PRIMAX ELECTRONICS LTD.
Minutes of 2019Annual General Shareholders' Meeting
(Translation)

Time: June 18, 2019 (Tuesday) 9 a.m.

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

Present: A total of 378,763,236 shares (including 314,681,990 shares represented by shareholders exercising voting rights electronically) are held by shareholders attending the shareholders' meeting in person or by a proxy, who represent 84.77% of the total number of the Company's outstanding446,808,824 shares.

Present Directors: Li-Sheng Liang, Tze-Ting Yang, Yung-Tai Pan, Tai-Jau Ku (Independent Director), Chun-Pang Wu (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 2018 Business Report for review, please refer to Schedule 1.

Report No. 2 ︰ Audit Committee's Review Report on the 2018 Financial Statements for review, please refer to Schedule 2.

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

Description:

(1) The Board of Directors resolved to distribute NT$ 64,430,000 for employees' compensation and NT$ 32,200,000 for directors' compensation for year 2018.

(2) According to Article 25 of the Company's "Articles of Incorporation", 2% to 10% of the profit before tax (PBT) (i.e. before deducting the sums of employee's compensation and directors' compensation) shall be distributed as compensation for employees and not more than 2% of the PBT shall be distributed as compensation for directors. The Company's PBT for year 2018 was NT$2,111,130,209, the amount before deducting the sums of compensation of directors and employees was NT$2,207,760,209. Hence, the aforementioned compensation of employees and directors are respectively 2.92% and 1.46% of the said NT$2,207,760,209.

(3) In the internal financial statements, the employees' compensation was recorded as NT$64,430,580 and NT$32,219,290 as directors' compensation for year 2018. The discrepancy amount was NT$-8,580 and NT$-19,290 respectively. The discrepancies were the difference between the outcomes of an accounting estimate, which will be handled by principles of accounting change.

D. Adoption

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

Proposal ***:*** Adoption of the Company's 2018 Business Report and Financial Statements.

Description:

The Company has completed the internal preparation of the 2018 Annual Parent Company Only and Consolidated Financial Statements and has provided the reports to MEI-PIN WU CPA and CHI -LUNG YU CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Please refer to Schedule 1and Schedule 3 for the above Financial Statements as well as the Business Report.

Resolved: the proposal was approved after voting.

Voting Results：Shares represented at the time of voting： 377,390,759

(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	307,626,632 votes (244,935,864votes)	81.51%
Votes against	38,072votes (38,072votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	69,726,055votes (69,726,054 votes)	18.47%

*including votes casted electronically (number in brackets)

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

Proposal：Adoption of the Company's 2018 distribution of earnings.

Description:

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

PRIMAX ELECTRONICS LTD.
PROFIT ALLOCATION PROPOSAL
December 31, 2018

Unit: NT$

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

Chairman：Li-Sheng Liang　General Manager：Li-Sheng Liang　Accounting Manager: Shu-chuan Chang

Note: 1. The per share dividends above are based on the 446,808,324 outstanding shares as of March 15, 2019.
2. For the distribution of cash dividends, all dollar amounts less than NT$ 1 for fractional shares shall be listed as the Company's other income.
3. The excepted dividend payout ratio for this distribution of profits is 58.25%

(2) For this distribution of profits, the 2018 earnings will be subject to distribution on a priority basis.

(3) The cash dividends total NT$1,072,341,178 and the per share dividends to be distributed are NT$2.4. The dividends will be distributed to the shareholders listed in the shareholders' roster on the ex-dividend date according to their respective shareholding. The above distribution ratio is calculated based on the total 446,808,824 outstanding shares as of March 15, 2019. After the proposal is approved at the regular shareholders' meeting, it is proposed the board of directors shall be authorized to determine the ex-dividend date and relevant matters.

(4) For the distribution of earnings, in the event of satisfaction of the vesting conditions on restrictive stock awards, buyback of the Company's shares, assignment or cancellation of treasury stock which influences the ratio of distributable dividends, it is proposed the shareholders' meeting shall authorize the Board of Directors to make proportionate adjustments to the ratio of distributable dividends based on the number of outstanding shares on the ex-dividend date.

Resolved: the proposal was approved after voting.

Voting Results：Shares represented at the time of voting： 377,390,759
(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	307,626,632 votes (244,935,864votes)	81.51%
Votes against	37,072votes (37,072votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	69,726,055votes (69,708,054 votes)	18.47%

*including votes casted electronically (number in brackets)

E. Discussion

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

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

Description:

(1) It is proposed certain provisions of the Company's " Procedures for Acquisition or Disposal of Assets " shall be amended due to the constitution amendment and the Company's operational requirements.

(2) Refer to Schedule 4 for a comparison of the amendments to the " Procedures for Acquisition or Disposal of Assets ".

Resolved: the proposal was approved after voting.

Voting Results：Shares represented at the time of voting：377,390,759
(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	307,574,632 votes (244,882,864 votes)	81.50%
Votes against	39,072 votes (39,072votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	69,777,055 votes (69,759,054 votes)	18.48%

*including votes casted electronically (number in brackets)

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

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

Description:

(1) It is proposed certain provisions of the Company's " Procedures for Lending Funds to Other Parties " shall be amended due to the constitution amendment.

(2) Refer to Schedule 5 for a comparison of the amendments to the " Procedures for Lending Funds to Other Parties "

Resolved: the proposal was approved after voting.
Voting Results：Shares represented at the time of voting：377,390,759
(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	307,574,632 votes (244,879,864 votes)	81.49%
Votes against	42,072 votes (42,072votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	69,778,055 votes (69,760,054 votes)	18.48%

*including votes casted electronically (number in brackets)

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

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

Description:

(1) It is proposed certain provisions of the Company's " Procedures for Endorsements & Guarantees " shall be amended due to the constitution amendment.

(2) Refer to Schedule 6 for a comparison of the amendments to the " Procedures for Endorsements & Guarantees "

Resolved: the proposal was approved after voting.
Voting Results：Shares represented at the time of voting：377,390,759
(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	307,573,632 votes (244,882,864 votes)	81.50%
Votes against	40,072 votes (40,072votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	69,777,055 votes (69,759,054 votes)	18.48%

*including votes casted electronically (number in brackets)

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

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

Description:

(1) In accordance with Article 267 of the Company Act and Regulations Governing the Offering and Issurance of Sercurities by Securities Issuers published by the Financial Supervisory Commission.

