

Stock Code: 4915



## **PRIMAX ELECTRONICS LTD.**

### Handbook for the 2016 Annual General Meeting of Shareholders (Translation)

Time : June 20, 2016

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

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# **PRIMAX ELECTRONICS LTD.**

## **Procedure for the 2016 Annual General Meeting of Shareholders**

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

**PRIMAX ELECTRONICS LTD.**  
**2016 Annual General Shareholders' Meeting Agenda**

- 1、Time：June 20, 2016 (Monday) 9 AM
- 2、Venue：4F No. 2, Xuzhou Road, Zhongzheng District 100, Taipei City  
(NTUH International Conventional Center)
- 3、Meeting called to order (declare the number of shares represented by shareholders present at the meeting)
- 4、Chairperson Remark
- 5、Discussion I
  - a. Amend the Company's "Articles of Incorporation".
- 6、Report
  - a. The Company's 2015 Business Report.
  - b. Audit Committee's Review Report on the 2015 Financial Statements.
  - c. Distribution of employees' and directors' compensation in 2015.
  - d. Amend the Company's "Procedures for Ethical Management and Guidelines for Conduct".
- 7、Adoption
  - a. The Company's 2015 business report and financial statements.
  - b. The Company's 2015 distribution of earnings.
- 8、Discussion II
  - a. Proposed Issuance of Restricted Stock Awards.
  - b. Removal of the non-compete restrictions on directors.
  - c. The Company's Stipulation on Chairman's retirement.
- 9、Extempore Motion
- 10、Meeting Adjournment

# **Discussion I**

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

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

**Description:**

- (1) It is proposed to amend certain provisions of the Company's "Articles of Incorporation" for compliance with relevant laws and for the Company's operational requirements.
- (2) Refer to Schedule 1, page 9 to page 10, of the Handbook for a comparison of the amendments to the "Articles of Incorporation".

**Resolution:**

## **Report**

**Report No. 1 :** The Company's 2015 Business Report for review.

**Description:**

Refer to Schedule 2 of the Handbook (from page11 to page 12) for the 2015 Business Report.

**Report No. 2 :** Audit Committee's Review Report on the 2015 Financial Statements for review.

**Description:**

Refer to Schedule 3 of the Handbook (page13) for the Audit Committee's audit report.

**Report No. 3 :** Distribution of employees' and directors' compensation in 2015.

**Description:**

- (1) The Board of Directors resolved to distribute NT\$ 78,500,000 for employees' compensation and NT\$ 32,000,000 for directors' compensation for year 2015.
- (2) According to the Company's "Articles of Incorporation" as amended by the Board of Directors through January 25, 2016, 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 2015 was NT\$1,933,923,580, the amount before deducting the sums of compensation of directors and employees was NT\$2,044,099,953. Hence, the aforementioned compensation of employees and directors are respectively 3.84% and 1.57% of the said NT\$2,044,099,953.
- (3) In the internal financial statements, the employees' compensation was recorded as NT\$78,268,840 and NT\$31,907,533 as directors' compensation for year 2015. The discrepancy amount was NT\$231,160 and NT\$92,467 respectively. The discrepancies were the difference between the outcomes of an accounting estimate, which will be handled by principles of accounting change.

**Report No. 4 :** Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conduct".

**Description:**

- (1) The Board of Directors resolved to amend the Company's "Procedures for Ethical Management and Guidelines for Conduct " for compliance with the requirement of per 28 January 2015 Letter No. Taiwan-Stock-Governance-1040001716 of the Taiwan Stock

Exchange Corporation (TWSE).

- (2) Refer to Schedule 4, pages 14 to page 22, 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 2015 Business Report and Financial Statements.

**Description:**

The Company has completed the internal preparation of the 2015 Individual and Consolidated Financial Statements and has provided the reports to HUANG YUNG-HUA, CPA and YU CHI-LUNG, CPA of KPMG Taiwan for review and audit. The CPAs have completed the audit. Refer to Schedule 2, from page 11 to page 12, and Schedule 5, from page 23 to page 33, 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 2015 distribution of earnings.

**Description:**

- (1) The Company's 2015 net profit after tax is NT\$ 1,773,122,331, minus this year's actuarial gain from defined benefit plans NT\$8,100,311, minus legal reserve provision NT\$ 177,312,333, plus beginning retained earnings NT\$ 2,186,911,911, the distributable retained earnings are NT\$ 3,774,621,698. The 2015 distribution of earnings prepared according to the Articles of Incorporation is as follows:

PRIMAX ELECTRONICS LTD.  
PROFIT ALLOCATION PROPOSAL  
December 31, 2015

Unit: NT\$

Item	Amount
<b>Beginning retained earnings</b>	<b>2,186,911,911</b>
Add: net profit after tax	1,773,122,331
Actuarial Gain from Defined Benefit Plans	(8,100,311)
<b>Distributable net profit</b>	<b>3,951,933,931</b>
Less : 10% legal Reserve	177,312,233
<b>distributable retained earnings</b>	<b>3,774,621,698</b>
Distribution Item :	
Cash Dividends to Common Share Holders(NT\$2.1 per share)	927,932,930
<b>Unappropriated Retained Earnings</b>	<b>2,846,688,768</b>

Chairman :

Liang Li-Sheng

General Manager :

Yang Hai-Hung

Accounting Manager:

Pan Yan-Jen

- Note: 1. The per share dividends above are based on the 441,872,824 outstanding shares as of March 16, 2016.  
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.

- (2) For this distribution of profits, the 2015 earnings will be subject to distribution on a priority basis.

- (3) The cash dividends total NT\$ 927,932,930 and the per share dividends to be distributed are NT\$ 2.1. 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 441,872,824 outstanding shares as of March 16, 2016. 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 an employee's exercise of the right to convert the subscription warrants to common shares, 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 II**

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

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

***Description:***

- (1) The Company intends to issue Restricted Employee Stock Award 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 : Not exceed 3,000,000 shares.
- (3) Expected issue price : NT\$0 per share
- (4) Determination of the terms and conditions :
  - A. Vesting conditions : Categorized as three types, i.e. Type A, B and C, based on accomplishment of personal performance goals.
    - a. Type A vesting conditions :
      - (i) Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 30% shares.
      - (ii) Employees who are continuously employed by the Company for two years after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 30% shares.
      - (iii) Employees who are continuously employed by the Company for three years after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 40% shares.
    - b. Type B vesting conditions :
      - (i) Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 50% shares.

- (ii) Employees who are continuously employed by the Company for two years after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 50% shares.
  - c. Type C vesting conditions:  
Employees who are continuously employed by the Company for one year after granting of the awards and have accomplished the individual's performance goals established by the Company for the one-year period before the expiry date will be entitled to 100% shares.
  - d. The individual's performance above refers to accomplishment of the performance goals established according to the Company's performance evaluation and development policy, including accomplishment of the desired level of contribution and special merits.
- B. The type of shares: new common shares of the Company.
- C. Lapse of Restricted Stock: 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 :
- A. 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.
  - B. 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.
  - C. 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 Company's average closing share price for common shares over the 60 trading-day period prior to March 10, 2016. The amount of annual cost sharing for year 2016, 2017, 2018 and 2019 shall be NT\$11,666,667, NT\$64,000,000, NT\$31,000,000 and NT\$13,333,333 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 Company's average closing share price for common shares over the 60 trading-day period prior to March 10, 2016. The diluted EPS for year 2016, 2017, 2018 and 2019 shall be NT\$0.026, NT\$0.145, NT\$0.070 and NT\$0.030 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 :

A. 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.

B. Based on the total number of issued shares (441,793,824 shares) as of March 8, 2016, the 3,000,000 new shares to be issued will account for 0.68% of the total number of issued shares.

