

PRIMAX ELECTRONICS LTD.
Minutes of 2018 Annual General Shareholders' Meeting
(Translation)

Time : May 30, 2018 (Wednesday) 9 a.m.

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

Present: A total of 397,329,794 shares (including 305,371,246 shares represented by shareholders exercising voting rights electronically) are held by shareholders attending the shareholders' meeting in person or by a proxy, who represent 88.92% of the total number of the Company's outstanding 446,815,324 shares.

Present Directors: Li-Sheng Liang, Hai-Hung Yang, Tze-Ting Yang, Yung-Tai Pan,
Yung- Chung Pan, 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:

B. Chairperson Remark: (omitted)

C. Report:

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

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

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

Description:

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

D. Adoption

1. (Proposed by the Board)

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

Description:

The Company has completed the internal preparation of the 2017 Annual Parent Company Only and Consolidated Financial Statements and has provided the reports to MEI-PIN WU CPA and YUNG-HUA HUANG CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Please refer to Schedule 1 and Schedule 3 of the Handbook 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 : 397,329,794
(Including votes casted electronically: 305,371,246votes)

Voting Results*		% of the total represented share present
Votes in favor	348,930,890 votes (257,222,353votes)	87.81%
Votes against	3,478votes (3,478votes)	0.00%
Votes invalid	0 votes	0.00%
Votes abstained	48,395,426 votes (48,145,415 votes)	12.18%

*including votes casted electronically (number in brackets)

2. (Proposed by the Board)

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

Description:

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

PRIMAX ELECTRONICS LTD.
PROFIT ALLOCATION PROPOSAL
December 31, 2017

Unit: NT\$

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

Chairman :
Liang, Li-Sheng

General Manager :
Yang, Hai-Hung

Accounting Manager:
Chang, Shu-chuan

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

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

Resolved: the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 397,329,794
 (Including votes casted electronically: 305,371,246votes)

Voting Results*		% of the total represented share present
Votes in favor	348,819,890 votes (257,111,353 votes)	87.79%
Votes against	115,478 votes (115,478 votes)	0.02%
Votes invalid	0 votes	0.00%
Votes abstained	48,394,426 votes (48,144,415 votes)	12.17%

*including votes casted electronically (number in brackets)

E. Discussion

1. (Proposed by the Board)

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

Description:

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

Resolved: the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 397,329,794
 (Including votes casted electronically: 305,371,246votes)

Voting Results*		% of the total represented share present
Votes in favor	348,470,890 votes (256,762,353 votes)	87.70%
Votes against	461,478 votes (461,478 votes)	0.11%
Votes invalid	0 votes	0.00%
Votes abstained	48,397,426 votes (48,147,415 votes)	12.18%

*including votes casted electronically (number in brackets)

2.

(Proposed by the Board)

Proposal : Resolution of amendment to the Company's "Procedures for Acquisition or Disposal of Assets ".

Description:

- (1) It is proposed certain provisions of the Company's " Procedures for Acquisition or Disposal of Assets " shall be amended due to the constitution amendment and the Company's operational requirements.
- (2) Refer to Schedule 5, pages 28 to page 32, of the Handbook for a comparison of the amendments to the " Procedures for Acquisition or Disposal of Assets "

Resolved: the proposal was disapproved after voting.

Voting Results : Shares represented at the time of voting : 397,329,794

(Including votes casted electronically: 305,371,246votes)

Voting Results*		% of the total represented share present
Votes in favor	185,130,161 votes (93,421,624 votes)	46.59%
Votes against	162,787,207 votes (162,787,207 votes)	40.97%
Votes invalid	0 votes	0.00%
Votes abstained	49,412,426votes (49,162,415 votes)	12.43%

*including votes casted electronically (number in brackets)

F. Election

1.

(Proposed by the Board)

Proposal : Election of all directors.

