



Nishoku Technology Inc.

General Shareholders' Meeting 2020
Meeting Handbook
(Translation)

Time : 9:00A.M., Tuesday, June 16, 2020

Location : Amazing Hall Xinzhuang Branch Theatre B

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

Note to Readers :

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

Nishoku Technology Inc.
Handbook for the 2020 Annual Meeting of Shareholders

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[Meeting Procedure]

Time: 9:00 a.m. on Tuesday, June 16, 2020

Location: Amazing Hall, Xinzhuang Branch

(Theater B, No. 40, Siyuan Rd., Xinzhuang Dist., New Taipei City, Taiwan)

1. Call the Meeting to Order

2. Chairperson's address

3 Report Items

(1) 2019 Business Reports

(2) Audit Committee's Review Reports

(3) Report of all endorsements and guarantees tendered in 2019

(4) Report on the Distributions of the Remunerations to the Company's Employees and Directors for 2019

(5) Report on the Distributions of the Cash Dividends for 2019

4. Acknowledgments

(1) Adoption of the 2019 Business Report and Financial Statements

(2) Adoption of the Proposal for Distribution of 2019 Earnings

5. Discussion Items

(1) Amendment to the "Articles of Incorporation"

(2) Amendment to the "Rules and Procedures of Meetings of Shareholders"

6. Extemporary Motions

7. Adjournment

[Report Items]

Report No. 1

The 2019 Business Report

Explanation:

The 2019 Business Report is attached as Appendix I.

Report No. 2

The Audit Committee's Review Report on the 2018 Financial Statements

Explanation:

The 2019 Audit Committee's Review Report is attached as Appendix II.

Report No. 3

All Endorsement/Guarantees Tendered in 2019

Explanation:

The Status Of Endorsement And Guarantee of the company and its subsidiaries in 2019 is stated as follows:

December 31, 2019 Unit: NT\$ thousand

Company Name Of Endorser	Endorseees		Balance Of Endorsements -End	Accumulative Endorsement as a Percentage of current net worth (%)
	Company Name	Relation		
Nishoku Technology Inc.	SAME START LIMITED (Anguilla)	Subsidiary, 100% owned by Nishoku Technology Inc. through reinvestment via SUN NICE (SAMOA)	509,660	12.92%
Nishoku Technology Inc.	NISHOKU TECHNOLOGY VIETNAM Co., Ltd.	Subsidiary, 100% owned by Nishoku Technology Inc.	989,340	25.09%
Nishoku Technology Inc.	NISHOKU BOUEKI CO., LTD.	Subsidiary, 100% owned by Nishoku Technology Inc.	129,960	3.30%
Total (the Company)			1,628,960	
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.	SAME START LTD. (Anguilla)	Affiliated enterprise	14,990	0.59%
Total (all subsidiaries)			14,990	

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/Guarantees” of Nishoku Technology Inc., the limit of endorsement/guarantees made to subsidiaries in which the Company holds directly or indirectly 100% of the voting shares is not restricted to the limit for endorsement/guarantees to one single entity; provided that it shall not exceed the accumulated total of endorsement/guarantees to other entities. As of Mar. 31, 2020, the balance of the Company’s endorsement/ guarantees accounted for 31.78% of the Company’s net worth.

Report No. 4

Report on the distributions of the remunerations to the Employees and Directors for 2019

Explanation:

1. Pursuant to Article 20 of the Company’s Articles of Incorporation, in circumstances where the Company has an annual profit, the Company shall appropriate remuneration of no less than 1% and no higher than 5% to employees and directors, respectively.
2. The Company’s 2019 remuneration to employees and directors has been approved by the Remuneration Committee and the Board are NT\$ 22,100,000 and NT\$ 7,925,000, respectively. The compensations shall be distributed in form of cash.

Report No. 5

Report on the Distributions of the Cash Dividends for 2019

Explanation:

1. Pursuant to Article 20 of the Company’s Articles of Incorporation, the Board is authorized to distribute dividends and bonuses in cash after resolution, and submitted such distribution to the shareholders’ meeting.
2. The 2019 profit distributable to shareholders totaling NT\$ 249,184,916 is proposed and approved by special resolution to be distributed in the form of cash only, of NT\$ 4 per share. Cash dividends distributed are rounded down to the nearest NTD 1. The fractional amount is recorded under the Company’s other revenue, and the Chairman is authorized to determine the ex-dividend date and distribution date. If the number of shares participating in the distribution is affected by the Company’s buying back, transfer of treasury stock, convert or cancellation, or conversion of employee share subscription warrant by issuance or conversion, and thus requires adjustment to the percentage of dividends distributable in cash, the Chairman is fully authorized to handle such matters.