(2) Expected total amounts(shares) of issuance：2,000,000 shares.

(3) Expected issue price： NT$0 per share

(4)Vesting conditions：

I. Vesting conditions：

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

(I) Vesting for Category A：

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

ii. Each Award shall vest at a rate of thirty percent (30%) at end of two years of continuous employment after granting the Award and achievement of personal performance goals and business performance goals in the previous year.

iii. Each Award shall vest at a rate of forty percent (40%) at end of three years of continuous employment after granting the Award and achievement of personal performance goals and business performance goals in the previous year.

(II) Vesting for Category B：

i. Each Award shall vest at a rate of fifty percent (50%) at the end of the first twelve months of continuous employment after granting the Award and achievement of personal performance goals and business performance goals in the previous year.

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

(III) Vesting for Category C：

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

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

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

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

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

(5)Qualification requirements for employees：

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

II. Eligible employees and the actual number of shares to be granted will take into account the rank of the employee, performance, overall contribution and other factors, as well as the

Company's operational requirements and business development strategy. Prior approval of the Compensation Committee shall be obtained for those who are employed as managers.

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

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

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

(7)Calculated expense amount：

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

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

Estimations are made based on NT$60, the Company's highest closing share price for common shares over the 60 trading-day period prior to March 6, 2019. The diluted EPS for year 2019, 2020, 2021, 2022 and 2023 shall be NT$0.00, NT$0.10, NT$0.10, NT$0.05 and NT$0.01 respectively.

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

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

(10)Other important stipulations：

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

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

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

(Ⅰ)For employment of major talents.

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

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

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

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

Resolved: the proposal was approved after voting.

Voting Results：Shares represented at the time of voting：377,390,759

(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	305,250,334 votes (242,559,566 votes)	80.88%
Votes against	2,363,370 votes (2,363,370votes)	0.62%
Votes invalid	0 votes	0.00%
Votes abstained	69,777,055 votes (69,759,054 votes)	18.48%

*including votes casted electronically (number in brackets)

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

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

Description:

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

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

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

Ⅰ. On financial operations

(Ⅰ)With the injection of new capital, TATC expects to expand and improve its current product development and business competitiveness, enhance its innovation capabilities and expand its business with respect to audio accessories, speakers and its components in China. The expansion and improvement shall enhance the Company’s net profits and stockholders' equity.

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

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

Ⅱ. On business operations

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

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

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

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

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

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

(3) Share diversifications and proposed reduction of shareholding

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

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

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

(5) The offering price

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

(6) Investors of the new shares to be issued

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

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

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

(8) Others

I. The application for the proposed IPO and listing has not been filed. Accordingly, there remain uncertainties with regard to when to file such an application and how long the approval process will take.

II. It should be noted that according to the relevant securities laws and requirements of the regulator of the stock exchange in the Mainland China, the directly and indirectly controlling shareholders (including the Company) of TATC are required to avoid engaging in businesses that are competing with TATC’s. TATC's direct or indirect shareholders (including the Company) accordingly will have to sign non-compete undertakings in compliance with the aforesaid requirements. Since the Company has a controlling power over TATC, signing a non-compete agreement does not violate the Fair Trade Law of the Republic of China.

Ⅲ. It should be further noted that according to the relevant securities laws and regulations in the Mainland China, there are other representations and warranties that the directly and indirectly controlling shareholders (including the Company) of TATC need to provide, such as IPO lock-up and Stock price stability commitment, etc. The Company will make such representations and warranties as required and execute relevant documents accordingly.

Ⅳ.In order to cooperate with TATC’s application with respect to the listing of its common shares on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, the Company may request the shareholders’ meeting to authorize the Board of Directors or other representative designated by it to handle all matters, including but not limited to engaging professional firms and determination of issuance terms, timing, volume, target, method, pricing strategy, issue price (including the range between prices and final price), the date of issuance, strategic placement, the usage of raised capital, other commitment letter and confirmation letter, relevant document and other IPO and listing details, etc., with full discretion concerning the proposed IPO and listing according to the progress of IPO and listing, the opinions of the competent authority, the relevant laws and regulations in the Mainland China, market conditions or actual situation.

Resolved: the proposal was approved after voting.

Voting Results：Shares represented at the time of voting：377,390,759
(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	307,434,132 votes (244,743,364 votes)	81.46%
Votes against	179,572 votes (179,572votes)	0.04%
Votes invalid	0 votes	0.00%
Votes abstained	69,777,055 votes (69,759,054 votes)	18.48%

*including votes casted electronically (number in brackets)

F. Election

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

***Proposal*：**Election of independent director.

Description:

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

(2) In order to coordinate with the Company's operational planning and strengthen corporate governance, it is proposed to elect one independent director. Refer to Schedule 7 for the candidate information.

(3) The new elected independent director shall have a term from June 18, 2019 to May 29, 2021.

(4) The election shall be conducted according to the Company's "Rules for Election of Directors".

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

Title	Shareholder number or ID number	Name	Votes Received
Independent Director	A221******	Jia-Chyi Wang	297,623,768

F. Other Matters:

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

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

Description:

(1) According to Article 209 of the Company Act, a director who conducts business within the business scope of the Company for himself or others shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

(2) To draw on the expertise and relevant experience of the Company's directors to the benefit of the Company, as certain directors concurrently work for other companies, which may constitute the act restricted under Article 209 of the Company Act, it is proposed for resolution to remove the non- compete restrictions on Director Li-Sheng Liang, Director Yung-Tai Pan, Director Yung-Chung Pan and newly elected director. Refer to Schedule 8 for the details.

Resolved: the proposal was approved after voting.