Description:

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

Election Results: The list of the newly elected directors and votes received as follows

Title	Shareholder number or ID number	Name	Votes Received
Director	1	Liang, Li-Sheng	385,751,881
Director	5	Yang, Hai-Hung	367,248,113
Director	79	Yang, Tze-Ting	352,783,819
Director	53	Pan, Yung-Tai	352,717,054
Director	52	Pan, Yung-Chung	352,685,212
Director	64666	Sunshine Coast Services Limited Representative: Chen, Jie-Chi	339,124,173
Independent Director	J100*****	Ku, Tai-Jau	250,682,738
Independent Director	A104*****	Cheng, Chih-Kai	250,675,786

F. Other Matters:

1.

(Proposed by the Board)

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

Description:

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

Resolved: the proposal was disapproved after voting.

Voting Results : Shares represented at the time of voting : 397,329,794

(Including votes casted electronically: 305,371,246votes)

Voting Results*		% of the total represented share present
Votes in favor	339,574,033 votes (247,865,496 votes)	85.46%
Votes against	2,338,179 votes (2,338,179 votes)	0.58%
Votes invalid	0 votes	0.00%
Votes abstained	55,417,582 votes (55,167,571 votes)	13.94%

*including votes casted electronically (number in brackets)

G. Extempore Motion: None.

H. The meeting was adjourned at 10:34 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

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

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

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

I. 2017 Financial Performance

(I) Financial Results

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

(II) Cash Flow Analysis

Unit : NT\$ thousand

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

(III) Profitability Analysis

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

(IV) R&D Investments

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

II. Business Strategy and Technology Developments

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

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

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

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

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

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

Chairman : Liang, Li-Sheng

General Manager : Yang, Hai-Hung

Accounting Manager : Chang, Shu-chuan

Audit Committee's Review Report

To: Shareholders' Meeting of Primax Electronics Ltd.

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

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

Chairman of the Audit Committee: Way, Yung-Do

Date: March 13, 2018

Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Opinion

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

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

Basis for Opinion

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

Other Matter

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

Key Audit Matters

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

1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Investments accounted for using equity method

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

Description of key audit matter:

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

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

How the matter was addressed in our audit:

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2018

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

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

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

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

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

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

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Opinion

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

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

Basis for Opinion

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

Other Matter

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

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

Key Audit Matters

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

1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

2. Impairment assessment of intangible assets

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2018

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

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

Amended Content	Current Content	Reason for Amendment and Explanation
<p>Article 17</p> <p>The directors shall form a Board of Directors. The Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting attended by two-thirds or more of the directors. <u>The Board of Directors may also in the same manner elect the Vice Chairman.</u> The Chairman of the Board of Directors shall represent the Company externally.</p>	<p>Article 17</p> <p>The directors shall form a Board of Directors. The Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting attended by two-thirds or more of the directors. The Chairman of the Board of Directors shall represent the Company externally.</p>	Amendment for the Company's operational requirements
<p>Article 35</p> <p>These Articles of Incorporation were established on March 8, 2006, First amendment was made on April 3, 2007. Second amendment was made on June 13, 2007. Third amendment was made on October 5, 2007. Fourth amendment was made on November 7, 2007. Fifth amendment was made on December 28, 2007. Sixth amendment was made on August 27, 2009. Seventh amendment was made on September 22, 2009. Eighth amendment was made on October 23, 2009. Ninth amendment was made on November 20, 2009. Tenth amendment was made on June 25, 2010. Eleventh amendment was made on June 19, 2012. Twelfth amendment was made on June 25, 2013. Thirteenth amendment was made on September 5, 2014. Fourteenth amendment was made on June 29, 2015. Fifteenth amendment was made on June 20, 2016 <u>Sixteenth amendment was made on May 30, 2018.</u></p>	<p>Article 35</p> <p>These Articles of Incorporation were established on March 8, 2006, First amendment was made on April 3, 2007. Second amendment was made on June 13, 2007. Third amendment was made on October 5, 2007. Fourth amendment was made on November 7, 2007. Fifth amendment was made on December 28, 2007. Sixth amendment was made on August 27, 2009. Seventh amendment was made on September 22, 2009. Eighth amendment was made on October 23, 2009. Ninth amendment was made on November 20, 2009. Tenth amendment was made on June 25, 2010. Eleventh amendment was made on June 19, 2012. Twelfth amendment was made on June 25, 2013. Thirteenth amendment was made on September 5, 2014. Fourteenth amendment was made on June 29, 2015. Fifteenth amendment was made on June 20, 2016.</p>	Add an update to the amendment date.

