



Nishoku Technology Inc.

2018 Annual Shareholders' Meeting
Meeting Agenda
(Summary Translation)

Time : AM10:00, Thursday, June 14, 2018

Location : Chateau de Chine Hotel Sinjhuang

Address : 2 Floors(BLOSSOM Room), No.82, Zhongzheng 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.

2018 Annual Shareholders' Meeting Meeting Agenda

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【Meeting Agenda】

1. Reporting Participating Number Of Shares
2. Commencement
3. Chairman's Speech
4. Report Items:
 - (1) The 2017 Business Report.
 - (2) Supervisor's Review Report on the 2017 Financial Statements.
 - (3) Report of all endorsements and guarantees tendered in 2017.
 - (4) Report on the Distributions of the Remunerations to the Company's Employees and Directors of the Board for 2017.
 - (5) Amendment to the Rules Governing Procedures for Meetings of Board of Directors
5. Acknowledgments:
 - (1) Adoption of the 2017 Business Report and Financial Statements.
 - (2) Adoption of the Proposal for Distribution of 2017 Profits.
6. Discussion Items:
 - (1) Cash Dividends Of Capital Surplus
 - (2) Proposal of Capital Reduction.
7. Extemporaneous Motions
8. Adjournment

【Reports Items】

Report #1

Subject : The 2017 Business Report.

Detail : Kindly refer to Attachment 1 for 2017 Business Report of the company (P.8~P.10).

Report #2

Subject : Supervisor' s Review Report on the 2017 Financial Statements.

Detail : Kindly refer to Attachment 2 for Supervisor' s Review Report on the 2017 Financial Statements of the company (P.11).

Report #3

Subject : Report of all endorsements and guarantees tendered in 2017.

Detail : 1. The Status Of Endorsement And Guarantee of the company and its subsidiaries in 2017 is stated as follows:

December 31, 2017 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).	922,560	20.76%
Nishoku Technology Inc.	NISHOKU TECHNOLOGY VIETNAM Co., Ltd.	Subsidiary 100% owned by Nishoku Technology Inc.	1,169,568	26.32%
Nishoku Technology Inc.	NISHOKU BOUEKI CO., LTD.	Subsidiary 100% owned by Nishoku Technology Inc.	94,520	2.13%
Total Sum Of Nishoku Technology Inc.			2,186,648	
	SAME START LTD. (Anguilla)	Affiliated enterprise	14,880	0.59%
Total Sum Of Subsidiaries			14,880	

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, 2018, the balance of endorsements of Nishoku Technology Inc. for subsidiaries occupied 48.72% 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 2017.

Detail : In 2016, the issued compensations are NT\$23,620,000 for staff and NT\$7,000,000 for directors and supervisors by cash. The above compensation distributions for staff, directors and supervisors have no difference from the accounted annual expenditure.

Report #5

Subject : Amendment to the Rules Governing Procedures for Meetings of Board of Directors

Detail : 1. To comply with the revision of Rules of Procedure for Board of Directors Meetings for TWSE/GTSM Listed Companies made by the authorities, Rules of Procedure for Board of Directors Meetings.

2. Comparison Table for the Rules of Procedure for Board of Directors Meetings Before and After Revision on Attachment 6 (P.30~P.34).

【Acknowledgments】

Matter #1

(Proposed by the Board)

Subject : Adoption of the 2017 Business Report and Financial Statements

- Detail : 1. The individual and consolidated financial statements of 2017 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 2017 Business Report, Supervisor' s Review Report on the 2017 Financial Statements., Audit Reports By CPA And Individual/Consolidated Financial Statements Of 2017 on Attachment 1~4 (P.8~P.28).
4. Please ratify this matter.

Resolution :

Matter #2

(Proposed by the Board)

Subject : Adoption of the Proposal for Distribution of 2017 Profits

- Detail : 1. The after-tax net profit of 2017 was NT\$ 435,894,047. After setting aside legal reserve of NT\$43,589,405 and special reserve of NT\$181,708,645, and adding beginning retained earnings of NT\$1,713,967,481, the financial year-to-date divisible surplus is total NT\$ 1,924,563,478. The proposed cash dividends for shareholders are NT\$237,909,858. (Cash dividend of NT\$3 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 2017 Profit Distribution Table on Attachment 5 (P.29).
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, 2017, the capital surplus account is NT\$1,205,336,567. The proposed cash dividends are NT\$237,909,858 (cash dividend of NT\$3 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 : Proposal of Capital Reduction.