Voting Results：Shares represented at the time of voting：377,390,759

(Including votes casted electronically: 314,681,990votes)

Voting Results*		% of the total represented share present
Votes in favor	296,253,981 votes (233,563,213votes)	78.50%
Votes against	54,572votes (54,572votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	81,082,206votes (81,064,205votes)	21.48%

*including votes casted electronically (number in brackets)

G. Extempore Motion: None.

H. The meeting was adjourned at 10:25 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.)

【Schedule 1】

Business Report

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

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

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

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

I. 2018 Financial Performance

(I) Financial Results

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

(II) Cash Flow Analysis

Unit：NT$ thousand

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

(III) Profitability Analysis

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

(IV) R&D Investments

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

II. Business Strategy and Technology Developments

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

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

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

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

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

Chairman and General Manager: Li-Sheng Liang

Accounting Manager: Shu-chuan Chang

【Schedule 2】

Audit Committee's Review Report

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2018 Business Report, Financial Statements and Proposal for Distribution of Earnings prepared and submitted by the Board of Directors, the Financial Statements have been fully audited by KPMG Taiwan which has issued the audit report.

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

Chairman of the Audit Committee: Tai-Jau Ku

Date: March 28, 2019

【Schedule 3】

Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Opinion

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

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

Basis for Opinion

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

Other Matter

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

Key Audit Matters

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

1. Evaluation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

2. Acquisition of investments accounted for using equity method

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

3. Investments accounted for using equity method

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

   Description of key audit matter:

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

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

How the matter was addressed in our audit:

For the principal audit procedures on the valuation of inventories of the investments accounted for using equity method, please refer to key audit matters 1 “Evaluation of inventories”. In addition, the consolidated financial statements of 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 Parent Company Only Financial Statements

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of the Company.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 2,239,009	8	3,979,290	17
1110	Current financial assets at fair value through profit or loss (note 6(b))	75,081	-	93,095	-
1170	Accounts receivable, net (notes 6(e) and (t))	7,505,903	27	6,256,390	26
1180	Accounts receivable from related parties, net (notes 6(e), (t) and 7)	111,619	1	29,181	-
1200	Other receivables (notes 6(e) and 7)	258,597	1	184,718	1
1310	Inventories (note 6(f))	2,182,893	8	2,128,441	9
1470	Other current assets	30,164	-	27,641	-
		12,403,266	45	12,698,756	53
	Non-current assets:				
1523	Non-current available-for-sale financial assets (note 6(d))	-	-	397,252	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	263,624	1	-	-
1550	Investments accounted for using equity method (notes 6(g) and 7)	14,166,264	51	10,287,105	43
1600	Property, plant and equipment (note 6(i))	92,023	-	69,036	-
1760	Investment property (note 6(j))	248,028	1	251,589	1
1780	Intangible assets (note 6(k))	13,738	-	18,351	-
1840	Deferred tax assets (note 6(p))	433,179	2	338,330	1
1990	Other non-current assets	65,658	-	68,465	-
		15,282,514	55	11,430,128	47
	Total assets	$ 27,685,780	100	24,128,884	100

Code	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(l))	$ 950,000	3	-	-
2170	Notes and accounts payable	5,161	-	28,195	-
2180	Accounts payable to related parties (note 7)	10,475,212	38	8,339,013	35
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	19,449	-	103,107	-
2200	Other payables (note 7)	1,228,790	4	1,828,968	8
2201	Salaries payable	244,773	1	206,129	1
2300	Other current liabilities	213,283	1	248,553	1
2320	Long-term borrowings, current portion (note 6(m))	55,556	-	135,555	-
2365	Refund liabilities	1,062,412	4	-	-
		14,254,636	51	10,889,520	45
	Non-Current liabilities:				
2622	Long-term accounts payable to related parties (note 7)	357,703	2	423,944	2
2540	Long-term borrowings (note 6(m))	27,777	-	83,333	-
2630	Long-term deferred revenue (note 6(i))	807,831	3	885,580	4
2600	Other non-current liabilities (notes 6(o) and (p))	612,012	2	461,235	2
		1,805,323	7	1,854,092	8
	Total liabilities	16,059,959	58	12,743,612	53
3110	Ordinary shares (note 6(q))	4,474,523	16	4,456,883	18
3140	Capital collected in advance (note 6(q))	-	-	3,085	-
3200	Capital surplus (note 6(q))	1,377,077	5	1,232,490	5
3310	Legal reserve (note 6(q))	1,187,783	5	982,041	4
3320	Special reserve (note 6(q))	299,065	1	97,300	-
3350	Unappropriated retained earnings (notes 6(c) and (q))	5,038,483	18	5,008,344	21
3400	Other equity interest (note 6(c))	(751,110)	(3)	(394,871)	(1)
	Total equity	11,625,821	42	11,385,272	47
	Total liabilities and equity	$ 27,685,780	100	24,128,884	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

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

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Other equity interest				
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity
Balance on January 1, 2017	$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419	(259,911)	-	405,466	(27,017)	10,999,724
Profit	-	-	-	-	-	2,057,415	-	-	-	-	2,057,415
Other comprehensive income	-	-	-	-	-	(5,909)	(112,643)	-	(331,977)	-	(450,529)
Comprehensive income	-	-	-	-	-	2,051,506	(112,643)	-	(331,977)	-	1,606,886
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	-	193,407	-	(193,407)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,111,886)	-	-	-	-	(1,111,886)
Changes in shares of investment accounted for using equity method	-	-	299,514	-	-	(517,288)	-	-	-	-	(217,774)
Retirement of restricted stock	(940)	-	(2,881)	-	-	-	-	-	-	3,821	-
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	79,420	79,420
Compensation cost of share-based payment	-	-	11,072	-	-	-	-	-	-	-	11,072
Exercise of employee stock options	-	15,892	-	-	-	-	-	-	-	-	15,892
Issuance of ordinary shares for employee stock option and abandonment	6,480	(15,831)	11,289	-	-	-	-	-	-	-	1,938
Issuance of restricted stock	30,000	-	122,030	-	-	-	-	-	-	(152,030)	-
Balance on 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
Effects of retrospective application	-	-	-	-	-	42,573	-	30,916	(73,489)	-	-
Balance on January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	-	(95,806)	11,385,272
Profit	-	-	-	-	-	1,826,870	-	-	-	-	1,826,870
Other comprehensive income	-	-	-	-	-	(473)	(187,628)	(134,472)	-	-	(322,573)
Comprehensive income	-	-	-	-	-	1,826,397	(187,628)	(134,472)	-	-	1,504,297
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-	-
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	-	-	(1,430,068)
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-	-	134	-	-	81,705
Amortization expense of restricted employee stock	-	-	-	-	-	-	-	-	-	84,615	84,615
Retirement of restricted stock	(3,640)	-	(45,324)	-	-	-	-	-	-	48,964	-
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	-	(126,535)	-
Issuance of ordinary shares for employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(1,256)	-	1,256	-	-	-
Balance on December 31, 2018	**$ 4,474,523**	**-**	**1,377,077**	**1,187,783**	**299,065**	**5,038,483**	**(560,182)**	**(102,166)**	**-**	**(88,762)**	**11,625,821**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to parent company only financial statements.

Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matter

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

PRIMAX ELECTRONICS LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion with other matter paragraph.

Key Audit Matters

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

1. Evaluation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

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

2. Acquisition of subsidiaries

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

3. Impairment assessment of intangible assets

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

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

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

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 4,990,458	12	7,821,011	21
1110	Current financial assets at fair value through profit or loss (note 6(b))	115,608	-	141,151	-
1170	Notes and accounts receivable, net (notes 6(e) and (v))	16,382,468	38	13,014,207	35
1180	Accounts receivable from related parties, net (notes 6(e), (v) and 7)	539,820	1	105,911	-
1200	Other receivables (note 6(e))	1,040,546	3	737,687	2
1310	Inventories (note 6(f))	7,760,333	18	6,791,093	18
1470	Other current assets (note 8)	642,927	1	530,360	1
		31,472,160	73	29,141,420	77
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(g))	-	-	-	-
1523	Non-current available-for-sale financial assets (note 6(d))	-	-	402,997	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	268,088	1	-	-
1600	Property, plant and equipment (notes 6(k) and 8)	5,509,536	13	4,437,684	12
1760	Investment property (note 6(l))	34,751	-	35,214	-
1780	Intangible assets (note 6(m))	4,463,979	10	2,730,188	7
1840	Deferred tax assets (note 6(r))	654,310	2	548,995	1
1985	Long-term prepaid rents	223,064	-	217,520	1
1990	Other non-current assets (note 8)	535,613	1	261,125	1
		11,689,341	27	8,633,723	23
	Total assets	$ 43,161,501	100	37,775,143	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(n) and 8)	$ 1,202,565	3	995,638	3
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	19,980	-	103,107	-
2170	Notes and accounts payable	18,447,564	43	16,350,178	43
2180	Accounts payable to related parties (note 7)	94,106	-	-	-
2200	Other payables (notes 6(h) and 7)	3,604,860	8	3,991,128	11
2201	Salaries payable	1,154,205	3	1,105,153	3
2300	Other current liabilities (note 6(v))	375,158	1	433,894	1
2320	Long-term borrowings, current portion (notes 6(o) and 8)	67,548	-	135,555	-
2365	Current refund liabilities	1,094,833	2	-	-
		26,060,819	60	23,114,653	61
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(o) and 8)	239,015	1	83,333	-
2630	Long-term deferred revenue (note 6(k))	910,800	2	1,039,581	3
2600	Other non-current liabilities (notes 6(g), (q) and (r))	980,749	2	555,774	2
		2,130,564	5	1,678,688	5
	Total liabilities	28,191,383	65	24,793,341	66
	Equity attributable to owners of parent:				
3110	Ordinary shares (note 6(s))	4,474,523	10	4,456,883	12
3140	Capital collected in advance (note 6(s))	-	-	3,085	-
3200	Capital surplus (notes 6(i), (s) and (t))	1,377,077	3	1,232,490	3
3310	Legal reserve (note 6(s))	1,187,783	3	982,041	3
3320	Special reserve (note 6(s))	299,065	1	97,300	-
3350	Unappropriated retained earnings (notes 6(c), (i) and (s))	5,038,483	12	5,008,344	13
3400	Other equity interest (note 6(c))	(751,110)	(2)	(394,871)	(1)
36XX	**Non-controlling interests** (notes 6(i) and (j))	3,344,297	8	1,596,530	4
	Total equity	14,970,118	35	12,981,802	34
	Total liabilities and equity	$ 43,161,501	100	37,775,143	100

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(v), 6 (w) and 7)**	$ 64,811,408	100	60,741,692	100
5000	**Operating costs (notes 6(g), (q), (x), 7 and 12)**	57,021,985	88	53,261,685	88
	Gross profit from operation	7,789,423	12	7,480,007	12
	Operating expenses (notes 6(q), (t), (x) and 12):				
6100	Selling expenses	1,447,730	2	1,460,339	2
6200	Administrative expenses	1,796,927	3	1,454,789	2
6300	Research and development expenses	2,664,477	4	2,364,974	4
6450	Reversal of expected credit loss (note 6(e))	(62,225)	-	-	-
	Total operating expenses	5,846,909	9	5,280,102	8
	Net operating income	1,942,514	3	2,199,905	4
	Non-operating income and expenses:				
7010	Other income (notes 6(c) and (y))	133,045	-	143,367	-
7020	Other gains and losses (notes 6 (d), (g) and (z))	349,320	1	541,030	1
7060	Share of loss of associates accounted for using equity method (note 6(g))	(16,753)	-	-	-
7050	Finance costs	(43,924)	-	(36,722)	-
	Total non-operating income and expenses	421,688	1	647,675	1
	Profit before income tax	2,364,202	4	2,847,580	5
7950	**Less: income tax expenses (note 6(r))**	450,227	1	678,599	1
	Profit	1,913,975	3	2,168,981	4
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss**:				
8311	Losses on remeasurements of defined benefit plans (note 6(q))	(473)	-	(5,909)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(134,472)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(134,945)	-	(5,909)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operation's financial statements	(192,374)	-	(108,024)	-
8362	Unrealized losses on available-for-sale financial assets (notes 6(d) and (aa))	-	-	(331,977)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(192,374)	-	(440,001)	(1)
8300	**Other comprehensive loss after tax**	(327,319)	-	(445,910)	(1)
	Comprehensive income	**$ 1,586,656**	**3**	**1,723,071**	**3**
	Profit attributable to:				
8610	Owners of parent	$ 1,826,870	3	2,057,415	4
8620	Non-controlling interests (note 6(j))	87,105	-	111,566	-
		$ 1,913,975	**3**	**2,168,981**	**4**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,504,297	3	1,606,886	3
8720	Non-controlling interests (note 6(j))	82,359	-	116,185	-
		$ 1,586,656	**3**	**1,723,071**	**3**
	Earnings per share (note 6(u))				
9710	**Basic earnings per share (NT dollars)**	**$**	**4.12**		**4.67**
9810	**Diluted earnings per share (NT dollars)**	**$**	**4.09**		**4.63**