**Resolution:**

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

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

**Description:**

- (1) According to Article 209 of the Company Act, a director who conducts business within the business scope of the Company for himself or others shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) To draw on the expertise and relevant experience of the Company's directors to the benefit of the Company, as certain directors concurrently work for other companies, which may constitute the act restricted under Article 209 of the Company Act, it is proposed for resolution to remove the non-compete restrictions on directors subject to approval at the shareholders' meeting.
- (3) Detailed list of the relevant directors' positions in other companies is as follows :

Name of Directors	Item of competitive conduct in which the director is permitted to engage
Liang, Li-Sheng	Tymphony Logistics, Inc. / Director
Pan, Yung-Chung	Dongguan Tymphony Acoustic Technology Co. Ltd. / Director
Yang, Tze-Ting	Chailease Auto Rental Co., Ltd. / Chairman and General Manager
	Apex Credit Solutions Inc. / Chairman and General Manager

**Resolution:**

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

**Proposal :** Resolution of the Company's Stipulation on Chairman's Retirement.

**Description:**

In order to formulate and clarify the remuneration for Chairman, it is proposed for resolution of the Company's Stipulation on Chairman's Retirement as Schedule 6, page 34 of the Handbook.

**Resolution:**

## **Extempore Motion**

## **Meeting Adjournment**

## PRIMAX ELECTRONICS LTD.

Comparison of Amendments to the  
"Articles of Incorporation"

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
Article 2	<p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1. CB01020 Office Machines Manufacturing</li> <li>2. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing</li> <li>3. CC01060 Wired Communication Equipment and Apparatus Manufacturing</li> <li>4. CC01070 Telecommunication Equipment and Apparatus Manufacturing</li> <li>5. CC01080 Electronic Parts and Components Manufacturing</li> <li>6. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing</li> <li>7. CC01110 Computers and Computing Peripheral Equipments Manufacturing</li> <li>8. CE01030 Photographic and Optical Equipment Manufacturing</li> <li>9. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import</li> <li>10. I301010 Software Design Services</li> <li>11. F113050 Wholesale of Computing and Business Machinery Equipment</li> <li>12. F118010 Wholesale of Computer Software</li> <li>13. F213030 Retail sale of Computing and Business Machinery Equipment</li> <li>14. F218010 Retail Sale of Computer Software</li> <li>15. <u>F114030 Wholesale of Motor Vehicle Parts and Supplies</u></li> <li>16. <u>F214030 Retail Sale of Motor Vehicle Pars and Supplies</u></li> <li>17. C805050 Industrial Plastic Products Manufacturing</li> <li>18. CA02010 Metal Architectural Components Manufacturing</li> <li>19. CA02090 Metal Line Products Manufacturing</li> <li>20. F401010 International Trade</li> <li>21. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</li> </ol>	<p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1. CB01020 Office Machines Manufacturing</li> <li>2. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing</li> <li>3. CC01060 Wired Communication Equipment and Apparatus Manufacturing</li> <li>4. CC01070 Telecommunication Equipment and Apparatus Manufacturing</li> <li>5. CC01080 Electronic Parts and Components Manufacturing</li> <li>6. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing</li> <li>7. CC01110 Computers and Computing Peripheral Equipments Manufacturing</li> <li>8. CE01030 Photographic and Optical Equipment Manufacturing</li> <li>9. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import</li> <li>10. I301010 Software Design Services</li> <li>11. F113050 Wholesale of Computing and Business Machinery Equipment</li> <li>12. F118010 Wholesale of Computer Software</li> <li>13. F213030 Retail sale of Computing and Business Machinery Equipment</li> <li>14. F218010 Retail Sale of Computer Software</li> <li>15. C805050 Industrial Plastic Products Manufacturing</li> <li>16. CA02010 Metal Architectural Components Manufacturing</li> <li>17. CA02090 Metal Line Products Manufacturing</li> <li>18. F401010 International Trade</li> <li>19. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</li> </ol>	In order to accommodate the increase of the scope of the Company's business
Article 25	<p><u>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</u></p>	<p><u>The Company's net profit following annual closing, if any, shall be distributed in the following order:</u></p> <ol style="list-style-type: none"> <li>1. Compensate loss;</li> </ol>	Revise in accordance with the amendment of Article

Article No.	Amended Content	Current Content	Reason for Amendment and Explanation
	<p><u>Company; then set aside special capital reserve in accordance with relevant laws, the balance of the earnings 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.</u></p> <p><u>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.</u></p> <p><u>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.</u></p> <p><u>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' compensatoin).</u></p> <p><u>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.</u></p>	<p><u>2. 10% legal reserve, unless the amount of legal reserve has reached the total capital amount;</u></p> <p><u>3. Special reserve in accordance with law and the competent authority;</u></p> <p><u>4. Employee bonus in the amount between 2 to 10% of the balance, and directors' bonuses in the amount not more than 2% of the balance under subsections 1 to 3 above;</u></p> <p><u>5. The balance of the remaining net profit 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.</u></p> <p><u>If employees' bonuses shall be issued as stock bonuses, such bonuses shall be given to all employees of subordinate companies meeting certain criteria. The Board of Directors is authorized to determine the relevant rules for distribution of such bonuses.</u></p>	235-1 of the Company Act
Article30	<p>These Articles of Incorporation were established on March 8, 2006,  First amendment was made on April 3, 2007.  Second amendment was made on June 13, 2007.  Third amendment was made on October 5, 2007.  Fourth amendment was made on November 7, 2007.  Fifth amendment was made on December 28, 2007.  Sixth amendment was made on August 27, 2009.  Seventh amendment was made on September 22, 2009.  Eighth amendment was made on October 23, 2009.  Ninth amendment was made on November 20, 2009.  Tenth amendment was made on June 25, 2010.  Eleventh amendment was made on June 19, 2012.  Twelfth amendment was made on June 25, 2013.  Thirteenth amendment was made on September 5, 2014.  Fourteenth amendment was made on June 29, 2015.  Fifteenth amendment was made on June 20, 2016.</p>	<p>These Articles of Incorporation were established on March 8, 2006,  First amendment was made on April 3, 2007.  Second amendment was made on June 13, 2007.  Third amendment was made on October 5, 2007.  Fourth amendment was made on November 7, 2007.  Fifth amendment was made on December 28, 2007.  Sixth amendment was made on August 27, 2009.  Seventh amendment was made on September 22, 2009.  Eighth amendment was made on October 23, 2009.  Ninth amendment was made on November 20, 2009.  Tenth amendment was made on June 25, 2010.  Eleventh amendment was made on June 19, 2012.  Twelfth amendment was made on June 25, 2013.  Thirteenth amendment was made on September 5, 2014.  Fourteenth amendment was made on June 29, 2015.</p>	Adding update to amendment date.

## Business Report

Notwithstanding of the severe market challenges worldwide, the consolidated revenue of the group kept growing to a record high in 2015. New products were launched from different product lines and new facilities were initiated successfully. The demand for NB touch panel related products was echoed with the increase in the demand for gaming PC peripherals, contributing to the stable shipment volume in the conservative market of computer peripherals. On the otherhand, the stable growth of the market penetration rate in data communication products and mobile phones worldwide stimulated the demand for camera modules. At the same time, electro-audio products also enjoyed stable growth through project development that allowed business beyond audio product line to increase its contribution to revenue. Albeit the overall increase of revenue, the company continues its effort in the control of cost and expenses to allow for simultaneous growth of profits.