- Detail : 1. To reduce share capital and pay it back to shareholders with the aim of improving return on equity and other financial ratios
2. The amount of capital reduction is NT\$ 158,606,570, cancelled shares 15,860,657, and the current common capital is 793,032,860. The capital reduction ratio is estimated to be 20%, The actual share capital and capital reduction ratio would be subject to total shares outstanding after the record date.
3. Total shares cancelled would be 15,860,657, which means 200 shares would be cancelled for every one thousand shares. Odd lots of shares can be put together as round lots after the last date to trade. The rest of the odd lots will be purchased at the closing price from the last date to trade by the authorized person.
4. The new shares issued after the capital reduction would be non-physical, but the rights and obligations would be the same as physical ones.
5. After the approval of this capital reduction from the Shareholders' Meeting and the authorities, the Board of Directors will set schedule and timeline for the record date of the capital reduction and that of issuance of new shares.

6. Before the record date, any changes to the capital reduction ratio and the amount returned per share caused by adjustment in regulations or request from the authorities, or in response to any other environmental factors, will be brought up at the Shareholders' Meeting and be dealt with by the Chairman of the Board.
7. Please discuss this proposal.

Resolution :

【Extemporary Motions】

【Adjournment】

2017 Business Report

1. 2017 Business Results

(1) Performance Of Business Plan

The consolidated operating revenue for the year 2017 was NT\$4,019 million, a decrease of 3% from the previous year, the gross profit rate for the year was 24.73%, earnings after tax of NT\$5.5 per share, a decrease of 2.09 yuan from the previous year.

Unit : NT\$1000

Item \ Year	2017	2016	Change Rate %
Net operating revenue	4,019,508	4,136,945	-3%
Operating costs	3,025,468	3,059,644	-1%
Gross profit from operations	994,040	1,077,301	-8%
Net operating income	596,916	617,897	-3%
Other gains and losses, net	54,079	47,609	14%
Exchange Gains Or Losses	-152,437	99,750	-253%
Profit from continuing operations before tax	498,558	765,256	-35%
Profit	435,894	602,076	-28%
Gross profit from operations(%)	24.73%	26.04%	
Net operating income (%)	14.85%	14.94%	

(2) Status Of Budget Execution

Not available due to the fact that Nishoku Technology Inc. had not declared financial forecast of 2017.

(3) Analysis Of Financial Revenue, Expenditure And Profitability

Analyzing Item		2017	2016
Finance & Solvency	Current Ratio (%)	376.78	410.37
	Quick Ratio (%)	347.25	380.95
	Interest Protection Multiples	29.64	51.62
	Debt Asset ratio (%)	43.05	36.33
Profitability	ROA (%)	5.81	8.20
	ROE (%)	9.45	12.55
	Operating Income to Capital Stock (%)	75.27	77.92
	Profit Before Tax to Capital Stock (%)	62.87	96.5
	Net Profit Margin (%)	10.84	14.55
	After-Tax EPS (NT\$)	5.81	8.20

(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.

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 measures 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 2017 Financial Statements.

The Board have summarized and submitted the 2017 annual Business Report, Individual Financial Statements, Consolidated Financial Statements, and Profit Distribution Table. The Individual and Consolidated Financial Statements Of 2017 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,

2018 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 7, 2018



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Independent Auditors' Report

To the Board of Directors of Nishoku Technology Inc.:

Opinion

We have audited the financial statements of Nishoku Technology Inc. (“the Company”), which comprise the balance sheets as December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our 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(f) “Financial instruments” , and 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 term, 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 involves 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 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 auditors’ 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 auditors’ 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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 26, 2018

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 INC.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016				December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 819,679	12	202,756	3	2100	Short-term borrowings (note 6(f))	\$ 200,000	3	150,000	2
1170	Accounts receivable, net (notes 6(b) and 7)	134,269	2	59,980	1	2110	Short-term notes and bills payable (note 6(g))	49,982	1	-	-
130X	Inventories (note 6(c))	7,657	-	6,325	-	2170	Notes and Accounts payable	13,822	-	19,855	-
1470	Other current assets	28,335	-	24,236	-	2180	Accounts payable to related parties (note 7)	97,503	1	16,818	-
1476	Other current financial assets (notes 6(b), 7 and 8)	4,366	-	2,419	-	2300	Other current liabilities	113,411	2	133,823	3
		<u>994,306</u>	<u>14</u>	<u>295,716</u>	<u>4</u>	2320	Long-term liabilities, current portion (note 6(h))	<u>200,000</u>	<u>3</u>	<u>150,000</u>	<u>2</u>
								<u>674,718</u>	<u>10</u>	<u>470,496</u>	<u>7</u>
Non-current assets:						Non-Current liabilities:					
1551	Investments accounted for using equity method (note 6(d))	5,520,016	80	5,851,475	90	2540	Long-term borrowings (note 6(h))	1,200,000	17	600,000	10
1600	Property, plant and equipment (note 6(e))	335,972	5	343,782	5	2570	Deferred tax liabilities and others (note 6(j))	605,477	9	678,961	10
1840	Deferred tax assets (note 6(j))	70,416	1	35,998	1			<u>1,805,477</u>	<u>26</u>	<u>1,278,961</u>	<u>20</u>
1990	Other non-current assets	2,783	-	5,852	-			<u>2,480,195</u>	<u>36</u>	<u>1,749,457</u>	<u>27</u>
		<u>5,929,187</u>	<u>86</u>	<u>6,237,107</u>	<u>96</u>						
							Total liabilities				
							Equity attributable to owners (note 6(k))				
						3100	Ordinary share	793,033	11	793,033	12
						3200	Capital surplus	1,207,154	18	1,363,943	21
							Retained earnings:				
						3310	Legal reserve	436,603	6	376,396	6
						3320	Special reserve	38,354	1	-	-
						3350	Unappropriated retained earnings	2,149,862	31	2,288,348	35
								<u>2,624,819</u>	<u>38</u>	<u>2,664,744</u>	<u>41</u>
						3400	Other equity interest	(181,708)	(3)	(38,354)	(1)
							Total equity	<u>4,443,298</u>	<u>64</u>	<u>4,783,366</u>	<u>73</u>
Total assets		<u>\$ 6,923,493</u>	<u>100</u>	<u>6,532,823</u>	<u>100</u>		Total liabilities and equity	<u>\$ 6,923,493</u>	<u>100</u>	<u>6,532,823</u>	<u>100</u>

