



Nishoku Technology Inc.

General Shareholders' Meeting 2017  
Meeting Handbook  
(Translation)

Time : AM10:00, Wednesday, June 14, 2017

Location : Amazing Hall Xinzhuang Theatre B

Address : No.40, Siyuan Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.)

Note to Readers :

If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.

Nishoku Technology Inc.  
Handbook for the 2017 Annual Meeting of Shareholders

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## **【Meeting Procedure】**

1. Reporting Participating Number Of Shares
2. Commencement
3. Chairman's Speech
4. Report Items:
  - (1) The 2016 Business Report.
  - (2) Supervisor's Review Report on the 2016 Financial Statements.
  - (3) Report of all endorsements and guarantees tendered in 2016.
  - (4) Report on the Distributions of the Remunerations to the Company's Employees and Directors of the Board for 2016.
5. Acknowledgments:
  - (1) Adoption of the 2016 Business Report and Financial Statements
  - (2) Adoption of the Proposal for Distribution of 2016 Profits
6. Discussion Items:
  - (1) Cash Dividends Of Capital Surplus
  - (2) Amendment To "Articles Of Incorporation"
  - (3) Amendment To "Rules For Director And Supervisor Elections"
  - (4) Amendment To "Operating Procedure Of Acquisition Or Disposal Of Assets"
7. Extemporary Motions
8. Adjournment

## 【 Reports Items 】

### Report #1

Subject : The 2016 Business Report.

Detail : Kindly refer to Annex 1 for 2016 Business Report of the company (P.8~P.10).

### Report #2

Subject : Supervisor' s Review Report on the 2016 Financial Statements.

Detail : Kindly refer to Annex 2 for Supervisor' s Review Report on the 2016 Financial Statements of the company (P.11).

### Report #3

Subject : Report of all endorsements and guarantees tendered in 2016.

Detail : 1. The Status Of Endorsement And Guarantee of the company and its subsidiaries in 2016 is stated as follows:

December 31, 2016    Unit : NT\$1000

Company Name Of Endorser	Endorsees		Balance Of Endorsements -End	Accumulative Endorsement Ratio(%)
	Company Name	Relation		
Nishoku Technology Inc.	SAME START LIMITED (Anguilla)	Subsidiary 100% owned by Nishoku Technology Inc. through reinvestment via SUN NICE (SAMOA).	909,700	19.02%
Nishoku Technology Inc.	NISHOKU TECHNOLOGY VIETNAM Co., Ltd.	Subsidiary 100% owned by Nishoku Technology Inc.	1,035,300	21.64%
Total Sum Of Nishoku Technology Inc.			1,945,000	
Kunshan Nishoku Plastic Electronic Co., Ltd.	SAME START LTD. (Anguilla)	Affiliated enterprise	16,125	0.6%
Total Sum Of Subsidiaries			16,125	

2. The endorsees are all subsidiaries to be directly or indirectly 100% owned by Nishoku Technology Inc. The purposes of endorsements and guarantees for subsidiaries are the derivative liabilities of guarantee resulting from group sharing

of credit line of bank.

3. In accordance with " Procedures for Endorsement and Guarantee" of Nishoku Technology Inc., the quota of endorsements and guarantees for directly or indirectly 100% owned subsidiaries of Nishoku Technology Inc. is not limited by the quota for a single corporate entity. But the total sum of endorsements and guarantees for subsidiaries shall not exceed the accumulative quota limitation. By March 31, 2017, the balance of endorsements of Nishoku Technology Inc. for subsidiaries occupied 45.46% of corporate net value.

#### **Report #4**

Subject : Report on the Distributions of the Remunerations to the Company's Employees and Directors of the Board for 2016.

Detail : In 2016, the issued compensations are NT\$32,710,000 for staff and NT\$8,720,000 for directors and supervisors by cash. The above compensation distributions for staff, directors and supervisors have no difference from the accounted annual expenditure.

## **【Acknowledgments】**

### **Matter #1**

(Proposed by the Board)

Subject : Adoption of the 2016 Business Report and Financial Statements

- Detail : 1. The individual and consolidated financial statements of 2016 have been audited by CPAs Chen, Cheng-Chien and Huang, Yung-Hua from KPMG, and audit reports have been made accordingly.
2. The above financial statements and business report have been submitted to supervisors for audit, and review reports have been made accordingly.
3. Kindly refer to 2016 Business Report, Supervisor' s Review Report on the 2016 Financial Statements., Audit Reports By CPA And Individual/Consolidated Financial Statements Of 2016 on Annex 1~4 (P.8~P.27).
4. Please ratify this matter.

Resolution :

### **Matter #2**

(Proposed by the Board)

Subject : Adoption of the Proposal for Distribution of 2016 Profits

- Detail : 1. The after-tax net profit of 2016 was NT\$602,076,125. After setting aside legal reserve of NT\$60,207,613 and special reserve of NT\$38,354,348, and adding beginning retained earnings of NT\$1,716,740,041, and deducting unappropriated retained earnings of capital reduction via nullifying buyback treasury stocks of NT\$30,467,008, the financial year-to-date divisible surplus is total NT\$2,189,787,197. The proposed cash dividends for shareholders are NT\$475,819,716. (Cash dividend of NT\$6 per share)
2. In case the company needs to conduct cash offering by private placement, buy-back of corporate shares, transferring treasury shares, transferring and nullifying corporate bonds, employee stock option certificates by issue and conversion by convertible methods to affect the divisible stock shares when cash dividend ratio for shareholders must be adjusted accordingly, the Board shall be fully authorized for execution.
3. After this matter is ratified by shareholders meeting, the authorized Board shall determine ex-dividend date and other relevant affairs.
4. Kindly refer to 2016 Profit Distribution Table on Annex 5 (P.28).
5. Please ratify this matter.

Resolution :

## **【Discussion Items】**

### **Proposal #1**

(Proposed by the Board)

Subject : Cash Dividends distribution from the Capital Reserve

- Detail : 1. The company proposed to issue cash dividends out of capital surplus whose face amount exceeds issued shares. By December 31, 2016, the capital surplus account is NT\$1,363,943,139. The proposed cash dividends are NT\$158,606,572 (cash dividend of NT\$2 per share) in proportion to stockholders' shares by NT dollars without decimals, which shall be listed as other income of the company.
2. In case the company needs to conduct cash offering by private placement, buy-back of corporate shares, transferring treasury shares, transferring and nullifying corporate bonds, employee stock option certificates by issue and conversion by convertible methods to affect the divisible stock shares when cash dividend ratio for shareholders must be adjusted accordingly, the Board shall be fully authorized for execution.
3. Please discuss this proposal.

Resolution :

### **Proposal #2**

(Proposed by the Board)

Subject : Amendment to the “Articles of Incorporation”

- Detail : 1. In accordance with Article 177-1 of Company Act : E-voting shall be listed as one of voting approaches to exercise voting power during shareholders meeting. To conform to this stipulation, the elections of directors and supervisors shall be changed to become a nomination system with candidates. The Articles of Incorporation shall be amended accordingly.
2. Kindly refer to Comparison Table Of Amendment To "Articles of Incorporation" on Annex 6 (P.29~P.30).
3. Please discuss this proposal.

Resolution :

### **Proposal #3**

(Proposed by the Board)

Subject : Amendment to the “Procedures for Election of Directors and Supervisors”.

- Detail : 1. In accordance with Article 177-1 of Company Act : E-voting shall be listed as one of voting approaches to exercise voting power during shareholders meeting. To conform to this stipulation, the elections of directors and supervisors shall be changed to become a nomination system with candidates. The Rules For Director And Supervisor Elections

shall be amended accordingly.

2. Kindly refer to Comparison Table Of Amendment To " Procedures for Election of Directors and Supervisors " on Annex #7 (P.31).
3. Please discuss this proposal.

Resolution :

**Proposal #4**

(Proposed by the Board)

Subject : Amendment to the "Procedures for Acquisition or Disposal of Assets".

- Detail :
1. In accordance with the official document Financial-Supervisory-Certificate-Issuance-Tzu-No.10600012965 dated February 9, 2017 issued by Financial Supervisory Commission, this operating procedure shall be amended to conform to this stipulation.
  2. Kindly refer to Comparison Table Of Amendment To " Procedures for Acquisition or Disposal of Assets" on Annex 8 (P.32~P.37).
  3. Please discuss this proposal.

Resolution :



**【Extemporary Motions】**

**【Adjournment】**

## 2016 Business Report

### 1. 2016 Business Results

#### (1) Performance Of Business Plan

2016 was a year of significant growth for Nishoku Technology Inc. The consolidated operating revenue was NT\$4,140,000,000. Although it was 6% lower than 2015, the annual profit rate achieved a record-high 26% since listed on main board due to continually improvement of product portfolio and every operating procedures. The after-tax EPS of 2016 which increased NT\$3.31 compared to 2015 and achieved NT\$7.59, which was a 77% growth. The annual profit performance was the best during 2013~2016.

Unit : NT\$1000

Item \ Year	2016	2015	Change Rate %
Net Sales	4,136,945	4,398,359	(6%)
Operating Costs	3,059,644	3,575,827	(14%)
Gross Profit	1,077,301	822,532	31%
Pre-Tax Net Profit	765,256	516,432	48%
After-Tax Net Profit	602,076	339,426	77%

#### (2) Status Of Budget Execution

Not available due to the fact that Nishoku Technology Inc. had not declared financial forecast of 2016.

#### (3) Analysis Of Financial Revenue, Expenditure And Profitability

Analyzing Item		2016	2015
Finance & Solvency	Current Ratio (%)	410.37	417.60
	Quick Ratio (%)	380.95	384.07
	Interest Protection Multiples	51.62	32.14
	Debt Asset ratio (%)	36.33	35.70
Profitability	ROA (%)	8.20	4.81
	ROE (%)	12.55	7.07
	Operating Income to Capital Stock (%)	77.92	47.01
	Profit Before Tax to Capital Stock (%)	96.50	64.34
	Net Profit Margin (%)	14.55	7.72
	After-Tax EPS (NT\$)	7.59	4.28

#### (4) Status Of R&D

Besides co-working with end-customers for advanced discussions on innovative designs, Nishoku Technology Inc. has dedicated itself in studying key technologies and producing capabilities to strengthen mature technologies at present for the derivative utilization of multiple composite production process as well as continual development of new production process. For example, we are conducting R&D of hard plastic and metal materials for casing, waterproof TRF materials for surface and touch texture of appearance, electronic components such as FPC, composite production combination of appearance such as IMR with laser carve and spray, etc. Not only customers are provided with a comprehensive variety of product portfolio as well as sophisticated alternatives but also future costs of processing process will be saved and profit sources of profits will be created.

## **2. 2017 Business Prospects**

### (1) Operating Guideline

1. Speed up automation of production process. Lower productive and manufacturing costs to achieve synergy of productive economy of scale.
2. Proactively cultivate and recruit talents. Optimize performance reward system and lift complete degree of staff in order to improve competitiveness.
3. Continually conduct optimization of product portfolio and consolidate controls over costs and expenditures in order to maximize shareholders' interest.

### (2) Forecast Of Sales Quantity And Its Basis

The forecast of sales estimated by Nishoku Technology Inc. was based on the consideration of overall outer change of environment as well as future development status along with operating status, status quo of the company, and future developing trend for reference of Nishoku Technology Inc. as a basis to make annual operating objectives. However, Nishoku Technology Inc. did not announce financial forecast of 2016. Thus the expected sales quantity will not be disclosed.

### (3) Policy Of Production And Marketing

1. Continually lift productive process capabilities and yield rate so as to elevate operating efficiency and reinforce control over costs and expenditures.
2. Proactively develop new application fields of market and expand comprehensiveness of products to maintain competitiveness in the market.
3. Continually develop global product lines and sales regions to reduce operating risks resulting from excessive concentration of product portfolio.

### **3. Future Developing Strategies Of Company**

To face rapid change and challenge of domestic and foreign environments, the future developing strategies of Nishoku Technology Inc. are stated as follows:

1. Deepen overall arrangements of product diversification and proactively develop automotive parts.
2. Seek related strategic partners with respect to elevation of sales and technologies so as to deepen and intensify core competitiveness of company.
3. Speed up all kinds of development of automation to improve efficiency and downsizing of staff.
4. Dedicate in composite productive process and promote production of automotive decorating parts (IMF).

### **4. The impact of external competitions, legal stipulations and overall operating environment.**

In view of rapid change of global economic situations, constant increasing of Chinese labor costs, and rising of red supply chains, our overall stress of competition in the industry is getting higher. Nishoku Technology Inc. not only continually promote all kinds of automation of production process and elevating operating efficiency but also proactively dig out customer demands for the development of star products in niche market without efforts spared. We pay constant attention to external competition in response to the changes of market, and we also keep our eyes wide open on revision of related laws and stipulations so as to prepare in advance and take appropriate precautions in order to lower operating risks of future change of the entire industry and overall environment.

Nishoku Technology Inc.

President	Chen, Piao-Fu
General Manager	Tsai, Chien-Sheng
Accounting Manager	Lin, Tzu-Hsuan

**Nishoku Technology Inc****Supervisor' s Review Report on the 2016 Financial Statements.**

The Board have summarized and submitted the 2016 annual Business Report, Individual Financial Statements, Consolidated Financial Statements, and Profit Distribution Table. The Individual and Consolidated Financial Statements Of 2016 have been audited by CPAs Chen, Cheng-Chien and Huang, Yung-HuA from KPMG with audit reports to be made accordingly. The above reports made by the Board have also been reviewed by me without any discrepancy. In accordance with Article 219 of Company Act, these review reports are presented for your ratification.

Best regards,

2017 Annual Meeting of Shareholder of Nishoku Technology Inc.

Supervisor : Hsu, Ting-Jung

Supervisor : Jhan Sing Investment Limited  
Representative : Huang, Chung-Shun

Supervisor : Yen, Yen-Chen

March 6, 2017



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## Independent Auditors' Report

To the Board of Directors of Nishoku Technology Incorporation:

### Opinion

We have audited the financial statements of Nishoku Technology Incorporation (“the Company”), which comprise the statement of financial position as of December 31, 2016 and 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2016 and 2015, and notes in the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company financial statements are stated as follows:

#### 1. Impairment assessment of accounts receivable

Please refer to Note 4(g) “Financial instruments”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the financial statements.

#### Description of key audit matter

The Company do business primarily with customers who are involved in the manufacture of mold and electronic parts with credit transactions, which make the Company vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether the Company's impairment of accounts receivable has been set aside in accordance with the Company's policy, including inquiring from the management if they had identified the debtors who have financial difficulties ; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable ; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

## 2. Investments accounted for using equity method

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

Description of key audit matter:

The Company's investments accounted for using equity method are all subsidiaries of the Company. Based on the scope and nature of their businesses which may influence the outcome of their operations, the impairment assessment of accounts receivable, and net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty. Therefore, the impairment assessment of accounts receivable, and valuation of inventories of the investments accounted for using equity method are the key audit matters for our audit.

