

Stock Code: 4915



PRIMAX ELECTRONICS LTD.

Handbook for the 2021 Annual General Meeting of Shareholders (Translation)

Time : May 28, 2021

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

* If a change in meeting venue occurred due to COVID-19 epidemic prevention reasons, we will make the related public announcements on MOPS.

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PRIMAX ELECTRONICS LTD.

Procedure for the 2021 Annual General Meeting of Shareholders

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

PRIMAX ELECTRONICS LTD.
2021 Annual General Shareholders' Meeting Agenda

Time : May 28, 2021 (Friday) 9 AM

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

- 1 、 Meeting called to order (declare the number of shares represented by shareholders present at the meeting)
- 2 、 Chairperson Remark
- 3 、 Report
 - I. The Company's 2020 Business Report.
 - II. Audit Committee's Review Report on the 2020 Financial Statements.
 - III. Distribution of employees' and directors' compensation in 2020.
- 4 、 Adoption
 - I. The Company's 2020 business report and financial statements.
 - II. The Company's 2020 distribution of earnings.
- 5 、 Discussion
 - I. Amend the Company's " Articles of Incorporation ".
 - II. Proposed Issuance of Restricted Employee Stock Awards.
- 6 、 Election
 - I. Election of all directors.
- 7 、 Other Matters
 - I. Removal of the non-compete restrictions on the newly elected directors.
- 8 、 Extempore Motion
- 9 、 Meeting Adjournment

Report

Report No. 1 : The Company's 2020 Business Report for review.

Description:

Refer to Schedule 1 of the Handbook (from page 9 to page 11) for the 2020 Business Report.

Report No. 2 : Audit Committee's Review Report on the 2020 Financial Statements for review.

Description:

Refer to Schedule 2 of the Handbook (page 12) for the Audit Committee's Review Report.

Report No. 3 : Distribution of employees' and directors' compensation in 2020.

Description:

- (1) The Board of Directors resolved to distribute NT\$72,645,000 for employees' compensation and NT\$36,322,000 for directors' compensation for year 2020.
- (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 2020 was NT\$2,223,041,936, the amount before deducting the sums of compensation of directors and employees was NT\$ 2,332,008,936. Hence, the aforementioned compensation of employees and directors are respectively 3.12% and 1.56% of the said NT\$ 2,332,008,936.
- (3) In the internal financial statements, the employees' compensation was recorded as NT\$72,645,474 and NT\$36,322,737 as directors' compensation for year 2020. The discrepancy amount was NT\$-474 and NT\$-737 respectively. The discrepancies were the difference between the outcomes of an accounting estimate, which will be handled by principles of accounting change.

Adoption

1. (Proposed by the Board)

Proposal : Adoption of the Company's 2020 Business Report and Financial Statements.

Description:

The Company has completed the internal preparation of the 2020 Annual Parent Company Only and Consolidated Financial Statements and has provided the reports to MEI-PIN WU CPA and CHI-LUNG YU CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Please refer to Schedule 1, from page 9 to page 11, and Schedule 3, from page 13 to page 28, of the Handbook for the above Financial Statements as well as the Business Report.

Resolution:

2. (Proposed by the Board)

Proposal : Adoption of the Company's 2020 distribution of earnings.

Description:

- (1) The Company's net profit of 2020 is NT\$1,919,265,157, minus this year's remeasurement of defined benefit obligation NT\$4,532,818, minus legal reserve provision NT\$ 191,473,234, plus reversal of special reserve NT\$12,580,756, plus unappropriated retained earnings, beginning of year NT\$3,818,726,134. The retained earnings available for distribution as of December 31, 2020, are NT\$5,554,565,995. The 2020 distribution of earnings prepared according to the Articles of Incorporation is as follows:

PRIMAX ELECTRONICS LTD.
Earnings Distribution Proposal
Year 2020

Unit: NT\$

Item	Amount
Unappropriated Retained Earnings, beginning of year	3,818,726,134
Add : Net profit of 2020	1,919,265,157
Less : Remeasurement of Defined Benefit Obligation	4,532,818
Less : 10% Legal Reserve	191,473,234
Add : Reversal of Special Reserve	12,580,756
Retained Earnings Available for Distribution as of December 31, 2020	5,554,565,995
Distribution Item :	
Cash Dividends (NT\$3 per share)	1,354,872,972
Unappropriated Retained Earnings	4,199,693,023

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 451,624,324 outstanding shares as of Feb. 18, 2021 .
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 expected dividend payout ratio for this distribution of profits is 70%

- (2) For this distribution of profits, the 2020 earnings will be subject to distribution on a priority basis.
- (3) The cash dividends total NT\$1,354,872,972 and the per share dividends to be distributed are NT\$3. 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 451,624,324 outstanding shares as of Feb. 18, 2021. After the proposal is approved at the regular shareholders' meeting, it is proposed the board of directors shall be authorized to determine the ex-dividend date and relevant matters.
- (4) For the distribution of earnings, in the event of satisfaction of the vesting conditions on restrictive stock awards, buyback of the Company's shares, assignment or cancellation of treasury stock which influences the ratio of distributable dividends, it is proposed the shareholders' meeting shall authorize the Board of Directors to make proportionate adjustments to the ratio of distributable dividends based on the number of outstanding shares on the ex-dividend date.

Resolution:

Discussion

1. (Proposed by the Board)

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

Description:

- (1) It is proposed certain provisions of the Company's "Articles of Incorporation" shall be amended as needed for the Company's operational requirements.
- (2) Please Refer to Schedule 4, pages 29, of the Handbook for a comparison of the amendments to the "Articles of Incorporation".

Resolution:

2.

(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 Issuance of Securities by Securities Issuers published by the Financial Supervisory Commission.

(2) Expected total amounts(shares) of issuance:4,000,000 shares.

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

(4) Vesting conditions:

I. Vesting conditions:

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

(I)Vesting for Category A:

- i. Each award of Restricted Stock shall vest at a rate of 30% at the end of the first twelve months of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.
- ii. Each award of Restricted Stock shall vest at a rate of 30% at the end of two years of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.
- iii. Each award of Restricted Stock shall vest at a rate of 40% at the end of three years of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company 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 of Restricted Stock shall vest at a rate of 50% at the end of the first twelve months of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.
- ii. Each award of Restricted Stock shall vest at a rate of 50% at end of two years of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.

(III)Vesting for Category C:

Each award of Restricted Stock shall vest at a rate of 100% at the end of the first twelve months of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.

(IV)Vesting for Category D:

- i. Each award of Restricted Stock shall vest at a rate of 15% at the end of the first twelve months of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.

- ii. Each award of Restricted Stock shall vest at a rate of 15% at end of two years of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.
- iii. Each award of Restricted Stock shall vest at a rate of 20% at end of three years of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.
- iv. Each award of Restricted Stock shall vest at a rate of 20% at end of four years of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.
- v. Each award of Restricted Stock shall vest at a rate of 30% at end of five years of continuous employment in Company or any companies which have a controlling or subordinate relation with the Company after granting the award and achievement of personal performance goals and business performance goals in the previous year.

(V)The aforementioned personal performance goals shall mean the accomplishment of individual performance goals in accordance with the Company's "Performance Review and Development Measures", of the company which the employees work for, including pre-set goals and special contributions. The rating of Year-end performance review should be 3 and above.

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

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

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

(5) Qualification criteria for employees:

I. Employees who will be eligible to receive RSA are limited to full-time employees who have registered with the Company or any companies which have a controlling or subordinate relation with the Company, and will be limited to the ones who are important to the Company's future success and development; whose individual performance are valuable to the Company; or those who are considered as the valuable new-hires. Employee who has hold over 10% shares of the company should be excluded.