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Share capital: Ordinary shares	Share capital: Capital collected in advance	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings
Balance at January 1, 2017	$ 4,421,343	3,024	791,466	788,634	97,300	4,779,419
Profit	-	-	-	-	-	2,057,415
Other comprehensive income	-	-	-	-	-	(5,909)
Comprehensive income	-	-	-	-	-	2,051,506
Appropriation and distribution of retained earnings:						
Appropriated legal reserve	-	-	-	193,407	-	(193,407)
Cash dividends of ordinary share	-	-	-	-	-	(1,111,886)
Changes in shares of investment accounted for using equity method	-	-	299,514	-	-	(517,288)
Amortization expense of restricted employee stock	-	-	-	-	-	-
Retirement of restricted stock	(940)	-	(2,881)	-	-	-
Compensation cost of share-based payment	-	-	11,072	-	-	-
Issuance of restricted stock	30,000	-	122,030	-	-	-
Exercise of employee stock options	-	15,892	-	-	-	-
Issuance of ordinary shares for employee stock option and abandonment	6,480	(15,831)	11,289	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-
Balance at December 31, 2017	4,456,883	3,085	1,232,490	982,041	97,300	5,008,344
Effects of retrospective application	-	-	-	-	-	42,573
Balance at January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917
Profit	-	-	-	-	-	1,826,870
Other comprehensive income	-	-	-	-	-	(473)
	-	-	-	-	-	1,826,397
Appropriation and distribution of retained earnings:						
Appropriated legal reserve	-	-	-	205,742	-	(205,742)
Appropriated special reserve	-	-	-	-	201,765	(201,765)
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-
Amortization expense of restricted employee stock	-	-	-	-	-	-
Retirement of restricted stock	(3,640)	-	(45,324)	-	-	-
Issuance of restricted stock	20,000	-	106,535	-	-	-
Issuance of ordinary shares for employees stock option	1,280	(3,085)	1,805	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(1,256)
Acquired non-controlling interest from business combination	-	-	-	-	-	-
Balance at December 31, 2018	$ 4,474,523	-	1,377,077	1,187,783	299,065	5,038,483

	Other equity interest: Exchange differences on translation of financial statements	Other equity interest: Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Other equity interest: Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	(259,911)	-	405,466	(27,017)	10,999,724	1,244,734	12,244,458
Profit	-	-	-	-	2,057,415	111,566	2,168,981
Other comprehensive income	(112,643)	-	(331,977)	-	(450,529)	4,619	(445,910)
Comprehensive income	(112,643)	-	(331,977)	-	1,606,886	116,185	1,723,071
Appropriation and distribution of retained earnings:							
Appropriated legal reserve	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,111,886)	-	(1,111,886)
Changes in shares of investment accounted for using equity method	-	-	-	-	(217,774)	-	(217,774)
Amortization expense of restricted employee stock	-	-	-	79,420	79,420	-	79,420
Retirement of restricted stock	-	-	-	3,821	-	-	-
Compensation cost of share-based payment	-	-	-	-	11,072	2,604	13,676
Issuance of restricted stock	-	-	-	(152,030)	-	-	-
Exercise of employee stock options	-	-	-	-	15,892	-	15,892
Issuance of ordinary shares for employee stock option and abandonment	-	-	-	-	1,938	-	1,938
Changes in non-controlling interests	-	-	-	-	-	233,007	233,007
Balance at December 31, 2017	(372,554)	-	73,489	(95,806)	11,385,272	1,596,530	12,981,802
Effects of retrospective application	-	30,916	(73,489)	-	-	-	-
Balance at January 1, 2018 after adjustments	(372,554)	30,916	-	(95,806)	11,385,272	1,596,530	12,981,802
Profit	-	-	-	-	1,826,870	87,105	1,913,975
Other comprehensive income	(187,628)	(134,472)	-	-	(322,573)	(4,746)	(327,319)
	(187,628)	(134,472)	-	-	1,504,297	82,359	1,586,656
Appropriation and distribution of retained earnings:							
Appropriated legal reserve	-	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,430,068)	-	(1,430,068)
Changes in shares of investment accounted for using equity method	-	134	-	-	81,705	230,640	312,345
Amortization expense of restricted employee stock	-	-	-	84,615	84,615	-	84,615
Retirement of restricted stock	-	-	-	48,964	-	-	-
Issuance of restricted stock	-	-	-	(126,535)	-	-	-
Issuance of ordinary shares for employees stock option	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	1,256	-	-	-	-	-
Acquired non-controlling interest from business combination	-	-	-	-	-	1,434,768	1,434,768
Balance at December 31, 2018	(560,182)	(102,166)	-	(88,762)	11,625,821	3,344,297	14,970,118

See accompanying notes to consolidated financial statements.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

【Schedule 4】

PRIMAX ELECTRONICS LTD.