[Acknowledgment]

Proposal No.1

(Proposed by the Board of Directors)

Adoption of the 2019 Business Report and Financial Statements

Explanation:

1. The Company's 2019 financial statements and business report have been approved by the Board. The financial statements have been audited by CPAs Cheng-Chien Chen and Yung-Hua Huang of KPMG, and audit reports have been made accordingly.
2. The 2019 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached in the Meeting Agenda as Appendix I, III and IV.

Resolutions:

Proposal No.2

(Proposed by the Board of Directors)

Adoption of the Proposal for Distribution of 2019 Earnings .

Explanation:

1. The distribution of 2019 the Company's retained earnings is proposed in accordance to the Articles of Incorporation. The beginning undistributed earnings was NT\$ 1,737,564,698, plus 2019 net profit of NT\$ 337,622,271, deduct the legal reserve of NT\$ 33,762,227 appropriated and the special reserve of NT\$ 137,977,559, the distributable retained earnings is calculated to NT\$ 1,903,447,183.
2. The 2019 Earnings Distribution Table is attached in the Meeting Agenda as Appendix V.

Resolution:

[Discussion Items]

Proposal No.1

(Proposed by the Board of Directors)

Amendment to the “Articles of Incorporation”

Explanation:

- 1.The legal reserve appropriated pursuant to Article 237 of the Company Act, shall be appropriated based on the “Profit after tax of current year and undistributed earnings other than profit after tax” in accordance to Jing-Shang Letter No. 10802432410 by the Ministry of Economic Affairs.
2. The Comparison Table Before and After Amendment to “Articles of Incorporation” is attached in the Meeting Agenda as Appendix VI.

Resolution:

Proposal No.2

(Proposed by the Board of Directors)

Amendment to the “Rules and Procedures of Meetings of Shareholders”

Explanation:

1. According to the Sample Template for “XXX Co., Ltd. Rules of Procedure for Shareholders Meetings” amended per January 2, 2020 Letter No. Taiwan-Stock-Governance-10800242211. Please refer to the comparison chart of amendments below.
2. The Comparison Table Before and After Amendment to the” Rules and Procedures of Meetings of Shareholders” attached in the Meeting Agenda as Appendix VII.

Resolution:

[Extemporary Motions]

[Adjournment]

Nishoku Technology Inc.
2019 Business Report

Appendix 1

1. The 2019 Business result:

(1) Performance Of Business Plan

The consolidated operating revenue for the year 2019 was NT\$ 3.957 billion, which is a decrease of 6% from the previous year. The annual gross margin was 22.21%. The earnings after tax was NT\$5.42 per share, with an increase of NT\$ 2.07 from the previous year. Due to the 2019 global economy impact of the Sino-US trade war, the market demand was weakened and revenue was decreased compared to last year. However, due to the optimization of product manufacturing processes, profit performance has improved compared to last year.

Unit: NT\$ thousand

Item \ Year	2019	2018	Percentage of change (%)
Net operating income	3,957,144	4,218,842	(6%)
Operating cost	3,078,431	3,421,025	(10%)
Gross profit	878,713	797,817	10%
Operating profit	379,003	318,255	19%
Non-Operating Income	45,548	141,736	(68%)
Profit before tax	424,551	459,991	(8%)
Profit after tax	337,622	241,752	40%
Gross profit (%)	22.21%	18.91%	
Operating profit (%)	9.58%	7.54%	

(2) Status of Budget Execution

Not available as Nishoku Technology Inc. had not declared 2019 financial forecast.

(3) Financial Receipt and Expenditure, and Profitability Analysis

Items of analysis		2019	2018
Solvency Structure & Financial	Current ratio (%)	299.43	303.42
	Quick ratio (%)	274.28	274.34
	Interest coverage ratio	16.98	19.10
	Debt to assets ratio (%)	49.32	46.65

Items of analysis		2019	2018
Profitability	ROA (%)	4.74	3.44
	Return on shareholders' equity (%)	8.58	5.78
	Income before tax as a percentage of paid-in capital (%)	68.15	73.84
	Net profit rate (%)	8.53	5.73
	After tax EPS (NTD)	5.42	3.35

(4) Status of R&D

Besides discussing with the end customers about the design in aim to grasp the opportunities, the Company also has been dedicating itself in studying the key technologies and production capabilities. With the coupling of existing mature technologies, the Company has extended the technology to multiple compound production process and continued to develop new production processes. For example, the waterproof TPR materials, electronic parts such as FPC flexible board, IMR laser spraying production technologies. The technologies not only provides customers with diverse and refined choices, but also become the core for saving post processing costs and creating profits.