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

Amended Content	Current Content	Reason for Amendment and Explanation
<p>II. Applicability of “Assets”: vi. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act </p>	<p>II. Applicability of “Assets”: vi. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as "transfer of shares") under Article 156, <u>paragraph 6</u> of the Company Act. </p>	<p>Change of numbering per the constitution amendment.</p>
<p>IV. After the procedures have been approved of by <u>over half of all members of the Audit Committee, they shall be submitted to the board of directors</u> and reported to the shareholders’ meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. <u>If approval of more than half of all Audit Committee members as aforementioned is not obtained, the procedures may be implemented if they are approved of by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes.</u></p>	<p>IV. After the procedures have been approved of by <u>the board of directors, they shall be submitted to the Audit Committee</u> and reported to the shareholders’ meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>The Audit Committee is fully independent hence the amendment to the provision will reinforce the regularity of disposition procedures.</p>
<p>XII. Investment Amounts and Limits i. The aggregated amount of <u>initially</u> invested real property and short-term securities for uses other than business operations shall not exceed <u>30</u> percent of the shareholders’ equity according to the most recent fiscal financial statement. <u>Initial investment amount of purchases of a single currency option fund shall not exceed 20 percent of the aforementioned shareholders’ equity; as for the initial amount of other short-term investments for a single company shall not</u></p>	<p>XII. Investment Amounts and Limits i. The aggregated amount of invested real property and short-term securities for uses other than business operations shall not exceed <u>20</u> percent of the shareholders’ equity according to the most recent fiscal financial statement; <u>the amount of short-term investments for a single company shall not exceed 5 percent of the shareholders’ equity aforementioned.</u> This policy also applies to the company’s subsidiaries.</p>	<p>1. Amendment of the limit of initial investment amount on real property and short-term securities for uses other than business operations. 2. In terms of</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>exceed 5 percent of the shareholders' equity aforementioned. This policy also applies to the company's subsidiaries.</p> <p>ii. The aggregated amount of <u>initially</u> invested securities by the company shall not exceed <u>150 percent</u> of the shareholders' equity according to the most recent fiscal financial statement certified by the public accountant. However, the <u>initially invested</u> amount of long-term joint venture for a single company is limited to 80 percent of the shareholders' equity aforementioned. "Regulations Governing the Preparation of Financial Reports by Securities Issuers" shall apply to related parties and subsidiaries.</p>	<p>ii. The aggregated amount of invested securities by the company shall not exceed the shareholders' equity according to the most recent fiscal financial statement certified by the public accountant. However, the amount of long-term joint venture for a single company is limited to 80 percent of the shareholders' equity aforementioned. "Regulations Governing the Preparation of Financial Reports by Securities Issuers" shall apply to related parties and subsidiaries.</p>	<p>short-term investments, currency type funds are low-risk investments, hence the separate calculation of its limit.</p> <p>3. The company's current initial investment amount on securities has reached 65% of the company's most recent fiscal financial statement certified by the public accountant, hence the proposed amendment.</p>
<p>XIII. Basis of Review</p> <p>.....a related party, in addition to ensuring that the necessary resolutions from the previous segment and the present one are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a certified public accountant's opinion in compliance with the provisions of the preceding segment. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with (ii) of article IIX herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship <u>shall</u> also be considered. Regulations regarding 10 percent of total assets mentioned herein shall be based on the total assets amount of the company's most recent fiscal financial report that is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>XIII. Basis of Review</p> <p>.....a related party, in addition to ensuring that the necessary resolutions from the previous segment and the present one are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a certified public accountant's opinion in compliance with the provisions of the preceding segment. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with (ii) of article IIX herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship <u>shall</u> also be considered. Regulations regarding 10 percent of total assets mentioned herein shall be based on the total assets amount of the company's <u>or the individual's</u> most recent fiscal financial report that is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>Per the constitution amendment. Removal of redundant wording.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>XIV. Appraisal Procedures</p> <p>When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>submitted to the Audit Committee with approval from over half of all committee members, followed by approval from the board of directors</u>:</p> <p>.....</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with (ii) of article IXXX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been <u>submitted to the Audit Committee with approval from the board of directors</u> need not be counted toward the transaction amount.</p> <p>.....</p>	<p>XIV. Appraisal Procedures</p> <p>When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>approved by the board of directors and recognized by the Audit Committee</u>:</p> <p>.....</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with (ii) of article IXXX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been <u>approved by the board of directors and recognized by the Audit Committee</u> need not be counted toward the transaction amount.</p> <p>.....</p>	<p>Per the constitution amendment. Amendment of appraisal procedures.</p>