How the matter was addressed in our audit:

For the principal audit procedures on the impairment assessment of accounts receivable of the investments accounted for using equity method, please refer to key audit matters 1 "Impairment assessment of accounts receivable". And about the evaluation of inventories, our principal audit procedures included: to understand whether the accounting policy for inventory evaluation is consistency with the Company; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories by comparison; retroactively inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)  
February 24, 2017

#### **Notes to Readers**

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

**(English Translation of Financial Statements and Report Originally Issued in Chinese)**  
**NISHOKU TECHNOLOGY INCORPORATION**  
**Balance Sheets**  
**December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

Assets		December 31, 2016		December 31, 2015		Liabilities and Equity		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 202,756	3	319,335	5	2100	Short-term borrowings (note 6(g))	\$ 150,000	2	230,500	4
1110	Financial assets at fair value through profit or loss (note 6(b))	-	-	15,458	-	2170	Notes and Accounts payable	19,850	-	5,230	-
1170	Accounts receivable, net (notes 6(c) and 7)	59,980	1	150,517	3	2180	Accounts payable to related parties (note 7)	16,810	-	125,720	2
130X	Inventories (note 6(d))	6,325	-	10,971	-	2300	Other current liabilities	133,820	3	109,150	2
1470	Other current assets	24,236	-	20,968	-	2320	Long-term liabilities, current portion (note 6(h))	150,000	2	-	-
1476	Other current financial assets (notes 6(c) and 7)	2,419	-	2,652	-			470,490	7	470,610	8
		<u>295,716</u>	<u>4</u>	<u>519,901</u>	<u>8</u>						
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1551	Investments accounted for using equity method (note 6(e))	5,851,475	90	5,665,176	86	2540	Long-term borrowings (note 6(h))	600,000	10	650,000	10
1600	Property, plant and equipment (note 6(f))	343,782	5	359,999	6	2570	Deferred tax liabilities and others (note 6(j))	678,960	10	645,880	10
1840	Deferred tax assets (note 6(j))	35,998	1	22,402	-			<u>1,278,960</u>	<u>20</u>	<u>1,295,880</u>	<u>20</u>
1990	Other non-current assets	5,852	-	7,515	-			<u>1,749,450</u>	<u>27</u>	<u>1,766,490</u>	<u>28</u>
		<u>6,237,107</u>	<u>96</u>	<u>6,055,092</u>	<u>92</u>						
<b>Total assets</b>		<u>\$ 6,532,823</u>	<u>100</u>	<u>6,574,993</u>	<u>100</u>	<b>Total liabilities</b>					
						<b>Equity attributable to owners of parent (note 6(k))</b>					
						3100	Ordinary share	793,030	12	802,650	12
						3200	Capital surplus	1,363,940	21	1,396,350	21
						<b>Retained earnings:</b>					
						3310	Legal reserve	376,390	6	342,450	5
						3350	Unappropriated retained earnings	2,288,340	35	2,052,030	31
								<u>2,664,740</u>	<u>41</u>	<u>2,394,480</u>	<u>36</u>
						3400	Other equity interest	(38,354)	(1)	271,630	4
						3500	Treasury shares	-	-	(56,634)	(1)
								<u>4,783,360</u>	<u>73</u>	<u>4,808,490</u>	<u>72</u>
						<b>Total equity</b>					
						<b>Total liabilities and equity</b>		<u>\$ 6,532,820</u>	<u>100</u>	<u>6,574,990</u>	<u>100</u>

**(English Translation of Financial Statements and Report Originally Issued in Chinese)**  
**NISHOKU TECHNOLOGY INCORPORATION**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<u>2016</u>		<u>2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	<b>Operation Revenues (note 7)</b>	\$ 445,679	100	1,071,189	102
4170	Less: Sales returns and allowance	1,150	-	16,884	2
	<b>Net operating revenue</b>	444,529	100	1,054,305	100
5000	<b>Operating costs (notes 6(d), (i), 7 and 12)</b>	309,440	70	929,854	88
	<b>Gross profit from operations</b>	135,089	30	124,451	12
	<b>Operating expenses (notes 6(c), (i) and 12):</b>				
6100	Selling expenses	14,317	3	8,955	1
6200	Administrative expenses	120,644	27	97,682	9
6300	Research and development expenses	9,112	2	11,589	1
		144,073	32	118,226	11
	<b>Net operating income (expense)</b>	(8,984)	(2)	6,225	1
	<b>Non-operating income and expense:</b>				
7010	Other income (note 6(n))	2,393	1	3,699	-
7020	Other gains and losses, net (notes 6(n) and (o))	2,280	1	12,624	1
7050	Finance costs, net	(11,745)	(3)	(12,917)	(1)
7070	Share of profit of subsidiaries accounted for using equity method, net	726,699	163	437,946	42
	<b>Total non-operating income and expenses</b>	719,627	162	441,352	42
7900	<b>Profit from continuing operations before tax</b>	710,643	160	447,577	43
7950	Less: Tax expense (note 6(j))	108,567	24	108,151	10
	<b>Profit</b>	602,076	136	339,426	33
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(373,486)	(84)	(57,225)	(5)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(j))	63,493	14	9,728	1
8300	<b>Other comprehensive income, net</b>	(309,993)	(70)	(47,497)	(4)
	<b>Total comprehensive income</b>	<u>\$ 292,083</u>	<u>66</u>	<u>291,929</u>	<u>29</u>
9750	<b>Basic earnings per share (NT dollars) (note 6(l))</b>	<u>\$ 7.59</u>		<u>4.28</u>	
9850	<b>Diluted earnings per share (NT dollars) (note 6(l))</b>	<u>\$ 7.54</u>		<u>4.24</u>	

**(English Translation of Financial Statements and Report Originally Issued in Chinese)**  
**NISHOKU TECHNOLOGY INCORPORATION**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>Share capital</u>		<u>Retained earnings</u>		<u>Total other equity interest</u>	<u>Treasury shares</u>	<u>Total equity</u>
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Unappropriated retained earnings</u>	<u>Exchange differences on translation of foreign financial statements</u>		
<b>Balance at January 1, 2015</b>	\$ 802,653	1,436,002	313,331	1,979,641	319,136	(56,634)	4,794,129
Profit	-	-	-	339,426	-	-	339,426
Other comprehensive income (loss)	-	-	-	-	(47,497)	-	(47,497)
Total comprehensive income	-	-	-	339,426	(47,497)	-	291,929
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	29,122	(29,122)	-	-	-
Cash dividends of ordinary share	-	-	-	(237,910)	-	-	(237,910)
Capital surplus at cash dividends	-	(39,652)	-	-	-	-	(39,652)
Balance at December 31, 2015	802,653	1,396,350	342,453	2,052,035	271,639	(56,634)	4,808,496
Profit	-	-	-	602,076	-	-	602,076
Other comprehensive income (loss)	-	-	-	-	(309,993)	-	(309,993)
Total comprehensive loss	-	-	-	602,076	(309,993)	-	292,083
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	33,943	(33,943)	-	-	-
Cash dividends of ordinary share	-	-	-	(301,352)	-	-	(301,352)
Capital surplus at cash dividends	-	(15,861)	-	-	-	-	(15,861)
Retirement of treasury stock	(9,620)	(16,546)	-	(30,468)	-	56,634	-
<b>Balance at December 31, 2016</b>	<b>\$ 793,033</b>	<b>1,363,943</b>	<b>376,396</b>	<b>2,288,348</b>	<b>(38,354)</b>	<b>-</b>	<b>4,783,366</b>

Note1 : For the years ended December 31, 2016 and 2015, the Directors' remuneration amounted to 8,720 and 6,600, and the employee remuneration amounted to 32,710 and 25,000, respectively. The amounts were deducted from the statements of comprehensive income in 2016 and 2015, respectively.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**NISHOKU TECHNOLOGY INCORPORATION**  
**Statements of Cash Flows**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2016	2015
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 710,643	447,577
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciate and amortization	17,680	22,411
Provision for bad debt expense	8,572	58
Reversal of inventory valuation and obsolescence	(547)	(157)
Interest expense	11,745	12,917
Interest revenue	(1,602)	(2,611)
Share of profit of subsidiaries accounted for using equity method	(726,699)	(437,946)
Divided Income from subsidiaries	166,914	26,710
Gain on disposal on property, plan and equipment	(424)	(59)
<b>Total adjustments to reconcile profit (loss)</b>	(524,361)	(378,677)
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss	15,458	(15,458)
Accounts receivable	81,965	184,877
Inventories	5,193	3,008
Other current assets and other financial assets	(2,074)	1,568
	100,542	173,995
<b>Changes in operating liabilities:</b>		
Accounts payable	(94,287)	(222,025)
Other current liabilities	(930)	9,817
	(95,217)	(212,208)
<b>Total changes in operating assets and liabilities</b>	5,325	(38,213)
<b>Total adjustments</b>	(519,036)	(416,890)
Cash inflow generated from operations	191,607	30,687
Interest received	1,602	2,611
Interest paid	(11,745)	(12,917)
Income taxes paid	(954)	(6,410)
<b>Net cash flows from operating activities</b>	180,510	13,971
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from capital reduction of investments accounted for using equity method	-	306,200
Acquisition from disposal of property, plant and equipment	(394)	(470)
Proceeds from disposal of property, plant and equipment	1,907	407
Increase in refundable deposits	-	(4,200)
Increase in other non-current assets	(889)	(998)
<b>Net cash flows from investing activities</b>	624	300,939
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(80,500)	130,500
Increase (decrease) in long-term debt	100,000	(49,578)
Cash dividends paid	(317,213)	(277,562)
<b>Net cash flows used in financing activities</b>	(297,713)	(196,640)
<b>Net increase (decrease) in cash and cash equivalents</b>	(116,579)	118,270
<b>Cash and cash equivalents at beginning of period</b>	319,335	201,065
<b>Cash and cash equivalents at end of period</b>	\$ 202,756	319,335

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Internet 網址 kpmg.com/tw**Independent Auditors' Report**

To the Board of Directors of Nishoku Technology Incorporation:

**Opinion**

We have audited the consolidated financial statements of Nishoku Technology Incorporation (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Group’s financial statements are stated as follows:

**1. Impairment assessment of accounts receivable**

Please refer to Note 4(g) “Financial instruments”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the consolidated financial statements.

**Description of key audit matter**

The Group do business primarily with customers who are involved in the manufacture of mold and electronic parts with credit transactions, which make the Group vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's policy, including inquiring from the management if they had identified the debtors who have financial difficulties ; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

## 2. Evaluation of inventory

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

Description of key audit matter

Evaluation of inventory is one of the key judgmental areas for our audit, the Group is primarily involved in the design, manufacture, and sale of mold and electronic parts. As different series or models of electronic products are rapidly being replaced by new ones, it may impact the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. The assessment of impairment loss requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: understanding the inventories valuation of the Group; inspecting whether those policies are applied; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories by comparison; retroactively inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

## Other Matter

The Group has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)  
February 24, 2017

#### **Notes to Readers**

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

The 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**NISHOKU TECHNOLOGY INCORP. AND ITS SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2016 and 2015**

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2016		December 31, 2015		Liabilities and Equity		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 3,696,294	49	3,335,760	45	2100	Short-term borrowings (note 6(f))	\$ 343,500	5	443,863	6
1110	Financial assets at fair value through profit or loss (note 6(b))	352,562	5	412,649	6	2170	Notes and Accounts payable	539,861	7	532,479	7
1170	Accounts receivable, net (note 6(c))	1,444,595	19	1,494,506	20	2300	Other current liabilities	416,654	6	396,794	4
130X	Inventories (note 6(d))	403,391	5	426,734	5	2320	Long-term liabilities, current portion (note 6(g))	150,000	2	-	-
1470	Other current assets	45,949	2	61,565	1			1,450,015	20	1,373,136	17
1476	Other current financial assets (note 6(c))	7,706	-	3,010	-	<b>Non-Current liabilities:</b>					
		<u>5,950,497</u>	<u>80</u>	<u>5,734,224</u>	<u>77</u>	2540	Long-term borrowings (note 6(g))	600,000	8	650,000	9
<b>Non-current assets:</b>						2570	Deferred tax liabilities and others (note 6(j))	679,648	9	646,580	9
1600	Property, plant and equipment (note 6(e))	1,417,562	19	1,611,473	22			<u>1,279,648</u>	<u>17</u>	<u>1,296,580</u>	<u>18</u>
1840	Deferred tax assets (note 6(j))	37,044	-	23,549	-	<b>Total liabilities</b>		<u>2,729,663</u>	<u>37</u>	<u>2,669,716</u>	<u>35</u>
1985	Long-term prepaid rents	81,878	1	87,619	1	<b>Equity attributable to owners of parent (note 6(k)):</b>					
1990	Other non-current assets	26,048	-	21,347	-	3100	Ordinary share	793,033	11	802,653	11
		<u>1,562,532</u>	<u>20</u>	<u>1,743,988</u>	<u>23</u>	3200	Capital surplus	1,363,943	18	1,396,350	19
						<b>Retained earnings:</b>					
						3310	Legal reserve	376,396	5	342,453	4
						3350	Unappropriated retained earnings	2,288,348	30	2,052,035	27
								<u>2,664,744</u>	<u>35</u>	<u>2,394,488</u>	<u>31</u>
						3400	Other equity interest	(38,354)	(1)	271,639	4
						3500	Treasury shares	-	-	(56,634)	-
						<b>Total equity</b>		<u>4,783,366</u>	<u>63</u>	<u>4,808,496</u>	<u>65</u>
<b>Total assets</b>		<u><b>\$ 7,513,029</b></u>	<u><b>100</b></u>	<u><b>7,478,212</b></u>	<u><b>100</b></u>	<b>Total liabilities and equity</b>		<u><b>\$ 7,513,029</b></u>	<u><b>100</b></u>	<u><b>7,478,212</b></u>	<u><b>100</b></u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**NISHOKU TECHNOLOGY INCORP. AND ITS SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2016 and 2015**