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

(6) The necessary reason of the current issuance of RSA:

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\$49.75, the amount of annual cost sharing for year 2021, 2022, 2023, 2024, 2025 and 2026 shall be NT\$ 22,301,128, NT\$100,681,563, NT\$50,154,219, NT\$ 22,774,444, NT\$ 2,218,021 and NT\$ 870,625 respectively, with a total amount of NT\$199,000,000.
- (8) Dilution of the Company's earnings per share (EPS) and other matters affecting shareholder's equity:
Estimations are made based on NT\$49.75, the highest share price during the period of 60 trading days before Jan. 5, 2021, the diluted EPS for year 2021, 2022, 2023, 2024, 2025 and 2026 shall be NT\$0.05, NT\$0.22, NT\$0.11, NT\$0.05, NT\$0.005, and NT\$0.002 respectively. No significant impact on shareholder's equity.
- (9) Restrictions before employees meet the vesting conditions once the RSA are vested:
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 terms and conditions (including stock trust, etc.):
The new shares issued by the Company through the exercise of Restricted Stock shall be dealt in accordance with measures for stock trust.
- (11) Any other matters that need to be specified:
- I. For the long term retention purpose, the Award shall be issued mainly for Category A and D, Award for Category B and C will be issued subject to the commitment of Remuneration Committee, 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 A and Category D in recent years (Y2018 to Y2020) is 83% of the total number of Restricted Employee Stock Award; Category B is 9%; Category C is 8%.
 - II. In circumstance where amendments to the conditions for issuance of Restricted Stock are required by instructions from the competent authorities, the amended of relevant laws and rules, or in response to financial market conditions, the Chairman of the Company is authorized to amend these provisions, which shall become effective upon approval by the Board of Directors.
 - III. Based on the total number of issued shares (450,898,324 shares) as of Jan. 5, 2021, the 4,000,000 new shares to be issued will account for 0.89% of the total number of issued shares.

Resolution:

Election

1. (Proposed by the Board)

Proposal : Election of all directors.

Description:

- (1) As the term of the incumbent directors of the Company will expire on May 29, 2021, it is proposed new directors shall be elected at the 2021 regular shareholders' meeting.
- (2) According to the Articles of Incorporation, five to nine directors may be elected. It is proposed nine directors (including five independent directors) shall be elected.
- (3) New directors (including independent directors) shall have a term of three years from May 28, 2021 to May 27, 2024.

- (4) According to the Articles of Incorporation, the candidate nomination system shall be adopted for the election of directors (including independent director), please refer to Schedule 5, from page 30 to page 34, of the Handbook for the list of the director candidates and their academic background, work experiences, and shareholdings.
- (5) The election shall be conducted according to the Company's "Rules for Election of Directors".

Voting Results:

Other Matters

1.

(Proposed by the Board)

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

Description:

- (1) According to Article 209 of the Company Act, a director who conducts business within the business scope of the Company for himself or others shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) To draw on the expertise and relevant experience of the Company's directors to the benefit of the Company, as certain newly elected directors concurrently work for other companies, which may constitute the act restricted under Article 209 of the Company Act, it is proposed for resolution to remove the non-compete restrictions on the company's newly elected directors. Refer to Schedule 6, from page 35, of the Handbook for the details.

Resolution:

Extempore Motion

Meeting Adjournment

Business Report

2020 was a year the pandemic dictated much of people's decisions, as COVID-19 took the world by surprise and created immense impact on social, political, economic, and financial market activities. The pandemic not only changed people's lifestyles and habits, but also forced businesses to adopt new work models and explore new commercial opportunities. For Taiwan's industries, it is essential for companies to develop resilience and risk diversification capabilities in response to continued trade dispute tensions between US and China and potential economic uncertainties following pandemic.

As soon as COVID-19 began to spread in 2020, Primax Electronics immediately took a series of pro-active actions to secure its employees, supply chain, and cash flow, thereby enabling the Company to resume production capacity back to the pre-pandemic level in an extremely short period of time. Meanwhile, Thailand Plant also started full production and shipment. All together provided Primax Electronics with the level of resilience needed to mitigate operational and profitability impacts during a time when majority of the world's economies suffered significant setback.

In terms of sales performance, Primax Electronics achieved strong growth in the revenue under the PC Peripherals segment, including gaming products and computer equipments, due to increased home-based activities, making PC Peripherals an important pillar to the Group's profits in 2020. As for optical products and application, consistent shipment of automotive camera modules and police body cameras helped diversify risks of cellphone cameras business. Primax even took further initiative to work with world's leading electric vehicle manufacturers on the development of automotive camera modules as components to the smart driving system. Demand for home entertainment systems recovered in the second half of 2020, and as a result, subsidiary Tymphony was able to sustain shipment of acoustic products including smart speakers and smart headphones, and began new projects such as high-end acoustics, home audio, and video conferencing solutions for next year's growth.

With respect to production layout, the manufacturing site in Thailand has already begun mass production and contributed to the Group's revenues in 2020. Thailand Plant will further share the Group's production capacity with its new factory facilities complete at the end of 2021.

The following is an overview of the Company's 2020 performance.

I. 2020 Financial Performance

(I) Results of business plans

The Company generated NT\$68,240,939 thousand of net consolidated operating revenues worldwide in 2020, representing a 15.4% decline over the NT\$80,649,608 thousand in 2019. Consolidated net income totaled NT\$1,944,267 thousand in 2020, representing a 14.1% reduction compared to the NT\$2,262,919 thousand in 2019.

(II) Financial performance Analysis

Unit : NT\$ thousand

Item	2020	2019	Variation
Net cash inflow (outflow) from operating activities	3,961,005	6,628,011	(2,667,006)
Net cash inflow (outflow) from investing activities	(2,795,916)	(3,578,919)	783,003
Net cash inflow (outflow) from financing activities	(974,633)	(1,098,408)	123,775

(III) Profitability Analysis

Item	2020	2019
Return on shareholders' equity (%)	12.96	15.36
Operating profit as a percentage of paid-up capital (%)	51.00	61.59
Pre-tax profit as a percentage of paid-up capital (%)	54.97	64.96
Net Profit Margin (%)	2.85	2.81
Earnings per Share (NTD)	4.30	4.80

(IV) Research and development progress

The Company committed NT\$2,555,565 thousand of research expense in 2020 as a means to enhance its R&D capacity and competitive advantage. Much of this sum was spent on the development and design of new products/technologies and improvement of production process.

II. Business development strategies

Primax will continue its strategy of building technology-oriented business center on new product applications and technologies in relation to the three senses (visual, hearing, and touch). It is the Company's goal to establish itself as the one-stop supplier of new solutions in this field of expertise. The Company expects its investments in commercial and industrial applications such as automotive electronics, internet of things (IoT), and smart home to contribute revenues and pave way for the next wave of growth starting from 2021.

In the development of optical products, Primax actively expands new camera modules to applications such as intelligent driving system, biometrics etc., and continues to introduce new functions and production procedures to imaging software and hardware. Through development of structured light 3D scanner, multi-focus lenses, and imaging processing software, Primax aims to expand product portfolio to applications such as smart surveillance, smart home, and online multimedia related to content creation.

With respect to acoustics products, Tymphany expects to see revenue and profit growth in 2021 from audio products including headphones, high-end acoustic solutions, and video conferencing products. In the meantime, Tymphany will continue investing into product quality improvement, production efficiency enhancement, technology development, and integrated solutions to further expand competitiveness in acoustics market.

