

PRIMAX ELECTRONICS LTD.
Minutes of 2021 Annual General Shareholders' Meeting
(Translation)

Time: July 13, 2021 (Tuesday) 9 a.m.

Venue: 1F, No. 669, Ruey Kuang Road, Neihu District, Taipei City

Present: A total of 332,376,598 shares (including 262,441,639 shares represented by shareholders exercising voting rights electronically) are held by shareholders attending the shareholders' meeting in person or by a proxy, who represent 73.59% of the total number of the Company's outstanding 451,624,324 shares.

Present Directors: Li-Sheng Liang, Yung-Chung Pan, Tze-Ting Yang (via video conference), Tai-Jau Ku (Independent Director, Chairman of the Audit Committee, via video conference), Chun-Pang Wu (Independent Director, via video conference)

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

Recorder: Ting-Chuan Chang

A. Meeting called to order :

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

B. Chairperson Remark: (omitted)

C. Report:

Report No. 1 : The Company's 2020 Business Report for review, please refer to Schedule 1.

Report No. 2 : Audit Committee's Review Report on the 2020 Financial Statements for review, please refer to Schedule 2.

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.

D. 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 and Schedule 3, for the above Financial Statements as well as the Business Report.

Resolved: the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 330,504,121

(Including votes casted electronically: 262,441,639 votes)

Voting Results*		% of the total represented share present
Votes in favor	278,948,740 votes (210,886,258 votes)	84.40%
Votes against	31,104votes (31,104votes)	0.00%
Votes invalid	0 votes	0.00%
Votes abstained	51,524,277votes (51,524,277votes)	15.58%

*including votes casted electronically (number in brackets)

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 excepted 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.

Resolved: the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 330,504,121

(Including votes casted electronically: 262,441,639votes)

Voting Results*		% of the total represented share present
Votes in favor	280,926,810 votes (212,864,328votes)	84.99%
Votes against	38,754votes (38,754 votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	49,538,557votes (49,538,557votes)	14.98%

*including votes casted electronically (number in brackets)

E. Discussion

1. (Proposed by the Board)

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

Description:

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

Resolved: In accordance with FSC's Latest COVID-19 Measures, the date of the Annual General Shareholders' Meeting was postponed until July 13, 2021, thus, the effective date of the amendments to the "Articles of Incorporation" is July 13, 2021. The proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 330,504,121

(Including votes casted electronically: 262,441,639votes)

Voting Results*		% of the total represented share present
Votes in favor	280,919,650 votes (212,857,168 votes)	84.99%
Votes against	34,104votes (34,104 votes)	0.01%
Votes invalid	0 votes	0.00%
Votes abstained	49,550,367votes (49,550,367votes)	14.99%

*including votes casted electronically (number in brackets)

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 personal 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 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 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 requirements 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) Restricted 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.

Resolved: the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 330,504,121

(Including votes casted electronically: 262,441,639votes)

Voting Results*		% of the total represented share present
Votes in favor	277,559,793 votes (209,497,311 votes)	83.98%
Votes against	3,290,934votes (3,290,934)	0.99%
Votes invalid	0 votes	0.00%
Votes abstained	49,653,394 votes (49,653,394 votes)	15.02%

*including votes casted electronically (number in brackets)

F. Extempore Motion:

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, 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".

Election Results: In accordance with FSC’s Latest COVID-19 Measures, the date of the Annual General Shareholders' Meeting was postponed until July 13, 2021. Hence, the new directors (including independent directors) shall have a term of three years from July 13, 2021 to July 12, 2024.

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

Title	Shareholder number or ID number	Name	Votes Received
Director	1	Li-Sheng Liang	322,049,479
Director	52	Yung-Chung Pan	308,866,068
Director	53	Yung-Tai Pan	308,493,554
Director	101240	Green Land Investment Limited Representative: Ji-Ren Lee	299,570,638
Independent Director	A104*****	Chih-Kai Cheng	216,537,169
Independent Director	A110*****	Chun-Pang Wu	216,535,972
Independent Director	A221*****	Jia-Chyi Wang	216,525,604
Independent Director	R100*****	Ying-Chuan Shen	216,486,819
Independent Director	E100*****	Jia-Bin Duh	216,390,907

G. 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.

Resolved: the proposal was approved after voting.

