

**Disclaimer**

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**PHISON ELECTRONICS CORP.**  
**2016 ANNUAL GENERAL SHAREHOLDERS' MEETING**  
**MEETING MINUTES**  
(Translation)

Time and Date: 9:00 A.M. on June 15, 2016 (Wednesday)

Place: 1 Factory, 1F Meeting Room, No. 1, Qun-Yi Rd., Jhunan, Miaoli, Taiwan

Total outstanding Phison shares: 197,373,993 shares

Total shares represented by shareholders present in person or by proxy :  
172,060,482 shares

Percentage of share held by shareholders present in person or by proxy : 87.17%

Chairman: Mr. KS Pua, the chairman of the Board of Directors

Recorder: Angela Lee

Attendants' directors: Director Aw Yong Cheek Kong 、 Director Chen An Chung 、  
Director TOSHIBA CORP. Representative:Hiroto Nakai 、 Independent Director  
Wang Shu Fen.

Attendants as guest or observer: Supervisor Yang Jiunn Yeong 、 Supervisor Wang  
Huei Ming 、 Supervisor Chen Chiun Hsiou 、 Accountants Dai Xin Wei of Deloitte &  
Touche 、 Lawyer Law Bing Ching of Hong Li.

**I. Call Meeting to Order :**

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

**II. Chairman's Address (Omitted)**

**III. Motions to be discussed ( 1 )**

**Motion 1 (Proposed by Board of Directors)**

**Topic:** Amendment to the Company's partial articles of the "Articles of the

Corporation”.

**Explanation:** The revisions of the “Articles of Corporation” is in accordance with the addition of Article 235-1, and the amendments of Articles 235 and 240, due to changes in the Company Act, and revisions in accordance to company required. Regarding the revised articles of the Articles of the Corporation, please refer to Attachment 1 for the amendment comparison table.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

#### **IV. ITEMS TO REPORT: (Proposed by Board of Directors)**

**Motion 1 :** Adoption of the proposal for Distribution of employees' remuneration as well as compensation of directors and supervisors of 2015 Profits.

**Motion 2 :** 2015 Business Report, please refer to Attachment 2.

**Motion 3 :** Supervisor's Review Report on the 2015 Financial Statements, please refer to Attachment 3.

**Motion 4 :** Report of the Company's new indirect investments in Mainland China during 2015, please refer to Attachment 4.

**Motion 5 :** Report on the implementation of the privately offered common shares passed in the 2015 shareholder's meeting.

#### **V. ACCEPT ITEMS :**

##### **Motion 1. (Proposed by Board of Directors)**

**Topic: Adoption of the 2015 Business Report and Financial Statements.**

**Explanation:** ( 1 ) The 2015 business report, financial statements and consolidated financial statements of year 2015 have been approved by board of directors and also been reviewed and attested by the supervisor.

( 2 ) The financial statements of year 2015, including the balance sheet (which contains consolidated balance sheet), the income

statement (which contains consolidated income statement), the statement of changes in equity (which contains consolidated statement of changes in equity) and the statement of cash flow (which contains consolidated statement of cash flow) have been audited and certified by Deloitte & Touche's Certified Public Accountants Mr. Dai Xin Wei and Mr. Fan Yu Wei with a standard unqualified opinion.

(3) For details of the business report, financial statements and consolidated financial statements, please refer to Attachment 2 and Attachment 5.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

**Motion 2. (Proposed by Board of Directors)**

**Topic: Adoption of the Proposal for Distribution of 2015 Profits.**

**Explanation:** (1) The net profit after taxes of the Company for Year 2015 are NT\$ NT\$4,000,008,649. The Company prepared the proposal regarding the distribution of profits for Year 2015 according to the rules of the Articles of the Corporation. The table of earnings distribution of the Company for Year 2015 is proposed as below :

**Phison Electronics Corporation  
PROFIT DISTRIBUTION TABLE  
Year 2015**

( Unit: NTD \$ )

Items	Total
<b>Beginning retained earnings</b>	<b>6,008,545,148</b>
Less: The actuarial gains and losses of defined benefit plans of 2015 is included in retained earnings	(18,337,706)
<b>Retained earnings after adjusted</b>	<b>5,990,207,442</b>
Add: net profit after tax of Year 2015	4,000,008,649

Less: 10% Legal Reserve	400,000,865
Less: Provision of Special Reserve	106,301,456
<b>Distributable net profit</b>	<b>9,483,913,770</b>
Distributable items:	
Dividend to shareholders-Cash(Distributed NT\$12 per share)	2,368,487,916
<b>Unappropriated retained earnings</b>	<b>7,115,425,854</b>

Director :  Manager :  Financial Manager : 

