

Stock Code: 4915



## **PRIMAX ELECTRONICS LTD.**

### Handbook for the 2020 Annual General Meeting of Shareholders (Translation)

Time : June 23, 2020

Venue : No. 8, Zhifu Road, Jhongshan Dist., Taipei City  
(3F., Shimmer Hall, DENWELL Daizhi)

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# **PRIMAX ELECTRONICS LTD.**

## **Procedure for the 2020 Annual General Meeting of Shareholders**

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

**PRIMAX ELECTRONICS LTD.**  
**2020 Annual General Shareholders' Meeting Agenda**

Time : June 23, 2020 (Tuesday) 9 AM

Venue : No. 8, Zhifu Road, Jhongshan Dist., Taipei City  
(3F., Shimmer Hall, DENWELL Daizhi)

- 1、Meeting called to order (declare the number of shares represented by shareholders present at the meeting)
- 2、Chairperson Remark
- 3、Report
  - I. The Company's 2019 Business Report.
  - II. Audit Committee's Review Report on the 2019 Financial Statements.
  - III. Distribution of employees' and directors' compensation in 2019.
  - IV. The report of Tymphany Acoustic Technology (Huizhou) Co., Ltd., the Company's subsidiary, in connection with the Initial Public Offering of RMB common shares (A share) and Application for the listing on Shenzhen Stock Exchange.
  - V. Amend the Company's "Procedures for Ethical Management and Guidelines for Conduct".
- 4、Adoption
  - I. The Company's 2019 business report and financial statements.
  - II. The Company's 2019 distribution of earnings.
- 5、Discussion
  - I. Amend the Company's " Regulations of Shareholders' Meeting Proceedings ".
  - II. Proposed Issuance of Restricted Employee Stock Awards.
- 6、Extempore Motion
- 7、Meeting Adjournment

# **Report**

**Report No. 1** : The Company's 2019 Business Report for review.

**Description:**

Refer to Schedule 1 of the Handbook (from page 9 to page 11) for the 2019 Business Report.

**Report No. 2** : Audit Committee's Review Report on the 2019 Financial Statements for review.

**Description:**

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

**Report No. 3** : Distribution of employees' and directors' compensation in 2019.

**Description:**

- (1) The Board of Directors resolved to distribute NT\$75,520,000 for employees' compensation and NT\$ 26,430,000 for directors' compensation for year 2019.
- (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 2019 was NT\$2,494,313,676, the amount before deducting the sums of compensation of directors and employees was NT\$ 2,607,603,352. Hence, the aforementioned compensation of employees and directors are respectively 2.90% and 1.01% of the said NT\$ 2,607,603,352.
- (3) In the internal financial statements, the employees' compensation was recorded as NT\$75,526,451 and NT\$37,763,225 as directors' compensation for year 2019. The discrepancy amount was NT\$-6,451 and NT\$-11,333,225 respectively. The discrepancies of the employees' compensation was the difference between the outcomes of an accounting estimate. The discrepancies of directors' compensation was a reduction of the directors' compensation due to a difficult time. Those discrepancies which will be handled by principles of accounting change.

**Report No. 4** : The report of Tymphany Acoustic Technology (Huizhou) Co., Ltd., the Company's subsidiary, in connection with the Initial Public Offering of RMB common shares (A share) and Application for the listing on Shenzhen Stock Exchange.

**Description:**

It is noted that the motion of Tymphany Acoustic Technology (Huizhou) Co., Ltd., to make an initial public offering and apply for the listing of its common shares (A Shares) on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange had been reviewed and approved respectively by the board meeting dated March 28, 2019 and the general shareholder meeting dated June 18, 2019. Tymphany Acoustic Technology (Huizhou) Co., Ltd filed the IPO papers with China Security Regulatory Committee on Dec 27th 2019, which filing is now under the process. And to comply with the IPO required process, Chairman, the designated persons and/or the authorized personnel whoever been authorized by the board resolution and shareholder resolution have executed the documents including the non-compete, stock price stability commitment and etc. for China Security Regulatory Committee's review.

**Report No. 5** : Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conduct".

**Description:**

- (1) Amend the Company's "Procedures for Ethical Management and Guidelines for Conduct " in accordance with the Letters numbered Taiwan-Stock-Governance-1080008378 and Taiwan-Stock-Governance-1090002299 of the Taiwan Stock Exchange Corporation (TWSE).

- (2) Refer to Schedule 3, pages 13 to page 17, of the Handbook for a comparison of the amendments to the "Procedures for Ethical Management and Guidelines for Conduct".

## **Adoption**

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

**Proposal** : Adoption of the Company's 2019 Business Report and Financial Statements.

**Description:**

The Company has completed the internal preparation of the 2019 Annual Parent Company Only and Consolidated Financial Statements and has provided the reports to MEI-PIN WU CPA and CHI -LUNG YU CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Please refer to Schedule 1, from page 11 to page 12, and Schedule 3, from page 14 to page 29, of the Handbook for the above Financial Statements as well as the Business Report.

**Resolution:**

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

**Proposal** : Adoption of the Company's 2019 distribution of earnings.

**Description:**

- (1) The Company's 2019 net profit after tax is NT\$2,134,870,687, minus this year's actuarial gain from defined benefit plans NT\$2,146,160, minus disposal unrealized gain(losses) from financial assets measured at fair value through other comprehensive income carried forward to unappropriated retained earnings NT\$52,698,379, minus legal reserve provision NT\$ 208,002,615, minus special reserve provision NT\$396,592,709, plus beginning retained earnings NT\$3,420,171,288, the distributable retained earnings are NT\$4,895,602,112. The 2019 distribution of earnings prepared according to the Articles of Incorporation is as follows:

PRIMAX ELECTRONICS LTD.  
PROFIT ALLOCATION PROPOSAL  
December 31, 2019

Unit: NT\$

Item	Amount
<b>Beginning retained earnings</b>	<b>3,420,171,288</b>
Less : Effects of retrospective application	0
<b>Adjusted unallocated earnings, beginning of year</b>	<b>3,420,171,288</b>
Add : Net profit after tax	2,134,870,687
Less : Actuarial Gain from Defined Benefit Plans	2,146,160
Less : Disposal unrealized gain(losses) from financial assets measured at fair value through other comprehensive income carried forward to unappropriated retained earnings	52,698,379
Less : 10% Legal Reserve	208,002,615
Less : Special reserve provision	396,592,709
<b>Distributable retained earnings</b>	<b>4,895,602,112</b>
Distribution Item :	
Cash Dividends to Common Share Holders(NT\$2.4 per share)	1,076,875,978
<b>Unappropriated Retained Earnings</b>	<b>3,818,726,134</b>

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 448,698,324 outstanding shares as of April 7, 2020.  
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 50%

- (2) For this distribution of profits, the 2019 earnings will be subject to distribution on a priority basis.
- (3) The cash dividends total NT\$1,076,875,978 and the per share dividends to be distributed are NT\$2.4. The dividends will be distributed to the shareholders listed in the shareholders' roster on the ex-dividend date according to their respective shareholding. The above distribution ratio is calculated based on the total 448,698,324 outstanding shares as of April 7, 2020. After the proposal is approved at the regular shareholders' meeting, it is proposed the board of directors shall be authorized to determine the ex-dividend date and relevant matters.
- (4) For the distribution of earnings, in the event of satisfaction of the vesting conditions on restrictive stock awards, buyback of the Company's shares, assignment or cancellation of treasury stock which influences the ratio of distributable dividends, it is proposed the shareholders' meeting shall authorize the Board of Directors to make proportionate adjustments to the ratio of distributable dividends based on the number of outstanding shares on the ex-dividend date.

***Resolution:***

## **Discussion**

1. **(Proposed by the Board)**  
***Proposal*** : Resolution of amendments to the Company's " Regulations of Shareholders' Meeting Proceedings ".

***Description:***

- (1) The Company hereby proposes to amend the " Regulations of Shareholders' Meeting Proceedings " in accordance with the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" published by Taiwan Stock Exchange Corporation.
- (2) Please Refer to Schedule 5, pages 35 to page 36, of the Handbook for a comparison of the amendments to the "Regulations of Shareholders' Meeting Proceedings ".