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

		<u>2016</u>		<u>2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	<b>Operation Revenues</b>	\$ 4,213,054	102	4,476,166	102
4170	Less: Sales returns and allowance	76,109	2	77,807	2
	<b>Net Operating revenues</b>	4,136,945	100	4,398,359	100
5000	Operating costs (notes 6(d), (h), (i) and 12)	3,059,644	74	3,575,827	81
	<b>Gross profit from operations</b>	1,077,301	26	822,532	19
	<b>Operating expenses:</b> (notes 6(c), (h), (i) and 12)				
6100	Selling expenses	75,664	2	80,158	2
6200	Administrative expenses	282,167	7	272,549	6
6300	Research and development expenses	101,573	2	92,510	2
		459,404	11	445,217	10
	<b>Net operating income</b>	617,897	15	377,315	9
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes 6(n) and (p))	53,183	1	83,241	2
7020	Other gains and losses, net (notes 6(o) and (p))	109,293	3	72,461	1
7050	Finance costs, net	(15,117)	-	(16,585)	-
	<b>Total non-operating income and expenses</b>	147,359	4	139,117	3
7900	<b>Profit from continuing operations before tax</b>	765,256	19	516,432	12
7950	Less: Tax expense (note 6(j))	163,180	4	177,006	4
	<b>Profit</b>	602,076	15	339,426	8
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(373,486)	(9)	(57,225)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(j))	63,493	2	9,728	-
8300	<b>Other comprehensive income, net</b>	(309,993)	(7)	(47,497)	(1)
8500	<b>Total comprehensive income</b>	<b>\$ 292,083</b>	<b>8</b>	<b>291,929</b>	<b>7</b>
	<b>Profit, attributable to:</b>				
8610	Profit, attributable to owners of parent	<b>\$ 602,076</b>	<b>15</b>	<b>339,426</b>	<b>8</b>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	<b>\$ 292,083</b>	<b>8</b>	<b>291,929</b>	<b>7</b>
	<b>Basic earnings per share</b>				
9750	Basic earnings per share (NT dollars) (note 6(l))	<b>\$ 7.59</b>		<b>4.28</b>	
9850	Diluted earnings per share (NT dollars) (note 6(l))	<b>\$ 7.54</b>		<b>4.24</b>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**NISHOKU TECHNOLOGY INCORP. AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2016 and 2015**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent							
	Share capital		Retained earnings			Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent
Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings					
<b>Balance at January 1, 2015</b>	\$ 802,653	1,436,002	313,331	1,979,641	319,136	(56,634)	4,794,129	4,794,129
Profit	-	-	-	339,426	-	-	339,426	339,426
Other comprehensive income (loss)	-	-	-	-	(47,497)	-	(47,497)	(47,497)
Total comprehensive income	-	-	-	339,426	(47,497)	-	291,929	291,929
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	29,122	(29,122)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(237,910)	-	-	(237,910)	(237,910)
Capital surplus at cash dividends	-	(39,652)	-	-	-	-	(39,652)	(39,652)
Balance at December 31, 2015	802,653	1,396,350	342,453	2,052,035	271,639	(56,634)	4,808,496	4,808,496
Profit	-	-	-	602,076	-	-	602,076	602,076
Other comprehensive income (loss)	-	-	-	-	(309,993)	-	(309,993)	(309,993)
Total comprehensive income	-	-	-	602,076	(309,993)	-	292,083	292,083
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	33,943	(33,943)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(301,352)	-	-	(301,352)	(301,352)
Capital surplus at cash dividends	-	(15,861)	-	-	-	-	(15,861)	(15,861)
Retirement of treasury stock	(9,620)	(16,546)	-	(30,468)	-	56,634	-	-
<b>Balance at December 31, 2016</b>	\$ 793,033	1,363,943	376,396	2,288,348	(38,354)	-	4,783,366	4,783,366

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
NISHOKU TECHNOLOGY INCORP. AND ITS SUBSIDIARIES

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 765,256	516,432
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	257,372	269,145
Provision for bad debt expense	10,149	6,872
Recognition losses on inventory valuation and obsolescence	11,886	9,101
Interest expense	15,117	16,585
Gain on disposal of property, plant and equipment	(3,590)	(1,411)
Net gain on financial assets at fair value through profit	(9,137)	(11,878)
Interest income	(33,385)	(66,844)
	248,412	221,570
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss	69,224	301,992
Accounts receivable	39,762	(251,170)
Inventories	11,457	(58,798)
Other current assets and other financial assets	8,463	(3)
	128,906	(7,979)
<b>Changes in operating liabilities:</b>		
Accounts payable	7,382	(19,075)
Other current liabilities	(484)	44,392
	6,898	25,317
<b>Total changes in operating assets and liabilities</b>	135,804	17,338
<b>Total adjustments</b>	384,216	238,908
Cash inflow generated from operations	1,149,472	755,340
Interest received	33,385	66,844
Interest paid	(15,440)	(16,231)
Income taxes paid	(69,871)	(59,674)
<b>Net cash flows from operating activities</b>	1,097,546	746,279
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(135,464)	(320,671)
Proceeds from disposal of property, plant and equipment	19,365	9,247
Increase in refundable deposits	(1,188)	(1,110)
Increase in other non-current assets	(10,373)	(7,137)
<b>Net cash flows used in investing activities</b>	(127,660)	(319,671)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(100,363)	138,138
Increase (decrease) in long-term debt	100,000	(49,578)
Increase (decrease) in guarantee deposits received	(144)	88
Cash dividends paid	(317,213)	(277,562)
<b>Net cash flows used in financing activities</b>	(317,720)	(188,914)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(291,632)	(48,605)
<b>Net increase in cash and cash equivalents</b>	360,534	189,089
<b>Cash and cash equivalents at beginning of period</b>	3,335,760	3,146,671
<b>Cash and cash equivalents at end of period</b>	\$ 3,696,294	3,335,760

## Nishoku Technology Inc.

### 2016 Profit Distribution Table

Unit : NT\$

Item	Amount
Beginning balance	1,716,740,041
Deduct : Unappropriated Retained Earnings Of Capital Reduction via Nullifying Buyback Treasury Stocks	30,467,008
Adjusted Beginning balance	1,686,273,033
Add :	
After-Tax Net Profit Of 2016	602,076,125
Deduct :	
Appropriated Legal Reserve	60,207,613
Appropriated Special Reserve	38,354,348
Divisible Surplus	2,189,787,197
Dividend Items :	
Cash Dividend For Shareholders(NT\$6/share)	475,819,716
Unappropriated Retained Earnings -End	1,713,967,481

President: Chen, Piao-Fu      Manager: Tsai, Chien-Sheng      Accounting Manager: Lin, Tzu-Hsuan

## Comparison Table Of Amendment To "Articles of Incorporation"

Annex 6

Revision	Original	Detail
<p>Article 13 The company shall entitle 7 to 9 directors and 3 supervisors with 3-year term of office to be elected in shareholders meeting by voting for competent candidates. The former elected can be re-elected for service.</p> <p><b><u>In accordance with Article 192-1 of Company Act, the elections for directors and supervisors of the company shall be done by nomination system with candidates. Shareholders shall elect among a list of candidates of directors and supervisors. For directors, there are 2~3 independent directors. Regarding independent directors' qualification, shareholding and other business limit, nomination, mean of election, and other matters to be comply with shall be executed by relevant laws and stipulations.</u></b></p> <p>For business operating requirements, the company's Board may set up salary reward commission or other commission with similar functions.</p>	<p>Article 13 The company shall entitle 7 to 9 directors and 3 supervisors with 3-year term of office to be elected in shareholders meeting by voting for competent candidates. The former elected can be re-elected for service.</p> <p><del>To consolidate corporate operation and cooperate with Article 14-2 of Securities and Exchange Act, the above nominees of directors may be chosen 2~3 as independent directors by nomination system with candidates for shareholders to elect among the list of candidates for independent directors.</del></p> <p><del>Regarding independent directors' qualification, shareholding, other business limit, nomination, mean of election, and other matters to be comply with shall be executed in accordance with Article 192-1 of Company Act.</del></p> <p>For business operating requirements, the company's Board may set up salary reward commission or other commission with similar functions.</p>	<p>In accordance with Article 177-1 of Company Act : E-voting shall be listed as one of voting approaches to exercise voting power during shareholders meeting. To conform to this stipulation, the elections of directors and supervisors shall be changed to become a nomination system with candidates. The Articles of Incorporation shall be amended accordingly.</p>

Revision	Original	Detail
<p>Article 22</p> <p>Made on May 20, 1980.</p> <p>1<sup>st</sup> amendment on Nov. 10, 1983.</p> <p>2<sup>nd</sup> amendment on Jun. 15, 1984.</p> <p>3<sup>rd</sup> amendment on Aug. 12, 1987.</p> <p>4<sup>th</sup> amendment on Jun. 9, 1988.</p> <p>5<sup>th</sup> amendment on Mar. 14, 2000.</p> <p>6<sup>th</sup> amendment on Nov. 18, 2002.</p> <p>7<sup>th</sup> amendment on Jun. 30, 2007.</p> <p>8<sup>th</sup> amendment on Jan. 18, 2008.</p> <p>9<sup>th</sup> amendment on Mar. 19, 2008.</p> <p>10<sup>th</sup> amendment on Dec. 26, 2008.</p> <p>11<sup>th</sup> amendment on Jun. 30, 2010.</p> <p>12<sup>th</sup> amendment on Jun. 24, 2011.</p> <p>13<sup>th</sup> amendment on Jun. 15, 2012.</p> <p>14<sup>th</sup> amendment on Jun. 15, 2012.</p> <p>15<sup>th</sup> amendment on Jun. 14, 2013.</p> <p>16<sup>th</sup> amendment on Jun. 7, 2016.</p> <p><u>17<sup>th</sup> amendment on Jun. 14, 2017.</u></p>	<p>Article 22</p> <p>Made on May 20, 1980.</p> <p>1<sup>st</sup> amendment on Nov. 10, 1983.</p> <p>2<sup>nd</sup> amendment on Jun. 15, 1984.</p> <p>3<sup>rd</sup> amendment on Aug. 12, 1987.</p> <p>4<sup>th</sup> amendment on Jun. 9, 1988.</p> <p>5<sup>th</sup> amendment on Mar. 14, 2000.</p> <p>6<sup>th</sup> amendment on Nov. 18, 2002.</p> <p>7<sup>th</sup> amendment on Jun. 30, 2007.</p> <p>8<sup>th</sup> amendment on Jan. 18, 2008.</p> <p>9<sup>th</sup> amendment on Mar. 19, 2008.</p> <p>10<sup>th</sup> amendment on Dec. 26, 2008.</p> <p>11<sup>th</sup> amendment on Jun. 30, 2010.</p> <p>12<sup>th</sup> amendment on Jun. 24, 2011.</p> <p>13<sup>th</sup> amendment on Jun. 15, 2012.</p> <p>14<sup>th</sup> amendment on Jun. 15, 2012.</p> <p>15<sup>th</sup> amendment on Jun. 14, 2013.</p> <p>16<sup>th</sup> amendment on Jun. 7, 2016.</p>	<p>Listing times and dates of amendments.</p>



## Comparison Table Of Amendment To "Procedures for Election Of Directors and Supervisors"

Revision	Original	Detail
<p>5. Operation Content</p> <p>(4)The elections for <b><u>Directors and Supervisors</u></b> of the company shall <b>all</b> be executed in accordance with the regulated procedure of nomination system with candidates stated on Article 192-1 of Company Act. For the review of <b><u>Directors' and Supervisors'</u></b> qualification for election, education and career background, and verification on any involvement in any matters listing on Article 30 of Company Act, any other proof document for qualification shall not be added at will. The review result shall be provided for the reference of shareholders to elect eligible directors and supervisors.</p>	<p>5. Operation Content</p> <p>(4)The elections for <del>Independent Directors</del> of the company shall be executed in accordance with the regulated procedure of nomination system with candidates stated on Article 192-1 of Company Act. For the review of <del>Independent Directors'</del> qualification for election, education and career background, and verification on any involvement in any matters listing on Article 30 of Company Act, any other proof document for qualification shall not be added at will. The review result shall be provided for the reference of shareholders to elect eligible independent directors.</p>	<p>In accordance with Article 177-1 of Company Act : E-voting shall be listed as one of voting approaches to exercise voting power during shareholders meeting. To conform to this stipulation, the elections of directors and supervisors shall be changed to become a nomination system with candidates. The Rules For Director And Supervisor Elections shall be amended accordingly.</p>

## Comparison Table Of Amendment To "Procedures for Acquisition or Disposal of Assets"

Revision	Original	Detail
<p>5. Operation Content</p> <p>(2) Operating Procedure Of Acquisition Or Disposal Of Real Estate And Other Fixed Assets</p> <p>(iii) Suggestion From Expertise</p> <p>Except for transaction with government <b>agency</b>, contracted construction on own land, contracted construction on leased land, or acquisition and disposal of machinery and equipment for operating purposes, any acquisition or disposal of real estate or other fixed assets whose transaction amount achieves 20% of company's paid-in capital, or NT\$300,000,000 and above shall obtain valuation report from professional valuer before occurrence (requirements of valuation report are stated on Annex 1), and shall conform to following stipulations :</p>	<p>5. Operation Content</p> <p>(2) Operating Procedure Of Acquisition Or Disposal Of Real Estate And Other Fixed Assets</p> <p>(iii) Suggestion From Expertise</p> <p>Except for transaction with government <del>organization</del>, contracted construction on own land, contracted construction on leased land, or acquisition and disposal of machinery and equipment for operating purposes, any acquisition or disposal of real estate or other fixed assets whose transaction amount achieves 20% of company's paid-in capital, or NT\$300,000,000 and above shall obtain valuation report from professional valuer before occurrence (requirements of valuation report are stated on Annex 1), and shall conform to following stipulations :</p>	<p>In accordance with official document Financial-Supervisory-Certificate-Issuance-Tzu-No. 10600012965 issued by Financial Supervisory Commission dated Feb. 9, 2017, some descriptions shall be amended accordingly.</p>
<p>5. Operation Content</p> <p>(3) Operating Procedure Of Transaction With Relevant Party</p> <p>(ii) Except for transaction of government bonds, buy-back or sell-back conditioned bonds, subscription or <b>buy</b>-back of</p>	<p>5. Operation Content</p> <p>(3) Operating Procedure Of Transaction With Relevant Party</p> <p>(ii) Except for transaction of government bonds, buy-back or sell-back conditioned bonds, subscription or <del>redemption</del> of</p>	<p>In accordance with official document Financial-Supervisory-Certificate-Issuance-Tzu-No. 10600012965 issued by Financial Supervisory Commission dated Feb.</p>

Revision	Original	Detail
<p>MMF <b><u>issued by domestic securities investment trust enterprises</u></b>, any corporate acquisition or disposal of real estate from relevant party, or other assets with transaction amount up to 20% of company's paid-in capital, or 10% of total assets, NT\$300,000,000 shall be reported to the Board and supervisors with related documents for approval before signing transaction contract and making of payment :</p>	<p>domestic MMF, any corporate acquisition or disposal of real estate from relevant party, or other assets with transaction amount up to 20% of company's paid-in capital, or 10% of total assets, NT\$300,000,000 shall be reported to the Board and supervisors with related documents for approval before signing transaction contract and making of payment :</p>	<p>9, 2017, some descriptions shall be amended accordingly.</p>
<p>5. Operation Content (4)Operating Procedure Of Acquisition Or Disposal Of Membership Cards Or Intangible Assets (iii)Suggestion From Expertise Except for transaction with government <b><u>agency</u></b>, any corporate acquisition or disposal of membership cards or intangible assets with transaction amount up to 20% of company's paid-in capital, or NT\$300,000,000 and above, accountant shall be consulted for comment on reasonability of transaction price before occurrence. And the accountant shall proceed in accordance with Rule #20 of Statement Of</p>	<p>5. Operation Content (4) Operating Procedure Of Acquisition Or Disposal Of Membership Card Or Intangible Assets (iii)Suggestion From Expertise Except for transaction with government <del>organization</del>, any corporate acquisition or disposal of membership cards or intangible assets with transaction amount up to 20% of company's paid-in capital, or NT\$300,000,000 and above, accountant shall be consulted for comment on reasonability of transaction price before occurrence. And the accountant shall proceed in accordance with Rule #20 of Statement Of</p>	<p>In accordance with official document Financial-Supervisory-Certificate-Issuance-Tzu-No. 10600012965 issued by Financial Supervisory Commission dated Feb. 9, 2017, some descriptions shall be amended accordingly.</p>