(English Translation of Financial Statements and Report Originally Issued in Chinese)
NISHOKU TECHNOLOGY INC.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		<u>2017</u>		<u>2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Operation Revenues (note 7)	\$ 415,040	100	445,679	100
4170	Less: Sales returns and allowance	914	-	1,150	-
	Net operating revenue	414,126	100	444,529	100
5000	Operating costs (notes 6(c), (i), 7 and 12)	302,322	73	309,440	70
	Gross profit from operations	111,804	27	135,089	30
6000	Operating expenses (notes 6(b), (i), (l) and 12):				
6100	Selling expenses	8,471	2	14,317	3
6200	Administrative expenses	96,856	23	120,644	27
6300	Research and development expenses	6,555	2	9,112	2
		111,882	27	144,073	32
	Net operating expense	(78)	-	(8,984)	(2)
	Non-operating income and expense:				
7010	Other income (note 6(o))	4,344	1	2,393	1
7020	Other gains and losses, net (notes 6(o) and (p))	(18,382)	(4)	2,280	1
7050	Finance costs	(14,048)	(3)	(11,745)	(3)
7070	Share of profit of subsidiaries accounted for using equity method	477,882	115	726,699	163
	Total non-operating income and expenses	449,796	109	719,627	162
7900	Profit from continuing operations before tax	449,718	109	710,643	160
7950	Less: Tax expense (note 6(j))	13,824	3	108,567	24
	Profit	435,894	106	602,076	136
8300	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	(172,716)	(42)	(373,486)	(84)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(j))	29,362	7	63,493	14
8300	Other comprehensive income (after tax)	(143,354)	(35)	(309,993)	(70)
	Total comprehensive income	<u>\$ 292,540</u>	<u>71</u>	<u>292,083</u>	<u>66</u>
9750	Basic earnings per share (NT dollars) (note 6(m))	<u>\$ 5.50</u>		<u>7.59</u>	
9850	Diluted earnings per share (NT dollars) (note 6(m))	<u>\$ 5.47</u>		<u>7.54</u>	

(English Translation of Financial statements and Report Originally Issued in Chinese.)

NISHOKU TECHNOLOGY INC.

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury shares	
Balance at January 1, 2016	\$ 802,653	1,396,350	342,453	-	2,052,035	271,639	(56,634)	4,808,496
Profit for the year ended December 31, 2016	-	-	-	-	602,076	-	-	602,076
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	(309,993)	-	(309,993)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	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 share	(9,620)	(16,546)	-	-	(30,468)	-	56,634	-
Balance at December 31, 2016	793,033	1,363,943	376,396	-	2,288,348	(38,354)	-	4,783,366
Profit for the year ended December 31, 2017	-	-	-	-	435,894	-	-	435,894
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(143,354)	-	(143,354)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	435,894	(143,354)	-	292,540
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	60,207	-	(60,207)	-	-	-
Special reserve appropriated	-	-	-	38,354	(38,354)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(475,819)	-	-	(475,819)
Capital surplus at cash dividends	-	(158,606)	-	-	-	-	-	(158,606)
Stock option compensation cost	-	1,817	-	-	-	-	-	1,817
Balance at December 31, 2017	\$ 793,033	1,207,154	436,603	38,354	2,149,862	(181,708)	-	4,443,298

Note 1: For the years ended December 31, 2017 and 2016, the directors' and supervisors' remuneration amounted to 7,000 and 8,720, and the employee remuneration amounted to 23,620 and 32,710, respectively. The amounts were deducted from the statements of comprehensive income in 2017 and 2016, respectively.

(English Translation of Financial Statements and Report Originally Issued in Chinese.)
NISHOKU TECHNOLOGY INC.

Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 449,718	710,643
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciate and amortization	15,677	17,680
Provision for bad debt expense	2,113	8,572
Reversal of inventory valuation and obsolescence	(478)	(547)
Interest expense	14,048	11,745
Interest revenue	(3,413)	(1,602)
Share of profit of subsidiaries accounted for using equity method	(477,882)	(726,699)
Divided Income from subsidiaries	575,782	166,914
Gain on disposal on property, plan and equipment	3	(424)
Stock option compensation cost	1,817	-
	127,667	(524,361)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	-	15,458
Accounts receivable	(76,402)	81,965
Inventories	(854)	5,193
Other current assets and other financial assets	(2,721)	(2,074)
	(79,977)	100,542
Changes in operating liabilities:		
Accounts payable	74,652	(94,287)
Other current liabilities	(27,077)	(930)
	47,575	(95,217)
Total changes in operating assets and liabilities	(32,402)	5,325
Total adjustments	95,265	(519,036)
Cash inflow generated from operations	544,983	191,607
Interest received	3,413	1,602
Interest paid	(14,048)	(11,745)
Income taxes paid	(23,981)	(954)
Net cash flows from operating activities	510,367	180,510
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(6,424)	(394)
Proceeds from disposal of property, plant and equipment	130	1,907
Increase in other non-current assets	(2,707)	(889)
Net cash flows from (used in) investing activities	(9,001)	624
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	50,000	(80,500)
Increase in short-term notes and bills payable	49,982	-
Increase in long-term debt	650,000	100,000
Cash dividends paid	(634,425)	(317,213)
Net cash flows from (used in) financing activities	115,557	(297,713)
Net increase (decrease) in cash and cash equivalents	616,923	(116,579)
Cash and cash equivalents at beginning of period	202,756	319,335
Cash and cash equivalents at end of period	\$ 819,679	202,756

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

To the Board of Directors of Nishoku Technology Inc.:

Opinion

We have audited the consolidated financial statements of Nishoku Technology Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 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" and 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 term, 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 involves 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" and 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, 2017 and 2016, 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.

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 26, 2018

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 INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2017		December 31, 2016		Liabilities and Equity		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 3,606,496	46	3,696,294	49	2100	Short-term borrowings (note 6(f))	\$ 437,560	5	343,500	5
1110	Financial assets at fair value through profit or loss (note 6(b))	620,298	8	352,562	5	2111	Short-term notes and bills payable (note 6(g))	49,982	1	-	-
1170	Accounts receivable, net (note 6(c))	1,342,527	17	1,444,595	19	2170	Notes and Accounts payable	566,714	7	539,861	7
130X	Inventories (note 6(d))	480,862	6	403,391	5	2300	Other current liabilities	373,947	5	416,654	6
1470	Other current assets	88,298	1	45,949	2	2320	Long-term liabilities, current portion (note 6(h))	200,000	3	150,000	2
1476	Other current financial assets (note 6(c) and 8)	14,798	-	7,706	-			1,628,203	21	1,450,015	20
		<u>6,153,279</u>	<u>78</u>	<u>5,950,497</u>	<u>80</u>						
Non-current assets:						Non-Current liabilities:					
1600	Property, plant and equipment (note 6(e))	1,495,836	19	1,417,562	19	2540	Long-term borrowings (note 6(h))	1,200,000	15	600,000	8
1840	Deferred tax assets (note 6(k))	78,027	1	37,044	-	2570	Deferred tax liabilities and others (note 6(k))	605,569	8	679,648	9
1915	Prepayments for equipment	55,031	1	-	-			1,805,569	23	1,279,648	17
1985	Long-term prepaid rents	75,595	1	81,878	1		Total liabilities	<u>3,433,772</u>	<u>44</u>	<u>2,729,663</u>	<u>37</u>
1990	Other non-current assets	19,302	-	26,048	-		Equity attributable to owners of parent (note 6(l)):				
		<u>1,723,791</u>	<u>22</u>	<u>1,562,532</u>	<u>20</u>	3100	Ordinary share	793,033	10	793,033	11
						3200	Capital surplus	1,207,154	15	1,363,943	18
							Retained earnings:				
						3310	Legal reserve	436,603	6	376,396	5
						3320	Special reserve	38,354	-	-	-
						3350	Unappropriated retained earnings	2,149,862	27	2,288,348	30
								<u>2,624,819</u>	<u>33</u>	<u>2,664,744</u>	<u>35</u>
						3400	Other equity interest	(181,708)	(2)	(38,354)	(1)
						3500	Treasury shares	-	-	-	-
							Total equity	<u>4,443,298</u>	<u>56</u>	<u>4,783,366</u>	<u>63</u>
Total assets		<u>\$ 7,877,070</u>	<u>100</u>	<u>7,513,029</u>	<u>100</u>		Total liabilities and equity	<u>\$ 7,877,070</u>	<u>100</u>	<u>7,513,029</u>	<u>100</u>