***Resolution:***

2. **(Proposed by the Board)**  
***Proposal*** : Resolution of issue of Restricted Employee Stock Award.

***Description:***

- (1) In accordance with Article 267 of the Company Act and Regulations Governing the Offering and Issuance of Securities by Securities Issuers published by the Financial Supervisory Commission.
- (2) Expected total amounts(shares) of issuance : 3,000,000 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 Restrictes Stock shall vest at a rate of 30% at the end of the first twelve months of continuous employment after granting the award and achievement of personal performance goals and business performance goals in the previous year.
      - ii. Each Award of Restrictes Stock shall vest at a rate of 30% at end of two years of continuous employment after granting the award and achievement of personal performance goals and business performance goals in the previous year.

- iii. Each Award of Restricted Stock shall vest at a rate of 40% at end of three years of continuous employment after granting the award and achievement of personal performance goals and business performance goals in the previous year.

(II) Vesting for Category B :

- i. Each Award of Restricted Stock shall vest at a rate of 50% at the end of the first twelve months of continuous employment after granting the award and achievement of personal performance goals and business performance goals in the previous year.
- ii. Each Award of Restricted Stock shall vest at a rate of 50% at end of two years of continuous employment after granting the award and achievement of personal performance goals and business performance goals in the previous year.

(III) Vesting for Category C :

Each award of Restricted Stock shall vest at a rate of 100% at the end of the first twelve months of continuous employment after granting the award and achievement of personal performance goals and business performance goals in the previous year.

(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 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 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 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 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 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", 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: 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, 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 reason why it is necessary to issue restricted stocks for employees :  
For attracting and retaining outstanding professionals, in order to create long-term Company growth and benefits for employees and shareholders.
- (7) Calculated expense amount :  
Estimations are made based on NT\$40, The amount of annual cost sharing for year 2020, 2021, 2022, 2023, 2024, 2025 and 2026 shall be NT\$2,916,667, NT\$47,366,667, NT\$37,983,333, NT\$20,066,667, NT\$7,066,667, NT\$3,400,000 and NT\$1,200,000 respectively, with a total amount of NT\$120,000,000.
- (8) Dilution of EPS and other factors affecting shareholder's equity :  
Estimations are made based on NT\$40, The diluted EPS for year 2020, 2021, 2022, 2023, 2024, 2025 and 2026 shall be NT\$0.01, NT\$0.10, NT\$0.08, NT\$0.04, NT\$0.02, NT\$0.01 and NT\$0.00 respectively.
- (9) Restricted rights before employees meet the vesting conditions :  
Restrictions, covenants or outstanding issues in relation to the establishment of this Plan shall be dealt in accordance with the relevant laws and the Company's Procedures.
- (10) Other important stipulations :  
The new shares issued by the Company through the exercise of Restricted Stock shall be dealt in accordance with measures for stock trust.
- (11) Any other matters that need to be specified :
- 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 in recent years (Y2017 to Y2019) is 96 % of the total number of Restricted Employee Stock Award; Category B is 1%; Category C is 3%; Category D is the new vesting condition.
  - 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 (448,730,824 shares) as of March 19, 2020, the 3,000,000 new shares to be issued will account for 0.67% of the total number of issued shares.

**Resolution:**

**Extempore Motion**

**Meeting Adjournment**

# Business Report

【Schedule 1】

Looking back at 2019, the global market was full of instability. Major events such as Brexit, China-US trade disputes, the possible decline of the US economy as well as international politics and social disturbance posed difficult external challenges for many companies. In another aspect, with the promotion of rapidly growing emerging technologies for various product applications, new consumer electronic products continue to be introduced to the public, bringing further potential business opportunities for companies.

Primax had a full grasp of the market trend in 2019. It maintained stable operating strategies while focusing on the core competitiveness of R&D on acoustic and vision related products, which has seen stabilization and deepened our relationship with customers. 2019 was a good year regarding revenue as well as for optimized product portfolios.

Regarding business management, Tymphany benefited from strong demand for acoustic products of smart speakers, smart headphones and true wireless stereo (TWS). Together with the need for technology integration for audio brand customers, Tymphany's revenue in 2019 had grown substantially. In respect to the application of optical products, Primax's automotive camera modules have continued to show a stable shipment and excellent quality yield. By pursuing relationships with major global OEMs and tier-1 suppliers and assisting them in the development of components for smart driving, we can diversify risk from the mobile phone market. With the development of PC peripherals, Primax has created differentiated gaming products for customers with customized lighting technology and its application introduction which has maintained stable contribution to revenue and profit.

2019 was a crucial year for Primax in terms of manufacturing layout. Aside from the continuous promotion of the manufacturing upgrade of Industrial 4.0, the regional manufacturing plan was also implemented for risk diversification. The Company decided, other than China, Thailand will be the next production location and the investment in production and shipment will take effect in 2020, allowing it to start making a contribution to the Group's revenue.

The following is an overview of the Company's 2019 performance.

## I. 2019 Financial Performance

### (I) Financial Results

The Company generated NT\$80,649,608 thousand of net consolidated operating revenues worldwide in 2019, representing a 24.4% growth from NT\$64,811,408 thousand in 2018. Consolidated net income totaled NT\$2,262,919 thousand in 2019, representing a 18.2% growth compared to NT\$1,913,975 thousand in 2018.

### (II) Cash Flow Analysis

Unit : NT\$ thousand

Account	2019	2018	Net change
Net cash inflow (outflow) from operating activities	6,628,011	1,786,951	4,841,060
Net cash inflow (outflow) from investing activities	(3,578,919)	(2,917,352)	(661,567)
Net cash inflow (outflow) from financing activities	(1,098,408)	(1,539,774)	441,366

### (III) Profitability Analysis

Account	2019	2018
Return on Equity (%)	15.36	13.69
Operating Income to Paid-in Capital (%)	61.59	43.41
Profit before Tax to Paid-in Capital (%)	64.96	52.84
Net Profit Margin (%)	2.81	2.95
Earnings per Share (Dollars)	4.80	4.12

### (IV) R&D Investments

The Company committed NT\$2,968,221 thousand to research and development expenses in 2019 as a means to enhance its R&D capacity and competitive advantage. The investment was spent on the design and development of new products/technologies and improvement in the production process.

## II. Business Strategy and Technology Developments

Regarding business development, the focus for 2020 will center on developing technology-oriented products. The aim is on the core competitiveness that improves acoustic and vision related technologies. We will continue to develop new product applications in relation to acoustics, optics, and human-machine interfaces (HMI), increasing the market share. With Tymphany's acoustic products gradually becoming the Group's main contribution to revenue and profit in 2019, the subsequent direction will be the improvement in product quality and efficiency, and the continuous investment in technology R&D as well as the integration of new products. Among these, demand for smart speakers, smart headphones and TWS are expected to grow in 2020. Tymphany will try its very best with an opportunity to introduce mid-to high-end related products in a bid to maintain our position as a market leader.

In the development of optical products, technological applications brought with development trends such as mobile devices, digital home, artificial intelligence (AI), and internet of things (IoT) have gradually become more sophisticated. Primax will vigorously expand the application areas of new camera modules including 3D sensing, smart driving systems, etc.; new functions and manufacturing process will continually be developed on the software and hardware of visual imaging such as structured light 3D sensing, multi-camera design, image processing software, etc., thereby entering the market with products in relation to smart vision and smart homes.

PC peripheral business groups based on human-machine interfaces will continue to expand the revenue and profit of gaming peripherals in 2020. At the same time, with the existing technology and the Company's design capacity, the Group's vision and acoustic technologies can keep up with new market trends and customer needs. Smart home related products such as door locks, surveillance, and security systems are planned for development. The Company will help brand customers to introduce the technology to new products, allowing the range of the Company products to expand from computers to IoT.

In terms of production management, the Company will continue making progressive upgrades to its production capacity in 2020, realizing its vision of smart manufacturing and Industry 4.0 starting with the adoption of automated manufacturing processes, big data and AI to largely enhance judgement and use of manufacturing information. Primax expects to reduce

production costs, increase yield, and optimize utilization of production capacity. Regarding Thailand as a manufacturing base, production will be accelerated in 2020, establishing a large-scaled production base outside mainland China while maintaining high standards of product yield and quality.