<p>XXIII. When the company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a certified public account, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. <u>However, when the company participates in a merger of any subsidiary of which it owns 100 percent direct or indirect issued stocks or capital sum, or when the company participates in a merger of its subsidiaries of which the company owns 100 percent direct or indirect issued stocks or capital sum, it needs not obtain the opinion from the aforementioned experts on the reasonableness of such an event.</u></p>	<p>XXIII. When the company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a certified public account, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>Per the constitution amendment.</p>
<p>XXV. When the company participates in a merger, demerger, or acquisition it shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition. <u>When participating in the transfer of shares, unless another act provides otherwise or the governing</u></p>	<p>XXV. When the company participates in a merger, demerger, or acquisition it shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the <u>FSC</u> is notified in advance of extraordinary circumstances and grants</p>	<p>"FSC" replaced by "governing body" for more flexibility. The addition of exemptions regulated by the</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p><u>body</u> is notified in advance of extraordinary circumstances and grants consent, <u>the company shall convene a board of directors meetings on the day of the transaction.</u></p>	<p>consent.</p>	<p>law, or those already reported to the governing body.</p>
<p>XXIX. Announce and Report Procedures: i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises.</u> 4. <u>Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u> 5. <u>Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</u> 6. <u>Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</u> (1) <u>Trading of government bonds.</u> (2) <u>Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</u> v. When the company at the time of public announcement makes an error or omission in an</p>	<p>XXIX. Announce and Report Procedures: i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds.</u> 4. <u>Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</u> (1) <u>Trading of government bonds.</u> (2) <u>Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</u> (3) <u>Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u> (4) <u>Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</u> v. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly</p>	<p>Per the constitution amendment. Rearrangement of the order of the current articles from article 4 paragraph 3 to article 4, article 4 paragraph 4 to article 5, and the remaining paragraph of article 4 to article 6.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within 2 days of the date of notice of such amendments to content.</u></p> <p>.....</p>	<p>announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>.....</p>	
<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>i. The company’s subsidiaries shall also establish and execute “Standard Operating Procedures for Acquisition or Disposal of Assets” in accordance with regulations of the governing body, obtain approval from the board of directors. This also applies to amendments of the standard operating procedures.</p> <p>ii. Assets acquired or disposed by subsidiaries shall be conducted in accordance with the separate “Control System” and “Standard Operating Procedures for Acquisition or Disposal of Assets”. The company shall compile monthly reports on the status of individual or accumulated acquired or disposed assets trading or transactions of similar nature reaching NT\$10 million or more of the preceding month and the status of derivatives trading up to the end of the previous month, and report to the company in written form on the 5th day of each month. The company’s auditors shall list subsidiaries’ acquired or disposed asset matters as monthly auditing items and the status of the audit shall be reported to <u>the Audit Committee and the board of directors.</u></p> <p>.....</p>	<p>XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries</p> <p>i. The company’s subsidiaries shall also establish and execute “Standard Operating Procedures for Acquisition or Disposal of Assets” in accordance with regulations of the governing body, obtain approval from the board of directors, <u>and submit it to the Audit Committee and report to the shareholders’ meeting for resolution.</u> This also applies to amendments of the standard operating procedures.</p> <p>ii. Assets acquired or disposed by subsidiaries shall be conducted in accordance with the separate “Control System” and “Standard Operating Procedures for Acquisition or Disposal of Assets”. The company shall compile monthly reports on the status of individual or accumulated acquired or disposed assets trading or transactions of similar nature reaching NT\$10 million or more of the preceding month and the status of derivatives trading up to the end of the previous month, and report to the company in written form on the 5th day of each month. The company’s auditors shall list subsidiaries’ acquired or disposed asset matters as monthly auditing items and the status of the audit shall be reported to <u>the board of directors and the Audit Committee.</u></p> <p>.....</p>	<p>The Subsidiaries are not public companies and the business operations shall be executed mainly pursuant to the resolutions to be adopted by the Board of Directors, therefore it is proposed to amend the disposition procedures. The clause might be amended again afterwards for the purpose of compliance with local laws and regulations when the Subsidiaries are public.</p>
<p>XXXIV. This corporate document was created on 200811/7.</p> <p>.....</p> <p><u>Sixth-time amendments were made on 2018/5/30.</u></p>	<p>XXXIV. This corporate document was created on 200811/7.</p> <p>.....</p> <p>Fifth-time amendments were made on 2015/6/29</p>	<p>The addition of the date of the most recent amendments.</p>