2. 2020 Business Prospects

(1) Business strategy

1. Introduce the environmentally friendly processes and use environmentally friendly materials to improve the Company's competitiveness as a green industry.
2. Accelerate the expansion of the Vietnamese market development and production scale to achieve synergy in the production economy.
3. Proactively cultivate and recruit talents, optimize the performance reward system and enhance the completeness of key talents to enhance competitiveness.
4. Continue to optimize the product portfolio, effectively implement cost control, and pursue the maximization of shareholders' equity.

(2) Forecast of Sales Quantity and Its Basis

The Company took into the account the the overall external environmental changes and future developments in the estimation of future sales volume, based on which, the Company formulates with reference to past business operation, Company's current status and future development trend. As the Company does not disclose its 2020 financial forecast, the estimated sales volume shall not be disclosed.

(3) Policies on Production and Marketing

1. Continue to improve production process capability and yield, improve operating efficiency, and enhance cost control.
2. Actively develop new market applications, expand product width, and maintain the market competitiveness.
3. Continue to expand global product lines and sales regions to reduce the operational risk of excessively concentrated product development.

3. Future Developing Strategies of Company

In face of the rapid changes and challenges of the domestic and international environment, the future development strategies are as follows:

1. In response to the transfer of orders due to the Sino-US trade war, we will accelerate the expansion of the production base in Vietnam to meet the order demands.
2. Improve industrial green technology, we are expected to add water-based spraying process, and solidify the core competitiveness of enterprises.
3. We will accelerate the development of various automated processes to improve efficiency and streamline manpower.
4. We will take an proactive approach in the development of new market application areas and further research on the compound process. We will seek the integration of the midstream and downstream industry chains to create comprehensive benefits.

4. Impacts of the external competitive environment, regulatory environment, and the overall business environment

The Sino-US trade war has been going on for one year, and affecting the economy, finance, national strategy and politics. The economy and politic in the world is now in a state of uncertainty. However, the Company took advantage of the opportunities brought by the Sino-US trade war to accelerate the expansion of the Vietnamese market and economy scale of development and production. At the same time, we continue to commit to the integration of group resources and organizations to improve internal efficiency and strengthen risk management to meet future challenges with a stable operating robustness. Moreover, the Company lay emphasis on the dynamics of the external competitive environment to respond to changes in the market environment and fully grasp the changes in relevant regulations. We stay prepared and take appropriate response measures to reduce the operational risks of future industry and overall environmental changes.

Nishoku Technology Inc.

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

Audit Committee's Review Report

Date: April 30, 2020

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit the Company's Individual and Consolidated Financial Statements and has issued an unqualified opinion. The aforementioned Business Report, Financial Statements, and proposal for allocation of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Sincerely,

The 2020 Annual Meeting of Shareholders

Nishoku Technology Inc.

Convener of the Audit Committee: Chan, Chin-Hung



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KPMG

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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 of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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's financial statements are stated as follows:

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 :

Our principal audit procedures on the impairment assessment of accounts receivable of the investments accounted for using equity method included assessing whether the 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. With respect to 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(including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' 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 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 auditors' 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 investment in other entities accounted for using the equity method to express an opinion on the 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 Sheng-Ho Yu.