The global economy will remain susceptible to the US-China trade war and the novel coronavirus (COVID-19) outbreak in the coming year, which the Company plans to respond to by focusing on Asia as the world's main supply chain. With the progress of Industry 4.0, and the layout of regional manufacturing, the Company is ready to face the harsh market challenge and welcome the next technological re-engineering opportunity.

Chairman and General Manager: Li-Sheng Liang

Accounting Manager: Shu-chuan Chang

## Audit Committee's Review Report

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2019 Business Report, Financial Statements and Proposal for Distribution of Earnings prepared and submitted by the Board of Directors, the Financial Statements have been fully audited by KPMG Taiwan which has issued the audit report.

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

Chairman of the Audit Committee: Tai-Jau Ku

Date: March 10, 2020

**PRIMAX ELECTRONICS LTD.**  
 Comparison of Amendments to the  
 Procedures for Ethical Management and Guidelines for Conduct

Amended Content	Current Content	Reason for Amendment and Explanation
<p><b>Article 6</b>  <b>(Responsible unit &amp; Responsibilities)</b></p> <p>This Corporation shall designate the ___ Human Resource Department ___ as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the board of directors <u>(at least once every year)</u>:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Adopting programs <u>and risk assessment mechanism to prevent unethical conduct, analyzing and assessing risk periodically, according to risk assessment result to ask the internal audit unit for assistance,</u> and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.</li> <li>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</li> <li>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</li> <li>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</li> <li>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and</li> </ol>	<p><b>Article 6</b>  <b>(Responsible unit)</b></p> <p>This Corporation shall designate the ___ Human Resource Department ___ as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the board of directors:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.</li> <li>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</li> <li>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</li> <li>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</li> <li>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures</li> </ol>	<p>Subject to the amendment of Article 7,17 and 20 as set forth in Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines")</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>preparing reports on the regular assessment of compliance with ethical management in operating procedures</p> <p>With respect to the matter set forth in preceding Item 6, the responsible unit may refer to other unit of this Corporation for assistance if necessary.</p> <p><u>7. Adopting and keeping well the documents of ethical management policy, statement, implementation of ethical management, etc.</u></p>	<p>With respect to the matter set forth in preceding Item 6, the responsible unit may refer to other unit of this Corporation for assistance if necessary.</p>	
<p><b>Article 12 (Recusal)</b></p> <p>When a Company director, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of this Corporation would be prejudiced, may not participate in the discussion or vote on that proposal, shall recues himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p><u>If the spousal, second degree of kinship or company with controlled affiliation of the director has the relationship with the proposal at the meeting, the director should be interest avoidance.</u></p> <p>If in the course of conducting company business, any personnel of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of this Corporation may use company resources on commercial activities other than those of this Corporation, nor may any personnel's job performance be affected by</p>	<p><b>Article 12 (Recusal)</b></p> <p>When a Company director, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of this Corporation would be prejudiced, may not participate in the discussion or vote on that proposal, shall recues himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p>If in the course of conducting company business, any personnel of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of this Corporation may use company resources on commercial activities other than those of this Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of this Corporation.</p>	<p>Subject to the amendment of Article 11 as set forth in Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies (hereinafter, "Principles").</p>



Amended Content	Current Content	Reason for Amendment and Explanation
<p>his or her involvement in the commercial activities other than those of this Corporation.</p>		
<p><b>Article 16</b> <b><u>(The provisions of the Exchange Act and Non-disclosure agreement)</u></b></p> <p>All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.</p> <p>Any organization or person outside of this Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by this Corporation shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Corporation acquired as a result, and that they may not use such information without the prior consent of this Corporation.</p>	<p><b>Article 16</b> <b>(Non-disclosure agreement)</b></p> <p>All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.</p> <p>Any organization or person outside of this Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by this Corporation shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Corporation acquired as a result, and that they may not use such information without the prior consent of this Corporation.</p>	<p>Subject to the amendment of Article 15 as set forth in Principles.</p>
<p><b>Article 17</b> <b><u>(Compliance and Announcement of policy of ethical management to outside parties)</u></b></p> <p><u>The Directors and Executive management shall sign the ethical management statement , the statements shall be kept well in this corporation and the newcomer shall comply with the offer letter about ethical management statement.</u></p> <p>This Corporation shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as supplier conferences and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p>	<p><b>Article 17</b> <b>(Announcement of policy of ethical management to outside parties)</b></p> <p>This Corporation shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as supplier conferences and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p>	<p>Subject to the amendment of Article 16 as set forth in Principles.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p><b>Article 22</b> <b>(Whistle blowing procedure and incentive reward)</b></p> <p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, this Corporation will grant a reward:</p> <ol style="list-style-type: none"> <li>1. The seriousness is the truth : NT\$1,000 .</li> <li>2. The actual damage by the seriousness : additional reward not less than NT\$3,000.</li> <li>3. Insiders may also be praised publicly as a reward. Nevertheless, insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</li> </ol> <p>This Corporation shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for Company insiders and outsiders to submit reports. A whistleblower shall at least furnish the following information:</p> <ol style="list-style-type: none"> <li>1.The informed party's name or other information sufficient to distinguish its identifying features.</li> <li>2.Specific facts available for investigation.</li> </ol>	<p><b>Article 22</b> <b>(Whistle blowing procedure and incentive reward)</b></p> <p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, this Corporation will grant a reward:</p> <ol style="list-style-type: none"> <li>1. The seriousness is the truth : NT\$1,000.</li> <li>2.The actual damage by the seriousness : additional reward not less than NT\$3,000.</li> <li>3. Insiders may also be praised publicly as a reward. Nevertheless, insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</li> </ol> <p>This Corporation shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for Company insiders and outsiders to submit reports. A whistleblower shall at least furnish the following information:</p> <ol style="list-style-type: none"> <li>1.<u>The whistleblower's name and I.D. number, and an address, telephone number and e-mail address where it can be reached.</u></li> <li>2.The informed party's name or other information sufficient to distinguish its identifying features.</li> <li>3.Specific facts available for investigation.</li> </ol>	<p>Subject to the amendment of Article 23 as set forth in Principles.</p>
<p><b>Article 24</b> <b>(Internal promotion, establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)</b></p> <p>The responsible unit of this Corporation shall organize the awareness sessions each year and arrange for the chairperson, general manager, or senior management to communicate the importance of ethics to its directors and employees.</p> <p>This Corporation shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>If any personnel of this Corporation seriously violates ethical conduct, this Corporation shall</p>	<p><b>Article 24</b> <b>(Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)</b></p> <p>The responsible unit of this Corporation shall organize the awareness sessions each year and arrange for the chairperson, general manager, or senior management to communicate the importance of ethics to its directors and employees.</p> <p>This Corporation shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>If any personnel of this Corporation seriously violates ethical conduct, this Corporation shall dismiss the personnel from his or her position</p>	<p>Subject to the amendment of Article 23 as set forth in Principles.</p>

Amended Content	Current Content	Reason for Amendment and Explanation
<p>dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of this Corporation.</p> <p>This Corporation shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.</p>	<p>or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of this Corporation.</p> <p>This Corporation shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.</p>	
<p><b>Article 25 (Enforcement)</b>          ….(Skip)          Date : 2012.3.20 (Enacted)          Date : 2015.7.7 (Amended )  <u>Date : 2019.8.14 (Amended )</u>  <u>Date : 2020.4.8 (Amended )</u></p>	<p><b>Article 25 (Enforcement)</b>          ….(Skip)          Date : 2012.3.20 (Enacted)          Date : 2015.7.7 (Amended )</p>	<p>Update the amended date.</p>



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, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 15% and 13% of the total assets, as of December 31, 2019 and 2018, respectively. The related share of profit of associates accounted for using the equity method amounted constituting 29% and 31% of the profit before tax, for the years ended December 31, 2019 and 2018, 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; sampling the inventories sold in subsequent period to assess whether the allowance for inventories are reasonable.

## 2. Investments accounted for using equity method

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

Description of key audit matter:

Based on the scope and nature of their businesses of the Company’s investments 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 investments accounted for using equity method is one of the key audit matters for our audit.