Revision	Original	Detail
Auditing Standards issued by Accounting Research and Development Foundation.	Auditing Standards issued by Accounting Research and Development Foundation.	
<p>5. Operation Content</p> <p>(6)Operating Procedure Of Corporate Merger, Demerger, Acquisition, And Transfer Of Shares</p> <p>(i)Before the company conducting merger, demerger, acquisition, or transfer of shares, before resolution by the Board meeting, accountant, attorney, or security underwriter shall be consulted for expertise on reasonability of conversion ratio, acquisition price, issued cash dividends for shareholders, or other properties. And the Board shall be reported for discussion and approval. <b><u>However, the company is free from the above expertise from expert on reasonability in case the company directly or indirectly mergers its subsidiaries whose issued shares or total assets are 100% owned by the company, and the same as the merger of its directly or indirectly 100% owned subsidiaries.</u></b></p>	<p>5. Operation Content</p> <p>(6)Operating Procedure Of Corporate Merger, Demerger, Acquisition, And Transfer Of Shares</p> <p>(i) Before the company conducting merger, demerger, acquisition, or transfer of shares, before resolution by the Board meeting, accountant, attorney, or security underwriter shall be consulted for expertise on reasonability of conversion ratio, acquisition price, issued cash dividends for shareholders, or other properties. And the Board shall be reported for discussion and approval.</p>	<p>In accordance with official document Financial-Supervisory-Certificate-Issuance-Tzu-No. 10600012965 issued by Financial Supervisory Commission dated Feb. 9, 2017, some descriptions shall be amended accordingly.</p>
<p>5. Operation Content</p> <p>(7)Disclosure Of Information</p>	<p>5. Operation Content</p> <p>(7)Disclosure Of Information</p>	<p>In accordance with official document</p>

Revision	Original	Detail
<p>(i) For any of following acquisition or disposal of assets by the company, related information shall be declared for disclosure in public by nature of incident in regulated format via application from designated website of FSC, Executive Yuan within 2 days of occurrence :</p> <p>A. The company acquires/disposes real estate from relevant party, or acquires/disposes other assets other than real estate with a transaction amount up to 20% of company's paid-in capital, or 10% total assets, or NT\$300,000,000 and above for the purpose of acquisition/disposal of real estate. However, transaction of government bonds, buy-back or sell-back conditioned bonds, subscription or <b>buy</b>-back of domestic MMF <b>issued by domestic <u>securities investment trust enterprises</u></b> are not subject to this limitation.</p> <p>B. Proceeding with merger, demerger, acquisition, or transfer of shares.</p> <p>C. The loss by transaction of financial derivatives achieves the amount upper loss limit of all or respective contract of this</p>	<p>(i) For any of following acquisition or disposal of assets by the company, related information shall be declared for disclosure in public by nature of incident in regulated format via application from designated website of FSC of Executive Yuan within 2 days of occurrence :</p> <p>A. The company acquires/disposes real estate from relevant party, or acquires/disposes other assets other than real estate with a transaction amount up to 20% of company's paid-in capital, or 10% total assets, or NT\$300,000,000 and above for the purpose of acquisition/disposal of real estate. However, transaction of government bonds, buy-back or sell-back conditioned bonds, subscription or <del>redemption</del> of domestic MMF are not subject to this limitation.</p> <p>B. Proceeding with merger, demerger, acquisition, or transfer of shares.</p> <p>C. The loss by transaction of financial derivatives achieves the amount upper loss limit of all or respective contract of this processing procedure.</p> <p>D. Any other transaction of assets</p>	<p>Financial-Supervisory-Certificate-Issuance-Tzu-No. 10600012965 issued by Financial Supervisory Commission dated Feb. 9, 2017, some descriptions shall be amended accordingly.</p>

Revision	Original	Detail
<p>processing procedure.</p> <p><b>D.</b>The category of acquired or disposed asset belongs to equipment of operating expenditure whose trading object is not the relevant party with a transaction amount up to NT\$500,000,000 or above.</p> <p><b>E.</b>The company acquires real estate by means of contracted construction on own land, contracted construction on leased land, joint construction for share of houses, joint construction and share by percentage, joint construction and share by sale with an estimated transaction amount less than NT\$500,000,000.</p> <p>F.Transaction other than the above <b>5</b> items, or investment in mainland with a transaction amount up to 20% or company's paid-in capital, or NT\$300,000,000 and above. However, the following conditions are not subject to this limitation :</p> <p>(A)Transaction of government bonds.</p> <p>(B)Investment expertise with transaction of securities in domestic or foreign stock exchange, or in securities dealer, or subscription and</p>	<p>other than the above 3 items, or investment in mainland with a transaction amount up to 20% of company's paid-in capital, or NT\$300,000,000 and above. However, the following conditions are not subject to this stipulation :</p> <p>(A)Transaction of government bonds.</p> <p>(B)Investment expertise with transaction of negotiable securities in domestic or foreign stock exchange, or in securities dealer. <del>Purchase of securities by securities dealer in basic level market,</del> and negotiable securities purchased in accordance with stipulation.</p> <p>(C)Transaction with buy-back or sell-back conditioned bonds, subscription or <del>redemption</del> of domestic MMF.</p> <p>(<del>D</del>)<del>The assets acquired or disposed belong to operational machinery equipment and the trading object is not the relevant party with a transaction amount less than NT\$500,000,000.</del></p> <p>(<del>E</del>)<del>Contracted construction on own land, contracted construction on leased land,</del></p>	

Revision	Original	Detail
<p><b><u>collection of straight corporate bonds in domestic basic-level market as well as general financial bond with nothing to do with corporate shareholding, or any securities subscribed in accordance with TPEX stipulation for needs of underwriting business by securities dealer which is a recommended counseling securities dealer for OTC companies.</u></b></p> <p>(C)Transaction with buy-back or sell-back conditioned bonds, subscription or <b><u>buy</u></b>-back MMF issued by domestic <u>enterprise of securities, investment, or trust.</u></p> <p>(Omitted)</p> <p>(3) By stipulation, the company shall disclose all these items. Any mistake or missing in disclosure of items shall be corrected by supplement <b><u>within 2 days after occurrence is known.</u></b> And all corrected items shall be re-applied for disclosure.</p>	<p><del>joint construction for share of houses, joint construction and share by percentage, joint construction and share by sale with an estimated transaction amount less than NT\$500,000,000.</del></p> <p>(Omitted)</p> <p>(3)By stipulation, the company shall disclose all these items. Any mistake or missing in disclosure of items shall be corrected by supplement, and then all corrected items shall be re-applied for disclosure.</p>	

## **Nishoku Technology Inc.**

### **Measure For Shareholders Meetings**

#### 1. Purpose

For the purposes of setting up a favorable governing system for corporate shareholders meetings, strengthening supervising function, and reinforcing managerial function, this measure is made in accordance with Article 5 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for our compliance.

#### 2. Scope

Except for other stipulations by laws or rules, the measure for shareholders meetings of the company shall be executed in accordance with this measure.

#### 3. Definition

None

#### 4. Responsibilities

The Board : Convene shareholders meetings.

#### 5. Operation Content

1. Except for other stipulations by laws, the shareholders meetings of the company shall be convened by the Board.

The company shall make e-files of notification of meeting, form of proxy, explanation data of matters to be ratified, proposals to be discussed, and electing or removal of directors or supervisors for uploading to MOPS by 30 days before regular shareholders meeting, or 15 days before temporary shareholders meeting. Also handbook for shareholders meetings and supplement data for the meeting shall be made into e-file for uploading to MOPS by 21 days before regular shareholders meeting, or 15 days before temporary shareholders meeting. All handbooks for shareholders meeting and supplement data for the meeting shall be ready by 15 days before commencement of this shareholders meeting for the review of shareholders at all times. All the available data shall be displayed in the company and the commissioned professional stock agency to be issued in the spot of shareholders meeting.

Notification and announcement shall expressly state the matters of the meeting. The notification can be done by electronic means with consent of the counterpart.

Electing or removal of directors or supervisors, change of articles, corporate dissolution, merger, or demerger, or matters regarding contents of Paragraph 1 on Article 185 of Company Act, Article 26-1 & 43-6 of Securities and Exchange Act, Article 56-1 & 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be expressly stated on matters of the meeting and shall not be proposed during agenda of



## Questions And Motions.

For shareholders who are holding more than 1% of total corporate shares may propose motion to the company in written for regular shareholders meetings. The motion proposed is limited in only 1 item. Meeting motion proposed other than 1 item shall not be listed in the meeting. Besides, the proposed motion by shareholders shall not be listed as meeting motion by the Board with regard to any of conditions stated paragraph 4 on Article 172-1 of Company Act.

Before suspension date of all share transfer, the company shall disclose previously accepted motions, location of acceptance, and date of acceptance from shareholders before commencement of regular shareholders meeting. The date of acceptance shall not be less than 10 days.

The motion proposed by shareholders shall be stated in less than 300 words. Any motion stated in more than 300 words shall not be listed as meeting motion. The shareholder with proposed motion shall attend the regular shareholders meeting in person, or entrust others to attend the regular shareholders meeting to discuss the motion.

Before announcement date of shareholders meeting, the company shall notify the proposed shareholders with processing result. All meeting motions conforming to this stipulation shall be listed on meeting announcement. For proposed motions which have not been listed, the Board shall explain the reasons in the shareholders meeting.

2. Shareholders may attend every shareholders meeting by carrying form of proxy printed by the company with express statement of authorization scope for proxy to attend the shareholders meeting.

The limitation for proxy is one shareholder shall have one form of proxy for one proxy. The form of proxy shall be delivered to the company by 5 days before commencement of shareholders meeting. In case there's any repetition of delivered letters of authorization, the first arrival shall be used. However, the declaration to revoke the previous proxy is not subject to this limitation.

After letters of authorization have been delivered to the company, any shareholders who wish to attend the shareholders meeting in person shall revoke the proxy in written to the company by 1 day at latest before commencement of shareholders meeting. For any delay of revocation, the voting power of participating proxy shall be eligible.

3. The location of shareholders meeting shall be corporate address, or any location which is convenient to shareholders, or suitable for the meeting. The beginning time of meeting shall not earlier than 09:00AM or later than 15:00PM. For decision of meeting location and time, opinion of independent directors shall be fully considered.
4. The company shall expressly state the accepted check-in time, check-in location, and other

notification for shareholders on letter of announcement for the meeting.

The preceding accepted check-in time for shareholders shall be started at least 30 minutes before meeting. The check-in place shall have a clear sign with eligible personnel as receptionists.

Shareholders or proxies of shareholders (herein after refers to as the Shareholders) shall attend shareholders meeting with meeting attendance card, sign-in card of attendance, or other attendance ID. The company shall not request to add other documents on shareholders' attendance proof. Any solicitor for form of proxy shall carry personal ID for verification.

The company shall set up a visitor's book for sign-in by participating shareholders or proxies of shareholders (hereinafter refers to as the Shareholders), or for participating shareholders to hand in attendance cards in replace of check-in.

The company shall provide shareholders attending shareholders meeting with Handbooks of Shareholders Meetings, Annual Reports, Attendance Card, Speech Notes, Voting Paper, and other meeting data. Voters for directors and supervisors shall be provided with voting papers as well.

Shareholders shall attend shareholders meeting with attendance card, attendance sign-in card, or other attendance ID. Any solicitor for form of proxy shall carry personal ID for verification.

Shareholders on behalf of government or legal person attending the shareholders meeting are not subject to the limitation of 1 person. When legal person attends the shareholders meeting, only 1 person may be assigned as the participant.

5. For shareholders meeting convened by the Board, the chairperson of meeting shall be the President. In case the President is taking leave or cannot exercise his power for certain reasons, one of the directors shall be appointed by the President as chairperson of meeting. In case the President has not appointed anyone, the directors shall elect one person as chairperson of meeting.

The preceding deputy chairperson acted by executive director or director shall be in this position for more than 6 months and shall know the company's financial and business conditions well. Deputy chairperson acted by representative of legal person director is on the same condition.

The President shall host in person the shareholders meeting convened by the Board. At least half of directors of the Board, one supervisor of supervision, and one committee of each kind of functional commission shall attend the meeting as representative. The attendance condition shall be recorded on journal of shareholders meeting.

In case the shareholders meeting is convened by other convener than the Board, the convener shall be the chairperson of meeting. In case there are two conveners, one of them

shall be elected as chairperson.

The company may assign commissioned attorney, accountant, or relevant personnel to attend the shareholders meeting.

6. The company shall record the audio and video of entire shareholders meeting process. The preceding A/V data shall be preserved for at least one year. However, for any legal proceeding initiated by shareholder in accordance with Article 189 of Company Act, the data shall be preserved till end of lawsuit.

7. The attendance of shareholders meeting shall be calculated on basis of stock shares. The participating shares for exercising of voting power shall be calculated in accordance with visitor's book, and submitted attendance cards along with written or electronic shares. When it is time for meeting, the chairperson shall announce meeting begins. In case there are less than half shareholders of total issued shares attending the meeting, the chairperson may put off the meeting. The meeting may only be postponed for twice. The delay of meeting time shall not be more than 1 hour in total. After the meeting has been put off for twice and less than 1/3 shareholders of total issued shares attend the meeting, the chairperson shall announce meeting fail.

The preceding fact of twice delay of meeting with less than 1/3 shareholders of total issued shares shall be regarded as false resolution by Paragraph 1 on Article 175 of Company Act. The false resolution shall be conveyed to every shareholder for another shareholders meeting within 1 month.

Before end of meeting, in case the participating representative shares achieve total issued shares, the chairperson may request the shareholders meeting to vote for the false resolutions which have been reached in accordance with Article 174 of Company Act.

8. For shareholders meeting convened by the Board, the meeting agenda shall be made by the Board. The meeting shall proceed in accordance with scheduled agenda and cannot be changed without resolution by shareholders meeting.

For shareholders meeting convened by other conveners, the preceding stipulations can be applied.

Before the end of item 2 meeting agendas (including Questions and Motions) scheduled in the meeting, the chairperson shall not announce meeting adjourns without making resolution. In case the chairperson violates rules of meeting by announcing meeting adjourns, the other members of the Board shall, by legal procedure, quickly assist participating shareholders to exercise their voting power in order to elect another shareholder as chairperson with consent of more than half of participating shares so the meeting can carry on.