Voting Results : Shares represented at the time of voting : 330,504,121

(Including votes casted electronically: 262,441,639votes)

Voting Results*		% of the total represented share present
Votes in favor	268,158,994 votes (200,096,512votes)	81.13%
Votes against	378,921votes (378,921 votes)	0.11%
Votes invalid	0 votes	0.00%
Votes abstained	61,966,206 votes (61,966,206 votes)	18.74%

*including votes casted electronically (number in brackets)

H. Extempore Motion: None.

I. The meeting was adjourned at 10:03 a.m.

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

Business Report

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		
	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	Total equity	
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		
Profit	-	-	-	-	2,134,870	-	-	-	2,134,870		
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)		
Changes in shares of investment accounted for using equity method	-	9,990	-	-	-	-	38,540	-	48,530		
Amortization expense of restricted stock	-	-	-	-	(52,698)	-	-	61,099	61,099		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	9,763	9,763		
Retirement of restricted stock	(6,915)	(2,848)	-	-	-	-	-	(117,026)	-		
Issuance of restricted stock	18,200	98,826	-	-	-	-	-	-	-		
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		
Profit	-	-	-	-	1,919,265	-	-	-	1,919,265		
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)		
Changes in shares of investment accounted for using equity method	-	11,802	-	-	-	-	(13,579)	-	(1,777)		
Amortization expense of restricted stock	(1,225)	(6,750)	-	-	-	-	-	117,593	117,593		
Retirement of restricted stock	24,400	79,531	-	-	-	-	-	7,975	7,975		
Issuance of restricted stock	-	-	-	-	-	-	-	(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 mentioned 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 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:					Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 6,935,353	15	6,700,510	13	2100 Short-term borrowings (notes 6(n) and 8)	\$ 905,059	2	1,092,126	2
1110 Current financial assets at fair value through profit or loss (note 6(b))	313,758	1	187,016	-	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	432,171	1	207,211	-
1137 Current financial assets at amortized cost (note 6(d))	855,238	1	-	-	2170 Notes and accounts payable	19,001,057	40	23,744,889	45
1170 Notes and accounts receivable, net (notes 6(e) and (w))	13,578,841	29	19,197,355	36	Other payables	3,949,527	8	4,825,106	9
1180 Accounts receivable from related parties, net (notes 6(e), (w) and 7)	198,189	-	180,471	-	Salaries payable	1,131,626	2	1,522,052	3
1200 Other receivables (note 6(e))	1,349,362	3	1,049,016	2	Current lease liabilities (note 6(p))	271,483	1	278,609	-
1310 Inventories (note 6(f))	10,247,463	22	10,493,246	20	Other current liabilities (note 6(w))	753,750	2	312,761	1
1470 Other current assets (note 8)	1,631,887	4	1,515,598	3	Long-term borrowings, current portion (notes 6(o) and 8)	74,833	-	27,777	-
	<u>35,110,091</u>	<u>75</u>	<u>39,323,212</u>	<u>74</u>	Current refund liabilities	1,421,407	3	1,552,275	3
						<u>27,940,913</u>	<u>59</u>	<u>33,562,806</u>	<u>63</u>
Non-current assets:					Non-current liabilities:				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	121,672	-	106,535	-	2540 Long-term borrowings (notes 6(o) and 8)	680,626	1	150,529	-
1550 Investments accounted for using equity method (notes 6(g) and (h))	536,303	1	904,753	2	2580 Non-current lease liabilities (note 6(p))	981,436	2	1,195,744	2
1600 Property, plant and equipment (notes 6(i) and 8)	6,542,015	14	7,363,740	14	2630 Long-term deferred revenue (note 6(q))	1,499,072	3	2,960,815	6
1755 Right-of-use assets (note 6(k))	1,568,052	3	1,843,153	3	2600 Other non-current liabilities (notes 6(r) and (s))	704,445	2	772,420	2
1760 Investment property (note 6(l))	33,826	-	34,289	-	Total liabilities	<u>3,865,579</u>	<u>8</u>	<u>5,079,508</u>	<u>10</u>
1780 Intangible assets (note 6(m))	2,370,578	5	2,501,156	5	Equity attributable to owners of parent:	<u>31,806,492</u>	<u>67</u>	<u>38,642,314</u>	<u>73</u>
1840 Deferred tax assets (note 6(s))	658,289	1	711,859	1	Ordinary shares (note 6(t))	4,508,983	10	4,485,808	8
1990 Other non-current assets (note 8)	366,256	1	357,257	1	3200 Capital surplus (note 6(t))	1,567,628	3	1,483,045	3
	<u>12,196,991</u>	<u>25</u>	<u>13,822,742</u>	<u>26</u>	3310 Legal reserve (note 6(t))	1,578,473	3	1,370,470	3
					3320 Special reserve (note 6(t))	1,058,941	2	662,348	1
Total assets	<u>\$ 47,307,082</u>	<u>100</u>	<u>\$ 53,145,954</u>	<u>100</u>	3350 Unappropriated retained earnings (notes 6(c) and (t))	5,733,458	12	5,500,198	10
					3400 Other equity interest (notes 6(c) and (h))	(1,159,650)	(2)	(1,193,867)	(2)
					36XX Non-controlling interests (note 6(i))	2,212,757	5	2,195,638	4
					Total equity	<u>15,500,590</u>	<u>33</u>	<u>14,503,640</u>	<u>27</u>
					Total liabilities and equity	<u>\$ 47,307,082</u>	<u>100</u>	<u>\$ 53,145,954</u>	<u>100</u>