In 2014, the Company acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd.; and in July 2019, the Company lost its control over ALT International Co., Ltd (Cayman) and its subsidiaries due to not having obtained more than 50% of its board of directors’ voting rights in the interim shareholders’ meeting. As a result, the Company recognized the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal, which was remeasured at fair value. The two 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)

March 10, 2020

#### 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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
<b>Current assets:</b>								
1100 Cash and cash equivalents (note 6(a))	\$ 2,238,853	8	2,239,009	8	2100 Short-term borrowings (note 6(k))		950,000	3
1110 Current financial assets at fair value through profit or loss (note 6(b))	172,807	1	75,081	-	2170 Notes and accounts payable	11,139,174	5,161	-
1170 Notes and accounts receivable, net (notes 6(d) and (t))	6,638,573	22	7,505,903	27	2180 Accounts payable to related parties (note 7)	207,211	10,475,212	38
1180 Accounts receivable from related parties, net (notes 6(d), (t) and 7)	567,095	2	111,619	1	Current financial liabilities at fair value through profit or loss (note 6(b))	1,690,295	19,449	-
1200 Other receivables (notes 6(d) and 7)	388,334	1	258,597	1	Other payables (note 7)	380,641	1,228,790	4
1310 Inventories (note 6(e))	3,210,952	11	2,182,893	8	Salaries payable	86,887	244,773	1
1470 Other current assets	42,112	-	30,164	-	Current lease liabilities (note 6(m))	205,773	-	-
	<u>13,258,726</u>	<u>45</u>	<u>12,403,266</u>	<u>45</u>	Other current liabilities (note 6(l))	21,777	213,283	1
<b>Non-current assets:</b>					Long-term borrowings, current portion (note 6(l))	1,340,251	55,556	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	65,547	-	263,624	1	Current refund liabilities	15,168,513	1,062,412	4
1550 Investments accounted for using equity method, net (notes 6(f) and 7)	14,973,751	51	14,166,264	51		<u>14,254,636</u>	<u>51</u>	
1600 Property, plant and equipment (note 6(g))	92,804	-	92,023	-	<b>Non-current liabilities:</b>			
1755 Right-of-use assets (note 6(h))	342,146	1	-	-	Long-term accounts payable to related parties (note 7)	-	357,703	2
1760 Investment property, net (note 6(i))	244,468	1	248,028	1	Long-term borrowings (note 6(l))	-	27,777	-
1780 Intangible assets (note 6(j))	9,763	-	13,738	-	Non-current lease liabilities (note 6(m))	260,939	-	-
1840 Deferred tax assets (note 6(p))	524,769	2	433,179	2	Long-term deferred revenue (note 6(g))	1,165,686	807,831	3
1990 Other non-current assets--other	79,523	-	65,658	-	Other non-current liabilities (notes 6(o) and (p))	688,357	612,012	2
	<u>16,332,771</u>	<u>55</u>	<u>15,282,514</u>	<u>55</u>	<b>Total liabilities</b>	<u>2,114,982</u>	<u>1,805,323</u>	<u>7</u>
					Ordinary shares (note 6(q))	17,283,495	16,059,959	58
					Capital surplus (note 6(q))	4,485,808	4,474,523	15
					Legal reserve (note 6(q))	1,483,045	1,377,077	5
					Special reserve (note 6(q))	1,370,470	1,187,783	5
					Unappropriated retained earnings (notes 6(c) and (q))	662,348	299,065	2
					Other equity interest (note 6(c))	5,500,198	5,038,483	19
						<u>(1,193,867)</u>	<u>(751,110)</u>	<u>(4)</u>
					<b>Total equity</b>	<u>12,308,002</u>	<u>11,625,821</u>	<u>42</u>
					<b>Total liabilities and equity</b>	<u>\$ 29,591,497</u>	<u>\$ 27,685,780</u>	<u>100</u>



(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, 2019 and 2018

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

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(t) and 7)	\$ 36,178,733	100	33,984,435	100
5000 Operating costs (notes 6(e), (o), (u), 7 and 12)	<u>32,669,734</u>	<u>90</u>	<u>31,565,824</u>	<u>93</u>
Gross profit from operations	<u>3,508,999</u>	<u>10</u>	<u>2,418,611</u>	<u>7</u>
Operating expenses (notes 6(o), (r), (u), 7 and 12):				
6100 Selling expenses	609,578	2	530,897	2
6200 Administrative expenses	526,757	1	475,000	1
6300 Research and development expenses	1,111,728	3	999,294	3
6450 Expected credit loss (Reversal of expected credit loss) (note 6(d))	<u>3,443</u>	<u>-</u>	<u>(54,910)</u>	<u>-</u>
Total operating expenses	<u>2,251,506</u>	<u>6</u>	<u>1,950,281</u>	<u>6</u>
Net operating income	<u>1,257,493</u>	<u>4</u>	<u>468,330</u>	<u>1</u>
Non-operating income and expenses:				
7010 Other income (notes 6(v) and 7)	29,528	-	39,800	-
7020 Other gains and losses (notes 6(w) and 7)	380,362	1	288,389	1
7070 Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	896,040	2	1,332,971	4
7050 Finance costs (note 6(m))	<u>(69,109)</u>	<u>-</u>	<u>(18,361)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,236,821</u>	<u>3</u>	<u>1,642,799</u>	<u>5</u>
Profit before income tax	2,494,314	7	2,111,129	6
7950 Less: Income tax expenses (note 6(p))	<u>359,444</u>	<u>1</u>	<u>284,259</u>	<u>1</u>
Profit	<u>2,134,870</u>	<u>6</u>	<u>1,826,870</u>	<u>5</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))	(2,146)	-	(473)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(17,148)	-	(134,472)	-
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>(19,294)</u>	<u>-</u>	<u>(134,945)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(470,683)	(1)	(187,628)	(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>(470,683)</u>	<u>(1)</u>	<u>(187,628)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>(489,977)</u>	<u>(1)</u>	<u>(322,573)</u>	<u>(1)</u>
Comprehensive income (after tax)	<u>\$ 1,644,893</u>	<u>5</u>	<u>1,504,297</u>	<u>4</u>
Earnings per share (note 6(s))				
9710 Basic earnings per share (NT dollars)	<u>\$ 4.80</u>		<u>4.12</u>	
9810 Diluted earnings per share (NT dollars)	<u>\$ 4.77</u>		<u>4.09</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, 2019 and 2018  
(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 (losses) from unrealized gains financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity
	Ordinary shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
Balance on January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	(372,554)	30,916	(92,806)	11,385,272	
Profit	-	-	-	-	-	1,826,870	-	-	-	1,826,870	
Other comprehensive income	-	-	-	-	-	(473)	(187,628)	(134,472)	-	(322,573)	
Comprehensive income	-	-	-	-	-	1,826,397	(187,628)	(134,472)	-	1,504,297	
Appropriation and distribution of retained earnings:											
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	-	-	-	-	
Appropriated special reserve	-	-	-	-	201,765	(201,765)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	-	-	-	(1,430,068)	
Changes in shares of investment accounted for using equity method	-	-	81,571	-	-	-	-	134	-	81,705	
Retirement of restricted stock	-	-	-	-	-	-	-	-	84,615	84,615	
Amortization expense of restricted stock	(3,640)	-	(45,324)	-	-	-	-	-	48,964	-	
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	(126,535)	-	
Issuance of ordinary shares for employee stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(1,256)	(560,182)	1,256	-	-	
Balance on December 31, 2018	4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	(560,182)	(102,166)	(88,762)	11,625,821	
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	-	-	-	-	-	-	-	-	61,099	61,099	
Retirement of restricted stock	(6,915)	-	(2,848)	-	-	-	-	-	9,763	-	
Issuance of restricted stock	18,200	-	98,826	-	-	-	-	-	(117,026)	-	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(52,698)	(1,030,865)	52,698	-	-	
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	