Comparison of Amendments to the Procedures for Acquisition or Disposal of Assets

Amended Content	Current Content	Reason for Amendment and Explanation
II. Applicability of “Assets”: …… v. Derivatives: Refers to Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. vi. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as "transfer of shares") under Article 156-3 of the Company Act. vii. Right-of-use assets. viii. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). ix. Other major assets.	II. Applicability of “Assets”: …… v. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes, or other interests. The term “forwards” as previously stated does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements. vi. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as "transfer of shares") under Article 156, paragraph 8 of the Company Act. vii. Other major assets.	Per amended ROC regulations.
III. Evaluation Procedures: Upon the acquisition or disposal of negotiable securities or the trading of derivatives, the finance department shall first analyze the interests and evaluate possible risks; upon the acquisition or	III. Evaluation Procedures: Upon the acquisition or disposal of negotiable securities or the trading of derivatives, the finance department shall first analyze the interests and evaluate possible risks; upon the acquisition or	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
disposal of real property, equipment and right-of-use asset, capital expenditure plans shall be drafted by respective departments in advance, providing feasibility assessment on the purpose of the acquisition or the disposal and the expected effects; upon related party transactions, evaluation on the reasonableness of terms and conditions of the transaction shall be carried out in accordance with Segment 3 of Section 2 of this standard operation procedure; upon the trading of derivatives, the status on futures market transactions, interest rates and foreign exchange rates shall be taken into account for consideration; upon mergers, demergers, acquisition or transfer of shares, the nature of the business, net value per share, value of asset, techniques and profitability, capacity and future growth potential, etc. shall be taken into account for consideration.	disposal of real property and equipment, capital expenditure plans shall be drafted by respective departments in advance, providing feasibility assessment on the purpose of the acquisition or the disposal and the expected effects; upon related party transactions, evaluation on the reasonableness of terms and conditions of the transaction shall be carried out in accordance with Segment 3 of Section 2 of this standard operation procedure; upon the trading of derivatives, the status on futures market transactions, interest rates and foreign exchange rates shall be taken into account for consideration; upon mergers, demergers, acquisition or transfer of shares, the nature of the business, net value per share, value of asset, techniques and profitability, capacity and future growth potential, etc. shall be taken into account for consideration.	
IV. The establishment of the procedures shall be executed after the approval of the shareholders upon approval and submission by the board of directors. Regarding the amendment of procedures, after the procedures have been approved of by over half of all members of the Audit Committee, they shall be submitted to the board of directors and reported to the shareholders' meeting for approval. If approval of more than half of all Audit Committee members as aforementioned is not obtained, the procedures may be implemented if they are approved of by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the operating procedures, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.	IV. After the procedures have been approved of by over half of all members of the Audit Committee, they shall be submitted to the board of directors and reported to the shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. They shall take into full consideration each independent director's opinions and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. If approval of more than half of all Audit Committee members as aforementioned is not obtained, the procedures may be implemented if they are approved of by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes.	through its regulations has revised the policy and this article per amended ROC regulations.
VI. Evaluation Procedures on Acquisition or Disposal of Assets, Equipment or Right-of-Use Assets In acquiring or disposing of real property,	VI. Assets Evaluation Procedures In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
equipment <u>or right-of-use assets</u> where the transaction amount reaches 20 percent of the company's paid-in capital or NT$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use <u>or its right-of-use assets</u>, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. ……	company's paid-in capital or NT$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. ……	
IIX. Where the company acquires or disposes of intangible assets <u>or its right-of-use assets, or</u> memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. ……	IIX. Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. ……	Per amended ROC regulations.
X. Aside from professional appraisal and opinions from certified public accountants and field experts, for the calculation of the price of the acquired or disposed asset and the basis for reference, the following procedures shall apply to the specific situations accordingly: …… iv. For acquired or disposed real property<u>,</u> equipment <u>or right-of-use assets</u>, the current value, assessed value, actual selling price or book value of neighboring real property, and vendors'	X. Aside from professional appraisal and opinions from certified public accountants and field experts, for the calculation of the price of the acquired or disposed asset and the basis for reference, the following procedures shall apply to the specific situations accordingly: …… iv. For acquired or disposed real property <u>and</u> equipment, the current value, assessed value, actual selling price or book value of neighboring real property, and vendors' price quotes	Per amended ROC regulations.

<table>
<tr><th>Amended Content</th><th>Current Content</th><th>Reason for Amendment and Explanation</th></tr>
<tr><td>price quotes shall be taken into account for consideration. If real property is purchased from a related party, the calculation of the price should follow the regulations stated in segment 3 of section 2 of the standard operating procedures to assess the reasonableness of the transaction price.
……</td><td>shall be taken into account for consideration. If real property is purchased from a related party, the calculation of the price should follow the regulations stated in segment 3 of section 2 of the standard operating procedures to assess the reasonableness of the transaction price.
……</td><td></td></tr>
<tr><td>XII. Investment Amounts and Limits
The company and subsidiaries may invest on assets for the uses of business operations and also real property<u>, equipment, its right-of use assets</u> and securities for uses other than business operations, the amounts and limits are as stated below<u>:</u>
i. <u>For non-business use operations, t</u>he aggregated amount of initially invested real property<u>, equipment, its right-of-use assets, and marketable securities of financial assets classified as fair value through profit and loss,</u> shall not exceed 20 percent of the shareholders’ equity according to the most recent fiscal financial statement. Initially invested amount of <u>a single company on marketable securities categorized as a financial asset classified as fair value through profit and loss</u> shall not exceed 5 percent of the shareholders’ equity aforementioned. Initially invested amount of the purchase of money market funds shall not exceed 50 percent of shareholders' equity as aforementioned. This policy also applies to the company’s subsidiaries. If a subsidiary's invested amount exceeds the limit, it can be excluded from this policy following the company's board of directors' approval and subsequent ratification of the approval.
ii. The aggregated amount of initially invested securities by the company shall not exceed 150 percent of the shareholders’ equity according to the most recent fiscal financial statement certified by the public accountant. However, the initially invested amount of joint venture for a single company <u>on a financial asset not classified as fair value through profit and loss,</u> is limited to 80</td><td>XII. Investment Amounts and Limits
The company and subsidiaries may invest on assets for the uses of business operations and also real property and securities for uses other than business operations, the amounts and limits are as stated below.
i. The aggregated amount of initially invested real property and <u>short-term</u> securities f<u>or uses other than business operations</u> shall not exceed 20 percent of the shareholders’ equity according to the most recent fiscal financial statement. Initially invested amount of <u>short-term investments</u> for a single company shall not exceed 5 percent of the shareholders’ equity aforementioned. Initially invested amount of the purchase of money market funds shall not exceed 50 percent of shareholders' equity as aforementioned. This policy also applies to the company’s subsidiaries. If a subsidiary's invested amount exceeds the limit, it can be excluded from this policy following the company's board of directors' approval and subsequent ratification of the approval.
ii. The aggregated amount of initially invested securities by the company shall not exceed 150 percent of the shareholders’ equity according to the most recent fiscal financial statement certified by the public accountant. However, the initially invested amount of <u>long-term</u> joint venture for a single company is limited to 80 percent of the shareholders’ equity aforementioned.</td><td>Per amended ROC regulations and in line with wording of IFRS 9.</td></tr>
</table>