The chairperson shall offer opportunities for elaboration and discussion on proposed amendments or motions from shareholders. In case the proposed amendments or motions are

good enough for voting, the discussion shall be ended for voting.

9. Before speech of participating shareholders, a speech note shall be filled to expressly state purpose of speech, shareholder number (or attendance card number), and name of shareholder for chairperson to decide its speech order.

In case any speech note has been delivered without any speech by participating shareholder, it shall be regarded as non-speech. For speech which does not consist with speech note, the content shall be subject to the speech.

The same shareholder may not speak for the same motion for more than twice without consent from chairperson. Every speech shall be less than 5 minutes. In case the speech of stockholder violates the protocols or beyond scope of motion, the chairperson may put an end to his speech.

When participating shareholder makes a statement, other shareholders shall not speak to interrupt unless with consent from chairperson and other shareholders. Any shareholder violates the protocol shall be stopped.

For legal person shareholder who appointed more than 2 persons as representatives to attend the shareholders meeting, each motion shall have only 1 person to speak.

After speeches of participating shareholders, the chairperson may answer the questions in person or appoint relevant personnel to answer.

10. The voting of shareholders meeting shall be calculated on a basis of shares.

The resolutions of shareholders meeting shall not count the shares without voting power into total issued shares.

Any shareholder whose interest may jeopardize corporate one shall not participate in the voting and shall not exercise voting power as other shareholder's proxy.

The preceding shares forbidden to exercise voting power shall not be counted into total voting shares of participating shareholders.

Except for trust enterprise or stock agency approved by securities authorities, any person who has been commissioned by more than 2 shareholders as proxy shall not represent voting power of proxy shares more than 3% of total voting power of issued shares. For the voting power exceeding the protocol shall not count.

11. Every shareholder has a voting power. However, any shareholders under limitation or being without voting power due to Paragraph 2 on Article 179 of Company Act are not subject to this limitation.

In the shareholders meeting of the company, the voting power shall be exercised in written or via electronic means. For voting power to be exercised in written or via electronic means, the way of doing shall be expressly stated on the notification of shareholders meeting. Any shareholders who exercise their voting power in written or via electronic means shall be

taken as attending the shareholders meeting in person. However, the preceding shareholders shall be considered abandoning Questions And Motions of meeting motion as well as all amendments to original motions.

The intention of preceding voting power exercised in written or by electronic means shall be delivered to the company 5 days before the meeting. For any repeated intentions, the first arrival shall be used. However, the intention to revoke the previous one is not limited to this limitation.

When any shareholder exercised voting power in written or via electronic means, the latest the shareholder shall express intention same way as exercising voting power to revoke the preceding intention 1 day before the meeting in case the shareholder intends to attend the shareholders meeting in person. For delay of revocation, the voting power to be exercised in written or via electronic means shall count. For voting power to be exercised in written or via electronic means and a commissioned proxy to attend the shareholders meeting with form of proxy, the voting power of proxy shall count.

Except for other stipulations of Company Act or Articles of Incorporation, the resolutions of motions shall be determined by favorable votes of more than half of participating shares with voting power. The voting shall proceed after the chairperson or appointed personnel announce the total votes of participating shareholders before shareholders voting for each motion. The agreed, disagreed, and waiver results of shareholders shall be entered on MOPS right on the same day of shareholders meeting.

When there is revision or alternative of the same motion, the chairperson shall decide the voting order along with consideration of the original motion. In case one of these motions passes the voting, other motions shall be regarded as denial and is no longer necessary for voting.

The personnel in charge of scrutinizing and count of votes for resolution of motions shall be appointed by the chairperson. However, the scrutinizing personnel shall have shareholder identity.

The count of votes for resolution or electing motion shall be conducted in public inside the place of shareholders meeting and the result shall be announced in the spot right after the count of votes is completed including the weight in total to be recorded.

12. The election of director and supervisor shall proceed in accordance with the related stipulations with respect to the election. The result of election shall be announced immediately in the spot including names of elected directors and supervisors along with their weight numbers.

The votes of preceding elections shall be signed and sealed by scrutinizing personnel before safekeeping for at least one year. However, for any legal proceeding initiated by shareholder

in accordance with Article 189 of Company Act, the data shall be preserved till end of lawsuit.

13. The resolutions of shareholders meeting shall be recorded as meeting journal for signature or stamp by chairperson before delivering to each shareholder within 20 days after the meeting. The making and delivery of meeting journal can be done via electronic means. The company may deliver the meeting journal to shareholders whose shares less than 1000 by means of entering the journal on MOPS as announcement. (Eligible after company has IPO)

The meeting journal shall literally record the year, month, date, location, name of chairperson, way of making resolutions, key points of meeting process, and meeting results for the company to preserve permanently during corporate existence.

14. The shares collected by solicitors and proxy shares by proxies shall be expressly disclosed on a statistic form made by regulated format in the spot of the shareholders meeting. The resolutions of shareholders meeting involving with stipulations of laws or rules, or significant information declared by TWSE (TPEX) shall be uploaded onto MPOS by deadline. (Eligible after company has IPO)

15. The meeting affair personnel shall wear IDs or arm badges.

The chairperson may command picket or security to assist in keeping order of meeting. The picket or security shall wear an arm badge or ID with marking of "Picket" when performing order keeping in the spot.

The meeting place is equipped with audio amplifier. In case any shareholder speak with other device which is not installed by the company, the chairperson may put an end to the speech.

Any shareholder who violates meeting protocol and disobeys correction by the chairperson so as to interrupt the proceeding of meeting after being stopped in vain, the chairperson may command picket or security to ask the shareholder to leave the meeting.

16. During the meeting, the chairperson may pause the meeting for a short break. For matters of force majeure, the chairperson may judge to stop the meeting and, depending on circumstances, announce the continuation time of meeting.

Before end of the scheduled meeting agenda (including Questions And Motions) of shareholders meeting, the shareholders meeting may decide to find another place for meeting in case the meeting is interrupted due to the discontinuation of meeting place.

In accordance with Article 182 of Company Act, the shareholders meeting may decide to put off or carry on the meeting within 5 days.

17. This stipulation shall be approved by shareholders meeting before execution, and its revision is on the same condition.

**Nishoku Technology Inc.**  
**Articles of Incorporation**  
**(before revision)**

**Chapter 1 General Principles**

- Article 1 : The company is named Nishoku Technology Inc. in accordance with organization stipulations of Company Act.
- Article 2 : The operating businesses are listed as follows :
1. CQ01010 Die Manufacturing
  2. F106030 Wholesale of Die
  3. F206030 Retail Sale of Die
  4. C805990 Other Plastic Products Manufacturing
  5. F401010 International Trade
  6. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1 : For purposes of business requirement or investing relationship, the company may conduct external guarantee for the same business, endorsement and guarantee on loan from financial institution, and affairs of mutual funding accommodation.
- Article 2-2 : The total corporate re-investment amount in other companies is not subject to Article 13 of Articles of Incorporation and may exceed 40% of company's paid-in capital with consent from the Board.
- Article 3 : The company's headquarter is located in New Taipei City. When necessary the Board may resolve to set up branch offices domestically and abroad.
- Article 4 : The announcement methods shall proceed in accordance with Article 28 of Company Act except for other protocols by securities authorities.

**Chapter 2 Stock Shares**

- Article 5 : The capital sum of the company is NT\$1,500,000,000 to be divided for 150,000,000 shares of NT\$10 per share to be issued by several times. The preceding capital sum has reserved NT\$20,000,000 to be divided for 2,000,000 shares for stock option, special stock for stock option, or for the use of company with stock option to exercise power of stock option. In accordance with Company Act and other related laws and rules, the Board is authorized to issue the shares for several times.

- Article 6 : Deleted.
- Article 7 : The stock shares of the company are registered shares with more than 3 directors' signatures or stamps to be issued after notarization by law.  
The issued stock shares by the company may not be necessary to print out hard copies. However, the centralized securities depository enterprise shall be contacted for shares registration or preservation. The way of stock share issuing shall proceed in accordance with Company Act and relevant laws and rules.
- Article 8 : The rename for transfer of shares shall be suspended by 30 days before regular shareholders meeting, or 15 days before temporary shareholders meeting, or 5 days before the company decides to distribute cash dividends or other interest.  
The rename for transfer of shares shall be suspended by 60 days before regular shareholders meeting, or 30 days before temporary shareholders meeting, or 5 days before the company decides to distribute stock dividends or other interest.
- Article 8-1 : The stock affairs shall proceed in accordance with stipulation of " Regulations Governing the Administration of Shareholder Services of Public Companies " issued by the securities authorities.
- Article 8-2 : The registration of shares transfer shall proceed in accordance with Article 165 of Company Act.

### **Chapter 3 Shareholders Meeting**

- Article 9 : There are regular and temporary shareholders meetings. By law, the regular one shall be convened by the Board at least once every year within 6 months by end of every accounting year. The temporary one shall be convened by law if necessary.  
The convening of regular shareholders meeting shall be conducted by 30 days before the meeting, and temporary shareholders meeting shall be convened by 15 days before the meeting. By law, every shareholder shall be informed of meeting date, location, and matters for meeting in written or electronic means. For shareholders with less than 1000 shares, announcement without notification is eligible.  
During shareholders meeting, the President is acting as chairperson. In case the President is taking leave or fails to perform his duty for certain reasons, one of the directors may be appointed as chairperson. In case the President has not appointed any director as the chairperson, the directors shall elect one director as the chairperson of meeting. For meeting convened by other conveners, the



chairperson shall be the convener. For more than two conveners, the chairperson shall be elected from one of them.

Article 10 : In case shareholder may not attend shareholders meeting for certain reasons, a form of proxy printed by the company with expressly statement of authorization scope, signature, or stamp can be presented for proxy to attend the meeting. The measure for proxy shareholder to attend the meeting shall proceed in accordance with Article 177 of Company Act and " Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies " issued by the authorities.

Article 11 : The issued shares by the company have 1 voting power for each share except for the shares without voting power regulated by Paragraph 2 on Article 179 of Company Act.

Article 12 : Except for other stipulations of Company Act, the resolutions of shareholders meeting shall be approved for execution with favorable votes by more than half of participating shareholders representing total issued shares of the company in shareholders meeting.

#### **Chapter 4 Directors And Supervisors**

Article 13 : The company shall have 7 to 9 directors and 3 supervisors with a tenure of 3 years each elected by shareholders meetings out of capable shareholders. Re-election and consecutive services are acceptable.

To consolidate the management of company and conform to stipulations on Article 14-2 of Securities and Exchange Act, there shall be 2 to 3 independent directors among the preceding directors quota. The elections for independent directors shall be conducted by nomination system with candidates for shareholders to elect from. Regarding the professional qualification, shares held, limit of other businesses, nomination, means of electing, and other matters to be conformed to, kindly proceed in accordance with Article 192-1 of Company Act.

For purposes of business operating requirements, the Board of the company may set up Remuneration Committee as well as other functional commissions.

Article 14 : The Board is organized by the President. The President is elected by more than half of participating directors of more than 2/3 of all directors. The President represents the company outwards.

The Board shall be convened by the President as the chairperson. However, for the first Board of every session, the director who has the most favorable votes

shall convene the Board. The chairperson of the Board shall be the convener. For more than two conveners, one of them shall be elected as chairperson. Every director and supervisor shall be informed of the convening of the Board by 7 days before the meeting with notification expressly stating meeting date/time, location, and agenda. For emergency, the Board can be convened at any time. The notification of convening the Board can be conducted in written, e-mail, or fax.

Article 15 : In case the President is taking leave or cannot perform his duty for certain reasons his deputy shall proceed in accordance with Article 208 of Company Act.

Article 15-1 : For lack of directors achieves 1/3 regulated by Articles of Incorporation, or the entire relief of all supervisors, the company shall re-elect directors and supervisors by convening temporary shareholders meeting within 60 days of occurrence. The tenure of succeeding directors and supervisors is to complement the original service period.

Article 15-2 : Any director may use form of proxy expressly stating scope of authorization for other director to attend the Board, and may exercise voting power as a proxy director for all matters discussed in the Board. Every director can only be a proxy for another director. In case the Board has video conference, the participating directors shall be regarded as attending the meeting in person.

Article 15-3 : The supervisors not only perform their duty in accordance with Company Act but also attend the Board to make statement. However, any supervisor is not allowed to vote for resolution.

Article 16 : The Board is authorized to determine the rewards for President, directors, and supervisors in consideration of respective involving levels of corporate operation and contributed values with reference of other companies domestically and abroad.

The company may purchase liability insurance for directors and supervisors.

### **Chapter 5 Manager**

Article 17 : The company shall have manager whose appointment, removal, and reward shall proceed in accordance with Article 29 of Company Act.

### **Chapter 6 Accounting**

Article 18 : The Board of the company shall make the following reports by the end of

accounting year before submission to supervisors for audit by 30 days before regular shareholders meeting. The supervisors shall prepare reports to be submitted to the shareholders meeting for ratification :

(1) Business Report

(2) Financial Statements

(3) Distribution of Profits or Motion of Loss Appropriation.

Article 19 : Deleted.

Article 20 : In case the company has yearly profit, at least 1% shall be appropriated as staff reward and less than 5% as rewards for directors and supervisors. In case the company has accumulative losses (including adjusted unappropriated earnings), reserve shall be made as compensation.

The preceding staff reward shall be paid by stock shares or cash dividends. The objects of payment shall consist of employees of affiliated company. The preceding rewards for directors and supervisors shall only be paid by cash dividends.

The preceding 2 items shall be resolved by the Board before execution. And the shareholders meeting shall be reported.

In case the company has after-tax net income after annual final settlement, the accumulative losses shall be compensated (including adjusted unappropriated retained earnings) by appropriating 10% as legal reserve. When the accumulative legal reserve achieves paid-in capital of the company is not subject to this limitation. Then by law or stipulations of the authorities, special reserve shall be appropriated or reversed. In case there is surplus, the Board shall propose a motion of profit distribution along with beginning retained earnings (including adjusted unappropriated retained earnings) for shareholders meeting to resolve for stock or cash dividends.

The policy of cash dividends of the company is formed to match present and future development plan. In consideration of investing environment, demand of fund, competition at home and abroad, and interest of shareholders, every year at least 10% of distributable surplus for stock or cash dividends shall be appropriated as rewards for shareholders. However, when the annual distributable earnings have been all appropriated for stock and cash dividends for shareholders at less than NT\$0.5 per share, the distributable surplus may be fully retained without any distribution. The distribution of surplus can be cash or stock dividends. Among the dividends, cash shall be at least 30% of total.