As for PC peripheral, Primax will build on top of its success in human-machine interfaces to secure revenues and profits from eSport products in 2021. The Company will also take the initiative to integrate existing visual and acoustic technologies within the Group to develop smart home solutions such as door lock, surveillance, and security systems, and help brand customers incorporate new technologies into their products to progress from computers to the IoT era.

In terms of production management, the Company will continue incorporating new concepts such as smart manufacturing and Industry 4.0 as a means to upgrade production capacity and enhance productivity. Primax will also aim to expand Thailand factory's production output in 2021 while maintaining yield and quality at highest standards, and take progressive steps toward building alternative mass production sites outside China.

The Company expects geopolitical risks and global economic uncertainties to persist in the future, and will continue to respond by upgrading technological core competencies, adding value to customers' products development, and realizing its vision of intelligent manufacturing. Meanwhile, additional efforts will be taken to production capacity and supply chain in Thailand, and in doing so diversify business risks for sustainable growth of the Company.

Chairman and President Li-Sheng Liang

Head of Accounting Shu-chuan Chang

Audit Committee's Review Report

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2020 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: February 26, 2021



安侯建業聯合會計師事務所

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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, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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 reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We did not audits the financial statements of certain investments accounted for using equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the reports of the other auditors. The Company's investment in these companies constituting 14% and 15% of the total assets, as of December 31, 2020 and 2019, respectively. The related share of profit of subsidiaries and associates accounted for using the equity method amounted constituting 3% and 29% of the profit before tax, for the years ended December 31, 2020 and 2019, 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(e) “Inventories” of the financial statements.

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of the Company; inspecting whether existing inventory policies are applied; examine the accuracy of the aging of inventories by sampling and analyze the changes of the aging of inventories; inspecting the reasonableness of the allowance provided for inventory valuation in the past and comparing it to the current year to ensure that the measurements and assumptions are appropriate.

2. Investments accounted for using equity method

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

Description of key audit matter:

Based on the scope and nature of their businesses of the Company’s subsidiaries accounted for using equity method, the net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty and may influence the outcome of their operations. Therefore, the valuation of inventories of the subsidiaries 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 2019, the Company lost its control over ALT International Co., Ltd (Cayman) recognizing the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal. The transactions metioned above 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 an estimation uncertainty; therefore, the assessment of impairment of intangible assets, recognized from the acquisition of the subsidiaries and associates 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 all 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)
February 26, 2021

Notes to Readers

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

The independent auditors' audit 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' audit 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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 3,370,254	10	2,238,853	8	2100 Short-term borrowings (note 6(k))	\$ 280,000	1	-
1110 Current financial assets at fair value through profit or loss (note 6(b))	260,987	1	172,807	1	2170 Notes and accounts payable	62,501	-	90,504
1170 Accounts receivable, net (notes 6(d) and (t))	6,575,807	21	6,638,573	22	2180 Accounts payable to related parties (note 7)	11,625,520	37	11,139,174
1180 Accounts receivable from related parties, net (notes 6(d), (t) and 7)	563,475	2	567,095	2	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	432,171	1	207,211
1200 Other receivables (notes 6(d) and 7)	220,212	1	388,334	1	2200 Other payables (note 7)	2,163,057	7	1,690,295
1310 Inventories (note 6(e))	4,133,700	13	3,210,952	11	2201 Salaries payable	256,850	1	380,641
1470 Other current assets	37,562	-	42,112	-	2280 Current lease liabilities (note 6(m))	91,140	-	86,887
	15,161,997	48	13,258,726	45	2300 Other current liabilities (note 6(t))	541,277	2	205,773
Non-current assets:					2320 Long-term borrowings, current portion (note 6(l))	-	-	27,777
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	94,263	-	65,547	-	2365 Current refund liabilities	1,391,042	4	1,340,251
	15,465,579	48	14,973,751	51		16,843,558	53	15,168,513
1550 Investments accounted for using equity method, net (note 6(f))	100,891	-	92,804	-	Non-Current liabilities:			
1600 Property, plant and equipment (note 6(g))	255,763	1	342,146	1	2580 Non-current lease liabilities (note 6(m))	174,194	-	260,939
1755 Right-of-use assets (note 6(h))	240,908	1	244,468	1	2630 Long-term deferred revenue (note 6(g))	876,467	3	1,165,686
1760 Investment property, net (note 6(i))	7,708	-	9,763	-	2600 Other non-current liabilities (notes 6(o) and (p))	716,640	2	688,357
1780 Intangible assets (note 6(j))	493,021	2	524,769	2		1,767,301	5	2,114,982
1840 Deferred tax assets (note 6(p))	78,562	-	79,523	-	Total liabilities	18,610,859	58	17,283,495
1990 Other non-current assets	16,736,695	52	16,332,771	55	Ordinary shares (note 6(q))	4,508,983	14	4,485,808
					Capital surplus (note 6(q))	1,567,628	5	1,483,045
					Legal reserve (note 6(q))	1,578,473	5	1,370,470
					Special reserve (note 6(q))	1,058,941	3	662,348
					Unappropriated retained earnings (notes 6(c) and (q))	5,733,458	18	5,500,198
					Other equity interest (note 6(c))	(1,159,650)	(3)	(1,193,867)
					Total equity	13,287,833	42	12,308,002
Total assets	\$ 31,898,692	100	29,591,497	100	Total liabilities and equity	\$ 31,898,692	100	29,591,497

(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, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(t) and 7)	\$ 34,990,027	100	36,178,733	100
5000 Operating costs (notes 6(e), (m), (o), (u), 7 and 12)	<u>31,636,141</u>	<u>90</u>	<u>32,669,734</u>	<u>90</u>
Gross profit from operations	<u>3,353,886</u>	<u>10</u>	<u>3,508,999</u>	<u>10</u>
Operating expenses (notes 6(j), (o), (r), (u), 7 and 12):				
6100 Selling expenses	496,996	1	609,578	2
6200 Administrative expenses	502,779	2	526,757	1
6300 Research and development expenses	1,097,122	3	1,111,728	3
6450 Expected credit loss (note 6(d))	<u>8,625</u>	<u>-</u>	<u>3,443</u>	<u>-</u>
Total operating expenses	<u>2,105,522</u>	<u>6</u>	<u>2,251,506</u>	<u>6</u>
Net operating income	<u>1,248,364</u>	<u>4</u>	<u>1,257,493</u>	<u>4</u>
Non-operating income and expenses:				
7100 Interest income	9,115	-	17,280	-
7010 Other income (notes 6(n), (v) and 7)	12,225	-	12,248	-
7020 Other gains and losses (note 6(w))	851,332	2	380,362	1
7070 Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	150,818	-	896,040	2
7050 Finance costs (note 6(m))	<u>(48,812)</u>	<u>-</u>	<u>(69,109)</u>	<u>-</u>
Total non-operating income and expenses	<u>974,678</u>	<u>2</u>	<u>1,236,821</u>	<u>3</u>
Profit before income tax	2,223,042	6	2,494,314	7
7950 Less: Income tax expenses (note 6(p))	<u>303,777</u>	<u>1</u>	<u>359,444</u>	<u>1</u>
Profit	<u>1,919,265</u>	<u>5</u>	<u>2,134,870</u>	<u>6</u>
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))	(4,533)	-	(2,146)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(178)	-	(17,148)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(4,711)</u>	<u>-</u>	<u>(19,294)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	26,337	-	(470,683)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>26,337</u>	<u>-</u>	<u>(470,683)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>21,626</u>	<u>-</u>	<u>(489,977)</u>	<u>(1)</u>
Comprehensive income (after tax)	<u>\$ 1,940,891</u>	<u>5</u>	<u>1,644,893</u>	<u>5</u>
Earnings per share (note 6(s))				
9710 Basic earnings per share (NT dollars)	<u>\$ 4.30</u>		<u>4.80</u>	
9810 Diluted earnings per share (NT dollars)	<u>\$ 4.27</u>		<u>4.77</u>	