The following is the operation highlight of the company in 2015

### I. 2015 Financial Performance

#### (I) Financial Results

The net operating income of the company in 2015 amounted to NT\$51,638,181 thousand, an increase of 22% from the same period of 2014. In the same year, the consolidated net operating income of the group amounted to NT\$65,589,293 thousand worldwide or an increase of 26% from the same period of the previous year. The consolidated corporate earnings amounted to NT\$1,816,935 thousand, which was an increase of 13% from the same period of 2014.

#### (II) Cash Flow Analysis

Unit : NT\$ thousand

Account	2015	2014	Change in the amount
Net cash inflow (outflow) from operating activities	5,022,351	3,354,195	1,668,156
Net cash inflow (outflow) from investing activities	(1,974,604)	(3,756,779)	1,782,175
Net cash inflow (outflow) from financing activities	(2,227,894)	2,279,602	(4,507,496)

#### (III) Profitability Analysis

Account	2015	2014
Return on Equity (%)	15.65	18.03
Operating Income to Paid-in Capital (%)	49.14	42.10
Profit before Tax to Paid-in Capital (%)	56.05	47.11
Net Profit Margin (%)	2.77	3.08
Earnings per Share (Dollars)	4.06	3.57

#### (IV) R&D Investments

The company spent NT\$2,104,487 thousand on research and development in 2015. This investment aimed at the design and development of new products and new technologies, as well as the upgrade and improvement of production process.

## II. Business Strategy and Technology Developments

In the wake of the orientation of the electronic industry towards cloud technology, mobile device, digital home, and IoT, PRIMAX will continue its efforts to bolster the research and development of key technologies such as touch control technology, fingerprint identification, backlight keyboard, cable/wireless sound system, advanced camera module encapsulation process so as to develop the market of high-end products. In addition, PRIMAX will also endeavor in the development of new products to improve its own product portfolios and contribute much more in revenue and profit.

As for the development strategy of the two core business, for PC segment, PRIMAX seeks to continue the upgrade of product quality and the reduction of production cost, as the product market of computer peripherals are well developed and fairly stable. At the same time, new application technologies will also be developed to align with market needs in computer peripherals for PC gaming and advanced touch panel products to maintain stable growth of revenue in this market. For the non-PC segments, , such as camera module, fingerprint identification, multiple-purpose business machine/printer, cable/wireless sound system, Primax will also reinforce the upgrade of R&D capacity for products. With the prevailing use of audiovisual products, the continued evolution of the specification for camera lens, and the advancement of sound products, PRIMAX will continue to develop corresponding products and technologies, including high-end camera module, fingerprint identification module, and high-end audio system with earphone. The main objective is to increasethe market share and to extend to different applications and platforms of its products and technologies, helping to enhance sales and profit performance for prolonged growth.

In summary, PRIMAX is in the electronic industry, an environment of rapid change and keen competition. Confronted by the changes in the macroeconomic environment worldwide and the challenges from different competitors, PRIMAX will continue the stable paces in operation and the principle of “customer first and quality foremost” to continue provide satisfied service to the customers while at the same time creating a steady stream of profit for the company.

Chairman : Liang, Li-Sheng

General Manager : Yang, Hai-Hung

Accounting Manager : Pan, Yen-Jen

## **Audit Committee's Audit Report**

To: Shareholders' Meeting of Primax Electronics Ltd.

Among the Company's 2015 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, appointed by the Board of Directors, which has issued the audit report.

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

Chairman of the Audit Committee: Way, Yung-Do

Date: March 24, 2016

## 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>Article 1 (Purpose of adoption)</p> <p>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 <u>and the applicable laws and regulations of the places where this Corporation and its business groups and organizations operate</u>, with a view to providing all personnel of this Corporation with clear directions for the performance of their duties.</p>	<p>Article 1 (Purpose of adoption)</p> <p>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 with a view to providing all personnel of this Corporation with clear directions for the performance of their duties.</p>	<p>Subject to the amendment of Article 6.2 as set forth in Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies (hereinafter, "Principles").</p>
<p>Article 3 (Applicable subjects)</p> <p>For the purposes of these Procedures and Guidelines, the term "personnel of this Corporation" refers to any director, supervisor, managerial officer, employee, <u>mandatory</u> or person having substantial control, of this Corporation or its group enterprises and organizations.</p> <p>Any provision, promise, request, or acceptance of <u>improper benefits</u> by any personnel of this Corporation through a third party will be presumed to be an act by the personnel of this Corporation.</p>	<p>Article 3 (Applicable subjects)</p> <p>For the purposes of these Procedures and Guidelines, the term "personnel of this Corporation" refers to any director, supervisor, managerial officer, employee or person having substantial control, of this Corporation or its group enterprises and organizations.</p> <p>Any provision, promise, request, or acceptance of <u>any benefits in whatever form or name</u> by any personnel of this Corporation through a third party will be presumed to be an act by the personnel of this Corporation.</p>	<p>Subject to the amendment of Article 2.1 and Article 18 as set forth in Principles.</p>
<p>Article 6 (Responsible unit)</p> <p>This Corporation shall designate the ___Human Resource Department___ as the solely responsible unit (hereinafter, "responsible unit") <u>under the board of directors</u> 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.</p> <p><u>The responsible unit shall be in charge of the following matters</u> and also submit regular reports to the board of directors:</p> <p>1. <u>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</u></p>	<p>Article 6 (Responsible unit)</p> <p>This Corporation shall designate the ___Human Resource Department___ as the solely responsible unit (hereinafter, "responsible unit") 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 and also submit regular reports to the board of directors.</p>	<p>Subject to the amendment of Article 17.2 as set forth in Principles.</p>

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<p><u>of laws and regulations.</u></p> <p><u>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.</u></p> <p><u>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.</u></p> <p><u>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</u></p> <p><u>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</u></p> <p><u>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.</u></p> <p><u>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.</u></p>		
<p>Article 7 (Prohibition against providing or accepting improper benefits)</p> <p>Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits <u>as specified in Article 5</u>, 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:</p> <ol style="list-style-type: none"> <li><u>1.</u> 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.</li> <li><u>2.</u> 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.</li> <li><u>3.</u> Invitations to guests or attendance at</li> </ol>	<p>Article 7 (Prohibition against providing or accepting improper benefits)</p> <p>Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, money, gratuity, service, preferential treatment , entertainment, dining,any other benefits, 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:</p> <ol style="list-style-type: none"> <li><u>1.</u> <u>Compliance with the requirements of laws and regulations in Corporation's Location.</u></li> <li><u>2.</u> 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.</li> <li><u>3.</u> The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom,</li> </ol>	<p>Subject to the amendment of Article 1.1 as set forth in Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines")</p>