List of Director Candidates

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

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

Title	Name of Candidates	Education	Experience	Current Position	Shares
Independent Director	Ku, Tai-Jau	Bachelor of Business, College of Law, National Taiwan University	Ltd. Founder <ul style="list-style-type: none"> ● Taiwan Stock Exchange Vice President ● Taiwan Semiconductor Manufacturing Company, Ltd. Director ● Wafer Tech, LLC. Director of Treasury 	<ul style="list-style-type: none"> ● Primax Electronics Limited Independent Director 	0
Independent Director	Cheng, Chih-Kai	MBA, National Chiao-Tung University	<ul style="list-style-type: none"> ● Harbinger Venture Management Co-Founder and General Partner ● Synnex Corporation (USA) Senior Vice President 	<ul style="list-style-type: none"> ● Primax Electronics Limited Independent Director ● B Current Impact Investment Inc. Director ● Crown Bioscience Inc. Director ● Eureka Therapeutics (California) Director ● Social Enterprise Insights Director ● Gaatu Holding Director ● H3 Platform Director ● B Current Impact Investment Fund II. Chairman ● Acorn Pacific Ventures Partner 	0
Independent Director	Chen, Su-Jen	Department of Business Administration, Tamkang University	<ul style="list-style-type: none"> ● Far EasTone Telecommunications Co., Ltd. Vice President of Marketing ● NetEase, Inc. Chief Operating Officer ● American Express Co., Ltd. Director of Marketing ● Johnson & Johnson Co., Ltd. Supervisor of Marketing 	<ul style="list-style-type: none"> ● Swatch Group Ltd. President of China Region ● Swatch Art Peace Hotel General Manager 	0

Addendum:

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

2. The overall capacity and diversity of candidates for the directors (including independent director) :

Title	Name	Gender	Age	Meet the Independence Criteria	Hold a position with the Company	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make policy decisions	Number of other public companies in which the individual is concurrently serving
Director	Liang, Li-Sheng	Male				V	V	V	V	V	V	V	V	0
Director	Sunshine Coast Services Limited Representative: Chen, Jie-Chi	Male	71~80			V	V	V	V	V	V	V	V	0
Director	Yang, Tze-Ting	Male				V	V	V	V	V	V	V	V	0
Director	Pan, Yung-Tai	Male			V	V	V	V	V	V	V	V	V	0
Director	Pan, Yung-Chung	Male			V	V	V	V	V	V	V	V	V	0
Independent Director	Ku, Tai-Jau	Male	61~70	V		V	V	V	V	V	V	V	V	0
Independent Director	Cheng, Chih-Kai	Male		V		V	V	V	V	V	V	V	V	1
Director	Yang, Hai-Hung	Male			V	V	V	V	V	V	V	V	V	1
Independent Director	Chen, Su-Jen	Female	51~60	V		V	V	V	V	V	V	V	V	0

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

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

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

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