See accompanying notes to parent company only financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Other equity interest			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets at fair value through other comprehensive income			Unearned employee compensation			
Balance on January 1, 2019	4,474,523	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821			2,134,870
Profit	-	-	-	-	2,134,870	-	-	-	2,134,870			(489,977)
Other comprehensive income	-	-	-	-	(2,146)	(470,683)	(17,148)	-	(489,977)			
Comprehensive income	-	-	-	-	2,132,724	(470,683)	(17,148)	-	1,644,893			
Appropriation and distribution of retained earnings:												
Appropriated legal reserve	-	-	182,687	-	(182,687)	-	-	-	-			-
Appropriated special reserve	-	-	-	363,283	(363,283)	-	-	-	-			-
Cash dividends of ordinary share	-	-	-	-	(1,072,341)	-	-	-	(1,072,341)			(1,072,341)
Changes in shares of investment accounted for using equity method	-	9,990	-	-	-	-	38,540	-	48,530			48,530
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	61,099			61,099
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(52,698)	-	52,698	-	-			-
Retirement of restricted stock	(6,915)	(2,848)	-	-	-	-	-	-	9,763			-
Issuance of restricted stock	18,200	98,826	-	-	-	-	-	-	(117,026)			-
Balance on December 31, 2019	4,485,808	1,483,045	1,370,470	662,348	5,500,198	(1,030,865)	(28,076)	(134,926)	12,308,002			1,919,265
Profit	-	-	-	-	1,919,265	-	-	-	1,919,265			21,626
Other comprehensive income	-	-	-	-	(4,533)	26,337	(178)	-	21,626			
Comprehensive income	-	-	-	-	1,914,732	26,337	(178)	-	1,940,891			
Appropriation and distribution of retained earnings:												
Appropriated legal reserve	-	-	208,003	-	(208,003)	-	-	-	-			-
Appropriated special reserve	-	-	-	396,593	(396,593)	-	-	-	-			-
Cash dividends of ordinary share	-	-	-	-	(1,076,876)	-	-	-	(1,076,876)			(1,076,876)
Changes in shares of investment accounted for using equity method	-	11,802	-	-	-	-	(13,579)	-	(1,777)			(1,777)
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	117,593			117,593
Retirement of restricted stock	(1,225)	(6,750)	-	-	-	-	-	-	7,975			-
Issuance of restricted stock	24,400	79,531	-	-	-	-	-	-	(103,931)			-
Balance on December 31, 2020	4,508,983	1,567,628	1,578,473	1,058,941	5,733,458	(1,004,528)	(41,833)	(113,289)	13,287,833			

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,223,042	2,494,314
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	138,866	138,740
Loss related to inventories	30,783	67,919
Amortization of long-term deferred revenue	(276,931)	(336,120)
Expected credit loss	8,625	3,443
Interest expense	41,236	63,746
Interest income	(9,115)	(17,280)
Compensation cost of share-based payment	117,593	61,099
Share of profit of subsidiaries and associates accounted for using equity method	(150,818)	(896,040)
Loss on disposal of property, plant and equipment	19	-
Gain on disposal of unamortized expense	(864)	-
Amortization of unrealized revenue of patents disposed	(15,450)	(15,450)
Other	(2)	-
Total adjustments to reconcile profit (loss)	(116,058)	(929,943)
Changes in operating assets and liabilities:		
Accounts receivable, including related parties	57,761	408,411
Other receivable	160,162	(210,121)
Inventories	(953,531)	(1,095,978)
Other current assets	(203)	(11,948)
Other operating assets	(88,237)	(97,725)
Changes in operating assets	(824,048)	(1,007,361)
Notes and accounts payable, including related parties	458,343	749,305
Salaries payable	(123,791)	135,868
Other payables	291,554	653,795
Other current liabilities	115,432	(7,511)
Long-term deferred revenue	(10,487)	693,975
Other operating liabilities	482,498	186,052
Changes in operating liabilities	1,213,549	2,411,484
Total changes in operating assets and liabilities	389,501	1,404,123
Total adjustments	273,443	474,180
Cash inflow generated from operations	2,496,485	2,968,494
Interest received	9,115	17,280
Interest paid	(41,163)	(63,675)
Income taxes paid	(41,298)	(248,894)
Net cash flows from operating activities	2,423,139	2,673,205
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(28,894)	(33,273)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	214,202
Acquisition of investments accounted for using equity method	(301,000)	(318,150)
Acquisition of property, plant and equipment	(41,172)	(50,266)
Proceeds from disposal of unamortized expense	3,450	-
Acquisition of unamortized expense	(11,586)	(4,378)
Decrease in refundable deposits	310	200
Dividends received	191	214
Other	-	(89)
Net cash used in investing activities	(378,701)	(191,540)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	280,000	(950,000)
Repayments of long-term borrowings	(27,777)	(55,556)
Increase in guarantee deposits received	-	39,418
Payment of lease liabilities	(88,384)	(85,639)
Cash dividends paid	(1,076,876)	(1,072,341)
Decrease in long-term accounts payable to related parties	-	(357,703)
Net cash flows used in financing activities	(913,037)	(2,481,821)
Net increase (decrease) in cash and cash equivalents	1,131,401	(156)
Cash and cash equivalents at beginning of period	2,238,853	2,239,009
Cash and cash equivalents at end of period	\$ 3,370,254	2,238,853

See accompanying notes to parent company only financial statements.



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. (the “Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We did not 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, 2020 and 2019, the assets of these subsidiaries constitute 37% and 49%, respectively, of the consolidated total assets. For the years ended December 31, 2020 and 2019, the operating revenue of these subsidiaries constitute 42% and 51%, respectively, of the consolidated operating revenue.

We did not audit the financial statements of ALT International Co., Ltd (Cayman), which represented the investments accounted for using equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ALT International Co., Ltd (Cayman), is based solely on the report of another auditor. The investment in ALT International Co., Ltd (Cayman) accounted for using the equity method both constituted 1% of the consolidated total assets at December 31, 2020 and 2019, and the related share of loss of associates accounted for using equity method constituted (3)% and 0%, respectively, of consolidated profit after tax for the years then ended.



The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, 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 analyze the changes of the aging of inventories; inspecting the reasonableness of the allowance provided for inventory valuation in the past and comparing it to the current year to ensure that the measurements and assumptions are appropriate.