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<p>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.</p> <p>4. Attendance at folk festivals that are open to and invite the attendance of the general public.</p> <p>5. Rewards, emergency assistance, condolence payments, or honorariums from the management.</p> <p>6. Money, property, or other benefits with a market value of NT\$<u>3,000</u> 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 <u>10,000</u> 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\$<u>30,000</u>.</p> <p>7. Property with a market value of NT\$<u>6,000</u> 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.</p> <p>8. Other conduct that complies with the rules of this Corporation.</p>	<p>commercial purposes, or developing relationships.</p> <p>4. 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.</p> <p>5. Attendance at folk festivals that are open to and invite the attendance of the general public.</p> <p>6. Rewards, emergency assistance, condolence payments, or honorariums from the management.</p> <p>7. Money, property, or other benefits with a market value of NT\$<u>3,000</u> 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 <u>10,000</u> 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\$<u>30,000</u>.</p> <p>8. Property with a market value of NT\$<u>6,000</u> 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.</p> <p>9. Other conduct that complies with the rules of this Corporation.</p>	
<p>Article 8 (Procedures for handling the acceptance of improper benefits)</p> <p>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 <u>as specified in Article 5</u> by a third party, the matter shall be handled in accordance with the following procedures:</p> <p>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.</p> <p>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</p>	<p>Article 8 (Procedures for handling the acceptance of improper benefits)</p> <p>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, <u>money, gratuity, service, preferential treatment, entertainment, dining, any other benefits</u> by a third party, the matter shall be handled in accordance with the following procedures:</p> <p>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.</p> <p>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</p>	<p>To define the scope of authority and adjust the wording.</p>

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<p>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.</p> <p>"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:</p> <ol style="list-style-type: none"> <li>1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.</li> <li>2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.</li> <li>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.</li> </ol> <p>The responsible unit of this Corporation shall make a proposal, based on <u>the nature</u> 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.</p>	<p>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.</p> <p>"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:</p> <ol style="list-style-type: none"> <li>1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.</li> <li>2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.</li> <li>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.</li> </ol> <p>The responsible unit of this Corporation shall make a proposal, based on the <u>property</u> 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.</p>	
<p>Article 12 (Recusal)</p> <p>When a Company director , <u>officer or other stakeholder attending</u> 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>Article 12 (Recusal)</p> <p><u>The company director of his corporation shall be highly disciplined</u>, present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting ,where there is a likelihood that the interests of this Corporation would be prejudiced, <u>shall pronounce and consultation</u>, 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>Subject to the amendment of Article 19.2 as set forth in Principles.</p>
<p>Article 13 (Special unit in charge of confidentiality regime and its responsibilities)</p> <p>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, <u>trademarks, patents, works and other intellectual properties</u> and it shall also conduct periodical</p>	<p>Article 13 (Special unit in charge of confidentiality regime and its responsibilities)</p> <p>This Corporation shall set up a special unit <u>for trade secrets</u> charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of this Corporation's trade secrets and it shall also conduct periodical reviews on the results of implementation to ensure</p>	<p>Subject to the amendment of Article 14 as set forth in Principles.</p>

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<p>reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.</p> <p><u>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.</u></p>	<p>the sustained effectiveness of the confidentiality procedures.</p>	
<p>Article 14 (Prohibition against unfair competition)</p> <p><u>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.</u></p>	<p>Article 14 (Prohibition against insider trading)</p> <p><u>All Company personnel of this Corporation shall faithfully follow the operational directions of this Corporation's trade secrets, and may not disclose to any other party any trade secrets, , nor may they inquire about or collect any trade secrets of this Corporation unrelated to their individual duties.</u></p>	<p>Subject to the amendment of Article 15 as set forth in Principles.</p>
<p>Article 15 (Adopt product or service damage stakeholders)</p> <p><u>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.</u></p> <p><u>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.</u></p> <p><u>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.</u></p> <p><u>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.</u></p>	<p>Article 15 (Provisions of the Securities and Exchange Act)</p> <p><u>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.</u></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>Article 16 (Non-disclosure agreement)</p> <p><u>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.</u></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>Article 16 (Non-disclosure agreement)</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>Adjustment to the wording.</p>
<p>Article 18 (Ethical management evaluation prior to development of commercial relationships)</p> <ol style="list-style-type: none"> <li>1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.</li> <li>2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.</li> <li>3. Whether enterprise's business operations are located in a country with a high risk of corruption.</li> <li>4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.</li> <li>5. The long-term business condition and degree of goodwill of the enterprise.</li> <li>6. Consultation with the enterprise's business partners on their opinion of the enterprise.</li> <li>7. Whether the enterprise has a record of <u>involvement in</u> unethical conduct such as bribery or illegal political contributions.</li> </ol>	<p>Article 18 (Ethical management evaluation prior to development of commercial relationships)</p> <ol style="list-style-type: none"> <li>1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.</li> <li>2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.</li> <li>3. Whether enterprise's business operations are located in a country with a high risk of corruption.</li> <li>4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.</li> <li>5. The long-term business condition and degree of goodwill of the enterprise.</li> <li>6. Consultation with the enterprise's business partners on their opinion of the enterprise.</li> <li>7. Whether the enterprise has a record of unethical conduct such as bribery or illegal political contributions.</li> </ol>	<p>Subject to the amendment of Article 9.2 as set forth in Principles.</p>
<p>Article 19 (Statement of ethical management policy to counterparties in commercial dealings)</p> <p>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.</p>	<p>Article 19 (Statement of ethical management policy to counterparties in commercial dealings)</p> <p>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, <u>include gratuity.</u></p>	<p>Adjustment to the wording.</p>

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	<u>commission, or any other item of value in whatever form or name.</u>	
<p>Article 20 (Avoidance of commercial dealings with unethical operators)</p> <p>All personnel of this Corporation shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is <u>involved</u> in unethical <u>conduct</u>. 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.</p>	<p>Article 20 (Avoidance of commercial dealings with unethical operators)</p> <p>All personnel of this Corporation shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is unethical <u>management</u>. 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.</p>	Subject to the amendment of Article 9.2 as set forth in Principles.
<p>Article 21 (Stipulation of terms of ethical management in contracts)</p> <p>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 <u>policy of this Corporation part</u> of the terms and conditions of the contract, stipulating at the least the following matters:</p> <p>1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of <u>acceptance of commissions, rebates, or other improper benefits</u>, 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 <u>improper benefit</u> 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.</p> <p>.....</p>	<p>Article 21 (Stipulation of terms of ethical management in contracts)</p> <p>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 of the terms and conditions of the contract, stipulating at the least the following matters:</p> <p>1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of commissions, rebates, or other 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 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.</p> <p>.....</p>	Adjustment to the wording.
<p><u>Article 22 (Whistle blowing procedure and incentive reward)</u></p> <p><u>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, this Corporation will grant a reward:</u></p> <p>1. <u>The seriousness is the truth : NT\$ 1,000 .</u></p> <p>2. <u>The actual damage by the seriousness : additional reward not less than NT\$ 3,000 .</u></p> <p>3. <u>Insiders may also be praised publicly as a reward. Nevertheless, insiders having made a false report or malicious accusation shall be subject to</u></p>	<p>Article 22 (<u>Handling of unethical conduct by personnel of this Corporation</u>)</p> <p><u>In a case this Corporation find or be informed personnel involving unethical or unseemly conduct shall immediately verify the facts.</u></p> <p><u>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</u></p>	Subject to the amendment of Article 23 as set forth in Principles.