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,494,314	2,111,129
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	138,740	40,667
Losses related to inventories	67,919	73,441
Amortization of long-term deferred revenue	(336,120)	(358,985)
Expected credit loss (reversal)	3,443	(54,910)
Interest expense	63,746	12,439
Interest income	(17,280)	(17,889)
Compensation cost of share-based payment	61,099	84,615
Share of profit of subsidiaries accounted for using equity method	(896,040)	(1,332,971)
Amortization of unrealized revenue of patents disposed	(15,450)	(2,571)
Total adjustments to reconcile profit (loss)	<u>(929,943)</u>	<u>(1,556,164)</u>
Changes in operating assets and liabilities:		
Accounts receivable, including related parties	408,411	(1,249,212)
Other receivable	(210,121)	(7,921)
Inventories	(1,095,978)	(127,893)
Other current assets	(11,948)	(2,523)
Other operating assets	(97,725)	18,014
Changes in operating assets	<u>(1,007,361)</u>	<u>(1,369,535)</u>
Notes and accounts payable, including related parties	749,305	2,113,165
Salaries payable	135,868	38,644
Other payables	653,795	223,930
Other current liabilities	(7,511)	(35,270)
Long-term deferred revenue	693,975	281,236
Other operating liabilities	186,052	(85,041)
Changes in operating liabilities	<u>2,411,484</u>	<u>2,536,664</u>
Total changes in operating assets and liabilities	<u>1,404,123</u>	<u>1,167,129</u>
Total adjustments	<u>474,180</u>	<u>(389,035)</u>
Cash inflow generated from operations	2,968,494	1,722,094
Interest received	17,280	17,889
Interest paid	(63,675)	(12,368)
Income taxes paid	(248,894)	(118,360)
Net cash flows from operating activities	<u>2,673,205</u>	<u>1,609,255</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(33,273)	(8,880)
Proceeds from disposal of financial assets at fair value through other comprehensive income	214,202	7,343
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	691
Acquisition of investments accounted for using equity method	(318,150)	(2,804,040)
Acquisition of property, plant and equipment	(50,266)	(39,909)
Acquisition of unamortized expense	(4,378)	(14,462)
Decrease in refundable deposits	200	1,790
Proceeds from disposal of intangible assets	-	154,500
Dividends received	214	13,437
Other investing activities	(89)	(90)
Net cash used in investing activities	<u>(191,540)</u>	<u>(2,689,620)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(950,000)	950,000
Repayments of long-term borrowings	(55,556)	(135,555)
Increase in guarantee deposits received	39,418	21,948
Payment of lease liabilities	(85,639)	-
Cash dividends paid	(1,072,341)	(1,430,068)
Decrease in long-term accounts payable to related parties	(357,703)	(66,241)
Net cash flows used in financing activities	<u>(2,481,821)</u>	<u>(659,916)</u>
Net decrease in cash and cash equivalents	(156)	(1,740,281)
Cash and cash equivalents at beginning of period	2,239,009	3,979,290
Cash and cash equivalents at end of period	<u>\$ 2,238,853</u>	<u>2,239,009</u>

See accompanying notes to parent company only financial statements.



安侯建業聯合會計師事務所  
KPMG

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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, 2019 and 2018, 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, 2019 and 2018, 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 of our opinion.

### Other Matter

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2019 and 2018, the assets of these subsidiaries constitute 49% and 33%, respectively, of the consolidated total assets. For the years ended December 31, 2019 and 2018, the operating revenue of these subsidiaries constitute 51% and 41%, 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 constituted 1% of the consolidated total assets at December 31, 2019, and the related share of loss of associates accounted for using equity method constituted 0% of consolidated profit after tax for the year ended.

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matter paragraph.



## Key Audit Matters

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

### 1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

### 2. Lost control of subsidiaries

Please refer to Note 4(c) "Basis of consolidation", Note 4(j) "Business combination" and Note 6(h) "loss control of subsidiaries" of the consolidated financial statements.

Description of key audit matter:

In July 2019, ALT International Co., Ltd (Cayman) held an interim shareholders' meeting and re-elected its directors, wherein the Group did not obtain more than 50% of its board of directors' voting rights. Therefore, the Group did not have the right to direct the relevant activities of ALT International Co., Ltd (Cayman) and lost its control over ALT International Co., Ltd (Cayman), but still retained significant influence. Thereafter, investment in ALT International Co., Ltd (Cayman) was reclassified to investments accounted for using the equity method. This transaction is deemed as non-routine and significant transaction for the year 2019 and will influence the users' comprehension on the financial statements. Therefore, lost control of subsidiaries is one of our key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on lost control of subsidiaries included: reviewing the related documents at the time of loss of control; appointing our internal expert to review whether the measurements the Group adopted in evaluation report is common in the industry; verifying the correctness of profit or loss of disposal with the management's calculation and inspecting the completeness of disclosures related to this transaction in the consolidated financial statements.



### 3. Impairment assessment of intangible assets

Please refer to Note 4(p) “Impairment of non-financial assets”, Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(n) “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 July 2019, the Company lost its control over ALT International Co., Ltd (Cayman) and its subsidiaries due to not having obtained more than 50% of its board of directors’ voting rights in the interim shareholders’ meeting, as a result, the Company recognized the investment in ALT International Co., Ltd (Cayman) as repurchase after disposal, which was remeasured at fair value. The two 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 the Group and external expert engaged by the Group; appointing our internal expert to review the evaluation reports and assessing the reasonability of measurements, parameters, and assumptions; evaluating the operation outcomes and comparing them to the past forecasts; making sensitivity analysis for evaluation of impairment losses and evaluating the completeness of disclosure in the consolidated financial reports.

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

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

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

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

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

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



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

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

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

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



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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 10, 2020