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. Impairment assessment of intangible assets

Please refer to Note 4(n) "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, the Company acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in 2019, the Company lost its control over ALT International Co., Ltd (Cayman), recognizing the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal. The transactions metioned above resulted in the Group 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)
February 26, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(w) and 7)	\$ 68,240,939	100	80,649,608	100
5000	Operating costs (notes 6(f), (p), (r), (x), 7 and 12)	<u>60,129,865</u>	<u>88</u>	<u>71,218,592</u>	<u>88</u>
	Gross profit from operation	<u>8,111,074</u>	<u>12</u>	<u>9,431,016</u>	<u>12</u>
	Operating expenses (notes 6(m), (p), (r), (u), (x) and 12):				
6100	Selling expenses	1,354,432	2	1,503,193	2
6200	Administrative expenses	1,910,310	3	2,145,717	3
6300	Research and development expenses	2,555,565	4	2,968,221	4
6450	Expected credit loss (Reversal of expected credit loss) (note 6(e))	<u>(9,030)</u>	<u>-</u>	<u>51,258</u>	<u>-</u>
	Total operating expenses	<u>5,811,277</u>	<u>9</u>	<u>6,668,389</u>	<u>9</u>
	Net operating income	<u>2,299,797</u>	<u>3</u>	<u>2,762,627</u>	<u>3</u>
	Non-operating income and expenses:				
7100	Interest income	141,456	-	120,338	-
7010	Other income (notes 6(q) and (y))	13,127	-	8,960	-
7020	Other gains and losses (notes 6(g), (h), (j) and (z))	292,611	1	241,454	1
7060	Share of loss of associates accounted for using equity method (note 6(g))	<u>(84,179)</u>	<u>-</u>	<u>(11,067)</u>	<u>-</u>
7050	Finance costs (note 6(p))	<u>(184,375)</u>	<u>-</u>	<u>(208,411)</u>	<u>-</u>
	Total non-operating income and expenses	<u>178,640</u>	<u>1</u>	<u>151,274</u>	<u>1</u>
	Profit before tax	<u>2,478,437</u>	<u>4</u>	<u>2,913,901</u>	<u>4</u>
7950	Less: Income tax expenses (note 6(s))	<u>534,170</u>	<u>1</u>	<u>650,982</u>	<u>1</u>
	Profit	<u>1,944,267</u>	<u>3</u>	<u>2,262,919</u>	<u>3</u>
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(r))	(4,533)	-	(2,146)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	<u>(13,757)</u>	<u>-</u>	<u>(17,148)</u>	<u>-</u>
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(18,290)</u>	<u>-</u>	<u>(19,294)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operation's financial statements	13,627	-	(525,368)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>13,627</u>	<u>-</u>	<u>(525,368)</u>	<u>(1)</u>
8300	Other comprehensive income after tax	<u>(4,663)</u>	<u>-</u>	<u>(544,662)</u>	<u>(1)</u>
	Comprehensive income	<u>1,939,604</u>	<u>3</u>	<u>1,718,257</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of parent	1,919,265	3	2,134,870	3
8620	Non-controlling interests (note 6(i))	<u>25,002</u>	<u>-</u>	<u>128,049</u>	<u>-</u>
		<u>1,944,267</u>	<u>3</u>	<u>2,262,919</u>	<u>3</u>
	Comprehensive income attributable to:				
8710	Owners of parent	1,927,312	3	1,644,893	2
8720	Non-controlling interests (note 6(i))	<u>12,292</u>	<u>-</u>	<u>73,364</u>	<u>-</u>
		<u>\$ 1,939,604</u>	<u>3</u>	<u>\$ 1,718,257</u>	<u>2</u>
	Earnings per share (note 6(v))				
9710	Basic earnings per share (NT dollars)	<u>\$ 4.30</u>		<u>4.80</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 4.27</u>		<u>4.77</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Retained earnings						Exchange differences on translation of financial statements			Unrealized gains (losses) from financial assets at fair value through other comprehensive income		Other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity				
Balance at January 1, 2019	4,474,523	1,377,077	1,187,783	299,065	5,038,483	(88,762)	11,625,821	3,344,297	14,970,118				
Profit	-	-	-	-	2,134,870	(17,148)	2,134,870	128,049	2,262,919				
Other comprehensive income	-	-	-	-	(2,146)	(17,148)	(489,977)	(54,685)	(544,662)				
Comprehensive income	-	-	-	-	2,132,724	(17,148)	2,132,724	73,364	2,206,088				
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	182,687	-	(182,687)	-	-	-	-				
Appropriated special reserve	-	-	-	363,283	(363,283)	-	-	-	-				
Cash dividends of ordinary share	-	-	-	-	(1,072,341)	-	(1,072,341)	-	(1,072,341)				
Changes in shares of investment accounted for using equity method	-	9,990	-	-	-	38,540	48,530	4,138	52,668				
Amortization expense of restricted stock	-	-	-	-	-	-	61,099	-	61,099				
Retirement of restricted stock	(6,915)	(2,848)	-	-	-	-	9,763	-	-				
Change in non-controlling interests	-	-	-	-	-	-	-	(42,152)	(42,152)				
Change in non-controlling interests	18,200	98,826	-	-	-	-	(117,026)	-	-				
Issuance of restricted stock	-	-	-	-	(52,698)	-	-	-	-				
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-				
Derecognition of non-controlling interest due to disposal of subsidiaries	-	-	-	-	-	-	-	(1,184,009)	(1,184,009)				
Balance at December 31, 2019	4,485,808	1,483,045	1,370,470	662,348	5,500,198	(134,926)	12,308,002	2,195,638	14,503,640				
Profit	-	-	-	-	1,919,265	(28,076)	1,919,265	25,002	1,944,267				
Other comprehensive income	-	-	-	-	(4,533)	(13,757)	(18,290)	-	(18,290)				
Comprehensive income	-	-	-	-	1,914,732	(13,757)	1,928,485	25,002	1,953,487				
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	208,003	-	(208,003)	-	-	-	-				
Appropriated special reserve	-	-	-	396,593	(396,593)	-	-	-	-				
Cash dividends of ordinary share	-	-	-	-	(1,076,876)	-	(1,076,876)	-	(1,076,876)				
Changes in shares of investment accounted for using equity method	-	11,802	-	-	-	-	11,802	4,827	16,629				
Amortization expense of restricted stock	(1,225)	(6,750)	-	-	-	-	117,593	-	117,593				
Retirement of restricted stock	24,400	79,531	-	-	-	-	7,975	-	-				
Issuance of restricted stock	-	-	-	-	-	-	(103,931)	-	-				
Balance at December 31, 2020	4,508,983	1,567,628	1,578,473	1,058,941	5,733,458	(41,833)	13,287,833	2,212,757	15,500,590				

Disposal of investments in equity instruments designated at fair value through other comprehensive income

Derecognition of non-controlling interest due to disposal of subsidiaries

Profit

Other comprehensive income

Comprehensive income

Appropriation and distribution of retained earnings:

Appropriated legal reserve

Appropriated special reserve

Cash dividends of ordinary share

Changes in shares of investment accounted for using equity method

Amortization expense of restricted stock

Retirement of restricted stock

Issuance of restricted stock

Balance at December 31, 2020

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,478,437	2,913,901
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and Amortization expense	2,229,636	2,190,317
Loss related to inventories	284,439	349,962
Expected credit loss (reversal)	(9,030)	51,258
Interest expense	176,799	203,047
Interest income	(141,456)	(120,338)
Compensation cost of share-based payment	134,222	75,227
Impairment loss of associates accounted for using equity method	279,716	-
Share of loss of associates accounted for using equity method	84,179	11,067
Loss (gain) on disposal of property, plant and equipment	116,532	(34,144)
Loss on disposal of subsidiaries	-	275,306
Impairment loss of property, plant and equipment	56,507	-
Other	(1,083)	-
Total adjustments to reconcile profit	<u>3,210,461</u>	<u>3,001,702</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(126,742)	(71,408)
Financial assets measured at amortized cost	(855,238)	-
Notes and accounts receivable	5,629,639	(3,110,708)
Accounts receivable from related parties	(17,718)	(79,852)
Other receivables	(308,306)	(11,134)
Inventories	(38,656)	(3,326,852)
Other current assets	(122,121)	(993,890)
Other operating assets	1,014	(14,412)
Changes in operating assets	<u>4,161,872</u>	<u>(7,608,256)</u>
Financial liabilities at fair value through profit or loss	224,960	187,231
Notes and accounts payable	(4,743,832)	5,449,971
Salaries payable	(390,426)	381,195
Accounts payable to related parties	-	(45,328)
Other payables	(135,168)	500,638
Other current liabilities	175,762	(62,304)
Refund liabilities	(130,868)	457,442
Other operating liabilities	(523,077)	2,048,913
Changes in operating liabilities	<u>(5,522,649)</u>	<u>8,917,758</u>
Total changes in operating assets and liabilities	<u>(1,360,777)</u>	<u>1,309,502</u>
Total adjustments	<u>1,849,684</u>	<u>4,311,204</u>
Cash inflow generated from operations	4,328,121	7,225,105
Interest received	141,456	120,338
Interest paid	(176,725)	(202,975)
Income taxes paid	(331,847)	(514,457)
Net cash flows from operating activities	<u>3,961,005</u>	<u>6,628,011</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(28,894)	(33,273)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	214,202
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	2,016
Net cash flows from loss control of subsidiaries	-	(131,285)
Acquisition of property, plant and equipment	(3,089,333)	(3,559,181)
Proceeds from disposal of property, plant and equipment	400,410	74,349
Increase in refundable deposits	(4,169)	(53,170)
Dividends received	191	214
Acquisition of unamortized expense	(74,121)	(91,905)
Other non-current assets	-	(886)
Net cash flows used in investing activities	<u>(2,795,916)</u>	<u>(3,578,919)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(187,067)	125,268
Increase in long-term borrowings	577,153	88,002
Increase (decrease) in guarantee deposits received	-	52,001
Payment of lease liabilities	(287,843)	(249,186)
Cash dividends	(1,076,876)	(1,114,493)
Net cash flows used in financing activities	<u>(974,633)</u>	<u>(1,098,408)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>44,387</u>	<u>(240,632)</u>
Net increase in cash and cash equivalents	234,843	1,710,052
Cash and cash equivalents at beginning of period	6,700,510	4,990,458
Cash and cash equivalents at end of period	<u>\$ 6,935,353</u>	<u>6,700,510</u>

See accompanying notes to consolidated financial statements.

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

Amended Content	Current Content	Reason for Amendment and Explanation
<p>Article 5</p> <p>The total capital of the Company is authorized at Five and Half Billion New Taiwan Dollars (NT\$5,500,000,000), which consists of 550,000,000 common shares, with a par value of Ten New Taiwan Dollars (NT\$10) per share, which the Board of Directors has been authorized to issue in stages. Forty Million (40,000,000) shares of the total number of shares specified in the preceding paragraph, with a par value of Ten New Taiwan Dollars (NT\$10) per share, shall be preserved for issuing employee share subscription warrant, which the Board of Directors has been authorized to issue in one-time or in stages in accordance with actual needs.</p> <p><u>When the Company buys back its shares, issues share subscription warrant and restricted stock awards, reserves the share subscription rights for employees when issues new shares in accordance with the laws, the employees who are entitled to receive the aforementioned stock or rights may include the employees of parents or subsidiaries of the Company meeting certain specific requirements</u></p>	<p>Article 5</p> <p>The total capital of the Company is authorized at Five and Half Billion New Taiwan Dollars (NT\$5,500,000,000), which consists of 550,000,000 common shares, with a par value of Ten New Taiwan Dollars (NT\$10) per share, which the Board of Directors has been authorized to issue in stages. Forty Million (40,000,000) shares of the total number of shares specified in the preceding paragraph, with a par value of Ten New Taiwan Dollars (NT\$10) per share, shall be preserved for issuing employee share subscription warrant, which the Board of Directors has been authorized to issue in one-time or in stages in accordance with actual needs.</p>	<p>For the purpose of sharing the prosperity of the Company and retaining talents as the subsidiary's increasingly contribution to the earnings of the Company.</p>
<p>Article 35</p> <p>These Articles of Incorporation were established on March 8, 2006,</p> <p>.....</p> <p>Sixteenth amendment was made on May 30, 2018.</p> <p><u>Seventeenth amendment was made on May 28, 2021.</u></p>	<p>Article 35</p> <p>These Articles of Incorporation were established on March 8, 2006,</p> <p>.....</p> <p>Sixteenth amendment was made on May 30, 2018.</p>	<p>Add an update to the amendment date.</p>

【 Schedule 5 】

List of Director Candidates

Title	Name of Candidate	Education	Experience	Current Position	Shares
Director	Li-Sheng Liang	Department of Business Administration, Tamkang University	Primax Electronics Ltd. Chairman	<ul style="list-style-type: none"> - Primax Electronics Ltd. Chairman and General Manager - Primax Technology (Cayman Holding) Ltd. Director - Polaris Electronics, Inc. Director - Destiny Technology Holding Co., Ltd. Director - Primax Industries (Cayman Holding) Ltd. Director - Primax Industries (Hong Kong) Ltd. Director - Primax Destiny Co., Ltd. (Japan) Director - Beijing Destiny Electronic Technology Co., Ltd. Chairman - Dongguan Primax Electronic & Telecommunication Products Ltd. Chairman - Primax Electronics (Kunshan) Corp. Ltd. Chairman - Primax Electronics (Chongqing) Corp. Ltd. Chairman - Diamond (Cayman) Holdings Ltd. - Representative of Insitutional Director - Tymphany Worldwide Enterprises Ltd. - Representative of Insitutional Director - Tymphany Acoustic Technology (Huizhou) Co., Ltd. Director - Tymphany Logistics, Inc. Director - Tymphany Acoustic Technology Ltd. Director - Tymphany Acoustic Technology (Thailand) Co., Ltd. Director - Primax AE (Cayman) Holdings Ltd. Director - Primax Electronics (Singapore) Pte. Ltd. Director - Primax Electronics (Thailand) Co., Ltd. Director - Alpine Asia Investment Limited Director 	3,791,001
Director	Yung-Tai Pan	Department of Mechanical Engineering, Chung Yuan Christian University	Primax Electronics Ltd. General Manage of Business Department	<ul style="list-style-type: none"> - Primax Electronics Ltd. - Director and General Manage of Business Department - Tymphany Worldwide Enterprises Ltd. - Representative of Insitutional Director - Tymphany Acoustic Technology (Huizhou) Co., Ltd. Director - Tymphany Acoustic Technology Ltd. Director - Tymphany Acoustic Technology (Thailand) Co., Ltd. Director 	4,982,599

Title	Name of Candidate	Education	Experience	Current Position	Shares
Director	Yung-Chung Pan	Department of Electronics, Feng Chia University	Primax Electronics Ltd. General Manage of Business Department	<ul style="list-style-type: none"> - Primax Electronics Ltd. Director - Primax Technology (Cayman Holding) Ltd. Director - Primax Industries (Cayman Holding) Ltd. Director - Primax Industries (Hong Kong) Ltd. Director - Gratus Technology Corp. Director - Tymphany Worldwide Enterprises Ltd. Representative of Institutional Director - TYP Enterprises Inc. Representative of Institutional Director - Tymphany HK Ltd. Representative of Institutional Director - Tymphany Acoustic Technology(Huizhou) Co., Ltd. Director and General Manager - Dongguan Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager - Dongguan Dongcheng Acoustic Technology Co. Ltd. Executive Director and General Manager - Tymphany Acoustic Technology HK Ltd. Director - Tymphany Acoustic Technology Ltd. Director - Tymphany Acoustic Technology (Thailand) Co., Ltd. Director - Primax Electronics (Singapore) Pte. Ltd. Director - Primax Electronics (Thailand) Co., Ltd. Director 	7,455,046
Director	Green Land Investment Limited Representative: Jji-Ren Lee	<ul style="list-style-type: none"> - Ph.D. University of Illinois at Urbana-Champaign (USA) - M.B.A. National Taiwan University 	<ul style="list-style-type: none"> - College of Management National Taiwan University Associate Dean of Teaching and Resource Development - College of Management National Taiwan University Associate Dean and Executive Director of EMBA - Boehringer Ingelheim Taiwan Ltd. Marketing Manager 	<ul style="list-style-type: none"> - National Taiwan University Emeritus Professor - Chengzhi Education Foundation Vice Chairman - Wsync Startup Service and Consulting Corporation Limited Chairman - AXR Entrepreneurship and Business Consulting Co., Ltd. Chairman - B Current Impact Investment Fund 3 Chairman 	130,000