## **Article 7 Supplementary Provisions**

- Article 21 : Any unspecified matters by this article shall proceed in accordance with Company Act.
- Article 21-1 : Any decision by the company to revoke public issue of stock shares shall be resolved by shareholders meeting, and this article shall not be changed during emerging stock and public company periods.
- Article 22 : This article was made on May 20, 1980.  
1<sup>st</sup> revision was made on Nov. 10, 1983.  
2<sup>nd</sup> revision was made on Jun. 15, 1984.  
3<sup>rd</sup> revision was made on Aug. 12, 1987.  
4<sup>th</sup> revision was made on Jun. 9, 1988.  
5<sup>th</sup> revision was made on Mar. 14, 2000.  
6<sup>th</sup> revision was made on Nov. 18, 2002.  
7<sup>th</sup> revision was made on Jun. 30, 2007.  
8<sup>th</sup> revision was made on Jan. 18, 2008.  
9<sup>th</sup> revision was made on Mar. 19, 2008.  
10<sup>th</sup> revision was made on Dec. 26, 2008.  
11<sup>th</sup> revision was made on Jun. 30, 2010.  
12<sup>th</sup> revision was made on Jun. 24, 2011.  
13<sup>th</sup> revision was made on Jun. 15, 2012.  
14<sup>th</sup> revision was made on Jun. 15, 2012.  
15<sup>th</sup> revision was made on Jun. 14, 2013.  
16<sup>th</sup> revision was made on Jun. 7, 2016.

**Nishoku Technology Inc.**  
**Procedures for Election of Directors and Supervisors**  
**(before revision)**

1. Purpose

In accordance with Article 21 & 41 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies ", this procedure is made in order to elect directors and supervisors fairly, justly, and in public.

2. Scope

Except for other stipulations by law or article, the elections of the corporate directors and supervisors shall proceed in accordance with this procedure. Besides, appointment and compliance matters to be followed with respect to independent director shall proceed in accordance with stipulations of securities authorities.

3. Definition

None.

4. Responsibility

None.

5. Operation Content

(1) The election of directors of the company shall consider overall disposition of the Board.

The members of the Board shall be diversified. And diverse guidelines of its own operation, business model, and developing requirements shall be drafted including but not limited the following standard of two major directions :

(i) General conditions and values : Gender, age, nationality, and culture, etc.

(ii) Expertise and professional skills : Professional background (such as legal, accounting, industrial, financial, marketing, or technical backgrounds), professional skills, and industrial experience, etc.

The Board members shall have necessary knowledge, skills and attainments required to perform duty. The overall capabilities required are listed as follows:

(i) Operating judgment capability.

(ii) Accounting and financial analysis capabilities.

(iii) Managerial operation capability.

(iv) Crisis handling capability.

(v) Knowledge of the industry.

(vi) International view of market.

(vii) Leadership.

(viii) Decision making capability.

More than half of all directors shall not be their spouses or second-degree or closer relatives.

(2) The supervisors of the company shall have be compliant with following requirements:

(i) Integrity and sureness.

(ii) Impartial judgment.

(iii) Professional knowledge.

(iv) Rich experiences.

(v) Being able to read and understand financial statements.

Besides, the preceding requirements, at least one of all supervisors shall be expertise in accounting or finance.

(3) The qualification of independent directors of the company shall conform to stipulations on Article 2 & 3 & 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

The election of independent directors of the company shall conform to stipulations on Article 5 & 6 & 7 & 8 & 9 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 24 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".

At least one of all supervisors and directors shall not be their spouse or second-degree or closer relative.

Any supervisor, director, manager, or other staff of the company cannot mutual concurrently. And at least one of supervisors shall have residence in Taiwan in order to perform function of supervision.

(4) The election of independent directors shall proceed in accordance with stipulations of nomination system with candidates on Article 192-1 of Company Act. In order to review the qualifications, educational and career backgrounds, and any involvement with respect to matters stated on Article 30 of Company Act of candidates of independent directors, other proof of qualification cannot be added at will. The review result shall be disclosed for reference of shareholders so as to elect eligible independent directors.

A lack of directors on account of removal of directors to become less than 5 for certain reasons, the company shall re-elect the lacking number of directors in the latest shareholders meeting. For a lack of 1/3 directors of all regulated by article, the company shall convene shareholders meeting for re-election within 60 days of occurrence. In accordance with Proviso in Paragraph 1 on Article 14-2 of Securities and Exchange Act, related stipulations of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, and Article 8 of " Standards for Determining Unsuitability for TPEX Listing under Article 10, Paragraph 1 of the Taipei Exchange Rules Governing the Review of Securities for Trading

on the TPEX" issued by TPEX, the lack of independent directors less than the above stipulations shall be supplement in the latest shareholders meeting. In case all independent directors have been removed, a temporary shareholders meeting shall be convened for re-election within 60 days of occurrence.

The lack of supervisors less than regulated number on account of removal for certain reasons shall be supplemented by re-election in the latest shareholders meeting. In case all supervisors have been removed, a temporary shareholders meeting shall be convened for re-election within 60 days of occurrence.

- (5)The elections of directors and supervisors shall adopt accumulative voting system. Each share shall have the same voting power as the number of elected directors or supervisors. A concentrated election for one person, or distributed election for several persons are all eligible.
- (6)The Board shall prepare votes consisting with number of directors and supervisors to be elected. And weight numbers of each shall be added on them to be distributed among participating shareholders. The names of candidates of election can be replaced with printed attendance card numbers on votes.
- (7)The quota of corporate directors and supervisors shall conform to the numbers regulated by Articles of Incorporation. The electoral weights of independent directors and non-independent directors shall be calculated respectively. The candidates who have more votes with higher electoral weights shall be regarded as elected in order. For same electoral weight of two candidates exceeding regulated quota, the two candidates may ballot to decide who is elected. The chairperson may ballot for absent elected candidate.
- (8)Before election, the chairperson shall appoint several ballot controllers and ballot counting personnel to perform all kinds of duties. The ballot controllers shall be shareholders.
- (9)The ballot box shall be prepared by the Board and shall be opened for examination in public by ballot controller.
- (10)Any candidate has identity of shareholder, the name and shareholder number of candidate shall be expressly stated on the column "The Candidate". For non-shareholder candidate, the name and ID document number shall be expressly stated. For government or legal person as candidates, the column of candidate shall be written in the name of government or legal person, or the name of representative for the government or legal person. For several representatives, the names of all representatives shall be written in respectively.
- (11)Any voting paper with respect to any of the following condition will become invalid :
  - (i)Voting paper which is not made and prepared by the Board.
  - (ii)Blank voting paper in the ballot box.
  - (iii)Blurry writing with difficulty in identifying or being re-written.

- (iv) After verification, the written shareholder name and number of candidate do not consist with the shareholders ledger. After verification, the written non-shareholder name and ID number of candidate do not consist with the candidate.
  - (v) Other word has been written except for name of candidate (name) or shareholder number (personal ID number) and distributed electoral weights.
  - (vi) The written name of candidate is the same as other shareholder without filling shareholder number or personal ID number for identification.
  - (vii) The total electoral weights of votes exceed the total holding electoral weights of voters.
  - (viii) The written candidate number exceeds quota to be elected.
- (12) The ballot shall be open right after voting is over. The result of ballot shall be announced by the chairperson in the spot including the elected list of directors and supervisors along with their electoral weights.
- The preceding voting papers of the elections shall be signed and sealed by ballot controller before safekeeping for at least one year. However, for any legal proceeding initiated by shareholder in accordance with Article 189 of Company Act, the data shall be preserved till end of lawsuit.
- (13) The Board shall send official elected notification to elected directors and supervisors.
- (14) This procedure shall be approved by shareholders meeting convened by the Board before execution and its revision is on the same condition.



**Nishoku Technology Inc.**  
**Procedures for Acquisition or Disposal of Assets**  
**(before revision)**

1. Purpose

This procedure is made for operation of acquisition or disposal of corporate assets to be in accordance with.

2. Scope

The applicable scope of "assets" called in this operating procedure:

- (1) Investments such as stock, bonds, corporate bonds, securities bonds, fund recognition securities, Taiwan Depositary Receipt (TDR), subscribe (put) warrant, beneficiary securities, and Assets Backed Securities (ABS), etc.
- (2) Real estate (including land, house and building, investment real estate, land use right, and inventory) and equipment.
- (3) Membership card
- (4) Intangible assets such as patent, copyrights, trademark, and franchise.
- (5) Creditor's rights of financing institution (including A/R, negotiations and discounts, loans, and overdue receivables).
- (6) Derivatives.
- (7) Any asset acquired or disposed by law through merger, demerger, acquisition, or transfer of shares.
- (8) Other important assets.

3. Definition

- (1) Derivative : Denotes its value derives from long-term contract, option contract, futures contract, leverage contract, swap contract, and composite contract of preceding products out of assets, rate of interest, currency rate, or other interest. The so-called long-term contract doesn't include insurance contract, implementation contract, after-sales service contract, long-term rental contract, and long-term purchase (sales) contract.
- (2) Any asset acquired or disposed by law through merger, demerger, acquisition, or transfer of shares :  
Denotes any asset acquired or disposed in accordance with Business Mergers And Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act, or other laws. Or in accordance with Paragraph 6 on Article 156 of Company Act, the company issues new shares for shares assignation of other company (hereinafter refers to as stock

transferee).

- (3) Relevant party and subsidiary : Shall be identified in accordance with stipulations of Stipulations Governing the Preparation of Financial Reports by Securities Issuers.
- (4) Professional valuer : Denotes professional valuer of real estate, or other professional in valuation of real estate and equipment by law.
- (5) Date of occurrence : Denotes signing date of contract, payment date, order trading date, transfer date, resolution date of the Board, or other date to determine priority of trading objects and transaction amount. However, any investment with consent from the authorities whose above dates shall be the former ones compared to the approval dates by the authorities.
- (6) Investment in mainland : Denotes any investment in accordance with the stipulations of Regulations Governing The Approval Of Investment Or Technical Cooperation In Mainland China issued by MOEAIC.

#### 4. Responsibilities

- (1) Finance Department : Handling operations of acquisition, custody, or disposal of negotiable securities and derivative.
- (2) Administration Department : Handling operations of acquisition and disposal of intangible assets of patent, copyrights, trademark, and franchise, etc.
- (3) Procurement Section : Handling acquisition of membership cards, real estate, and other fixed assets.
- (4) HR & General Affairs Section : Handling operations of management, conservation, renovation, and disposal of membership cards, real estate and other fixed assets.
- (5) Accounting Department : Handling accounting and inventory processes of acquisition or disposal of assets.
- (6) Auditing Department : Handling auditing of acquisition or disposal processes of assets.

#### 5. Operation Content

##### (1) Operating Procedure of Acquisition or Disposal of Negotiable Securities

###### (i) Assessment Procedure

A. Any acquisition or disposal of negotiable securities shall proceed with feasibility evaluation by execution unit before execution.

B. Method of price decision and reference foundation :

(A) Any acquisition or disposal of negotiable securities shall obtain the latest financial statements audited and certified, or reviewed by accountant as reference of trading price assessment. For any of the following conditions and transaction amount achieves 20% of corporate paid-in capital or NT\$300,000,000 and above, before date of occurrence the accountant shall be consulted for comment on reasonability of

trading price. In case the accountant needs report from expert, kindly proceed in accordance with Rule #20 of Statement of Auditing Standards by Certified Public Accountants issued by Accounting Research and Development Foundation (hereinafter refers to as ARDF). However, any negotiable securities with open quotation to activate the market, or other stipulations of FSC are not subject to this limitation.

- a. Acquisition or disposal of negotiable securities which are not traded at stock exchange or securities agencies.
  - b. Acquisition or disposal private placement of securities.
  - c. The calculation of preceding transaction amount shall proceed in accordance with the calculation rules of (7)Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction. Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.
- (B)Any acquisition or disposal of negotiable securities traded at TWSE or securities agencies shall be decided in accordance with price of stock or bonds at that time.
- (C)Any acquisition or disposal of negotiable securities from non-TWSE or non-securities agencies shall be taken into consideration of its net value per share, profitability, potential development in the future, market interest rate, bonds face interest, and credit standing of debtor, etc. Comment from CPA and present trading price shall be reference for negotiation of trading price.

(ii)Quota of investment

- A.The transaction amount of corporate investments in individual negotiable securities shall not exceed the latest net profit on financial statements certified or reviewed by accountant.
- B. The transaction amount of corporate investments in individual negotiable securities shall not exceed the latest net value on financial statements certified or reviewed by accountant.

(iii)Operation procedure

- A.Authorization quota and level : The acquisition or disposal of negotiable securities by the company shall be assessed by execution unit before submission to President for approval. The Board shall be reported afterwards.
- B.Execution unit : The investment in negotiable securities of the company shall follow the preceding authorization quota and gain approval by executives before conducting related transaction by each responsible department in accordance with corporate internal control system.

(2) Operating procedure of acquisition or disposal of real estate and other fixed asset.

(i) Assessment procedure

- A. Any acquisition of real estate and other fixed asset shall proceed with a capital expenditure plan to be made in advance by usage department for feasibility evaluation before finance department making budget of capital expenditure to be executed and controlled in accordance with content of plan.
- B. Any disposal of real estate and other fixed asset shall proceed with a feasibility evaluation by usage department before approval of execution.
- C. The method of price decision and reference bases : Any acquisition or disposal of real estate and other fixed asset shall proceed with declared present value, assessed present value, and actual trading price of adjacent real estate. The preceding prices shall be inquired, compared, and negotiated before decision of price.

(ii) Investment quota

The transaction amount of all purchases of real estate for non-operating purposes by the company shall not exceed 30% of latest net value on financial statements certified or reviewed by accountant.

(iii) Suggestion from expertise

Except for transaction with government agency, contracted construction on own land, contracted construction on leased land, or acquisition and disposal of machinery and equipment for operating purposes, any acquisition or disposal of real estate or other fixed assets whose transaction amount achieves 20% of company's paid-in capital, or NT\$300,000,000 and above shall obtain valuation report from professional valuer before occurrence (requirements of valuation report are stated on Annex 1), and shall conform to following stipulations :

- A. In case any price ceiling, specific price, or special price must be referred for special reasons, the transaction shall be proposed to the Board for resolution. In the future, any change of trading condition shall proceed with the preceding procedure.
- B. Any transaction amount up to NT\$1,000,000,000 and above shall proceed with at least 2 valuation reports from professional valuers.
- C. Except for higher valuation result of acquired asset than transaction amount, or lower valuation result of disposed asset than transaction amount, for any of the following conditions of valuation results from professional valuer the accountant shall be requested to proceed with Rule #20 of Statement Of Auditing Standards issued by ARDF, and shall express consolidated opinions with respect to the reasons for difference and the propriety of trading price :

(A)The transaction amount has 20% difference or more from valuation result.

(B)The valuation results of two professional valuers have 10% difference or more from transaction amount.

D.The calculation of preceding transaction amount shall proceed in accordance with the calculation rules of (7)Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction. Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.

E.The date of professional valuation report shall not be 3 months earlier than the contract date. In case it is applicable for the same issued declared present value and has not exceed 6 months, the original professional valuer shall be requested for suggestion.