KPMG

Taipei, Taiwan (Republic of China) March
12, 2020

Notes to Readers

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

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

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

Balance Sheets December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2019</u>		<u>December 31, 2018</u>				<u>December 31, 2019</u>		<u>December 31, 2018</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 816,639	12	200,125	3	2100	Short-term borrowings (note 6(h))	\$ 510,000	8	560,000	9
1170	Notes and accounts receivables, net (notes 6(c) and 7)	66,264	1	120,065	2	2110	Short-term notes and bills payable (note 6(i))	149,994	2	99,985	2
130X	Inventories (note 6(d))	9,135	-	7,832	-	2170	Accounts payable	9,566	-	15,980	-
1470	Other current assets	5,958	-	6,685	-	2180	Accounts payable to related parties (note 7)	68,588	1	89,732	1
1476	Other current financial assets (note 7)	<u>4,727</u>	<u>-</u>	<u>4,124</u>	<u>-</u>	2280	Current lease liabilities (note 6(k))	3,446	-	-	-
		<u>902,723</u>	<u>13</u>	<u>338,831</u>	<u>5</u>	2300	Other current liabilities	<u>82,132</u>	<u>1</u>	<u>74,877</u>	<u>1</u>
								<u>823,726</u>	<u>12</u>	<u>840,574</u>	<u>13</u>
Non-current assets:						Non-Current liabilities:					
1551	Investments accounted for using equity method (notes 6(e) and 7)	5,366,167	81	5,706,952	89						
1600	Property, plant and equipment (note 6(f))	307,741	5	322,537	5	2540	Long-term borrowings (note 6(j))	1,000,000	15	900,000	14
1755	Right-of-use assets (note 6(g))	4,964	-	-	-	2570	Deferred tax liabilities (note 6(m))	788,088	12	718,545	11
1840	Deferred income tax assets (note 6(m))	92,093	1	62,980	1	2580	Non-current lease liabilities (note 6(k))	1,548	-	-	-
1990	Other non-current assets	<u>4,474</u>	<u>-</u>	<u>5,141</u>	<u>-</u>	2650	Credit balance of investments accounted for using equity method (notes 6(e) and 7)	<u>121,340</u>	<u>2</u>	<u>49,752</u>	<u>1</u>
		<u>5,775,439</u>	<u>87</u>	<u>6,097,610</u>	<u>95</u>			<u>1,910,976</u>	<u>29</u>	<u>1,668,297</u>	<u>26</u>
							Total liabilities	<u>2,734,702</u>	<u>41</u>	<u>2,508,871</u>	<u>39</u>
							Equity attributable to owners (note 6(n)):				
						3100	Ordinary shares	<u>622,962</u>	<u>9</u>	<u>622,962</u>	<u>10</u>
						3200	Capital surplus	<u>959,124</u>	<u>14</u>	<u>955,989</u>	<u>15</u>
							Retained earnings:				
						3310	Legal reserve	504,367	8	480,192	7
						3320	Special reserve	199,839	3	181,708	3
						3350	Unappropriated retained earnings	<u>1,994,985</u>	<u>30</u>	<u>1,886,558</u>	<u>29</u>
								<u>2,699,191</u>	<u>41</u>	<u>2,548,458</u>	<u>39</u>
						3400	Other equity interest	<u>(337,817)</u>	<u>(5)</u>	<u>(199,839)</u>	<u>(3)</u>
							Total equity	<u>3,943,460</u>	<u>59</u>	<u>3,927,570</u>	<u>61</u>
Total assets		\$ 6,678,162	100	6,436,441	100	Total liabilities and equity		\$ 6,678,162	100	6,436,441	100

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

NISHOKU TECHNOLOGY INC.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	
4110	Operating revenues (notes 6(q) and 7)	\$ 309,608	100	375,183	100
4170	Less: Sales returns and allowances	296	-	574	-
	Net Operating revenues	309,312	100	374,609	100
5000	Operating costs (notes 6(d), (g), (l), 7 and 12)	232,141	75	270,524	72
	Gross profit from operations	77,171	25	104,085	28
6000	Operating expenses (notes 6(c), (g), (l), (o) and 12)				
6100	Selling expenses	6,496	2	7,447	2
6200	Administrative expenses	99,630	32	104,538	28
6300	Research and development expenses	11,169	4	8,173	2
6450	Expected credit gain	(179)	-	(2,235)	(1)
		117,116	38	117,923	31
	Net operating loss	(39,945)	(13)	(13,838)	(3)
	Non-operating income and expenses:				
7010	Other income (note 6(s))	15,470	5	16,550	4
7020	Other gains and losses, net (note 6(t))	(25,482)	(8)	34,962	9
7050	Finance costs, net	(17,100)	(6)	(19,397)	(5)
7070	Share of profit of subsidiaries accounted for using equity method	481,764	156	391,626	105
	Total non-operating income and expenses	454,652	147	423,741	113
7900	Profit before tax	414,707	134	409,903	110
7950	Less: Income tax expenses (note 6(m))	77,085	25	168,151	45
	Profit	337,622	109	241,752	65
8300	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(172,472)	(56)	(22,664)	(6)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(m))	(34,494)	(11)	(4,533)	(1)
8300	Other comprehensive income (after tax)	(137,978)	(45)	(18,131)	(5)
8500	Total comprehensive income	<u>\$ 199,644</u>	<u>64</u>	<u>223,621</u>	<u>60</u>
	Basic earnings per share				
9750	Basic earnings per share (NT dollars) (note 6(p))	\$	5.42		3.35
9850	Diluted earnings per share (NT dollars) (note 6(p))	\$	5.39		3.33