Amended Content	Current Content	Reason for Amendment and Explanation
percent of the shareholders' equity aforementioned. "Regulations Governing the Preparation of Financial Reports by Securities Issuers" shall apply to related parties and subsidiaries.		
XIV. Appraisal Procedures When the company intends to acquire or dispose of real property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its right-of-use assets 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the Audit Committee with approval from over half of all committee members, followed by approval from the board of directors: …… iii. With respect to the acquisition of real property or right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with articles XV and XVI. …… With respect to the types of transactions listed below, when to be conducted between a the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting: 1. Acquisition or disposal of equipment or	XIV. Appraisal Procedures When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the Audit Committee with approval from over half of all committee members, followed by approval from the board of directors: …… iii. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with articles XV and XVI. …… With respect to the acquisition or disposal of business-use equipment between the company and related parties, the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting. When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors	Per amended ROC regulations with the addition of appraisal procedure details. Having taken into consideration company business development plans, procurement planning and equipment rentals needs, and the comparably low risks of the transfer or leasing of property or assets between the company and its 100 percent owned parent or subsidiaries, or between its subsidiaries.

Amended Content	Current Content	Reason for Amendment and Explanation
right-of-use assets thereof held for business use. 2. Acquisition or disposal of real property right-of-use assets held for business use. When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Article I of this procedure shall be recognized by the Audit Committee, and it shall first be approved by more than half of all Audit Committee members and then submitted to the board of directors for a resolution. If approval by more than half of all Audit Committee members is not acquired, it shall be approved of by more than two-thirds of the board of directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes.	shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.	
XV. Evaluation of the Reasonableness of the Transaction Costs: When the company acquires real property or right-of-use assets from a related party, it shall evaluate the reasonableness of the transaction costs by the following means along with the review and opinions of a certified public accountant, provided that the real property or right-of-use assets was not acquired via inheritance or as a gift, or that more than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets to the signing date for the current transaction, or the real property was acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land, or the real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued	XV. Evaluation of the Reasonableness of the Transaction Costs: When the company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means along with the review and opinions of a certified public accountant, provided that the real property was not acquired via inheritance or as a gift, or that more than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction, or the real property was acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land, where article XIV shall apply. …… iii. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
shares or authorized capital, where article XIV shall apply. …… iii. Where land and structures thereupon are combined as a single property purchased or rented in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the two preceding paragraphs.	structures may be separately appraised in accordance with either of the means listed in the two preceding paragraphs.	
XVI. When the results of the company's appraisal conducted in accordance with the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with article XVII. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply: i. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: …… 2.Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market purchase or rental practices. ii. Where the company acquiring real property or renting real property right-of-use assets from a related party provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels	XVI. When the results of the company's appraisal conducted in accordance with the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with article XVII. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply: i. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: …… 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices. 3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices. ii. Where the company acquiring real property from a related party provides	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or right-of-use assets.</u>	evidence that the terms of the transaction are similar to the terms of transactions <u>completed</u> for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. <u>Completed</u> transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	
XVII. Where the company acquires real property <u>or right-of-use assets</u> from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction price, the following steps shall be taken: i. A special reserve shall be set aside in accordance with article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property<u> or right-of-use assets</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company that is a public company, then the special reserve called for under article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. The special reserve as stated in the preceding paragraph may not be utilized until the company has recognized a loss on decline in market value of the assets it purchased <u>or rented</u>	XVII. Where the company acquires real property from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction price, the following steps shall be taken: i. A special reserve shall be set aside in accordance with article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company that is a public company, then the special reserve called for under article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. The special reserve as stated in the preceding paragraph may not be utilized until the company has recognized a loss on decline in market value of the assets it	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. ii. All members of the Audit Committee shall comply with Article 218 of the Company Act. iii. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. iv. When obtaining real property or right-of-use assets thereof from a related party, it shall also comply with subparagraph 1 and subparagraph 2 if there is other evidence indicating that the acquisition was not an arms length transaction.	purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. ii. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.	
XIIX. Trading Principles and Strategies i. Types of derivatives: Forward contracts, options contracts, interest and exchange swaps, future contracts, leverage contracts and compound contracts combining the above products, or hybrid contracts or structured products containing embedded derivatives. Any other products must be approved of for trading by the board of directors. ……	XIIX. Trading Principles and Strategies i. Types of derivatives: Forward contracts, options contracts, interest and exchange swaps, future contracts, and compound contracts combining the above products. Any other products must be approved of for trading by the board of directors. ……	Per amended ROC regulations.
XX. Internal Audit System: The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the Audit Committee shall be notified in writing.	XX. Internal Audit System: The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the Audit Committee shall be notified in	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the Audit Committee under the preceding paragraph, written notice shall also be given to the independent directors.	writing.	
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 or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises …… 4. Where the type of asset acquired or disposed is equipment/machinery for business use or right-of-use assets, the trading counterparty is not a related party, and the transaction amount is less than NT$500 million. 5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the	XXIX. Announce and Report Procedures: i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. …… 4. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT$500 million. 5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
transaction counterparty is not a related party, and the amount the company expects to invest in the transaction is less than NT$500 million. 6. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances: (1) Trading of domestic government bonds. (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds. ii. The amount of transactions above shall be calculated as follows: 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property or right-of-use asset acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. ……	the amount the company expects to invest in the transaction is less than NT$500 million. 6. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances: (1) Trading of government bonds. (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds. ii. The amount of transactions above shall be calculated as follows: 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. ……	
XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries …… iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its acquired or disposed assets reach the standards of announce and report as stated in article IXXX prior to the occurrence of the fact, and the company shall announce and report pursuant to regulations at the designated website. The paid-in capital or total assets of the subsidiary shall be	XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries …… iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its acquired or disposed assets reach the standards of announce and report as stated in article IXXX prior to the occurrence of the fact, and the company shall announce and report pursuant to regulations at the designated website. The paid-in	Per amended ROC regulations.