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in thousands of new taiwan dollars , Except Earnings Per Share)

		2017		2016	
		Amount	%	Amount	%
4110	Operation Revenues	\$ 4,092,690	102	4,213,054	102
4170	Less: Sales returns and allowance	73,182	2	76,109	2
	Net Operating revenues	4,019,508	100	4,136,945	100
5000	Operating costs (notes 6(d), (i), (j) and 12)	3,025,468	75	3,059,644	74
	Gross profit from operations	994,040	25	1,077,301	26
6000	Operating expenses: (notes 6(c), (i), (j), (m) and 12)				
6100	Selling expenses	62,440	2	75,664	2
6200	Administrative expenses	249,625	6	282,167	7
6300	Research and development expenses	85,059	2	101,573	2
		397,124	10	459,404	11
	Net operating income	596,916	15	617,897	15
	Non-operating income and expenses:				
7010	Other income (notes 6(p) and (r))	68,213	2	53,183	1
7020	Other gains and losses, net (notes 6(q) and (r))	(149,166)	(4)	109,293	3
7050	Finance costs, net	(17,405)	-	(15,117)	-
	Total non-operating income and expenses	(98,358)	(2)	147,359	4
7900	Profit from continuing operations before tax	498,558	13	765,256	19
7950	Less: Tax expense (note 6(k))	62,664	2	163,180	4
	Profit	435,894	11	602,076	15
8300	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	(172,716)	(4)	(373,486)	(9)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(k))	29,362	1	63,493	2
8300	Other comprehensive income (after tax)	(143,354)	(3)	(309,993)	(7)
8500	Total comprehensive income	\$ 292,540	8	292,083	8
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	\$ 435,894	11	602,076	15
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 292,540	8	292,083	8
	Basic earnings per share				
9750	Basic earnings per share (NT dollars) (note 6(n))	\$ 5.50		7.59	
9850	Diluted earnings per share (NT dollars) (note 6(n))	\$ 5.47		7.54	

(English Translation of Consolidated and Report Originally Issued in Chinese.)

NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in thousands of new taiwan dollars)

	Equity attributable to owners of parent								
	Share capital		Retained earnings			Total other equity interest		Total equity attributable to owners of parent	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury shares		
Balance at January 1, 2016	\$ 802,653	1,396,350	342,453	-	2,052,035	271,639	(56,634)	4,808,496	4,808,496
Profit for the year ended December 31, 2016	-	-	-	-	602,076	-	-	602,076	602,076
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	(309,993)	-	(309,993)	(309,993)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	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 share	(9,620)	(16,546)	-	-	(30,468)	-	56,634	-	-
Balance at December 31, 2016	793,033	1,363,943	376,396	-	2,288,348	(38,354)	-	4,783,366	4,783,366
Profit for the year ended December 31, 2017	-	-	-	-	435,894	-	-	435,894	435,894
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(143,354)	-	(143,354)	(143,354)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	435,894	(143,354)	-	292,540	292,540
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	60,207	-	(60,207)	-	-	-	-
Special reserve appropriated	-	-	-	38,354	(38,354)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(475,819)	-	-	(475,819)	(475,819)
Capital surplus at cash dividends	-	(158,606)	-	-	-	-	-	(158,606)	(158,606)
Stock option compensation cost	-	1,817	-	-	-	-	-	1,817	1,817
Balance at December 31, 2017	\$ 793,033	1,207,154	436,603	38,354	2,149,862	(181,708)	-	4,443,298	4,443,298

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)

NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in thousands of new taiwan dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 498,558	765,256
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	235,648	257,372
Provision for bad debt expense	993	10,149
Recognition losses on inventory valuation and obsolescence	1,526	11,886
Interest expense	17,405	15,117
Gain on disposal of property, plant and equipment	(1,113)	(3,590)
Net gain on financial assets at fair value through profit	(3,485)	(9,137)
Interest income	(53,056)	(33,385)
Stock option compensation cost	1,817	-
	<u>199,735</u>	<u>248,412</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(264,251)	69,224
Accounts receivable	101,076	39,762
Inventories	(78,997)	11,457
Other current assets and other financial assets	(29,873)	8,463
	<u>(272,045)</u>	<u>128,906</u>
Changes in operating liabilities:		
Accounts payable	26,853	7,382
Other current liabilities	(25,618)	(484)
	<u>1,235</u>	<u>6,898</u>
Total changes in operating assets and liabilities	<u>(270,810)</u>	<u>135,804</u>
Total adjustments	<u>(71,075)</u>	<u>384,216</u>
Cash inflow generated from operations	427,483	1,149,472
Interest received	53,056	33,385
Interest paid	(17,326)	(15,440)
Income taxes paid	(166,724)	(69,871)
Net cash flows from operating activities	<u>296,489</u>	<u>1,097,546</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(385,932)	(135,464)
Proceeds from disposal of property, plant and equipment	5,291	19,365
Increase in refundable deposits	(4,864)	(1,188)
Increase in other non-current assets	(15,128)	(10,373)
Net cash flows used in investing activities	<u>(400,633)</u>	<u>(127,660)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	94,060	(100,363)
Increase in short-term notes and bills payable	49,982	-
Increase in long-term debt	650,000	100,000
Decrease in guarantee deposits received	(463)	(144)
Cash dividends paid	(634,425)	(317,213)
Net cash flows from (used in) financing activities	<u>159,154</u>	<u>(317,720)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(144,808)</u>	<u>(291,632)</u>
Net increase (decrease) in cash and cash equivalents	<u>(89,798)</u>	<u>360,534</u>
Cash and cash equivalents at beginning of period	<u>3,696,294</u>	<u>3,335,760</u>
Cash and cash equivalents at end of period	<u>\$ 3,606,496</u>	<u>3,696,294</u>