(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	Unappropriated retained earnings	Unappropriated retained earnings	Unappropriated retained earnings	Unappropriated retained earnings	Unappropriated retained earnings	Unappropriated retained earnings	Unappropriated retained earnings	Unappropriated retained earnings
Balance at 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	3,344,297	14,970,118		
Profit	-	-	-	-	2,134,870	(2,146)	(17,148)	-	2,134,870	128,049	2,262,919		
Other comprehensive income	-	-	-	-	(2,146)	(470,683)	(17,148)	-	(489,977)	(54,685)	(544,662)		
Comprehensive income	-	-	-	-	2,132,724	(470,683)	(17,148)	-	1,644,893	73,364	1,718,257		
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	-	9,990	-	-	(1,072,341)	-	-	-	(1,072,341)	-	(1,072,341)	-	
Changes in shares of investment accounted for using equity method	-	-	-	-	-	-	38,540	-	48,530	4,138	52,668	-	
Amortization expense of restricted stock	-	-	-	-	-	-	-	61,099	61,099	-	61,099	-	
Retirement of restricted stock	(6,915)	(2,848)	-	-	-	-	-	9,763	-	-	-	-	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(42,152)	(42,152)	-	
Issuance of restricted stock	18,200	98,826	-	-	(52,698)	-	-	(117,026)	-	-	-	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	52,698	-	-	-	-	
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	(1,030,865)	(28,076)	(134,926)	12,308,002	2,195,638	14,503,640		
Profit	-	-	-	-	1,919,265	26,337	(13,757)	-	1,919,265	25,002	1,944,267		
Comprehensive income	-	-	-	-	(4,533)	26,337	(13,757)	-	8,047	(12,710)	(4,663)		
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	-	-	-	-	-	-	-	117,593	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 at 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	2,212,757	15,500,590		

See accompanying notes to consolidated financial statements.

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	3,210,461	3,001,702
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	4,161,872	(7,608,256)
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	(5,522,649)	8,917,758
Total changes in operating assets and liabilities	(1,360,777)	1,309,502
Total adjustments	1,849,684	4,311,204
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	3,961,005	6,628,011
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	(2,795,916)	(3,578,919)
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	(974,633)	(1,098,408)
Effect of exchange rate changes on cash and cash equivalents	44,387	(240,632)
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	\$ 6,935,353	6,700,510

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>

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 Manager of Business Department	<ul style="list-style-type: none"> - Primax Electronics (Singapore) Pte. Ltd. Director - Primax Electronics (Thailand) Co., Ltd. Director - 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"> - Tymphony Acoustic Technology (Huizhou) Co., Ltd Director - Tymphony Logistics, Inc. Director - Tymphony Acoustic Technology Ltd. Director - Tymphony Acoustic Technology (Thailand) Co., Ltd. Director - Primax Electronics (Thailand) Co., Ltd. Director
Director	Yung-Tai Pan	<ul style="list-style-type: none"> - Tymphony Acoustic Technology (Huizhou) Co., Ltd Director - Tymphony Acoustic Technology Ltd. Director - Tymphony 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 - Tymphony HK Ltd. Representative of Insitutional Director - Tymphony Acoustic Technology (Huizhou) Co., Ltd. Director and General Manager - Dongguan Tymphony Acoustic Technology Co., Ltd. Executive Director and General Manager - Dongguan Dongcheng Acoustic Technology Co., Ltd. Executive Director and General Manager - Tymphony Acoustic Technology HK Ltd. Director - Tymphony Acoustic Technology Ltd. Director - Tymphony 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"> - Tymphony Acoustic Technology (Huizhou) Co., Ltd. Independent Director - Laowang Holding Limited Taiwan Branch (Cayman) Director