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<p><u>disciplinary action and be removed from office if the circumstance concerned is material.</u></p> <p><u>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:</u></p> <ol style="list-style-type: none"> <li><u>1. 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><u>2. The informed party's name or other information sufficient to distinguish its identifying features.</u></li> <li><u>3. Specific facts available for investigation.</u></li> </ol> <p><u>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.</u></p> <p><u>The responsible unit of this Corporation shall observe the following procedure:</u></p> <ol style="list-style-type: none"> <li><u>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.</u></li> <li><u>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.</u></li> <li><u>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.</u></li> <li><u>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.</u></li> <li><u>5. With respect to a confirmed information, this Corporation shall charge relevant units with the</u></li> </ol>	<p><u>proceedings and seek damages to safeguard its reputation and its rights and interests.</u></p> <p><u>In a case the unethical conduct has indeed, 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.</u></p> <p><u>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.</u></p>	

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<p><u>task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.</u></p> <p><u>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.</u></p>		
<p>Article 24 (Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)</p> <p><u>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.</u></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 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>Article 24 (Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)</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 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>Subject to the amendment of Article 22.1 as set forth in Principles.</p>
<p>Article 25 (Enforcement)</p> <p>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 <u>Audit Committee</u> and reported to the shareholders meeting.</p> <p><u>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.</u></p> <p>Date : 2012.3.20 (Enacted) Date : 2015.7.7 (Amended)</p>	<p>Article 25 (Enforcement)</p> <p>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 <u>Supervisors</u> and reported to the shareholders meeting.</p> <p>Date : 2012.3.20 (Enacted)</p>	<p>Subject to the amendment of Article 27 as set forth in Principles. Adding update to Amendment date .</p>

## Independent Auditors' Report

The Board of Directors  
Primax Electronics Ltd.:

We have audited the accompanying balance sheets of Primax Electronics Ltd. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investees accounted for under the equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to that investment, is based solely on the reports of the other auditors. The Company's investment in these companies amounted to \$1,216,301 and \$2,702,548 thousand, constituting 4% and 12% of the total assets, as of December 31, 2015 and 2014, respectively. The related share of profit of associates accounted for using the equity method amounted to \$166,222 and \$149,981 thousand, constituting 9% of the net profit before tax, for the years ended December 31, 2015 and 2014, respectively.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Primax Electronics Ltd. as of December 31, 2015 and 2014, and the results of its operations and cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 24, 2016

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.



**PRIMAX ELECTRONICS LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2015 and 2014**  
(expressed in thousands of New Taiwan dollars, except earnings per share)

	2015		2014	
	Amount	%	Amount	%
<b>Operating revenue (notes 6(r) and 7)</b>	\$ 51,638,181	100	42,356,385	100
<b>Operating cost (notes 6(e), (m), (o), (p), and (s), 7 and 12)</b>	48,703,633	94	39,690,606	94
<b>Gross profit</b>	2,934,548	6	2,665,779	6
<b>Operating expenses (notes 6(m), (o), (p), and (s), 7 and 12):</b>				
Selling expenses	610,013	1	643,337	1
Administrative expenses	414,570	1	388,961	1
Research and development expenses	983,295	2	880,132	2
	2,007,878	4	1,912,430	4
<b>Net operating income</b>	926,670	2	753,349	2
<b>Non-operating income and expenses:</b>				
Other income (note 6(t))	22,053	-	27,467	-
Other gains and losses (notes 6(c) and (u))	283,488	-	120,397	-
Share of profit of subsidiaries accounted for using equity method	755,092	1	949,194	2
Finance costs (note 6(v))	(53,380)	-	(217,073)	-
	1,007,253	1	879,985	2
<b>Income before income taxes</b>	1,933,923	3	1,633,334	4
<b>Income tax expense (note 6(n))</b>	160,801	-	88,644	-
<b>Net income</b>	1,773,122	3	1,544,690	4
<b>Other comprehensive income (loss):</b>				
<b>Items that may not be reclassified subsequently to profit or loss:</b>				
Actuarial gains on defined benefit plans	(8,100)	-	3,344	-
	(8,100)	-	3,344	-
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translation of foreign operation's financial statements	(71,337)	-	322,245	-
Unrealized gains and (losses) on available-for-sale financial assets (note 6(c))	294,053	-	945	-
	222,716	-	323,190	-
Other comprehensive income (after tax)	214,616	-	326,534	-
<b>Comprehensive income</b>	\$ 1,987,738	3	1,871,224	4
<b>Earnings per share (note 6(q)):</b>				
<b>Basic earnings per share (NT dollars)</b>	\$ 4.06		3.57	
<b>Diluted earnings per share (NT dollars)</b>	\$ 4.01		3.52	

See accompanying notes to financial statements.

**PRIMAX ELECTRONICS LTD.**

**Statements of Changes in Equity**

**For the years ended December 31, 2015 and 2014**  
(expressed in thousands of New Taiwan dollars)

	Capital		Retained earnings			Exchange differences on translation of foreign operation's financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve				
<b>Balance on January 1, 2014</b>	\$ 4,335,733	3,796	648,747	389,998	138,192	1,957,522	100,137	(32,320)	7,541,567
Net income in 2014	-	-	-	-	-	1,544,690	-	-	1,544,690
Other comprehensive income in 2014	-	-	-	-	-	3,344	322,245	-	326,534
Comprehensive income in 2014	-	-	-	-	-	1,548,034	322,245	-	1,871,224
Appropriation and distribution of retained earnings (note 1):									
Legal reserve	-	-	-	66,855	-	(66,855)	-	-	-
Special reserve	-	-	-	-	(40,892)	40,892	-	-	-
Cash dividends	-	-	-	-	-	(347,105)	-	-	(347,105)
Issuance of restricted stock	3,550	-	11,576	-	-	-	-	(15,126)	-
Retirement of restricted stock	(3,200)	-	(4,254)	-	-	-	-	7,454	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	21,751	21,751
Compensation cost of share-based payment	-	-	14,487	-	-	-	-	-	14,487
Exercise of employee stock options	-	48,589	-	-	-	-	-	-	48,589
Issuance of common stock for employee stock options and abandonment	10,495	(13,482)	2,987	-	-	-	-	-	-
<b>Balance on December 31, 2014</b>	4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	(18,241)	9,150,513
Net income in 2015	-	-	-	-	-	1,773,122	-	-	1,773,122
Other comprehensive income in 2015	-	-	-	-	-	(8,100)	(71,337)	-	214,616
Comprehensive income in 2015	-	-	-	-	-	1,765,022	(71,337)	-	1,987,738
Appropriation and distribution of retained earnings (note 2):									
Legal reserve	-	-	-	154,469	-	(154,469)	-	-	-
Cash dividends	-	-	-	-	-	(791,107)	-	-	(791,107)
Issuance of restricted stock	30,000	-	91,693	-	-	-	-	(121,693)	-
Retirement of restricted stock	(2,800)	-	(10,258)	-	-	-	-	13,058	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	46,477	46,477
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	4,087
Exercise of employee share options	-	32,673	-	-	-	-	-	-	32,673
Issuance of common stock for employee stock options and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-
<b>Balance on December 31, 2015</b>	\$ 4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	(80,399)	10,430,381

Note 1: Directors' and supervisors' remuneration of \$12,000 and employee bonuses of \$32,000 have been deducted from the statement of comprehensive income for 2014.  
Note 2: Directors' and supervisors' remuneration of \$27,800 and employee bonuses of \$71,000 have been deducted from the statement of comprehensive income for 2015.