Title	Name of Candidate	Education	Experience	Current Position	Shares
Independent Director	Chih-Kai Cheng	M.B.A. National Chiao-Tung University	<ul style="list-style-type: none"> - Harbinger Venture Management - Co-Founder and General Partner - Synnex Corporation (USA) - Senior Vice President - Monte Jade West Science and Technology Association Chairman - Various senior management positions in MiTAC International Corp. 	<ul style="list-style-type: none"> - Primax Electronics Ltd. Independent Director - B Current Impact Investment Inc. Director - B Current Impact Investment Fund II Chairman - Eureka Therapeutics (California) Director - Social Enterprise Insights Director - H3 Platform Director - Acorn Pacific Ventures Partner 	0
Independent Director	Chun-Pang Wu	<ul style="list-style-type: none"> - M.B.A. University of Missouri - B.L. National Taiwan University 	<ul style="list-style-type: none"> - Deutsche Bank Country Head Taiwan - Citibank Corp & Investment Banking Vice Chairman - Fidelity Investments Country Head Taiwan - Bankers Trust Bank Country Head Japan and Derivatives Trading Managing Director - Chase Manhattan Bank Vice President 	<ul style="list-style-type: none"> - Primax Electronics Ltd. Independent Director - Far Eastern International Bank Director 	0
Independent Director	Jia-Chyi Wang	Master of Management J. L. Kellogg Graduate School of Management at Northwestern University (USA)	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Primax Electronics Ltd. Independent Director - Zenith Consulting Company Limited Managing Partner and Director - CITIC Capital Investment Holdings Limited Business Partner 	0

Title	Name of Candidate	Education	Experience	Current Position	Shares
Independent Director	Ying-Chuan Shen	<ul style="list-style-type: none"> -Executive Program University of Michigan (USA) -Department of Mechanical Engineering National Cheng Kung University 	<ul style="list-style-type: none"> - Wafer Technology Corp. Independent Director - Qisda Corporation Independent Director - Changan Ford Automobile Co., Ltd. President - Ford Lio Ho Motor Co., Ltd. President - Eagle Ottqwa Asia Chairman 	None.	0
Independent Director	Jia-Bin Duh	<ul style="list-style-type: none"> -M.B.A. J. L. Kellogg School of Management at Northwestern University (USA) -Department of Control Engineering National Chiao Tung University 	<ul style="list-style-type: none"> - Fu Xun Tong Co., Ltd. Chairman - Mobinnova Co., Ltd. Chairman - Cisco Systems Inc. (China) President 	<ul style="list-style-type: none"> - Tymphany Acoustic Technology (Huizhou) Co., Ltd. Independent Director - Laowang Holding Limited Taiwan Branch (Cayman) 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 candidates for the directors (including 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
Director	Li-Sheng Liang	Male	R.O.C.	71~75		✓		✓			✓		✓		✓	
Director	Yung-Tai Pan	Male	R.O.C.		✓				✓					✓		
Director	Yung-Chung Pan	Male	R.O.C.		✓					✓				✓		
Director	Green Land Investment Limited Representative: Ji-Ren Lee	Male	R.O.C.	61~70	✓					✓					✓	
Independent Director	Chih-Kai Cheng	Male	R.O.C.		3 to 9 years	✓				✓					✓	
Independent Director	Chun-Pang Wu	Male	R.O.C.								✓				✓	✓
Independent Director	Jia-Bin Duh	Male	R.O.C.			✓									✓	
Independent Director	Ying-Chuan Shen	Male	R.O.C.			✓									✓	
Independent Director	Jia-Chyi Wang	Female	R.O.C.	51~60								✓			✓	✓

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 2020 Annual Report.

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

Title	Name	Current Position in the other companies
Director	Li-Sheng Liang	<ul style="list-style-type: none"> - Tymphany Acoustic Technology (Huizhou) Co., Ltd Director - Tymphany Logistics, Inc. Director - Tymphany Acoustic Technology Ltd. Director - Tymphany Acoustic Technology (Thailand) Co., Ltd. Director - Primax Electronics (Thailand) Co., Ltd. Director
Director	Yung-Tai Pan	<ul style="list-style-type: none"> - Tymphany Acoustic Technology (Huizhou) Co., Ltd Director - Tymphany Acoustic Technology Ltd. Director - Tymphany Acoustic Technology (Thailand) Co., Ltd. Director - Primax Electronics (Thailand) Co., Ltd. Director
Director	Yung-Chung Pan	<ul style="list-style-type: none"> - TYP Enterprises, Inc. Representative of Insitutional Director - Tymphany HK Ltd. Representative of Insitutional Director - Tymphany Acoustic Technology (Huizhou) Co., Ltd. Director and General Manager - Dongguan Tymphany Acoustic Technology Co., Ltd. Executive Director and General Manager - Dongguan Dongcheng Acoustic Technology Co., Ltd. Executive Director and General Manager - Tymphany Acoustic Technology HK Ltd. Director - Tymphany Acoustic Technology Ltd. Director - Tymphany Acoustic Technology (Thailand) Co., Ltd. Director - Primax Electronics (Thailand) Co., Ltd. Director
Director	Green Land Investment Limited Representative: Ji-Ren Lee	<ul style="list-style-type: none"> - AXR Entrepreneurship and Business Consulting Co., Ltd. Chairman
Independent Director	Chih-Kai Cheng	<ul style="list-style-type: none"> - Eureka Therapeutics (California) Director - Social Enterprise Insights Director - H3 Platform Director
Independent Director	Jia-Bin Duh	<ul style="list-style-type: none"> - Tymphany Acoustic Technology (Huizhou) Co., Ltd. Independent Director - Laowang Holding Limited Taiwan Branch (Cayman) Director

PRIMAX ELECTRONICS LTD.
Regulations of Shareholders' Meeting Proceedings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.
15. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote within sufficient voting period.

16. For voting of a proposal, the proposal is approved with a majority vote of the attending shareholders except for the special resolutions otherwise provided for under the Company Act and the Articles of Incorporation.

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

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

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

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

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

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

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

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

19. For matters not provided for in these Rules, the Company Act and other applicable laws and regulations shall govern.
20. These Regulations shall come into force upon approval of the shareholders' meeting. The same shall apply to amendments hereto.
21. These Regulations were established on November 7, 2008.
The first amendment was made on June 4, 2009.
The second amendment was made on May 25, 2017.
The second amendment was made on June 23, 2020.

ARTICLES OF INCORPORATION
OF
PRIMAX ELECTRONICS LTD.

Chapter I. General provisions

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

Chapter II. Shares

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

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

Article 6. When the Company issues new stock, all shares for that issuance may be printed in one printing in accordance with Article 162-1 of the Company Act, and shall be deposited with the centralized securities depository enterprise. Alternatively, if the Company does not need to print shares for its issued stock in accordance with Article 162-2 of the Company Act, must register stock with the centralized securities depository enterprise.

Article 6-1. A shareholders' resolutions shall be adopted before the Company withdraws its public offering of shares, and this provision shall not be amended while the Company is still listed (or OTC listed).