F.Any acquisition or disposal of asset by the company through auction process by the court shall use proof document from court to replace evaluation report or CPA's comment.

(vi)Operating procedure

A.Authorization quota and level :

The corporate acquisition or disposal of real estate and other fixed asset shall proceed with stipulations of "Group Delegation Of Authorization Table" within authorization scope for execution unit to assess and conduct transaction. The Board shall be reported afterwards. Any transaction exceeding authorization scope shall be assessed by execution unit before approval by the Board for execution.

B.Execution unit : Any acquisition or disposal of real estate and other fixed asset shall proceed with preceding authorization quota for approval by executives before conducting related transaction by each responsible department in accordance with corporate internal control system.

(3)Operating procedure of transaction with relevant party

(i)Any acquisition or disposal of asset by the company from relevant party shall proceed in accordance with Article 2 on Chapter 5, and this stipulation to conduct related resolution procedure and assessment on reasonability of transaction conditions. Besides, any transaction amount exceeding 10% of corporate total assets shall proceed in accordance with Article 2 on Chapter 5 to obtain valuation report issued by professional valuer, or comment from accountant. Not only legal form but also substantial relationship shall all be taken into consideration on judging whether trading object is relevant party or not.

(ii) Except for transaction of government bonds, buy-back or sell-back conditioned bonds, subscription or redemption of MMF, any corporate acquisition or disposal of real estate from relevant party, or other assets with transaction amount up to 20% of company's

paid-in capital, or 10% of total assets, or NT\$300,000,000 and above shall be reported to the Board and supervisors with related documents for approval before signing transaction contract and making of payment :

- A.The purpose, necessity, and estimated benefits of acquisition or disposal of assets.
- B.The reasons for choosing relevant party as trading object.
- C.Any acquisition of real estate from relevant party shall obtain related data of real estate in accordance with the stipulations of Article 3.(3) and 3.(4) of Chapter 5 to assess reasonability of pre-set trading conditions.
- D.Matters about the original date & price obtained by relevant party, trading object, and the relationship between relevant party and the company.
- E.The monthly estimation of cash revenue and expenditure for 12 months from the contract month. And necessity of transaction and reasonability of fund applications shall be assessed as well.
- F.The valuation report from professional valuers or comment from accountant shall be obtained in accordance with Article 2 of Chapter 5.
- G.The limiting conditions of this transaction and other important covenants.

The calculation of preceding transaction amount shall proceed in accordance with the calculation rules of (7)Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction.

Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.

Regarding the acquisition or disposal of machinery and equipment for operating purposes between the company and subsidiary, the President is authorized by the Board to execute within a certain quota without resolution to be ratified by the latest Board afterwards.

In case the company set up independent directors, each independent's opinion shall be fully considered when matters regarding Rule A have been proposed to the Board for discussion.

Any counter advice or qualified opinion from independent directors shall be recorded on meeting journal of the Board.

(iii)Any acquisition of real estate by the company from relevant party shall proceed in accordance with following methods to assess the reasonability of transaction costs :

- A.The trading price of relevant party shall plus necessary capital interest and costs incurred for the purchaser by law. The so called necessary capital interest costs shall be calculated by the weighted average interest rate of loans in the purchased year of asset by the company. However, it shall not be higher than highest loan interest rate for non-financial industry declared by MOF.
- B.In case the relevant party has a loan from financial institution with mortgage by the

object and the actual loan value achieve 70% of total loan evaluation with loan period for over 1 year, and financial institution is mutual relevant party with any of trading parties shall not be applicable to this stipulation.

For joint purchase with relevant party of the same objective land and building, one of the preceding methods shall be used for respective valuations on transaction costs of land and building.

For any acquisition of real estate by the company from relevant party, the accountant shall be requested to review for consolidated comment on assessment of real estate costs in accordance with the stipulations of Paragraph A and B of this article.

Any of the following circumstances during acquisition of real estate by the company from relevant party shall proceed with Article 3.(2). The preceding stipulations of this article are not applicable :

A.The relevant party acquired real estate because of heritage or bestowal.

B.The contract date when relevant party acquired the real estate from the contract date of this transaction has exceeded 5 years.

C.Any acquisition of real estate by contracting relevant party to build real estate for joint construction, contracted construction on own land, and contracted construction on leased land.

(vi)In case the valuation results by the company in accordance with Article 3.(3) are lower than actual trading prices, the Article 3.(5) shall be followed to proceed. However, following circumstances with objective evidence and consolidated comments on reasonability from professional real estate valuers and accountant are not subject to this limitation :

A.In case the relevant party acquired solid ground or leased a ground for construction, one of the following requirements shall be conformed to with proposed evidence :

(A)The solid ground has been valued in accordance with the methods of preceding stipulations. The building shall add reasonable construction profit in accordance with construction costs of relevant party. And the total sum exceeds actual trading price. The so called reasonable construction profit shall be the lower of average operating gross profit rate for the recent 3 years of the relevant party's construction department, or the latest gross profit rate in construction industry announced by MOF.

(B)The trading cases with non-relevant party of other floors of the same objective building and land, or adjacent regions whose trading conditions are estimated equivalent after valuations are done compared to reasonable floors and price differences by region in accordance with real estate trading conventions.

(C) The rental cases with non-relevant party of other floors of the same objective building and land whose trading conditions are estimated equivalent after valuations

are done compared to reasonable price differences by floor in accordance with real estate rental conventions.

B. The company has proof of purchasing real estate from relevant party of similar area whose trading conditions are equivalent to other trading cases with other non-relevant party in adjacent region.

In principle, the so called trading cases of adjacent regions in preceding article shall be the same or adjacent block which is distant from trading object for less than 500 meters with identical declared present value. The so called of similar area shall be, in principle, the trading cases whose areas are not less than 50% of trading object. The so called a year basis shall be traced back for 1 year from the occurrence date of this transaction for the real estate.

(v) Any acquisition of real estate by the company from relevant party whose valuation results in accordance with Article 3.(3) and 3.(4) are lower than actual trading prices shall proceed with the following items:

A. A special reserve shall be appropriated by trading price of real estate and valuation cost difference in accordance with Paragraph 1 on Article 41 of Securities and Exchange Act. No distributions or transfer shares of capital increase are allowed. For any investment valued by equity method, a special reserve shall also be appropriated by the certain share ratio appropriated in accordance with Paragraph 1 on Article 41 of Securities and Exchange Act.

B. The supervisor shall proceed in accordance with Article 218 of Company Act.

C. The handling situations of preceding Item 1 & 2 shall be proposed to the Board with detail transaction content disclosed on annual report and prospectus.

The special reserve can be used only when the purchased asset at high price has been recognized as depreciation loss, or being disposed, or being compensated appropriately, or being restored, or with other evidence showing no unreasonable matters and the company has appropriated special reserve in accordance with preceding stipulations with consent from FSC, Executive Yuan.

Any acquisition of real estate by the company from relevant party with other evidence showing the transaction is abnormal for operating conventions shall proceed with the preceding two stipulations.

(4) Operating procedure of acquisition or disposal of membership cards or intangible assets

(i) Assessment procedure

A. Any acquisition or disposal of membership cards and intangible assets shall be assessed by usage department for feasibility evaluation to be approved before execution.



B. The method of price decision and reference bases: For any acquisition or disposal of membership cards or intangible assets, the asset management department shall refer to fair market prices with evaluation report from expert before price decision after price inquiries, comparisons, and negotiations.

(ii) Investment quota

The total transaction amount of the company for purchase of membership cards or intangible assets shall not exceed 30% of net value of latest financial statements certified or reviewed by accountant.

(iii) Suggestion from expertise

Except for transaction with government agency, any corporate acquisition or disposal of membership cards or intangible assets with transaction amount up to 20% of company's paid-in capital, or NT\$300,000,000 and above, accountant shall be consulted for comment on reasonability of transaction price before occurrence. And the accountant shall proceed in accordance with Rule #20 of Statement Of Auditing Standards issued by ARDF.

The calculation of preceding transaction amount shall proceed in accordance in accordance with the calculation rules of (7) Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction.

Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.

(vi) Operating procedure

A. Authorization quota and level:

The corporate acquisition or disposal of membership cards and intangible assets shall proceed with stipulations of "Group Delegation Of Authorization Table" within authorization scope for execution unit to assess and conduct transaction. The Board shall be reported afterwards. Any transaction exceeding authorization scope shall be assessed by execution unit before approval by the Board for execution.

B. Execution unit: The corporate acquisition of membership cards and intangible assets shall follow the preceding authorization quota and shall gain approval by executives before conducting related transaction by each responsible department in accordance with corporate internal control system.

(5) Operating procedure of transaction of derivatives

(i) Trading principle and guideline

The trading property of the company for derivatives can be divided by purpose into two kinds of "Hedge Strategy" and "Financial" to be applicable to different risk restrictions, mandatory stop-loss point, and accounting process principle. The former denotes lower risks

of existing assets, liabilities, irrevocable commitment, or forecast transaction by trading derivatives. The latter denotes earnings and risk bearings out of price differences of commodity trading by holding or issuing derivatives.

A.Transaction types :

The derivatives which the company may operate include Forwards, Options, Futures, Swaps, Warrants, and composite contract of preceding products.

B.Operating or hedge strategy :

The foreign currency position of the company shall be operated based on net position. Trading of derivatives shall act for risk mitigation. The trading products shall choose those who can mitigate risks of corporate business.

C.Essentials of performance assessment :

(A)Hedge transaction shall be regularly assessed twice every month. Financial transaction shall be regularly assessed once every week. The assessment reports shall be presented to authorized executives of the Board.

(B)The assessment base of hedge transaction performance shall be assessed by profits and losses through comparing the interest costs of face amount with trading of derivatives every week. The summary report of this position shall be made for reference of the management.

D.Stipulation of contract total amount and upper limit of losses :

(A)Contract total amount :

Hedge currency rate trading quota: The trading department shall control overall position of the company in order to mitigate risk of currency trading. The trading amount of derivatives of hedge currency rate shall not exceed the upper limit of total import/export trading amount of the company plus the expected due balance of foreign currencies in the next 6 months. In case the transaction exceeds the upper limit, the latest Board shall be reported for approval.

Hedge interest rate trading quota: The trading amount shall not exceed the upper limit of total loans at every currency by the company plus total amount of expected corporate bonds to be issued by the company in the next 6 months. As needed the trading department shall

make hedge trading plan of interest rates for approval by authorized executives and the President before execution. In case the transaction exceeds the upper limit, the latest Board shall be reported for approval.

Financial transaction trading quota: Based on the prediction of market change circumstances, as needed the trading department shall make trading plan for currency rates and interest rates. Each transaction must be approved by authorized executives and the President for approval before execution. The total trading amount shall not exceed the upper limit of 10% of corporate net value. In case the transaction exceeds the upper limit, the latest Board shall be reported for approval.

(B) Stipulation of upper limit of overall and individual contract losses:

Hedge trading

Individual: The upper limit is 20% of contract amount. Special circumstance shall be reported to the President for approval.

Overall: The upper limit is 20% of total contract amount.

Financial trading

The upper limit of losses for overall and individual contract losses shall not exceed 5% of trading amount. In case the losses exceed 5% of trading amount, the President must be reported immediately and shall report to the latest Board in order to negotiate necessary counter measures.

(ii) Assessment procedure

The trading department shall regularly calculate the position and gather market information for judgment of trends and risk assessment before forming operating strategies for authorized executives to approve as a base for transaction.

(iii) Operating procedure

A. Authorization quota, level, and execution unit :

(A) Trading quota of Hedge currency rate derivatives :

The authorized trading personnel and quota of derivatives :

Decision maker	Quota of each transaction	Daily quota	Accumulative quota of net position without being write-off
President	US\$5,000,000	US\$15,000,000	US\$50,000,000

General Manager	US\$3,000,000	US\$10,000,000	US\$30,000,000
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Any transaction exceeds the above authorization shall be approved by latest Board.

Any transaciton of the above authorization shall be approved before and after deal is closed.

(B)The trading quota of Hedge interest rate derivatives: Each transaction shall be approved by authorized executives and the President before execution. The total trading amount shall not exceed Paragraph D on Article 5.(1). Any transaction exceeding the above authorization shall be approved by latest Board.

(C)Trading quota of financial transaction: Each transaction shall be approved by authorized executives and the President before execution. The trading quota shall not exceed Paragraph D on Article 5.(1). Any transaction exceeding the above authorization shall be approved by latest Board.

(D)Any transaction of derivatives by the company shall be conducted by related authorized personnel of this procedure and shall be reported to latest Board.

#### B.Transaction processes

(A)Confirm trading position

(B)Analysis on related trends and judgment

(C)Decision making on consolidated method of Hedge

(D)Obtaining transaction approval

(E)Execution of transaction

Trading object: Mostly shall be primary financial institutions which have business with the company.

Trading personnel: The authorized trading personnel of derivatives of the company shall gain approval from General Manager before informing the trading financial institutions. Other personnel then the preceding is not allowed to operate the transaction.

(F)Confirmation of transaction: As soon as transaction is completed by trading personnel, the trading receipt shall be filled for independent confirmation personnel to check whether trading conditions match trading receipts before approval by authorized executives.

(G)Handling of accounting affairs: Accounting department shall make accounting entries and register the transaction on account books in accordance withdelivery bookkeeping notes and related trading certificates.

(H)Delivery: After the transaction has been confirmed without error, the trading

department shall prepare payment and related receipts on delivery date to be delivered at negotiated prices.

(vi) System of internal control

A. Scope of risk management

- (A) Credit risk: The trading objects shall mostly be primary financial institutions which have business with the company, and, in principle, shall be able to provide professional information. The trading positions must be dispersed into diverse banks in order to mitigate risks.
- (B) Market risk: The company shall keep close contact with foreign currency department of each bank in order to control the trends of market. Regular performance assessments shall be conducted and stop-loss positions shall be monitored.
- (C) Liquidity risk: In order to ensure liquidity of transaction, the selection of derivatives shall mostly be those with higher liquidity. For trading banks, those with large trading amounts and stronger quotation ability shall be chosen.
- (D) Cash flow risk: The management of corporate cash flow shall consider agreements of derivatives trading contracts. Advanced planning and funds procurement are needed so as to mitigate cash flow risks due to performance of contracts.
- (E) Operational risk: The authorization quota and operating procedure must be strictly followed so as to mitigate operational risks.
- (F) Legal risk: Before signing any document with bank, it shall be reviewed in advance by trading department, specialty legal personnel, or legal advisor in order to mitigate legal risks.
- (G) Product risk: Internal trading personnel and competing banks shall have complete and correct professional knowledge about the derivatives being traded. Full disclosure of potential risks is required from bank in order to prevent losses out of misuse of derivatives.

B. Supervision and control over measurement of risks

- (A) Trading, confirmation, delivery, and account personnel cannot mutual concurrently. The measurement, supervision, and control of risks must be handled and reported to the Board by different personnel.
- (B) Regular assessment: The holding position of financial transaction shall be assessed once every week. However, Hedge transaction for business purpose shall at least be assessed for twice every week. The assessment report shall be submitted to the

authorized executives by the Board.