Nishoku Technology Inc.**Earnings Distribution Proposal**

December 31, 2017

Unit : NT\$

Item	Amount
Beginning Unappropriated retained earnings	1,713,967,481
Plus :	
Net Income of 2017	435,894,047
Less :	
10% Legal Reserve	43,589,405
Special Reserve	143,354,297
Retained Earnings Available for Distribution as of December 31, 2017	1,962,917,826
Dividend Items :	
Cash Dividend to Common Share Holders (NT\$3/share)	237,909,858
Unappropriated Retained Earnings	1,725,007,968

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

Comparison Table for the Rules of Procedure for Board of Directors Meetings Before and After Revision

Revision	Original	Detail
<p>Chapter 5 Operation Content</p> <p>Article 10</p> <p>A company shall submit the following items for discussion by the board of directors:</p> <p>(1)Corporate business plan.</p> <p>(2)Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).</p> <p>(3) <u>Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act, and an assessment of the effectiveness of the internal control system.</u></p> <p>(4)Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational</p>	<p>Chapter 5 Operation Content</p> <p>Article 10</p> <p>A company shall submit the following items for discussion by the board of directors:</p> <p>(1)Corporate business plan.</p> <p>(2)Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).</p> <p>(3)Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act.</p> <p>(4)Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal</p>	<p>In accordance with official document Financial-Supervisory-Certificate-Issuance-Tzu-No. 106027112 issued by Financial Supervisory Commission dated Jul. 28, 2017, some descriptions shall be amended accordingly</p>

Revision	Original	Detail
<p>actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>(5)The offering, issuance, or private placement of any equity-type securities.</p> <p>(6)The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>(7)A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p>(8)Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors</p>	<p>of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>(5)The offering, issuance, or private placement of any equity-type securities.</p> <p>(6)The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>(7)A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p>(8)Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by</p>	

Revision	Original	Detail
<p>meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.</p> <p>The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and</p>	<p>the competent authority.</p> <p>The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.</p> <p>The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the</p>	

Revision	Original	Detail
<p>passed by a resolution of the board are exempted from inclusion in the calculation.</p> <p><u>If a company has an independent director or directors, at least one independent director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the board of directors under paragraph 1, each independent director shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded</u></p>	<p>calculation.</p> <p>If a company has an independent director or directors, each independent director shall attend in person any meeting concerning a matter that requires a resolution by the board of directors under Article 14-3 of the Act, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p>	

Revision	Original	Detail
<u>in the meeting minutes.</u>		
<p>Chapter 5 Operation Content</p> <p>Article 17</p> <p>Establishment of these Rules shall be subject to consent of the Board and raised to report at a Shareholders' Meeting.</p> <p>Any amendment to these Rules shall be authorized for resolution made by the Board of Directors.</p> <p>This article was made on 12 26, 2008.</p> <p>1st revision was made on Apr. 13, 2010.</p> <p>2nd revision was made on Apr. 25, 2011.</p> <p>3rd revision was made on Oct. 29, 2012.</p> <p><u>4th revision was made on May. 2, 2018.</u></p>	<p>Chapter 5 Operation Content</p> <p>Article 17</p> <p>Establishment of these Rules shall be subject to consent of the Board and raised to report at a Shareholders' Meeting.</p> <p>Any amendment to these Rules shall be authorized for resolution made by the Board of Directors.</p> <p>This article was made on 12 26, 2008.</p> <p>1st revision was made on Apr. 13, 2010.</p> <p>2nd revision was made on Apr. 25, 2011.</p> <p>3rd revision was made on Oct. 29, 2012.</p>	<p>Listing times and dates of amendments.</p>

Nishoku Technology Inc.
Rules and Procedures of Shareholders' Meeting

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 acception, and date of acception from shareholders before commencement of regular shareholders meeting. The date of acception 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