**PRIMAX ELECTRONICS LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2014 and 2013**  
(expressed in thousands of New Taiwan dollars)

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Income before income taxes	\$ 1,633,334	859,291
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	41,404	47,838
Losses (gains) related to inventories	63,376	21,376
Provision (reversal of provision) for bad debt allowance and sales returns and allowances	23,746	(9,244)
Interest expenses	60,684	16,538
Interest income	(17,500)	(2,736)
Compensation cost of share-based payment	8,523	9,903
Amortization expense of restricted stock	21,751	5,418
Share of profit of associates accounted for using equity method	(949,194)	(9,687)
Gain on disposal of property, plant and equipment	(921)	-
Gain on disposal of financial assets	(4,134)	-
Impairment loss on financial assets	3,500	-
	<u>(748,765)</u>	<u>79,406</u>
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(1,746,140)	(543,788)
Other receivables	40,551	152,646
Inventories	265,840	127,706
Other current assets	17,019	35,838
Other	8,778	(18,012)
Changes in operating assets	<u>(1,413,952)</u>	<u>(245,610)</u>
Notes and accounts payable (including related parties)	1,978,977	713,211
Salary payable	175,018	(37,914)
Other payables	101,680	(165,062)
Other current liabilities	2,084	(134,998)
Other non-current liabilities	63,143	-
Other	29,720	29,940
Changes in operating liabilities	<u>2,350,622</u>	<u>405,177</u>
Changes in operating assets and liabilities	<u>936,670</u>	<u>159,567</u>
Adjustments	<u>187,905</u>	<u>238,973</u>
Cash flows from operations	1,821,239	1,098,264
Interest received	17,500	2,736
Interest paid	(60,621)	(16,448)
Income taxes paid	<u>(263,049)</u>	<u>(97,758)</u>
<b>Net cash flows provided by operating activities</b>	<u>1,515,069</u>	<u>986,794</u>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(245,600)	-
Refund from capital reduction of available-for-sale financial assets	4,616	-
Acquisition of investments accounted for using equity method	(2,578,698)	(719,576)
Acquisition of property, plant and equipment	(12,623)	(21,687)
Proceeds from disposal of property, plant and equipment	2,126	-
Acquisition of other deferred assets	(5,337)	(10,275)
Increase in refundable deposits	1,531	-
Other	(35)	(1,026)
<b>Net cash flows used in investing activities</b>	<u>(2,834,020)</u>	<u>(752,564)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,489,900	658,900
Increase in long-term borrowings	1,500,000	-
Increase in guarantee deposits	42,775	38,243
Cash dividends	(347,105)	(647,019)
Exercise of employee stock options	48,589	37,731
<b>Net cash flows provided by financing activities</b>	<u>2,734,159</u>	<u>87,855</u>
Net increase in cash and cash equivalents	1,415,208	322,085
Cash and cash equivalents at beginning of year	1,586,671	1,264,586
Cash and cash equivalents at end of year	<u>\$ 3,001,879</u>	<u>1,586,671</u>

## **Independent Auditors' Report**

The Board of Directors  
Primax Electronics Ltd.:

We have audited the accompanying consolidated balance sheets of Primax Electronics Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2015 and 2014, the assets of these subsidiaries amounted to NT\$7,046,529 and NT\$3,256,659 thousand, respectively, constituting 17% and 10%, respectively, of the consolidated total assets. For the years ended December 31, 2015 and 2014, the operating revenue of these subsidiaries amounted to NT\$8,734,357 and NT\$6,277,916 thousand, respectively, constituting 13% and 12%, respectively, of the consolidated operating revenue.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Primax Electronics Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission in the Republic of China.

Primax Electronics Ltd. has prepared annual individual financial reports as of and for the years ended December 31, 2015 and 2014, on which we have issued a modified unqualified opinion.

March 24, 2016

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards and interpretations endorsed by the Financial Supervisory Commission in the Republic of China. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2015		December 31, 2014		Liabilities and equity	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 6(a))	\$ 7,623,380	18	6,814,023	22	Short-term borrowings (note 6(k))	\$ 1,350,569	3	2,148,800	7
Financial assets at fair value through profit or loss – current (note 6(b))	88,717	-	96,285	-	Notes and accounts payable	18,723,930	45	12,613,211	41
Notes and accounts receivable, net (note 6(d))	14,424,622	35	10,453,148	34	Financial liabilities at fair value through profit or loss – current (note 6(b))	60,105	-	80,590	-
Accounts receivable – related parties, net (notes 6(d) and 7)	54,995	-	60,581	-	Other payables (note 7)	3,891,786	9	2,628,533	9
Other receivables (note 6(d))	462,242	1	370,254	1	Salary payable (note 6(q))	1,227,107	3	1,055,208	3
Inventories, net (note 6(e))	7,350,609	18	4,810,978	15	Other current liabilities	279,120	1	128,415	-
Other current assets (note 8)	408,596	1	473,067	2	Current portion of long-term borrowings (note 6(l))	622,347	2	600,000	2
	<u>30,413,161</u>	<u>73</u>	<u>23,078,336</u>	<u>74</u>		<u>26,154,964</u>	<u>63</u>	<u>19,254,757</u>	<u>62</u>
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
Available-for-sale financial assets – non-current (note 6(c))	584,430	1	292,916	1	Long-term borrowings (note 6(l))	1,055,140	2	900,000	3
Property, plant and equipment (notes 6(h) and 8)	6,284,023	15	3,935,145	13	Long-term deferred revenue (note 6(h))	1,084,133	3	130,840	-
Investment property, net (note 6(i))	258,709	1	262,269	1	Other non-current liabilities (notes 6(n) and (o))	520,911	1	429,429	2
Intangible assets (note 6(j))	3,322,191	8	2,916,644	10	<b>Total liabilities</b>	<u>2,660,184</u>	<u>6</u>	<u>1,460,269</u>	<u>5</u>
Deferred tax assets (note 6(o))	390,414	1	154,691	-		<u>28,815,148</u>	<u>69</u>	<u>20,715,026</u>	<u>67</u>
Long-term prepaid rent (note 8)	306,125	1	198,151	1	<b>Equity attributable to stockholders of parent:</b>				
Other non-current assets (note 8)	172,680	-	185,621	-	Common stock (note 6(p))	4,411,877	11	4,346,578	14
	<u>11,318,572</u>	<u>27</u>	<u>7,945,437</u>	<u>26</u>	Capital collected in advance (note 6(p))	15,174	-	38,903	-
					Capital surplus (note 6(p))	777,368	2	673,543	2
					Legal reserve (note 6(p))	611,322	1	456,853	2
					Special reserve (note 6(p))	97,300	-	97,300	-
					Unappropriated retained earnings (note 6(p))	3,951,934	10	3,132,488	10
					Other equity	565,406	1	404,848	1
					<b>Non-controlling interests</b>	<u>2,486,204</u>	<u>6</u>	<u>1,158,234</u>	<u>4</u>
					<b>Total equity</b>	<u>12,916,585</u>	<u>31</u>	<u>10,308,747</u>	<u>33</u>
<b>Total assets</b>	<u>\$ 41,731,733</u>	<u>100</u>	<u>31,023,773</u>	<u>100</u>	<b>Total liabilities and equity</b>	<u>\$ 41,731,733</u>	<u>100</u>	<u>31,023,773</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2015 and 2014**  
(expressed in thousands of New Taiwan dollars, except earnings per share)