#### **Notes to Readers**

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

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





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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(x) and 7)	\$ 80,649,608	100	64,811,408	100
5000 Operating costs (notes 6(e), (q), (r), (s), (y), 7 and 12)	<u>71,218,592</u>	<u>88</u>	<u>57,021,985</u>	<u>88</u>
Gross profit from operation	<u>9,431,016</u>	<u>12</u>	<u>7,789,423</u>	<u>12</u>
<b>Operating expenses (notes 6(q), (r), (s), (v), (y) and 12):</b>				
6100 Selling expenses	1,503,193	2	1,447,730	2
6200 Administrative expenses	2,145,717	3	1,796,927	3
6300 Research and development expenses	2,968,221	4	2,664,477	4
6450 Expected credit loss (Reversal of expected credit loss) (note 6(d))	<u>51,258</u>	<u>-</u>	<u>(62,225)</u>	<u>-</u>
Total operating expenses	<u>6,668,389</u>	<u>9</u>	<u>5,846,909</u>	<u>9</u>
Net operating income	<u>2,762,627</u>	<u>3</u>	<u>1,942,514</u>	<u>3</u>
<b>Non-operating income and expenses:</b>				
7010 Other income (note 6(z))	129,298	-	133,045	-
7020 Other gains and losses (notes 6(f), (h) and (aa))	241,454	1	349,320	1
7060 Share of loss of associates accounted for using equity method (note 6(g))	(11,067)	-	(16,753)	-
7050 Finance costs (note 6(q))	<u>(208,411)</u>	<u>-</u>	<u>(43,924)</u>	<u>-</u>
Total non-operating income and expenses	<u>151,274</u>	<u>1</u>	<u>421,688</u>	<u>1</u>
Profit before tax	2,913,901	4	2,364,202	4
7950 Less: Income tax expenses (note 6(t))	<u>650,982</u>	<u>1</u>	<u>450,227</u>	<u>1</u>
Profit	<u>2,262,919</u>	<u>3</u>	<u>1,913,975</u>	<u>3</u>
8300 <b>Other comprehensive income (loss):</b>				
<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311 Losses on remeasurements of defined benefit plans (note 6(s))	(2,146)	-	(473)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(17,148)	-	(134,472)	-
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>(19,294)</u>	<u>-</u>	<u>(134,945)</u>	<u>-</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361 Exchange differences on translation of foreign operation's financial statements	(525,368)	(1)	(192,374)	-
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>(525,368)</u>	<u>(1)</u>	<u>(192,374)</u>	<u>-</u>
8300 Other comprehensive income after tax	<u>(544,662)</u>	<u>(1)</u>	<u>(327,319)</u>	<u>-</u>
<b>Comprehensive income</b>	<u>\$ 1,718,257</u>	<u>2</u>	<u>1,586,656</u>	<u>3</u>
<b>Profit attributable to:</b>				
8610 Owners of parent	\$ 2,134,870	3	1,826,870	3
8620 Non-controlling interests (note 6(j))	<u>128,049</u>	<u>-</u>	<u>87,105</u>	<u>-</u>
	<u>\$ 2,262,919</u>	<u>3</u>	<u>1,913,975</u>	<u>3</u>
<b>Comprehensive income attributable to:</b>				
8710 Owners of parent	\$ 1,644,893	2	1,504,297	3
8720 Non-controlling interests (note 6(j))	<u>73,364</u>	<u>-</u>	<u>82,359</u>	<u>-</u>
	<u>\$ 1,718,257</u>	<u>2</u>	<u>1,586,656</u>	<u>3</u>
<b>Earnings per share (note 6(w))</b>				
9710 Basic earnings per share (NT dollars)	<u>\$ 4.80</u>		<u>4.12</u>	
9810 Diluted earnings per share (NT dollars)	<u>\$ 4.77</u>		<u>4.09</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, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity interest		Total equity	
	Share capital										Unrealized			Total equity attributable to owners of parent
	Ordinary shares	Capital advance	Capital surplus	Legal reserve	Special reserve	Retained earnings	Unappropriated retained earnings	Exchange differences on translation of financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Non-controlling interests	Total equity		
Balance at January 1, 2018 after adjustments	4,456,883	3,085	1,232,490	982,041	97,300	5,050,917	5,050,917	(372,554)	30,916	(95,806)	1,385,272	1,826,870	1,591,802	1,913,975
Profit	-	-	-	-	-	1,826,870	1,826,870	(473)	-	-	(134,472)	-	(4,746)	(327,319)
Other comprehensive income	-	-	-	-	-	(473)	(473)	(187,628)	-	-	(134,472)	-	-	-
Comprehensive income	-	-	-	-	-	1,826,397	1,826,397	(187,628)	-	-	(134,472)	-	-	-
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriated legal reserve	-	-	-	205,742	-	(205,742)	(205,742)	-	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	201,765	(201,765)	(201,765)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,430,068)	(1,430,068)	-	-	-	-	-	-	(1,430,068)
Changes in shares of investment accounted for using equity method	-	-	-	-	-	-	-	-	134	-	-	-	-	-
Amortization expense of restricted stock	-	-	81,571	-	-	-	-	-	-	-	-	84,615	-	84,615
Retirement of restricted stock	(3,640)	-	(45,324)	-	-	-	-	-	-	-	-	48,964	-	-
Issuance of restricted stock	20,000	-	106,535	-	-	-	-	-	-	-	-	(126,535)	-	-
Issuance of ordinary shares for employees stock option	1,280	(3,085)	1,805	-	-	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(1,256)	(1,256)	-	-	-	-	-	-	-
Acquired non-controlling interest from business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2018	4,474,523	-	1,377,077	1,187,783	299,065	5,038,483	5,038,483	(560,182)	(102,166)	(88,762)	1,625,821	1,434,768	1,434,768	
Profit	-	-	-	-	-	2,134,870	2,134,870	-	-	-	128,049	-	-	14,970,118
Other comprehensive income	-	-	-	-	-	(2,146)	(2,146)	(470,683)	(17,148)	-	(489,977)	-	-	2,262,919
Comprehensive income	-	-	-	-	-	2,132,724	2,132,724	(470,683)	(17,148)	-	1,644,893	-	-	(544,662)
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriated legal reserve	-	-	-	182,687	-	(182,687)	(182,687)	-	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	363,283	(363,283)	(363,283)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,072,341)	(1,072,341)	-	-	-	-	-	-	(1,072,341)
Changes in shares of investment accounted for using equity method	-	-	9,990	-	-	-	-	-	38,540	-	-	48,530	-	4,138
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	-	-	-	61,099	-	61,099
Retirement of restricted stock	(6,915)	-	(2,848)	-	-	-	-	-	-	-	-	9,763	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of restricted stock	18,200	-	98,826	-	-	-	-	-	-	-	-	(117,026)	-	(42,152)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(52,698)	(52,698)	-	-	-	-	-	-	-
Derogation of non-controlling interest due to disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2019	4,485,808	-	1,483,045	1,370,470	662,348	5,500,198	5,500,198	(1,030,865)	(28,076)	(134,926)	12,308,002	(1,184,009)	(1,184,009)	14,503,640

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows  
For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,913,901	2,364,202
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and Amortization expense	2,190,317	1,614,689
Loss related to inventories	349,962	249,385
Expected credit loss (reversal)	51,258	(62,225)
Interest expense	203,047	38,001
Interest income	(120,338)	(112,306)
Compensation cost of share-based payment	75,227	122,994
Share of loss of associates accounted for using equity method	11,067	16,753
Loss (gain) on disposal of property, plant and equipment	(34,144)	11,843
Loss on disposal of investments accounted for using equity method	-	(4,950)
Loss on disposal of subsidiaries	275,306	-
Total adjustments to reconcile profit (loss)	<u>3,001,702</u>	<u>1,874,184</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(71,408)	25,543
Notes and accounts receivable	(3,110,708)	(2,839,678)
Other receivables	(79,852)	(185,411)
Accounts receivable from related parties	(11,134)	(280,343)
Inventories	(3,326,852)	(841,284)
Other current assets	(993,890)	21,876
Other operating assets	(14,412)	18,528
Changes in operating assets	<u>(7,608,256)</u>	<u>(4,080,769)</u>
Financial liabilities at fair value through profit or loss	187,231	(83,127)
Notes and accounts payable	5,449,971	1,944,724
Salaries payable	381,195	26,099
Accounts payable to related parties	(45,328)	(67,661)
Other payables	500,638	353,358
Other current liabilities	(62,304)	(60,961)
Refund liabilities	457,442	(15,838)
Other operating liabilities	2,048,913	(130,527)
Changes in operating liabilities	<u>8,917,758</u>	<u>1,966,067</u>
Total changes in operating assets and liabilities	<u>1,309,502</u>	<u>(2,114,702)</u>
Total adjustments	<u>4,311,204</u>	<u>(240,518)</u>
Cash outflow generated from operations	7,225,105	2,123,684
Interest received	120,338	112,306
Interest paid	(202,975)	(37,931)
Income taxes paid	(514,457)	(411,108)
Net cash flows from operating activities	<u>6,628,011</u>	<u>1,786,951</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(33,273)	(8,880)
Proceeds from disposal of financial assets at fair value through other comprehensive income	214,202	7,343
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,016	2,107
Net cash flows from loss control of subsidiaries	(131,285)	-
Acquisition of investments accounted for using equity method	-	(1,370,824)
Increase in restricted deposits	-	(57,751)
Acquisition of property, plant and equipment	(3,559,181)	(1,973,862)
Proceeds from disposal of property, plant and equipment	74,349	60,841
Decrease (increase) in refundable deposits	(53,170)	48,944
Dividends received	214	13,437
Changes in non-controlling interests	-	273,832
Acquisition of unamortized expense	(91,905)	(37,027)
Aggregation from business combination without consideration transferred	-	379,844
Increase in other non-current assets	(886)	(255,356)
Net cash flows used in investing activities	<u>(3,578,919)</u>	<u>(2,917,352)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	125,268	(16,678)
Increase (decrease) in long-term borrowings	88,002	(106,914)
Increase in guarantee deposits received	52,001	13,886
Payment of lease liabilities	(249,186)	-
Cash dividends	(1,114,493)	(1,430,068)
Net cash flows used in financing activities	<u>(1,098,408)</u>	<u>(1,539,774)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(240,632)</u>	<u>(160,378)</u>
Net increase (decrease) in cash and cash equivalents	1,710,052	(2,830,553)
Cash and cash equivalents at beginning of period	4,990,458	7,821,011
Cash and cash equivalents at end of period	<u>\$ 6,700,510</u>	<u>4,990,458</u>

See accompanying notes to consolidated financial statements.

