	-	-	-	-	(1,340)	(610,956)	110,706	(501,590)	(45,489)	(547,079)
Comprehensive income	-	-	-	-	-	1,932,730	(610,956)	110,706	1,432,480	69,103	1,501,583
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	-	-	(177,312)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	-	(927,933)	-	-	(927,933)	-	(927,933)
Retirement of restricted employee stock	(3,850)	-	(6,350)	-	-	-	-	-	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	43,182	-	43,182
Compensation cost of share-based payment	-	-	2,517	-	-	-	-	-	2,517	-	3,596
Exercise of employee stock option	-	19,097	-	-	-	-	-	-	19,097	-	19,097
Issuance of ordinary shares for employee stock option and abandonment	13,316	(31,247)	17,931	-	-	-	-	-	-	-	-
Derecognise non-controlling interests due to dispose subsidiaries	-	-	-	-	-	-	-	-	-	(1,311,652)	(1,311,652)
<b>Balance at December 31, 2016</b>	4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	405,466	10,999,724	1,244,734	12,244,458

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

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2016 and 2015**

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

	<b>2016</b>	<b>2015</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit from continuing operations before tax</b>	\$ 2,764,452	2,417,902
<b>Profit from discontinued operations before tax</b>	105,225	55,051
<b>Profit before tax</b>	2,869,677	2,472,953
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	1,650,235	1,473,215
Losses related to inventories	947,465	427,434
Provision (reversal of provision) for bad debt expense and sales returns and discounts	137,481	(409)
Gain on disposal of subsidiaries	(248,006)	-
Gain on disposal of available-for-sale financial assets	(140,969)	-
Impairment losses on property, plant and equipment	86,850	-
Interest expense	98,693	160,220
Interest income	(126,400)	(161,713)
Compensation cost of share-based payment	46,778	51,217
Other	14,814	30,339
<b>Total adjustments to reconcile profit (loss)</b>	2,466,941	1,980,303
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss – current	(53,611)	8,771
Notes and accounts receivable	(1,165)	(3,355,531)
Accounts receivable from related parties	(47,846)	5,586
Other receivable – current and non-current	(117,856)	(80,280)
Inventories	(691,918)	(2,536,143)
Other current assets	(185,378)	162,065
Deferred tax assets	(223,244)	(222,248)
Other operating assets	(6,288)	47,455
<b>Changes in operating assets</b>	(1,327,306)	(5,970,325)
Notes and accounts payable	(1,271,222)	5,698,649
Salary payable	(80,924)	174,267
Other payables	224,411	1,121,644
Other current liabilities	104,737	122,026
Other operating liabilities	115,582	(1,732)
<b>Changes in operating liabilities</b>	(907,416)	7,114,854
<b>Total changes in operating assets and liabilities</b>	(2,234,722)	1,144,529
<b>Total adjustments</b>	232,219	3,124,832
Cash inflow generated from operations	3,101,896	5,597,785
Interest received	126,400	161,713
Interest paid	(98,448)	(160,105)
Income taxes paid	(846,899)	(577,042)
<b>Net cash flows from operating activities</b>	2,282,949	5,022,351
<b>Cash flows from (used in) investing activities:</b>		
Net cash flow from acquisition of subsidiaries	-	(39,041)
Proceeds from disposal of subsidiaries (minus subsidiaries' cash)	108,980	-
Acquisition of property, plant and equipment	(1,107,108)	(1,964,248)
Proceeds from disposal of property, plant and equipment	72,617	66,055
Acquisition of unamortized expense	(50,813)	(50,646)
Proceeds from disposal of available-for-sale financial assets	220,270	-
Other investint activities	24,063	13,276
<b>Net cash flows used in investing activities</b>	(731,991)	(1,974,604)
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(974,439)	(1,100,639)
Decrease in long-term borrowings	(759,456)	(261,402)
Increase (decrease) in guarantee deposits	27,566	(46,069)
Increase in other payables to related parties	-	(61,350)
Cash dividends	(927,933)	(791,107)
Exercise of employee share options	19,097	32,673
<b>Net cash flows used in financing activities</b>	(2,615,165)	(2,227,894)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(199,257)	(10,496)
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,263,464)	809,357
<b>Cash and cash equivalents at beginning of period</b>	7,623,380	6,814,023
<b>Cash and cash equivalents at end of period</b>	\$ 6,359,916	7,623,380

See accompanying notes to consolidated financial statements.

**PRIMAX ELECTRONICS LTD.**Comparison of Amendments to the  
Regulations of Shareholders' Meeting Proceedings

Amended Content	Current Content	Reason for Amendment and Explanation
<p>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.</p> <p>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.</p>	<p>2. <u>Attending shareholders (or their proxies) shall wear an attendance card. The number of their shares and voting rights shall be calculated according to the submitted sign-in card.</u></p> <p>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.</p> <p>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.</p>	<p>Revise in accordance with the Sample Template for 「XXX Co., Ltd. Rules of Procedure for Shareholders Meetings」.</p>
<p>3. Calculation of attendance and voting at a shareholders' meeting shall be based on the shares.</p> <p><u>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.</u></p>	<p>3. Calculation of attendance and voting at a shareholders' meeting shall be based on the shares.</p>	<p>The same as above reason.</p>
<p>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</p>	<p>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</p>	<p>The same as above reason.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>directors.</p> <p><u>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.</u></p> <p>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.</p>	<p>directors.</p> <p>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.</p>	
<p>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.</p> <p>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.</p> <p>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.</p> <p><u>The chair may direct the proctors or security personnel to help maintain order at the meeting place.</u></p>	<p>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.</p> <p>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.</p> <p>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.</p>	The same as above reason.
<p>13. <u>When the government or a corporation is a shareholder, it may be represented by more than one representative at a shareholders' meeting.</u> When a corporation is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p>	<p>13. When a corporation is appointed to attend the shareholders' meeting as proxy, it may designate only one person to represent it in the meeting.</p> <p>If a corporate shareholder designated two or more persons to represent it in the</p>	The same as above reason.

Amended Content	Current Content	Reason for Amendment and Explanation
<p>When a corporation is appointed to attend the shareholders' meeting as proxy, it may designate only one person to represent it in the meeting.</p> <p>If <u>the government or</u> 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.</p>	<p>shareholders' meeting, only one person may speak about the same agenda item.</p>	
<p>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.</p> <p>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.</p> <p><u>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.</u></p> <p><u>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated</u></p>	<p>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.</p> <p>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.</p>	<p>The same as above reason.</p>

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<u>as part of the voting rights represented by attending shareholders.</u>		
<p>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.</p> <p><u>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.</u></p>	<p>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.</p>	Adjustment to Article 17 and 18.
<p>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.</p> <p>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.</p> <p>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.</p>	<p>18. <u>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.</u></p> <p><u>If an air raid alarm rings during a meeting, the chairperson shall immediately announce the meeting is halted or suspended and have all attendees evacuated. The meeting shall be resumed an hour after the alarm is turned off.</u></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>a. Revise in accordance with the Sample Template for 「XXX Co., Ltd. Rules of Procedure for Shareholders Meetings」.</p> <p>b. Adjustment to Article 17 and 18.</p>
21. These Regulations were established on	21. These Regulations were established on	Adding



Amended Content	Current Content	Reason for Amendment and Explanation
<p>November 7, 2008.</p> <p>The first amendment was made on June 4, 2009.</p> <p><u>The second amendment was made on May 25, 2017.</u></p>	<p>November 7, 2008.</p> <p>The first amendment was made on June 4, 2009.</p>	<p>update to amendment date.</p>