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

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

	<u>Share capital</u>		<u>Retained earnings</u>			<u>Other equity interest</u>		
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Treasury shares</u>	<u>Total equity</u>
Balance at January 1, 2018	\$ 793,033	1,207,154	436,603	38,354	2,149,862	(181,708)	-	4,443,298
Profit for the year ended December 31, 2018	-	-	-	-	241,752	-	-	241,752
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(18,131)	-	(18,131)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	241,752	(18,131)	-	223,621
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	43,589	-	(43,589)	-	-	-
Special reserve appropriated	-	-	-	143,354	(143,354)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(237,910)	-	-	(237,910)
Capital surplus at cash dividends	-	(237,910)	-	-	-	-	-	(237,910)
Stock option compensation cost	-	4,228	-	-	-	-	-	4,228
Treasury stock acquired	-	-	-	-	-	-	(112,016)	(112,016)
Capital reduction by cash	(158,607)	-	-	-	-	-	2,866	(155,741)
Treasury stock retired	(11,464)	(17,483)	-	-	(80,203)	-	109,150	-
Balance at December 31, 2018	622,962	955,989	480,192	181,708	1,886,558	(199,839)	-	3,927,570
Profit for the year ended December 31, 2019	-	-	-	-	337,622	-	-	337,622
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(137,978)	-	(137,978)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	337,622	(137,978)	-	199,644
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	24,175	-	(24,175)	-	-	-
Special reserve appropriated	-	-	-	18,131	(18,131)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(186,889)	-	-	(186,889)
Stock option compensation cost	-	3,135	-	-	-	-	-	3,135
Balance at December 31, 2019	\$ 622,962	959,124	504,367	199,839	1,994,985	(337,817)	-	3,943,460

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

NISHOKU TECHNOLOGY INC.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 414,707	409,903
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	17,414	15,298
Expected credit gain	(179)	(2,235)
Interest expense	17,100	19,397
Interest income	(11,025)	(12,750)
Stock option compensation cost	3,135	4,228
Share of profit of subsidiaries accounted for using equity method	(481,764)	(391,62)
Divided income from subsidiaries	46,478	203,998
Loss on disposal of property, plant and equipment	11	-
Reversal of inventory valuation and obsolescence	(121)	(284)
Others	(3,374)	-
Total adjustments to reconcile profit (loss)	(412,325)	(163,974)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivables (including related parties)	53,980	16,439
Inventories	(1,182)	109
Other current assets and other financial assets	1,665	(1,261)
	54,463	15,287
Changes in operating liabilities:		
Notes and accounts payables (including related parties)	(27,558)	(5,614)
Other current liabilities	11,389	(374)
	(16,169)	(5,988)
Total changes in operating assets and liabilities	38,294	9,299
Total adjustments	(374,031)	(154,675)
Cash inflow generated from operations	40,676	255,228
Interest received	9,133	12,750
Interest paid	(17,009)	(19,394)
Income taxes paid	(5,944)	(35,863)
Net cash flows from operating activities	26,856	212,721
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of subsidiaries accounted for using equity method	678,296	-
Acquisition of property, plant and equipment	(169)	(622)
Proceeds from disposal of property, plant and equipment	2,320	1,549
Increase (decrease) in other non-current assets	(413)	375
Net cash flows from investing activities	680,034	1,302
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(50,000)	360,000
Increase in short-term notes and bills payable	50,000	50,000
Proceeds from (repayments of) long-term borrowings	100,000	(500,000)
Payment of lease liabilities	(3,487)	-
Cash dividends paid	(186,889)	(475,820)
Treasury stock acquired	-	(112,016)
Capital reduction by cash	-	(155,741)
Net cash flows used in financing activities	(90,376)	(833,577)
Net increase (decrease) in cash and cash equivalents	616,514	(619,554)
Cash and cash equivalents at beginning of period	200,125	819,679
Cash and cash equivalents at end of period	\$ 816,639	200,125



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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, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect 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 of accounts receivable

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

Description of key audit matter:

The Group engages in business primarily with clients which 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. Impairment of inventory

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the inventories valuation policies 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 Nishoku Technology Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Sheng-Ho Yu.