(2) The shareholder cash dividends of NT\$2,368,487,916 are allotted to the shareholders recorded on the shareholders' register roster on the Base Day for cash dividend distribution and are distributed in proportion to the amount of their shares hold. The cash dividend distribution is calculated by digits (NT\$1). The sum of decimals will transferred to the Employees Welfare Committee of the Company. The proportion is NT\$12 for every share. The above distributed amount per share for Shareholder Dividend was calculated based on the total actual outstanding common shares of the Company as of 03.22.2016 197,373,993 shares. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date and other relevant issues. In addition, in case that the actual total outstanding shares of the Company on Base Day for cash dividend distribution(Ex-Dividend) changes, the Board of Directors be authorized to adjust the cash to be distributed to each share based on the number of actual shares outstanding on the record date for distribution.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

## **VI. Motions to be discussed ( 2 )**

### **Motion 1. (Proposed by Board of Directors)**

**Topic:** Proposal for a cash offering by private placement, please be discussed.

**Explanation:** 1. In order to introduce strategic investors and to strengthen long-term business relationships with the strategic partners, for the Company's business development and operation plan, we propose to conduct the private placements of new common shares according to the Article 43-6 of Securities and Exchange Act. The Company propose to issue not more than 20,000,000 new shares of privately placed common shares, and the increased capital of the Company will be not more than NT\$200,000,000. The face value per share is NT\$10, and all new shares are common shares.

2. According to the Article 43-6 of Securities and Exchange Act and Directions for Public Companies Conducting Private Placements of Securities, the explanations are as follows:

- (1) The basis and reasonableness of the private placement pricing:
  - A. For setting the offering price of privately placed shares, the offering price shall be not lower than 80% of the higher price of the following two calculations:
    - a. The simple average closing price of the common shares of the company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
    - b. The simple average closing price of the common shares of the company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
  - B. Subject to the resolutions in the shareholder's meeting, the price determination date, actual private placement pricing are proposed to authorize the Board to determine after taking into

consideration of the actual specific subscribers and market status.

C. The determination of the Private Placement price shall be based on the regulations of Directions for Public Companies Conducting Private Placements of Securities. Additionally, in consideration of the company's future development, the legal restriction to the transfer of the privately placed securities from timing, transferee to quantity together with the prohibition of OTC listing requirements within 3 years, thus the price should be considered reasonable and will not have material impact on shareholders' equity.

(2) The means of selecting the specified persons:

A. The means of selecting the specified persons is pursuant to Article 43-6 of the Securities and Exchange Act and Financial Supervisory Commission, Execution Yuan Letter (91) Tai-Cai-Zheng-Yi No. 0910003455, dated June 13, 2002; and the investor of the Private Placement is limited to strategic investors.

B. The subscriber will be limited to the strategic investors:

a. The method and objectives of selecting the subscriber: The Company will choose the strategic investors who can provide assistance to the Company in terms of enlarged market, or increased product efficiency, or enhanced skills and who can recognize the Company's operating strategy.

b. The necessity of private placement: The Company can enhance long-term competitiveness and operational efficiency of the Company through the business cooperation of strategic investors, so it's necessary.

c. Anticipated benefits: By way of involving strategic investors' experience, products technology, knowledge, brand reputation and sales channel, to help strategic cooperation, joint product

development, integrated marketing, business development and cooperation, those are expected to help the Company to reduce product costs, improve product technology, expand the sales market, and to enhance the Company's future operating performance.

C. There are no confirmed subscribers now.

(3) Private placement necessity:

A. The reasons for not taking a public offering: Considering the capital market conditions, the issuance costs, efficiency and feasibility for fund raising private placement's, as well as the method of private placement have the characteristics of quick and simple procedure of offering new shares and the limitation of transferring shares for 3 full years, that can more ensure the long-term relationship with the strategic partners. So, we decide to conduct the method of private placement instead of the public offering.

B. The amount of the private placement: Issue not more than 20,000,000 common shares. The company plans to do private placement one or two times within one year since the date of the resolution of the shareholders meeting.

C. Each proceeds of the private placement and anticipated benefits are as follows,

Times	The use of private placement funds	Anticipated Benefits
One Time	Proceeds of the private placement funds will be fully operational in order to enrich the necessary working capital in response to develop long-term operations. Additionally, seek cooperation	The private placement benefits are as follows: reduces operational risk; strengthen finance structure; and promote company future benefit of the transport business achievements.

	or strategic alliance with domestic/international customers.	
Two Times	Each proceeds of the private placement will be fully operational in order to enrich the necessary working capital in response to develop long-term operations. Additionally, seek cooperation or strategic alliance with domestic/international customers.	The private placement benefits are as follows: reduces operational risk; strengthen finance structure; and promote company future benefit of the transport business achievements.