	2015		2014	
	Amount	%	Amount	%
<b>Operating revenue (notes 6(s) and 7)</b>	\$ 65,589,293	100	52,239,777	100
<b>Operating cost (notes 6(e), (n), (p), (q) and (t) and 12)</b>	58,448,955	89	46,020,978	88
<b>Gross profit</b>	7,140,338	11	6,218,799	12
<b>Operating expenses (notes 6(f), (n), (p), (q) and (t), 7 and 12):</b>				
Selling expenses	1,589,527	2	1,423,129	3
Administrative expenses	1,278,142	2	1,072,677	2
Research and development expenses	2,104,487	3	1,893,251	3
	4,972,156	7	4,389,057	8
<b>Net operating income</b>	2,168,182	4	1,829,742	4
<b>Non-operating income and expenses:</b>				
Other income (note 6(u))	178,824	-	290,465	-
Other gains and losses (notes 6(c) and (v))	282,395	-	150,323	-
Share of profit of subsidiaries accounted for using equity method	3,772	-	-	-
Finance costs (note 6(w))	(160,220)	-	(222,949)	-
	304,771	-	217,839	-
<b>Income before income taxes</b>	2,472,953	4	2,047,581	4
<b>Income tax expense (note 6(o))</b>	656,018	1	438,614	1
<b>Net income</b>	1,816,935	3	1,608,967	3
<b>Other comprehensive income (loss):</b>				
<b>Items that may not be reclassified subsequently to profit or loss:</b>				
Actuarial gains on defined benefit plans	(8,540)	-	3,344	-
	(8,540)	-	3,344	-
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translation of foreign operation's financial statements	(60,203)	-	337,984	1
Unrealized gains and losses on available-for-sale financial assets (note 6(c))	294,053	-	945	-
	233,850	-	338,929	1
<b>Other comprehensive income (after tax)</b>	225,310	-	342,273	1
<b>Comprehensive income</b>	\$ 2,042,245	3	1,951,240	4
<b>Net income attributable to:</b>				
Stockholders of parent	\$ 1,773,122	3	1,544,690	3
Non-controlling interests	43,813	-	64,277	-
	\$ 1,816,935	3	1,608,967	3
<b>Comprehensive income attributable to:</b>				
Stockholders of parent	\$ 1,987,738	3	1,871,224	4
Non-controlling interests	54,507	-	80,016	-
	\$ 2,042,245	3	1,951,240	4
<b>Earnings per share (note 6(r)):</b>				
<b>Basic earnings per share (NT dollars)</b>	\$ 4.06		3.57	
<b>Diluted earnings per share (NT dollars)</b>	\$ 4.01		3.52	

See accompanying notes to consolidated financial statements.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2015 and 2014  
(expressed in thousands of New Taiwan dollars)

	Equity attributable to stockholders of parent											
	Capital	Retained earnings				Exchange differences on translation of foreign operation's financial statements			Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total	Non-controlling interests
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total	Non-controlling interests	Total equity	
<b>Balance on January 1, 2014</b>	\$ 4,335,733	3,796	648,747	389,998	138,192	1,957,522	100,137	(32,320)	7,541,567	-	7,541,567	
Net income in 2014	-	-	-	-	-	1,544,690	-	-	1,544,690	64,277	1,608,967	
Other comprehensive income in 2014	-	-	-	-	-	3,344	322,245	-	326,534	15,739	342,273	
Comprehensive income in 2014	-	-	-	-	-	1,548,034	322,245	-	1,871,224	80,016	1,951,240	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	66,855	-	(66,855)	-	-	-	-	-	
Special reserve	-	-	-	-	(40,892)	40,892	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(347,105)	-	-	(347,105)	-	(347,105)	
Issuance of restricted stock	3,550	-	11,576	-	-	-	-	(15,126)	-	-	-	
Retirement of restricted stock	(3,200)	-	(4,254)	-	-	-	-	7,454	-	-	-	
Amortization expense of restricted stock	-	-	-	-	-	-	-	21,751	21,751	-	21,751	
Compensation cost of share-based payment	-	-	14,487	-	-	-	-	-	14,487	-	14,505	
Exercise of employee stock options	-	48,589	-	-	-	-	-	-	48,589	-	48,589	
Issuance of common stock for employee stock options and abandonment	10,495	(13,482)	2,987	-	-	-	-	-	-	18	18	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,078,200	1,078,200	
<b>Balance on December 31, 2014</b>	4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	(18,241)	9,150,513	1,158,234	10,308,747	
Net income in 2015	-	-	-	-	-	1,773,122	-	-	1,773,122	43,813	1,816,935	
Other comprehensive income in 2015	-	-	-	-	-	(8,100)	(71,337)	-	214,616	10,694	225,310	
Comprehensive income in 2015	-	-	-	-	-	1,765,022	(71,337)	-	1,987,738	54,507	2,042,245	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	154,469	-	(154,469)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(791,107)	-	-	(791,107)	-	(791,107)	
Issuance of restricted stock	30,000	-	91,693	-	-	-	-	(121,693)	-	-	-	
Retirement of restricted stock	(2,800)	-	(10,258)	-	-	-	-	13,058	-	-	-	
Amortization expense of restricted stock	-	-	-	-	-	-	-	46,477	46,477	-	46,477	
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	4,087	-	4,740	
Exercise of employee stock options	-	32,673	-	-	-	-	-	-	32,673	-	32,673	
Issuance of common stock for employee stock options and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,272,810	1,272,810	
<b>Balance on December 31, 2015</b>	\$ 4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	(80,399)	10,430,381	2,486,204	12,916,585	

See accompanying notes to consolidated financial statements.

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2015 and 2014**  
(expressed in thousands of New Taiwan dollars)

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
<b>Income before income taxes</b>	\$ 2,472,953	2,047,581
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,473,215	1,192,885
Losses (gains) related to inventories	427,434	(26,788)
Provision (reversal of provision) for bad debt allowance and sales returns and allowances	(409)	25,956
Impairment losses on property, plant and equipment	-	33,178
Interest expenses	160,220	66,560
Interest income	(161,713)	(275,451)
Compensation cost of share-based payment	51,217	30,974
Other	<u>30,339</u>	<u>(11,974)</u>
	<u>1,980,303</u>	<u>1,035,340</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss – current	8,771	-
Notes and accounts receivable	(3,355,531)	(1,400,687)
Accounts receivable – related parties	5,586	(60,581)
Other receivables – current and non-current	(80,280)	159,723
Inventories	(2,536,143)	111,714
Other current assets	162,065	(94,880)
Deferred tax assets	(222,248)	38,348
Other	<u>47,455</u>	<u>(70,809)</u>
Changes in operating assets	<u>(5,970,325)</u>	<u>(1,317,172)</u>
Notes and accounts payable	5,698,649	953,446
Salary payable	174,267	400,939
Other payables	1,121,644	262,102
Other current liabilities	122,026	(60,316)
Other	<u>(1,732)</u>	<u>202,578</u>
Changes in operating liabilities	<u>7,114,854</u>	<u>1,758,749</u>
Changes in operating assets and liabilities	<u>1,144,529</u>	<u>441,577</u>
Adjustments	<u>3,124,832</u>	<u>1,476,917</u>
Cash flows from operations	5,597,785	3,524,498
Interest received	161,713	275,451
Interest paid	(160,105)	(66,497)
Income taxes paid	<u>(577,042)</u>	<u>(379,257)</u>
<b>Net cash flows provided by operating activities</b>	<u>5,022,351</u>	<u>3,354,195</u>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	-	(245,600)
Acquisition of subsidiary (minus cash acquired)	(39,041)	(2,329,526)
Acquisition of property, plant and equipment	(1,964,248)	(1,131,498)
Proceeds from disposal of property, plant and equipment	66,055	36,818
Acquisition of other deferred assets	(50,646)	(77,700)
Other	<u>13,276</u>	<u>(9,273)</u>
<b>Net cash flows used in investing activities</b>	<u>(1,974,604)</u>	<u>(3,756,779)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	(1,100,639)	1,083,965
Increase (decrease) in long-term borrowings	(261,402)	1,419,722
Increase (decrease) in guarantee deposits	(46,069)	74,431
Increase in other payables – related parties	(61,350)	-
Cash dividends	(791,107)	(347,105)
Exercise of employee stock options	<u>32,673</u>	<u>48,589</u>
<b>Net cash flows provided by (used in) financing activities</b>	<u>(2,227,894)</u>	<u>2,279,602</u>
Effect of foreign currency exchange translation	<u>(10,496)</u>	<u>150,140</u>
Net increase in cash and cash equivalents	809,357	2,027,158
Cash and cash equivalents at beginning of year	<u>6,814,023</u>	<u>4,786,865</u>
Cash and cash equivalents at end of year	<u>\$ 7,623,380</u>	<u>6,814,023</u>

See accompanying notes to consolidated financial statements.