Article 7. Except when the requirements of other laws or securities rules apply, the Company's stock affairs including transfer, creation of pledge, reporting of loss, transfer via inheritance, transfer via gift, lost or change of specimen chop and change of address shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.

Article 8. The entries in the shareholders' roster shall not be altered within the time periods specified in Article 165 of the Company Act.

Chapter III. Shareholders' Meetings

Article 9. Shareholder meetings shall consist of regular meetings and special meetings. Regular meetings shall be convened once a year within 6 months from the end of each accounting year. Special meetings shall be convened as required.

Article 10. A notice to convene a regular meeting of shareholders shall be given to each shareholder thirty (30) days in advance. A notice to convene a special meeting of shareholders shall be given to each shareholder fifteen (15) days in advance. The notice shall state when, where and why the meeting is to be convened. The company shall also prepare a manual for shareholders' meeting proceedings prior to the scheduled meeting date of that shareholders' meeting.

Article 11. Except in the circumstances set forth in the Company Act under which the shares shall have no voting power, shareholders of the Company shall be entitled to one vote for each share they hold. The voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. Such shareholder's declaration of intention shall be dealt with in accordance Article 177-2 of the Company Act.

Article 12. Except where other legal regulations apply, all shareholders meetings shall be convened by the Board of Directors in accordance with the Company Act, and the Chairman of the Board of Directors shall serve as the chairman of shareholder meetings. In case the Chairman of the Board is on leave or absent or can not exercise his/her power and authority for any cause, the designation of his/her duties shall follow Article 208 of the Company Act; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

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

Chapter IV. The Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

Chapter V. Management Personnel

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

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

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

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

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

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

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

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

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

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

Chapter VI. Supplementary Provisions

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

Primax Electronics Ltd.

Chairman: Li-Sheng Liang

Primax Electronics Ltd.
Rules for Election of Directors

Article 1: Purpose and Legal Basis

To elect and appoint directors in a fair, impartial and open manner, these Rules are established in accordance with the provisions of the Company Act and the Articles of Incorporation with reference to Article 41 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

Article 2: Scope of Application

Unless otherwise provided for under the law or in the Articles of Incorporation, election and appointment of the directors of the Company shall be subject to the regulations of these Rules for Election.

Article 3: Directors of the Company shall be elected from among persons with disposing capacity or corporate shareholders at a shareholders' meeting. Members of the Board of Directors of the Company are expected to have the knowledge, skills and ability required to perform their duties.

Article 4: Directors of the Company shall be elected by uninominal and cumulative voting.

Unless otherwise provided for under the Company Act, in an election of the directors of the Company, each share is entitled to such number of votes equal to the number of directors to be elected and these votes may be cast to one single candidate or distributed among several candidates, with the candidates receiving the votes representing more voting rights to be elected as directors.

Article 5: Qualifications of the independent directors shall be consistent with the requirements under Articles 2, 3 and 4 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company.

Election of the independent directors of the Company shall be consistent with the requirements under Articles 5, 6, 7, 8 and 9 of the Rules Governing Compliance Required for Appointment of Independent Directors of a Public Company and shall be in compliance with Article 24 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.

Article 6: Number of directors of the Company to be elected shall be subject to the Company's Articles of Incorporation. For the procedure of election of t directors, the candidate nomination system shall be adopted.

Article 7: If a candidate in the election is a shareholder, voters shall indicate the shareholder account name and account number of the shareholder candidate in the "Candidate" column on the ballot. For candidates who are not shareholders, their name and National ID Number shall be specified. If, however, the candidate is a government authority or corporate shareholder, the name of the government authority or corporate shareholder or both the name of the government authority or corporate shareholder and the name of their representative shall be entered in the account name of the candidate on the ballots. When there are more than one representatives, all their name shall be specified on the ballot.

Article 8: In an election of the directors of the Company, voting rights shall be calculated for independent and non-independent directors separately according to the number of directors set forth in the Company's Articles of Incorporation. Independent and non-independent director candidates receiving the votes representing more voting rights, as indicated in the tally of the election votes, shall be elected as independent and non-independent directors. In the event of two or more candidates receiving the same weighted votes and the number of elected directors exceeds the required number, the

candidates receiving the same weighted votes shall draw lots to decide who will be elected or the chairperson of the meeting shall draw lots for the absent candidate.

Article 9: The Board of Directors shall produce the same number of ballots as the number of directors to be elected, specified with the weighted voting rights, and distribute to the shareholders present at the shareholders' meeting.

Article 10: Prior to an election, the chairperson shall designate several vote monitoring and counting personnel to perform the various duties. The vote monitoring personnel shall be shareholders. The ballot box shall be prepared by the Board of Director and opened by the vote monitoring personnel for inspection in public prior to voting.

Article 11: Votes shall be invalid in one of the following circumstances:

1. Ballots are not prepared by the Board of Directors.
2. Blank ballots in the ballot box.
3. Illegible handwriting or altered handwriting.
4. More candidates than the number of candidates to be elected are listed in the same ballot.
5. Symbols, graphics or texts other than the account name of the candidate or account number of the shareholder (or ID number) are entered on the ballot.
6. In the case of a candidate who is a shareholder, the account name and account number of the shareholder are inconsistent with the information specified in the shareholder roster; or in the case of a candidate who is not a shareholder, the name and ID number are found incorrect upon verification.
7. The name or account number of the shareholder (or ID number) of the candidate are not entered on the ballot.
8. The name of the candidate entered on the ballot is the name of another shareholder but no information such as account number of the shareholder or ID number is shown on the ballot for identification.

Article 12: In an election of directors, when all the votes are cast, votes shall be counted immediately after the vote monitoring personnel open the ballot boxes. The chairperson of the meeting or the emcee designated by the chairperson shall announce the elected directors according to the tally of votes.

Article 13: In the event the provisions under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act are violated, the election shall be deemed invalid.

Article 14: The Board of Directors of the Company shall issue an election notice to each of the elected directors.

Article 15: Establishment and amendments to these Rules shall be approved by the Board of Directors of the Company, and passed at the shareholders' meeting before coming into force. The same shall apply to amendments. For matters not provided for in these Rules, the Articles of Incorporation, the Company Act and the applicable laws and regulations shall govern.

Article 16: These Rules were established on November 7, 2008.
The first amendment was made on June 4, 2009.
The second amendment was made on June 19, 2012.
The third amendment was made on June 29, 2015.

PRIMAX ELECTRONICS LTD.

Shareholding of Directors

1. The Company's paid-in capital is NT\$ 4,516,243,240 and have issued 451,624,324 shares.
2. According to Article 26 of the Securities and Exchange Act, the minimum shares held by all the directors shall be 16,000,000 shares.
3. The table below provides the information about the shares held by individual and all the directors as recorded in the shareholders' roster as of the lockup date (March 30, 2021), which have met the percentage standards required by law.

Position	Name	Date elected	Current Shareholding shares	Shareholding ratio (%)
Chariman	Li-Sheng Liang	May 30, 2018	3,791,001	0.84
Director	Tze-Ting Yang	May 30, 2018	1,926,963	0.43
Director	Yung-Tai Pan	May 30, 2018	4,952,599	1.10
Director	Yung-Chung Pan	May 30, 2018	7,455,046	1.65
Independent Director	Tai-Jau Ku	May 30, 2018	0	0
Independent Director	Chih-Kai Cheng	May 30, 2018	0	0
Independent Director	Chun-Pang Wu	October 25, 2018	0	0
Independent Director	Jia-Chyi Wang	Jane 18, 2019	0	0
Shareholdings of all Directors			18,155,609	4.02