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

Amended Content	Current Content	Reason for Amendment and Explanation
7. The Company shall <u>make an uninterrupted</u> audio <u>and</u> video record the proceedings of the whole shareholders' meeting and keep the recording for at least one year or a longer period of time until conclusion of a litigation proceedings if a shareholder files an action in accordance with Article 189 of the Company Act.	7. The Company shall audio <u>or</u> video record the proceedings of the whole shareholders' meeting and keep the recording for at least one year or a longer period of time until conclusion of a litigation proceedings if a shareholder files an action in accordance with Article 189 of the Company Act.	Revise in accordance with the Sample Template for 「XXX Co., Ltd. Rules of Procedure for Shareholders Meetings」.
9. The agenda of a shareholders' meeting shall be created by the Board of Directors with the proposal submitted by the Board of Directors to be dealt with on a prioritized basis during the meeting. When the above proposals are being discussed, the chairperson of the meeting may determine if a shareholder's comments are related to the proposal in question. If the feedback or comments are not related to the proposal in question, discussion shall be continued at an extempore motion. <u>The related proposals (including extemporary motions and revised proposals) shall be resolved by voting for each proposal.</u> A meeting shall be proceeded with in accordance with a predetermined agenda unless changed by the resolution of a shareholders' meeting.  The chairperson of the meeting shall not close the meeting prior to conclusion of the agenda unless a resolution is passed in favor of the closure.  After closure of the meeting, shareholders shall not select a new chairperson to continue the meeting at the same location or a new location, except in the case of closure announced by the chairperson in violation of the regulations of meeting proceedings when a new chairperson may be elected with a majority vote of the attending shareholders to continue the meeting.	9. The agenda of a shareholders' meeting shall be created by the Board of Directors with the proposal submitted by the Board of Directors to be dealt with on a prioritized basis during the meeting. When the above proposals are being discussed, the chairperson of the meeting may determine if a shareholder's comments are related to the proposal in question. If the feedback or comments are not related to the proposal in question, discussion shall be continued at an extempore motion. A meeting shall be proceeded with in accordance with a predetermined agenda unless changed by the resolution of a shareholders' meeting.  The chairperson of the meeting shall not close the meeting prior to conclusion of the agenda unless a resolution is passed in favor of the closure.  After closure of the meeting, shareholders shall not select a new chairperson to continue the meeting at the same location or a new location, except in the case of closure announced by the chairperson in violation of the regulations of meeting proceedings when a new chairperson may be elected with a majority vote of the attending shareholders to continue the meeting.	The same as above reason.
15. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote <u>with sufficient voting time.</u>	15. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.	The same as above reason.

Amended Content	Current Content	Reason for Amendment and Explanation
<p>16. For voting of a proposal, the proposal is approved with a majority vote of the attending shareholders except for the special resolutions otherwise provided for under the Company Act and the Articles of Incorporation.</p> <p>If a shareholder authorizes a proxy to attend the shareholders' meeting, with the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.</p> <p>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</p> <p>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</p>	<p>16. For voting of a proposal, the proposal is approved with a majority vote of the attending shareholders except for the special resolutions otherwise provided for under the Company Act and the Articles of Incorporation. <u>When a proposal is voted, if all the attending shareholders indicate unanimous consent when consulted by the chairperson, the proposal shall be deemed approved with the same validity as ballot voting. In the absence of unanimous consent, ballots shall be cast in a manner as provided under the applicable laws and regulations.</u></p> <p>If a shareholder authorizes a proxy to attend the shareholders' meeting, with the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.</p> <p>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</p> <p>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</p>	<p>Revise in alignment with Article 9</p>
<p>21. These Regulations were established on November 7, 2008.</p> <p>The first amendment was made on June 4, 2009.</p> <p>The second amendment was made on May 25, 2017.</p> <p><u>The second amendment was made on June 23, 2020.</u></p>	<p>21. These Regulations were established on November 7, 2008.</p> <p>The first amendment was made on June 4, 2009.</p> <p>The second amendment was made on May 25, 2017.</p>	<p>Adding update to amendment date.</p>

PRIMAX ELECTRONICS LTD.  
Regulations of Shareholders' Meeting Proceedings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.
15. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.
16. For voting of a proposal, the proposal is approved with a majority vote of the attending shareholders except for the special resolutions otherwise provided for under the Company Act and the Articles of Incorporation. When a proposal is voted, if all the attending shareholders indicate



unanimous consent when consulted by the chairperson, the proposal shall be deemed approved with the same validity as ballot voting. In the absence of unanimous consent, ballots shall be cast in a manner as provided under the applicable laws and regulations.

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

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

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

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

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

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

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

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

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

ARTICLES OF INCORPORATION  
OF  
PRIMAX ELECTRONICS LTD.

**Chapter I. General provisions**

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

**Chapter II. Shares**

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

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

- Article 6. When the Company issues new stock, all shares for that issuance may be printed in one printing in accordance with Article 162-1 of the Company Act, and shall be deposited with the centralized securities depository enterprise. Alternatively, if the Company does not need to print shares for its issued stock in accordance with Article 162-2 of the Company Act, must register stock with the centralized securities depository enterprise.
- Article 6-1. A shareholders' resolutions shall be adopted before the Company withdraws its public offering of shares, and this provision shall not be amended while the Company is still listed (or OTC listed).
- Article 7. Except when the requirements of other laws or securities rules apply, the Company's stock affairs including transfer, creation of pledge, reporting of loss, transfer via inheritance, transfer via gift, lost or change of specimen chop and change of address shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.
- Article 8. The entries in the shareholders' roster shall not be altered within the time periods specified in Article 165 of the Company Act.

### **Chapter III. Shareholders' Meetings**

- Article 9. Shareholder meetings shall consist of regular meetings and special meetings. Regular meetings shall be convened once a year within 6 months from the end of each accounting year. Special meetings shall be convened as required.
- Article 10. A notice to convene a regular meeting of shareholders shall be given to each shareholder thirty (30) days in advance. A notice to convene a special meeting of shareholders shall be given to each shareholder fifteen (15) days in advance. The notice shall state when, where and why the meeting is to be convened. The company shall also prepare a manual for shareholders' meeting proceedings prior to the scheduled meeting date of that shareholders' meeting.
- Article 11. Except in the circumstances set forth in the Company Act under which the shares shall have no voting power, shareholders of the Company shall be entitled to one vote for each share they hold. The voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporaneous motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. Such shareholder's declaration of intention shall be dealt with in accordance Article 177-2 of the Company Act.
- Article 12. Except where other legal regulations apply, all shareholders meetings shall be convened by the Board of Directors in accordance with the Company Act, and the Chairman of the Board of Directors shall serve as the chairman of shareholder meetings. In case the Chairman of the Board is on leave or absent or can not exercise his/her power and authority for any cause, the designation of his/her duties shall follow Article 208 of the Company Act; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

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

#### **Chapter IV. The Board of Directors**

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Chapter V. Management Personnel**

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

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

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

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

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

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

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

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

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

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

#### **Chapter VI. Supplementary Provisions**

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

Primax Electronics Ltd.

Chairman: Li-Sheng Liang

Primax Electronics Ltd.  
Procedures for Ethical Management and Guidelines for Conduct

**Article 1****(Purpose of adoption)**

This Corporation engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines") are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the applicable laws and regulations of the places where this Corporation and its business groups and organizations operate, with a view to providing all personnel of this Corporation with clear directions for the performance of their duties.

**Article 2****(Scope of application)**

The scope of application of these Procedures and Guidelines includes the subsidiaries of this Corporation, any incorporated foundation in which this Corporation's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Corporation.

**Article 3****(Applicable subjects)**

For the purposes of these Procedures and Guidelines, the term "personnel of this Corporation" refers to any director, supervisor, managerial officer, employee, mandatory or person having substantial control, of this Corporation or its group enterprises and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of this Corporation through a third party will be presumed to be an act by the personnel of this Corporation.

**Article 4****(Unethical conduct)**

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of this Corporation, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.

**Article 5****(Types of benefits)**

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

**Article 6****(Responsible unit)**

This Corporation shall designate the Human Resource Department as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the board of directors:

1. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

With respect to the matter set forth in preceding Item 6, the responsible unit may refer to other unit of this Corporation for assistance if necessary.