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 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.
- 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.
- For business operating requirements, the company's Board may set up salary reward commission or other commission with similar functions.
- 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.
1st revision was made on Nov. 10, 1983.
2nd revision was made on Jun. 15, 1984.
3rd revision was made on Aug. 12, 1987.
4th revision was made on Jun. 9, 1988.
5th revision was made on Mar. 14, 2000.
6th revision was made on Nov. 18, 2002.
7th revision was made on Jun. 30, 2007.
8th revision was made on Jan. 18, 2008.
9th revision was made on Mar. 19, 2008.
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Nishoku Technology Inc.
Rules of Procedure for Board of Directors Meetings
(before revision)

Chapter 1 Purpose

To develop a good governance system, supervision capabilities and management mechanism of the Company's Board of Directors, these rules and procedures (hereinafter referred as "Rules") are established in accordance with Article 2 of the Taiwan "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".

Chapter 2 Scope

A public company shall adopt rules of procedure for meetings of its board of directors; the main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for board meetings shall be handled in accordance with these Regulations.

Chapter 3 Definition

None.

Chapter 4 Responsibility

Meetings of the board of directors shall be called and chaired by the chairperson of the board.

Chapter 5 Operation Content

Article 1

A board of directors shall meet at least quarterly, which shall be set out in the rules of procedure.

The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.

The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.

The matters described in the subparagraphs under Paragraph 1, Article 10, Chapter 5 of these Rules shall be set out in the meeting notice and may not be raised by an extraordinary motion, except in an emergency or for good reason.

Article 2

The Company's Financial unit is designated to handle the administrative matters relating to the Company's Board meetings.

The agenda working group shall prepare agenda items for board of directors meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the

meeting.

A director of the opinion that the pre-meeting materials provided are insufficiently comprehensive may request the agenda working group to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the board of directors.

Article 3

When a meeting of the board of directors is held, an attendance book shall be made ready for signature by directors attending the meeting and thereafter made available for future reference.

All board directors shall attend board meetings in person; if attendance in person is not possible, they may, pursuant to the company's articles of incorporation, appoint another director to attend as their proxy. Attendance via tele- or video-conference is deemed as attendance in person.

A director appointing another director to attend a board meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting.

A proxy under paragraph 2 may accept a proxy from one person only.

Article 4

A board of directors meeting shall be held at the location and during the business hours of the company, or at a place and time convenient to all directors and suitable for holding such a meeting.

Article 5

The Company's Board meetings shall be convened by the Chairperson of the Board, who shall act as chairperson of the meeting, provided, however, that the first Board meeting of each term after an election of Directors shall be convened by the Director who received the ballots representing the highest number of votes at a general meeting, with that Director acting as the chairperson of the meeting. In the event that there is more than one Director who has the power to convene such meeting, such Directors shall agree among themselves as to who shall act as the chairperson of the meeting.

When the chairperson of the board is on leave or for any reason is unable to exercise the powers of the chairperson, the vice chairperson shall do so in place of the chairperson, or, if there is no vice chairperson or the vice chairperson also is on leave or for any reason is unable to act, by a managing director designated by the chairperson, or, if there is no managing director, by a director designated thereby, or, if the chairperson does not make such a designation, by a managing director or director elected by and from among

themselves.

Article 6

Upon convening the Company's Board meeting, the management (or the Financial unit appointed by the Board) shall prepare relevant information readily available to Directors present at the meeting for reference.

When holding a meeting of the board of directors, a company may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants.

When necessary, the company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

When the time of a meeting has arrived and one-half all board directors are not present, the meeting chair may announce postponement of the meeting time, provided that only two postponements may be made. If the quorum is still not met after two such delays, the chair shall re-call the meeting following the procedures provided in Article 1, paragraph 2.

The term "all board directors " as used in the preceding paragraph and in Article 15, paragraph 2, subparagraph 2 shall be calculated as the number of directors then in office.

Article 7

A company shall record on audio or video tape the entire proceedings of a board of directors meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a board of directors meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where a board of directors meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the company.

Article 8

Agenda items for regular board of directors meetings shall include at least the following:

(1) Reports:

- A. Minutes of the last meeting and actions arising.
- B. Reporting on important financial and business matters.
- C. Reporting on internal audit activities.
- D. Other important matters to be reported.

(2) Discussions:

- A. Items discussed and continued from the last meeting.
- B. Items for discussion at this meeting.

(3)Extraordinary motions.

Article 9

A board of directors meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.

The meeting chair may not declare the meeting closed without the approval of a majority of directors present at the meeting.

If at any time during the proceeding of a board of directors meeting the directors sitting at the meeting are not more than half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the chair shall declare a suspension of meeting, in which case Article 6, paragraph 3 of the preceding article shall apply mutatis mutandis.