Amended Content	Current Content	Reason for Amendment and Explanation
the standard for determining whether or not the subsidiary is subject to regulations requiring a public announcement and regulatory filing in the event the type of transaction specified therein of the total assets.	capital or total assets of the subsidiary shall be the standard for determining whether or not the subsidiary is subject to regulations requiring a public announcement and regulatory filing in the event the type of transaction specified therein <u>reaches 20 percent of paid-in capital or 10 percent</u> of the total assets.	
XXXIII. Regarding appraisal reports obtained for the company or opinions from public lawyers, or accountants, or securities underwriters, said appraiser, lawyer, accountant, or securities underwrite must not be related to the parties involved in the transaction <u>and shall comply with article V of the previsions of public enterprises acquiring or disposing of assets.</u>	XXXIII. Regarding appraisal reports obtained for the company or opinions from public lawyers, or accountants, or securities underwriters, said appraiser, lawyer, accountant, or securities underwrite must not be related to the parties involved in the transaction .	Per amended ROC regulations.
XXXIV. This corporate document was created on 200811/7. …… <u>Seventh-time amendments were made on 2019/06/18.</u>	XXXIV. This corporate document was created on 200811/7. …… Sixth-time amendments were made on 2018/5/30.	The addition of the date of the most recent amendments.

【Schedule 5】

PRIMAX ELECTRONICS LTD.

Comparison of Amendments to the Procedures for Lending Funds to Other Parties

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

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

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

Amended Content	Current Content	Reason for Amendment and Explanation
<u>5.</u> The finance department shall create, track and control a detailed list for the company's occurred or cancelled loaned funds by the month, and apply for announcing and reporting. The accounting department shall evaluate and record any uncollectable bad debts no less frequently than quarterly, adequately disclose information on loaned funds in the financial reports, and provide certified public accountants with relevant information. <u>6.</u> If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, submit the rectification plans to the Audit Committee, and complete the rectification according to the timeframe set out in the plan. ii. Review Procedures 1. When processing the loaning of funds for others from the company, the company or proprietorship that is the borrower of the fund shall submit relevant financial information and statement of the uses of the loaned fund in advance in written form. 2. When the company approves of the application, the claims department shall investigate and evaluate the necessity of and reasonableness of extending loans to others, the direct or indirect business relationship between the company and the borrower, the financial condition of the borrower, repayment capacity, credit status, profitability, the uses of the loaned fund, the impact of the loaned fund and the sum towards the company's operational risks, financial condition, and shareholders' equity, and submit a written report to <u>the Audit Committee and</u> the board of directors for evaluation and resolution. 3. When processing the loaning of funds or short-term financial items, a bill of guarantee of the equivalent amount shall be obtained and chattel mortgage or real estate mortgage shall be set up if necessary. The company shall also	<u>7.</u> If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, submit the rectification plans to the Audit Committee, and complete the rectification according to the timeframe set out in the plan. ii. Review Procedures 1. When processing the loaning of funds for others from the company, the company or proprietorship that is the borrower of the fund shall submit relevant financial information and statement of the uses of the loaned fund in advance in written form. 2. When the company approves of the application, the claims department shall investigate and evaluate the necessity of and reasonableness of extending loans to others, the direct or indirect business relationship between the company and the borrower, the financial condition of the borrower, repayment capacity, credit status, profitability, the uses of the loaned fund, the impact of the loaned fund and the sum towards the company's operational risks, financial condition, and shareholders' equity, and submit a written report to the board of directors for evaluation and <u>board</u> resolution. 3. When processing the loaning of funds or short-term financial items, a bill of guarantee of the equivalent amount shall be obtained and chattel mortgage or real estate mortgage shall be set up if necessary. The company shall also evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the loaned fund and balance, possibly requesting for additional security from the entity when it is deemed necessary.	

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

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

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

【Schedule 6】

PRIMAX ELECTRONICS LTD.

Comparison of Amendments to the Procedures for Endorsements & Guarantees

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

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

Amended Content	Current Content	Reason for Amendment and Explanation
X. Announce and Report Procedures These regulations shall be enforced from the date of promulgation. i. The finance department shall announce and report the previous month's loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe. ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: 1. The aggregate balance of endorsements/guarantees to others by the company and subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest fiscal financial statement. 2. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest fiscal financial statement. 3. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches NT$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>invested book amount per the equity method </u>in, and balance of loans to, such enterprise reaches 30 percent or more of the company's net worth as stated in its latest fiscal financial statement. 4. The amount of new endorsements/guarantees made by the company or subsidiaries reaches NT$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement. iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its balance of endorsements/guarantees reaches the standards of announce and report as stated in the operational procedures prior to the occurrence of the fact, and the company shall announce and report	X. Announce and Report Procedures These regulations shall be enforced from the date of promulgation. i. The finance department shall announce and report the previous month's loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe. ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: 1. The aggregate balance of endorsements/guarantees to others by the company and subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest fiscal financial statement. 2. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest fiscal financial statement. 3. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches NT$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>investment of a long-term nature </u>in, and balance of loans to, such enterprise reaches 30 percent or more of the company's net worth as stated in its latest fiscal financial statement. 4. The amount of new endorsements/guarantees made by the company or subsidiaries reaches NT$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement. iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its balance of endorsements/guarantees reaches the standards of announce and report as stated in the operational procedures prior to the occurrence of the fact, and the company shall announce and report	Per amended ROC regulations.

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

List of Independent Director Candidate

【Schedule 7】

Title	Name of Candidates	Education	Experience	Current Position	Shares
Independent Director	Jia-Chyi Wang	Master of management, Northwestern University, JL Kellogg School	● Ping An Insurance(Group)Company of China, Ltd. / Tutor ● Egon Zehnder International / Global Senior Partner& Consumer Electronics BU,GM ● PRIMAX Electronics Ltd. / Corporate development Director (Term of employment: from Mar. 4, 2002 to Oct. 22, 2004) ● McKinsey& Company(HK/Shanghai) / Consultant ● P&G, TAIWAN / Project Manager	● Zenith Consulting Company limited / Mnaging Partner and Director ● CITIC Capital Investment Holdings Limited / Bsiness partner ● ALT International Co., Ltd. / Independent Director	0

Addendum:

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

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

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

The information regarding the current operation of the Board of Directors and the Functional Committees, please refer to「III. Corporate Governance Report 4. Status of Corporate Governance Implementation」of the 2018 Annual Report.

Proposal of removal of the non-competition restrictions on Directors

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