#### **Article 7**

##### **(Prohibition against providing or accepting improper benefits)**

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of this Corporation shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

1. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
2. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
3. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
4. Attendance at folk festivals that are open to and invite the attendance of the general public.
5. Rewards, emergency assistance, condolence payments, or honorariums from the management.
6. Money, property, or other benefits with a market value of NT\$ 3,000 or less offered to or accepted from a person other than relatives or friends; or gifts of property with a total market value of NT 10,000 or less given by another party to the majority of the personnel of this Corporation, provided that the total market value of the property offered to the same counterparty or coming from the same source within a single fiscal year shall be limited to NT\$ 30,000.
7. Property with a market value of NT\$ 6,000 or less received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative.
8. Other conduct that complies with the rules of this Corporation.

#### **Article 8**

##### **(Procedures for handling the acceptance of improper benefits)**

Except under any of the circumstances set forth in the preceding article, when any personnel of this Corporation are provided with or are promised, either directly or indirectly, any benefits as specified in Article 5 by a third party, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official



duties of this Corporation's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.

2.If a relationship of interest does exist between the party providing or offering the benefit and the official duties of this Corporation's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of this Corporation's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding this Corporation's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of this Corporation shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by the supervisor in charge.

## **Article 9**

### **(Prohibition of and handling procedure for facilitating payments)**

This Corporation shall neither provide nor promise any facilitating payment.

If any personnel of this Corporation provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.

Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

## **Article 10**

### **(Procedures for handling political contributions)**

This Corporation shall neither get involved in political activities nor make political contributions directly or indirectly to any political party or organization/individual who participate in political activities. Notwithstanding the foregoing, if it is necessary to make political contributions due to material events that lead to adverse impact to this Corporation, political contributions by this Corporation shall be made in accordance with the following provisions, reported to the supervisor in charge for approval, and a notification given to the responsible unit, and when the amount of a contribution is NT\$ 500,000 or more, it shall be made only after being reported to and approved by the board of directors:

1. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
2. A written record of the decision-making process shall be kept.
3. Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.
4. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of this Corporation with the related government agencies shall be avoided.

## **Article 11**

### **(Procedures for handling charitable donations or sponsorships)**

Charitable donations or sponsorships by this Corporation shall be provided in accordance with the following provisions and reported to the supervisor in charge for approval, and a notification shall be given to the responsible unit. When the amount is NTS\_10,000,000\_\_ or more, the donation or sponsorship shall be provided only after it has been submitted for adoption by the board of directors:

1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where this Corporation is doing business.
2. A written record of the decision making process shall be kept.
3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of this Corporation's commercial dealings or a party with which any personnel of this Corporation has a relationship of interest.
5. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

## **Article 12**

### **(Recusal)**

When a Company director , supervisor, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting , that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of this Corporation would be prejudiced, may not participate in the discussion or vote on that proposal, shall recues himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.

If in the course of conducting company business, any personnel of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of this Corporation may use company resources on commercial activities other than those of this Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of this Corporation.

## **Article 13**

### **(Special unit in charge of confidentiality regime and its responsibilities)**

This Corporation shall set up a special unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of this Corporation's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of this Corporation shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of this Corporation of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of this Corporation unrelated to their individual duties.

## **Article 14**

### **(Prohibition against unfair competition)**

This Corporation shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities , and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories or lines of commerce.

## **Article 15**

### **(Adopt product or service damage stakeholders)**

This Corporation shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of this Corporation to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

This Corporation shall adopt and publish on its website, a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Where there are media reports, or sufficient facts to determine, that this Corporation's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, this Corporation shall, recall those products or suspend the services, verify the facts and present a review and improvement plan.

The responsible unit of this Corporation shall report the event as in the preceding paragraph, actions taken, and subsequent reviews and corrective measures taken to the board of directors.

## **Article 16**

### **(Non-disclosure agreement)**

All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside of this Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by this Corporation shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Corporation acquired as a result, and that they may not use such information without the prior consent of this Corporation.

## **Article 17**

### **(Announcement of policy of ethical management to outside parties)**

This Corporation shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as supplier conferences and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

## **Article 18**

### **(Ethical management evaluation prior to development of commercial relationships)**

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, this Corporation shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When this Corporation carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.

3. Whether enterprise's business operations are located in a country with a high risk of corruption.
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. The long-term business condition and degree of goodwill of the enterprise.
6. Consultation with the enterprise's business partners on their opinion of the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

#### **Article 19**

##### **(Statement of ethical management policy to counterparties in commercial dealings)**

Any personnel of this Corporation, when engaging in commercial activities, shall make a statement to the trading counterparty about this Corporation's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

#### **Article 20**

##### **(Avoidance of commercial dealings with unethical operators)**

All personnel of this Corporation shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement this Corporation's ethical management policy.

#### **Article 21**

##### **(Stipulation of terms of ethical management in contracts)**

Before entering into a contract with another party, this Corporation shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policy of this Corporation part of the terms and conditions of the contract, stipulating at the least the following matters:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim, and may also deduct the amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

#### **Article 22**

##### **(Handling of unethical conduct by personnel of this Corporation)**

As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, this Corporation will grant a reward:

1. The seriousness is the truth : NT\$ 1,000 .
2. The actual damage by the seriousness : additional reward not less than NT\$ 3,000 .
3. Insiders may also be praised publicly as a reward. Nevertheless, insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.

This Corporation shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for Company

insiders and outsiders to submit reports. A whistleblower shall at least furnish the following information:

1. The whistleblower's name and I.D. number, and an address, telephone number and e-mail address where it can be reached.
2. The informed party's name or other information sufficient to distinguish its identifying features.
3. Specific facts available for investigation.

Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. This Corporation also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.

The responsible unit of this Corporation shall observe the following procedure:

1. An information shall be reported to the department head if involving the rank and file and to an independent director or supervisor if involving a director or a senior executive.
2. The responsible unit of this Corporation and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department.
3. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or this Corporation's policy and regulations of ethical management, this Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, this Corporation will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
4. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistle blowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.
5. With respect to a confirmed information, this Corporation shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
6. The responsible unit of this Corporation shall submit to the board of directors a report on the whistle blowing case, actions taken, and subsequent reviews and corrective measures.

### **Article 23**

#### **(Actions upon event of unethical conduct by others towards this Corporation)**

If any personnel of this Corporation discovers that another party has engaged in unethical conduct towards this Corporation, and such unethical conduct involves alleged illegality, this Corporation shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, this Corporation shall additionally notify the governmental anti-corruption agency.

### **Article 24**

#### **(Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)**

The responsible unit of this Corporation shall organize the awareness sessions each year and arrange for the chairperson, general manager, or senior management to communicate the importance of ethics to its directors and employees.

This Corporation shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of this Corporation seriously violates ethical conduct, this Corporation shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of this Corporation.

This Corporation shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

## **Article 25**

### **(Enforcement)**

These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to Audit Committee and reported to the shareholders meeting.

When these Procedures and Guidelines are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting.

Date : 2012.3.20 (Enacted)

Date : 2015.7.7 (Amended )

## PRIMAX ELECTRONICS LTD.

## Shareholding of Directors

1. The Company's paid-in capital is NT\$ 4,487,308,240 and have issued 448,730,824 shares.
2. According to Article 26 of the Securities and Exchange Act, the minimum shares held by all the directors shall be 16,000,000 shares.
3. The table below provides the information about the shares held by individual and all the directors as recorded in the shareholders' roster as of the lockup date (April 25, 2020), which have met the percentage standards required by law.

Position	Name	Date elected	Current Shareholding shares	Shareholding ratio (%)
Chariman	Li-Sheng Liang	May 30, 2018	2,601,001	0.58
Director	Tze-Ting Yang	May 30, 2018	1,926,963	0.43
Director	Yung-Tai Pan	May 30, 2018	4,952,599	1.10
Director	Yung-Chung Pan	May 30, 2018	7,455,046	1.66
Independent Director	Tai-Jau Ku	May 30, 2018	0	0
Independent Director	Chih-Kai Cheng	May 30, 2018	0	0
Independent Director	Chun-Pang Wu	October 25, 2018	0	0
Independent Director	Jia-Chyi Wang	Jane 18, 2020	0	0
Shareholdings of all Directors			16,935,609	3.77