## Stipulation on Chairman's Retirement

1. The Chairman may apply for retirement under any of the following conditions and the Company shall pay the pension to the Chairman in accordance with this Stipulation.
2. Conditions for retirement
  - (1) Where the Chairman has worked for fifteen years and attains the age of fifty-five ;
  - (2) Where the Chairman has worked for more than twenty-five years ;
  - (3) Where the Chairman attains the age of sixty-five ;
  - (4) Where the Chairman is unable to perform his/her duties due to mental handicap or physical disability.
3. Years of service and the criteria for payment of Chairman's pension
  - (1) Years of service :

The years of service for performing the duty of Chairman and the other positions in the Company shall be combined for calculation purposes. Length of service is calculated as half year when it is less than six months and as one year when it is more than six months.
  - (2) The criteria for payment of Chairman's pension :

Two Retirement Pension Bases (hereinafter, "Base") are given for each full year of service. Those having served over 15 years are given one Base for each full year of service and the total number of Bases shall be no more than 45.
  - (3) The Retirement Pension Base :

The Retirement Pension Base as specified in Article 3.2 shall be one month's fixed remuneration of the Chairman at the time when his/her retirement comes into effect.
4. The payment of Chairman's pension

The Chairman may apply for retirement under any of the conditions as specified in Article 2 and the Company shall pay the pension to the Chairman. The total amount of the pension shall be calculated pursuant to the provisions as set forth in Article 3.2 and Article 3.3.

**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. Attending shareholders (or their proxies) shall wear an attendance card. The number of their shares and voting rights shall be calculated according to the submitted sign-in card.

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.
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 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.

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 a corporation is appointed to attend the shareholders' meeting as proxy, it may designate only one person to represent it in the meeting.

If 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 votes 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.

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.
18. 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.

If an air raid alarm rings during a meeting, the chairperson shall immediately announce the meeting is halted or suspended and have all attendees evacuated. The meeting shall be resumed an hour after the alarm is turned off.

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.

**ARTICLES OF INCORPORATION  
OF  
PRIMAX ELECTRONICS LTD.**

【Appendix 2】

**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. C805050 Industrial Plastic Products Manufacturing
  16. CA02010 Metal Architectural Components Manufacturing
  17. CA02090 Metal Line Products Manufacturing
  18. F401010 International Trade
  19. 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 respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. Such shareholder's declaration of intention shall be dealt with in accordance Article 177-2 of the Company Act.
- Article 12. Except where other legal regulations apply, all shareholders meetings shall be convened by the Board of Directors in accordance with the Company Act, and the Chairman of the Board of Directors shall serve as the chairman of shareholder meetings. In case the Chairman of the Board is on leave or absent or can not exercise his/her power and authority for any cause, the designation of his/her duties shall follow Article 208 of the Company Act; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening

right, the chairman of the meeting shall be elected from among themselves.

Article 13. Resolutions at a Shareholders' meeting shall, unless otherwise provided by law, be adopted by a majority vote of shareholders present in person or by proxy, who represent a majority of the total number of outstanding shares.

Article 14. In case a shareholder is unable to attend the shareholders' meeting, that shareholder may explicitly appoint one proxy agent to attend on his/her behalf within a scope of authorization upon presentation of a proxy letter issued by the Company. Except when the requirements of the Company Act apply, the use of proxies for attendance at shareholder meetings shall be handled in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.

Article 15. Resolutions made in shareholder meetings shall be recorded in the minutes and signed and affixed thereon by the chairman. The minutes shall be sent to all shareholders within 20 days after the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding paragraph may be effected by means of electronic transmission or a public announcement

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

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

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

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

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

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

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

Article 17. The directors shall form a Board of Directors. The Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting attended by two-thirds or more of the directors. The 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. The Company's net profit following annual closing, if any, shall be distributed in the following order:
1. Compensate loss;
  2. 10% legal reserve, unless the amount of legal reserve has reached the total capital amount;
  3. Special reserve in accordance with law and the competent authority;
  4. Employee bonus in the amount between 2 to 10% of the balance, and directors' bonuses in the amount not more than 2% of the balance under subsections 1 to 3 above;
  5. The balance of the remaining net profit 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.

If employees' bonuses shall be issued as stock bonuses, such bonuses shall be given to all employees of subordinate companies meeting certain criteria. The Board of Directors is authorized to determine the relevant rules for distribution of such bonuses.

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.

Primax Electronics Ltd.

Chairman: Liang Li-Sheng

**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 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 or person having substantial control, of this Corporation or its group enterprises and organizations.

Any provision, promise, request, or acceptance of any benefits in whatever form or name 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") 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 and also submit regular reports to the board of directors.

## **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, money, gratuity, service, preferential treatment, entertainment, dining, any other benefits, 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. Compliance with the requirements of laws and regulations in Corporation's Location.
2. 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.
3. 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.
4. 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.
5. Attendance at folk festivals that are open to and invite the attendance of the general public.
6. Rewards, emergency assistance, condolence payments, or honorariums from the management.
7. 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\_\_\_.
8. 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.
9. 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, money, gratuity, service,

preferential treatment , entertainment, dining, any other benefits 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 property 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 NT\$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)**

The company director of his corporation shall be highly disciplined, present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, where there is a likelihood that the interests of this Corporation would be prejudiced, shall pronounce and consultation, may not participate in the discussion or vote on that proposal, shall recuses 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.

## **Article 13**

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

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

## **Article 14**

### **(Prohibition against insider trading)**

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**

### **(Provisions of the Securities and Exchange Act)**

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.

## **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, include gratuity, commission, or any other item of value 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 unethical management. 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 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 commissions, rebates, or other 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 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)**

In a case this Corporation find or be informed personnel involving unethical or unseemly conduct shall immediately verify the facts.

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.

In a case the unethical conduct has indeed, 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.

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 Supervisors and reported to the shareholders meeting.

Date : 2012.3.20 (Enacted)

**PRIMAX ELECTRONICS LTD.**  
**Shareholdings of Directors**

1. The Company's paid-in capital is NT\$ 4,420,328,240 and have issued 442,032,824 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, and the minimum shares held by all the supervisors shall be 1,600,000 shares.
3. The table below provides the information about the shares held by individual and all the directors and supervisors as recorded in the shareholders' roster as of the lockup date (April 22, 2016), which have met the percentage standards required by law.

Position	Name	Date elected	Current Shareholding shares	Shareholding ratio (%)
Chariman	Liang, Li-Sheng	June 29, 2015	1,500,001	0.34%
Director	Yang, Hai-Hung	June 29, 2015	1,812,465	0.41%
Director	Yang, Tze-Ting	June 29, 2015	1,926,963	0.44%
Director	Pan, Yung-Tai	June 29, 2015	8,291,046	1.88%
Director	Pan, Yung-Chung	June 29, 2015	4,852,599	1.10%
Director	Tsao, Chung-Feng	June 29, 2015	3,148,651	0.71%
Independent Director	Ku, Tai-Jau	June 29, 2015	0	0
Independent Director	Way, Yung-Do	June 29, 2015	620,000	0.14%
Independent Director	Cheng, Chih-Kai	June 29, 2015	0	0
Shareholdings of all Directors			22,151,725	5.02%