(4) There is no significant change in managerial control within 1 year period immediately preceding the day on which the board of directors resolves on this private placement plan. And the Company propose to issue not more than 20,000,000 new shares of privately placed shares that will be within 9.2% of the new total capital after conducting this private placement plan that will have a positive contribution to the Company's business development. Additionally, the involvement of strategic investor by way of this private placement will not significantly cause the management team being changed.

(5) Other matters to be disclosed:

A. In principle, all the rights and obligations for the privately placed common shares are the same as those for the issued common shares of the Company. However, according to the Securities Exchange Act, except for being transferred to a transferee matching the requirement under Article 43-8 of the Securities Exchange Act, the privately placed common shares shall not be transferred for three years after the closing date. After three



year period expires, according to related regulations, the Company shall, after obtaining an approval letter issued by the Taipei Exchange (GreTai Securities Market) (“TPEX” hereafter) acknowledging that the securities have met the listing criteria, apply with the competent authorities for public issuance and TPEX listing of such privately placed common shares.

B. It is proposed that the Shareholders’ Meeting authorizes the Board of Directors with full power and authority to determine the important matters in connection with this private placement, including the number of shares to be issued, the issuing price, terms and conditions of the private placement, subscriber selecting method, fund utilization plan, detailed plan items, expected process and anticipated benefits and other related issues. If change of circumstance due to amendment to the laws and regulations, the competent authorities’ instruction, market condition change or environment impact, it is also proposed that the Shareholders’ Meeting authorizes the Board of Directors with full power and authority to handle all related matters.

C. In addition to aforementioned authorization scope, it is also proposed that the Shareholders’ Meeting authorizes the Chairman negotiate, amend and sign all related contracts or documents on behalf of the Company and to handle all matters related to this private placement.

(6) According to the Securities Future Investors Protection Center Letter bearing reference number 2016.4.25 Zheng Ba Far 1051000961, the explanations as follows:

1. This private placement for replenish the Company operating cash’s necessity and reasonableness :

Though, in the consolidated balance sheets of the Company in 2015 cash and cash equivalents is NT\$10,833,163 thousands

on December 31, 2015. There is NT\$2,368,488 thousands for dividends to shareholders and the Company proposed distribute employees' remuneration NT\$500,000,000 and compensation of directors and supervisors NT\$38,000,000. The balance of NT\$7,926,675 thousands is for normal operation using, which is only 2.57 times to monthly average net revenues (NT\$3,087,411).

Besides for the Company to well prepare for a more prosperous industry and to enhance competitiveness to keep the leadership in Flash industry, the Company plans to mass the investments of products research and development to speed the production of profitable new products. By introducing conducive strategic investors, the Company will expand its product lines and markets; hence the Company should raise funds to meet the future operation needs.

## 2. Assess this private placement's purposes \ the impact of managerial control and shareholders' equity.

The aim of the private placement is the introducing strategic investors to strengthen the long-term relationship with strategic business partners. The Company will cooperate with the strategic investors to develop both products and markets, to enhance the position in technical and to raise the marketing shares. The strategic private placement is necessary for the Company's business and development in long-term.

There is no significant change in managerial control within the 1 year period immediately preceding the day on April 11, 2016 board of directors resolves on this private placement plan. And the Company proposed to issue not more than 20,000,000 new shares of privately placed shares that will be within 9.2% of the new total capital after conducting this private placement plan, will be carried out in 1~2 times in installments

and hope can raise the change of different strategic investors, and dispersed subscription object of this private placement, reduce the probability of a result of the private placement and the right to operate significant changes to ensure that existion shareholers' equity. The introduction of strategic investor will be raised the subscribers, with the right to operate without a significant change occurs in that will have a positive contribution to the Company's business development. The Company expected there will be not have significant change in managerial control after the introduction of strategic investor through private placement.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

**Motion 2. (Proposed by Board of Directors)**

**Topic:** Proposal of Release the Prohibition on Directors from Participation in Competitive Business.

**Explanation:**

1. According to the Item1 of Article 209 of Company Laws, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Due to the Directors of the Company may invest or operate other companies which operate in the same or similar scope of the Company's business and act as the directors of these companies, in order to match the actual business need, the Company proposed to release the Directors' non-compete restrictions, as long as such release does not cause the infringement and damage of Company's benefit due to the director's personal conflict of interests.

3. Submitted to shareholders' meeting for discussion the Directors' non-compete restrictions. Please refer to Attachment 6.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

**VII. Extemporaneous motions : None.**

**VIII. The meeting was adjourned at 9:19 AM on June 15, 2016 (Wednesday).**



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**KS Pua**  
**Chairman of the Board of Directors**



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**Angela Lee**  
**Recorder**