Article 10

A company shall submit the following items for discussion by the board of directors:

- (1)Corporate business plan.
- (2)Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).
- (3)Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act.
- (4)Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- (5)The offering, issuance, or private placement of any equity-type securities.
- (6)The appointment or discharge of a financial, accounting, or internal audit officer.
- (7)A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
- (8)Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most

recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

If a company has an independent director or directors, each independent director shall attend in person any meeting concerning a matter that requires a resolution by the board of directors under Article 14-3 of the Act, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article 11

After attending the speeches of the directors, the chairman may answer the questions in person or by designating the relevant person, or designate the attending professional to provide relevant necessary information.

If the directors have repeated speeches on the same motion and the speeches exceed the agenda, affecting other directors to speak or obstruct the proceedings, the chairman may stop his speech.

Article 12

The Chairperson may declare an end to discussion of a proposal in the agenda if he or she deems the proposal in discussion is ready for a vote and may then have the proposal voted on.

When the Directors are deliberating a resolution to be adopted in a meeting of the Board, the resolution shall be deemed approved and voted on by the Board if all Directors present at the meeting consent to the passing of such resolution without raising any objection when the Chairperson puts forward the relevant resolutions for approval. If, upon the Chairperson proposing the relevant resolution for approval, a Director states his or her dissent, the resolution shall be voted on in the manner set out below.

Formal votes may be cast in one of the following manners as determined by the Chairperson, provided, however, that when a person present at the meeting voices his or her objection, the decision shall be made according to a majority vote:

- (1) Vote by show of hands or a vote by voting machine;
- (2) Roll-call vote;
- (3) Vote by ballots;

(4) Any other voting method as determined by the Board.

For purpose of the second paragraph, the phrase “all Directors present at the meeting” does not include Directors who may not exercise their voting rights in accordance with the provisions under Paragraph 1, Article 14 of these Rules.

Article 13

Unless a higher approval threshold is required under the Taiwan SEA and the Taiwan Company Law, a proposal to be resolved at the Company’s Board meeting shall be approved by consent of a majority of the Directors present at the meeting attended by a majority of all Directors.

In the case of an amendment or substitute to a proposal and to the extent that is permissible under applicable laws, the chairperson shall decide on the order of voting by combining the amendment or substitute with the same proposal. However, if one of the proposals has been approved, the others shall be deemed over-ruled and no further vote is required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

Results of the votes shall be announced on the spot and recorded.

For so long as the Company's shares are traded on the emerging stock market or listed on the Taipei Exchange (TPEX) or the Taiwan Stock Exchange in Taiwan, if either of the following happens to the resolution of the Board meeting, the fact should be specified in the meeting minutes and be published and reported on the Market Observation Post System designated by the Taiwan Financial Supervisory Commission of the Board meeting.

Article 14

If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.

The provisions of Article 180, paragraph 2 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 2 of that Act, apply to resolutions of board of directors meetings when a board director is prohibited by the preceding paragraph from exercising voting rights.

Article 15

Minutes shall be prepared of the discussions at board of directors meetings. The meeting minutes shall record the following:

(1) Session (or year), time, and place of meeting.

- (2) Name of the meeting chair.
- (3) Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.
- (4) Names and titles of those attending the meeting as nonvoting participants.
- (5) Name of minutes taker.
- (6) Matters reported on.
- (7) Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in Article 14, paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Article 10, paragraph 4.
- (8) Extraordinary motions: the name of the mover; the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in Article 10, paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
- (9) Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website designated by the competent authority:

- (1) Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
- (2) If the company has an audit committee, any matter that has not been passed by the audit committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee.

The attendance book forms a part of the minutes for each board of directors meeting and shall be well preserved during the existence of the company.

The minutes of a board of directors meeting shall bear the signature or seal of both the meeting chair and the minutes taker; a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting and well preserved as important company records during the existence of the company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

Article 16

Except for the matters as set forth in Paragraph 1 of Article 10, chapter 5 of the Rules which shall be raised at the Company's Board meeting for discussion, subject to the applicable law and the Memorandum and Articles of Association, the matters to be executed by the Chairpersons as authorized by the Board are specified as below:

- (1) All matters within the scope of business.
- (2) The matters shall be executed in accordance with the approved authority level, management policies and procedures.
- (3) All matters have been approved by resolution at a shareholders' meeting or board of directors to provide the authorized the Chairpersons with full power to execute in accordance with relevant law.

Article 17

Establishment of these Rules shall be subject to consent of the Board and raised to report at a Shareholders' Meeting.

Any amendment to these Rules shall be authorized for resolution made by the Board of Directors.

This article was made on 12 26, 2008.

1st revision was made on Apr. 13, 2010.

2nd revision was made on Apr. 25, 2011.

3rd revision was made on Oct. 29, 2012.

Shareholding Status of Directors and Supervisors

1. By block closure date of this shareholders meeting on April 16, 2018, 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%	2,287,027	2.88%
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%
Total shares of directors				10,641,212	13.26%	10,671,212	13.45%
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%
Total shares of supervisors				836,865	1.04%	836,865	1.06%