(v) Responsibility of management

A. Supervision and management of the Board

(A) High-level executives shall be appointed to monitor and control transaction risks of derivatives.

(B) Performance of derivatives transaction shall be regularly assessed to see whether it matches corporate settled business strategy or not, and if the risks born are within tolerable scope by the company.

B. The management principle of authorization for high-level executives by the Board

(A) The present measures for risk management shall be regularly assessed to see whether they are appropriate or not, and if they proceed assuredly in accordance with " Regulations Governing the Acquisition and Disposal of Assets by Public Companies " issued by ARDF, Executive Yuan and this operating procedure.

(B) When supervising transaction, loss and profit conditions, necessary measures must be taken for any abnormal situations found (in case the holding position exceeds upper limit, or upper limit of losses) and the Board must be reported immediately.

(C) Any authorization of derivatives transaction by public company for related authorized personnel to proceed shall be reported to latest Board afterwards.

(D) In case any directly or indirectly 100% owned subsidiary involves in transaction of derivatives, the performance report must be submitted to latest Board of subsidiary or parent company.

(E) The personnel in charge of approval and supervision of transaction shall be regularly assessed to see whether they are eligible to the job or not, and if appropriate trainings have been given to them.

(F) In case the company sets up independent directors, the Board must be attended by independent directors to express opinion.

(6) Internal auditing system

A. A memorandum book shall be established and reviewed for derivatives transaction by the company in order to record in detail the types, amounts, approval dates by the Board, and other matters to be carefully assessed in accordance with Article (4).B.(B) & (5).A.(B) & (5).B.(A) of derivatives transaction.

B. The internal auditing personnel shall regularly understand the internal control propriety of derivatives transaction. Every month the auditing department of derivatives transaction shall prepare audit report in accordance with compliance conditions with this operating procedure. Every supervisor shall be informed in written of any significant violation found.

C. Any derivatives transaction by subsidiary of the company shall proceed with establishment of " Regulations Governing the Acquisition and Disposal of Assets " in accordance with rules of securities authorities to be approved by latest Board before submission to every supervisor and shareholders meeting for approval, Its revision is on the same condition.

(6) Operating procedure of corporate merger, demerger, acquisition, and transfer of shares

(i) Before the resolution by the Board for company to conduct merger, demerger, acquisition, or transfer of shares, the accountant, attorney, or securities agency shall be consulted for opinion on reasonability of conversion ratio, acquisition price, cash dividends for shareholders, or other assets for discussion and ratification by the Board.

(ii) Except for other stipulation by law or with advanced consent from FSC, Executive Yuan for special factors, the company's merger, demerger, or acquisition shall be resolved by convening the Board and shareholders meeting on the same date with matters about merger, demerger, or acquisition of other companies.

When the company involves in any transfer of shares, except for other legal stipulations or special factors with advanced consent from FSC, Executive Yuan, the Board shall be convened on the same date with other companies involving with the shares transfer.

The public offerings of merger, demerger, acquisition, or transfer of shares, or any company whose stock shares have been traded at securities agencies shall make complete written records of following data for safekeeping for 5 years to be checked afterwards:

A. General profile of personnel: Including job titles, names, and person ID numbers (passport numbers for foreigners) of all personnel involving in the scheme, or execution of scheme of merger, demerger, acquisition, or transfer of shares before announcement of the news.

B. Dates of important matters: Including the dates when letter of intent or memorandum were signed, commission of financial or legal advisors, signing contract, and the Board.

C. Important letters and meeting journal: Including letters and documents about schemes of merger, demerger, acquisition, transfer of shares, letter of intent or memorandum, important contract, and meeting journal of the Board, etc.

The public offerings of merger, demerger, acquisition, or transfer of shares, or any company whose stock shares have been traded at securities agencies shall prepare data of preceding item A and B within two days after resolutions are approved by the Board to be declared to

the Association via Internet IT system for further review.

(iii) When the company involves in any merger, demerger, or acquisition, before shareholders meeting the important agreed contents and related matters shall be made into public documents along with Article 6.(1) Suggestion from expertise, and notification of shareholders meeting to be submitted to every shareholder as reference to decide whether proceed the certain merger, demerger, or acquisition or not. However, by law any merger, demerger, or acquisition matters which are free from resolution by shareholders meeting are not subject to this limitation.

When the company involves in merger, demerger, or acquisition, in case any party's shareholders meeting is postponed, unable to resolve, or denied by shareholders meeting due to lack of attendance, insufficient voting power, or other legal restrictions, the company must immediately make statement on reasons for occurrence, follow-up processing operation, and estimated date of next shareholders meeting.

(iv) All personnel involving in or knowing the corporate merger, demerger, acquisition, or transfer of shares shall sign written confidentiality commitment. Before announcement of news, the content of scheme must neither be revealed nor can any purchase of stock, or other negotiable securities with the same stock property be made in other's name of all related companies with respect to the case of merger, demerger, acquisition, or transfer of shares.

(v) Except for following conditions, the company's involvement in merger, demerger, acquisition, or transfer of shares shall not be changed at will. And the contract of merger, demerger, acquisition, or transfer of shares must be stated with conditions of change:

- A. Conducting cash increment, issuing convertible bonds, stock grants, issuing corporate bonds of stock options, preferred shares with warrants, stock option certificates, and other negotiable securities with the same stock property.
- B. Any act such as disposal of important assets of the company which may influence financial business of the company.
- C. Occurrence of major disaster, or significant revolution of technology, etc which may influence shareholders' interest or stock price.
- D. By law, the adjustment through buy-back of treasure stock by any party of the companies involving with merger, demerger, acquisition, or transfer of shares.
- E. The subjects or number of companies involving with the merger, demerger, acquisition, or transfer of shares have increased or decreased.
- F. Any other conditions settled in the contract which can be changed and have already been announced in public.

(vi) When the company involves in merger, demerger, acquisition, or transfer of shares, the



contract shall be expressly stated with the rights and obligations of those companies involving with the merger, demerger, acquisition, or transfer of shares as well as the following matters:

- A. Handling of default.
  - B. The handling principle of merged, or demerged company who had previously issued negotiable securities with property of stock rights, or had purchased treasury stock.
  - C. By law, the treasury stock number to be buy-back and its handling principle of participating companies who shall proceed after calculation of conversion ratio base date.
  - D. The handling methods when participating subjects or number of companies have increased or decreased.
  - E. The progress of plan execution and estimated date of accomplishment.
  - F. Related processing procedure of convening date of shareholders meeting by law in case the plan fails to accomplish on schedule.
- (vii) When the company involves in merger, demerger, acquisition, or transfer of shares, in case the company plans to conduct merger, demerger, acquisition, or transfer of shares with other companies after the news go public, except for decrease of participating companies and shareholders meeting has resolved and authorized the Board with authorization of change, the participating companies are free from resolutions by convening shareholders meetings. The completed procedure or legal acts regarding original merger, demerger, acquisition, or transfer of shares shall be repeated by all participating companies.
- (viii) When any company involving in merger, demerger, acquisition, or transfer of shares doesn't belong to public company, the company shall sign agreement with that company to proceed in accordance with stipulations of Article 6.(2) & 6.(4) & 6.(7).

## 7. Disclosure of information

- (i) When the company acquires or disposes any asset, any of following conditions shall be declared in regulated format with related information within 2 days after occurrence to proceed on designated website of FSC, Executive Yuan:
- A. Any acquisition or disposal of real estate from relevant party, or other assets for the purpose of acquiring or disposing real estate for relevant party with transaction amount achieves 20% of company's paid-in capital, 10% of total assets, or NT\$300,000,000 and above. However, trading of bonds, or buy-back and sell-back conditioned bonds, subscription or redemption of domestic MMF are not subject to this limitation.
  - B. Conducting merger, demerger, acquisition, or transfer of shares.
  - C. Trading losses out of derivatives transaction achieve the upper limit regulated by this operating procedure of all or individual contract.

D. Any asset transaction except for the preceding 3 items, or investment in mainland China whose transaction amount achieves 20% of company's paid-in capital, or NT\$300,000,000. However, the following conditions are not subject to this limitation:

(A) Trading of bonds.

(B) Expertise in investment, and trading of negotiable securities done at domestic or foreign securities agencies, or negotiable securities subscribed at basic-level market and subscribed in accordance with stipulation.

(C) Transaction with buy-back and sell-back conditioned bonds, and subscription or redemption of domestic MMF.

(D) Any acquisition or disposal of assets which belongs to machinery equipment for operating purpose and its trading object is not relevant party with transaction amount less than NT\$500,000,000.

(E) Acquisition of real estate by contracted construction on own land, contracted construction on leased land, joint construction for share of houses, and joint construction for share of percentages with an estimated transaction amount for less than NT\$500,000,000 by the company.

The preceding transaction amount shall be calculated by following methods:

Each transaction amount

The accumulative trading amount within 1 year with the same counter party for the same property object.

The accumulative amount within 1 year of acquisition or disposal (acquisition and disposal shall be accumulated respectively) of the same negotiable securities.

The accumulative amount within 1 year of acquisition or disposal (acquisition and disposal shall be accumulated respectively) of the same development of real estate.

The preceding "within 1 year" denotes the occurrence of this transaction date to be regarded as a base and trace back for 1 year. However, any part regarding " Regulations Governing the Acquisition and Disposal of Assets by Public Companies " issued by FSC, Executive Yuan is free from this calculation.

(ii) On monthly basis, before 10th of every month, in regulated format the company shall declare by entering on designated information declaration website of FCS, Executive Yuan with trading conditions of derivatives transaction by the company and non-public subsidiary occurred by end of last month.

(iii) The company shall correct the declaration by redoing all items according to stipulation in case there is any mistake or lack of declared information.

(iv) When the company acquires or disposes any asset, the related contracts, meeting journals, memorandums, valuation reports, opinion books from accountants, attorneys, or securities

agencies shall be available in the company. Except for other stipulation by law, the data shall be preserved for at least 5 years.

- (v) When the company declares transaction in accordance with the stipulations of Article 7.(1) & 7.(2) & 7.(3), any of the following conditions shall proceed with declaration with related information within 2 days from occurrence on designated website of FSC, Executive Yuan:
- A. The original contract of transaction has been changed, terminated, or revoked.
  - B. The merge, demerge, acquisition, or transfer of shares fails to accomplish on schedule.
  - C. The original declared content has changed.

(8) Control procedure of acquisition or disposal of assets by subsidiary

- (i) The investment scope of any subsidiary of the company shall proceed in accordance with the stipulations of Paragraph 1.(2) on Article 5 of this control procedure. The quota of individual purchase of real estate and investment in negotiable securities for non-operating purpose is stated as follows:

- A. The total trading amounts of any purchasing non-operating real estate shall not exceed 30% of net value on latest financial statements of subsidiary certified or reviewed by accountant.
- B. The trading amounts of investments in negotiable securities or individual negotiable securities shall not exceed 30% of net value on latest financial statements of subsidiary certified or reviewed by accountant.

- (ii) In case the subsidiary of the company is not public in domestic stock market, any acquisition or disposal of assets shall be declared by the company in accordance with the stipulations of Article 7.

The preceding stipulation regarding any subsidiary which is subject to Article 7.(1) to be declared with 20% of paid-in capital, or 10% of total assets shall be calculated on basis of the company's paid-in capital or total assets.

The stipulations of this processing procedure regarding 10% of total assets shall be calculated by total assets amount stated on latest individual or respective financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

For foreign company whose stock has no face amount, or face amount of each share is not NT\$10, the calculation of 20% paid-in capital shall be calculated by 10% of proprietary property of parent company in accordance with the stipulations of this processing procedure.

- (9) For the opinion books obtained by the company from accountants, attorneys, or securities agencies, the professional valuers shall not be relevant with the certain valuation personnel,

accountants, attorneys, securities agencies, and trading parties. For any acquisition or disposal of assets by auction procedure at court, the proof document from court can replace valuation report or opinion from accountant.

- (10) Any violation by corporate manager or person in charge of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC, Executive Yuan and stipulations of this processing procedure shall be proposed for examination in accordance with corporate HR management methods to be punished by gravity of situations.
- (11) This processing procedure has been approved by the Board before submission to every supervisor and shareholders meeting for approval and execution. Its revision is on the same condition. In case any director has different opinion with record or written statement, the company shall deliver the objection data to each supervisor.
- (12) In case the company set up independent directors, each independent's opinion shall be fully considered when the stipulations of Article 11 Operating procedure of acquisition or disposal of assets have been proposed to the Board for discussion. Any counter advice or qualified opinion from independent directors shall be recorded on meeting journal of the Board.

## Shareholding Status of Directors and Supervisors

1. By block closure date of this shareholders meeting on April 16, 2017, the paid-in capital of the company is NT\$793,032,860 with total issued 79,303,286 shares
2. In accordance with Article 26 of Securities and Exchange Act and Article 3 of " Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies ", the lowest holding of all directors shall be 6,344,262 shares and the lowest holding of all supervisors shall be 634,426 shares.
3. The shareholders ledger has recorded individual and all directors' and supervisors' shares which have achieved the percentage of legal standard.
4. The share holding status of directors and supervisors :

Title	Name	Elected Date	Tenure	Elected Shares		Recorded shares on shareholders ledge on block closure date	
				Shares	Ratio	Shares	Ratio
President	Ghi Yang Investment Limited Rep.: Chen, Piao-Fu	June 7, 2016	3 years	2,257,027	2.81%	2,257,027	2.85%
Director	Heng Sheng Investment Limited Rep.: Tsai, Chien-Sheng	June 7, 2016	3 years	2,711,196	3.38%	2,711,196	3.42%
Director	Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien	June 7, 2016	3 years	2,319,136	2.89%	2,319,136	2.92%
Director	Jhan Yu Investment Limited Rep.: Hsieh, Chiu-Sen	June 7, 2016	3 years	3,353,853	4.18%	3,353,853	4.23%
Independent Director	Ko, Shun-hsiung	June 7, 2016	3 years	0	0.00%	0	0.00%
Independent Director	Chan, Chin-Hung	June 7, 2016	3 years	0	0.00%	0	0.00%
Independent Director	Wang, Pao-Chiang	June 7, 2016	3 years	0	0.00%	0	0.00%
<b>Total shares of directors</b>				<b>10,641,212</b>	<b>13.26%</b>	<b>10,641,212</b>	<b>13.42%</b>
Supervisor	Jhan Sing Investment Limited Rep.: Huang, Chung-Shun	June 7, 2016	3 years	836,865	1.04%	836,865	1.06%
Supervisor	Hsu, Ting-Jung	June 7, 2016	3 years	0	0.00%	0	0.00%
Supervisor	Yen, Pei-Chen	June 7, 2016	3 years	0	0.00%	0	0.00%
<b>Total shares of supervisors</b>				<b>836,865</b>	<b>1.04%</b>	<b>836,865</b>	<b>1.06%</b>