KPMG

Taipei, Taiwan (Republic of China)

March 12, 2020

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Balance Sheets December 31, 2019 and 2018
 (Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2019</u>		<u>December 31, 2018</u>				<u>December 31, 2019</u>		<u>December 31, 2018</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 3,539,799	46	3,343,043	45	2100	Short-term borrowings (note 6(g))	\$ 824,790	10	805,720	11
1110	Current financial assets at fair value through profit or loss (note 6(b))	449,429	6	263,890	4	2111	Short-term notes and bills payable (note 6(h))	149,994	2	99,985	2
1170	Notes and accounts receivables, net (note 6(c))	1,395,940	18	1,348,674	18	2170	Accounts payable	604,378	8	601,303	8
130X	Inventories (note 6(d))	475,628	6	498,520	7	2280	Current lease liabilities (note 6(j))	59,531	1	-	-
1470	Other current assets	35,229	-	48,535	1	2300	Other current liabilities	334,256	4	308,790	4
1476	Other current financial assets (note 8)	11,567		6,902				1,972,949	25	1,815,798	25
		<u>5,907,592</u>	<u>76</u>	<u>5,509,564</u>	<u>--</u>		Non-Current liabilities:				
	Non-current assets:					2540	Long-term borrowings (note 6(i))	1,000,000	13	900,000	12
1600	Property, plant and equipment (note 6(e))	1,531,841	20	1,649,355	22	2570	Deferred tax liabilities (note 6(m))	788,926	10	718,969	10
1755	Right-of-use assets (note 6(f))	134,970	2	-	-	2580	Non-current lease liabilities (note 6(j))	75,586	1	-	-
1840	Deferred income tax assets (note 6(m))	96,553	1	67,536	1			1,864,512	24	1,618,969	22
1915	Prepayments for equipment	15,555	-	40,236	1		Total liabilities	3,837,461	49	3,434,767	47
1985	Long-term prepaid rents	70,173	1	74,350	1		Equity attributable to owners of parent (note 6(n)):				
1990	Other non-current assets	24,237		21,296		3100	Ordinary shares	622,962	8	622,962	8
		<u>1,873,329</u>	<u>24</u>	<u>1,852,773</u>	<u>--</u>	3200	Capital surplus	959,124	12	955,989	13
							Retained earnings:				
						3310	Legal reserve	504,367	6	480,192	7
						3320	Special reserve	199,839	3	181,708	2
						3350	Unappropriated retained earnings	1,994,985	26	1,886,558	26
								2,699,191	35	2,548,458	35
						3400	Other equity interest	(337,817)	(4)	(199,839)	(3)
							Total equity	3,943,460	51	3,927,570	53
	Total assets	\$ 7,780,921	100	7,362,337	100		Total liabilities and equity	\$ 7,780,921	100	7,362,337	100

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

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	
4110	Operating revenues (note 6(q))	\$ 4,026,762	102	4,285,754	102
4170	Less: Sales returns and allowances	69,618	2	66,912	2
	Net Operating revenues	3,957,144	100	4,218,842	100
5000	Operating costs (notes 6(d), (f), (l) and 12)	3,078,431	78	3,421,025	81
	Gross profit from operations	878,713	22	797,817	19
6000	Operating expenses: (notes 6(c), (f), (l), (o), (r) and 12)				
6100	Selling expenses	77,584	2	68,560	2
6200	Administrative expenses	310,153	8	294,023	7
6300	Research and development expenses	112,711	3	104,695	2
6450	Expected credit loss	(738)	-	12,284	-
		499,710	13	479,562	11
	Net operating income	379,003	9	318,255	8
	Non-operating income and expenses:				
7010	Other income (note 6(s))	104,711	3	95,863	2
7020	Other gains and losses, net (note 6(t))	(32,593)	(1)	71,281	2
7050	Finance costs, net	(26,570)	(1)	(25,408)	(1)
	Total non-operating income and expenses	45,548	1	141,736	3
7900	Profit before tax	424,551	10	459,991	11
7950	Less: Income tax expenses (note 6(m))	86,929	2	218,239	5
	Profit	337,622	8	241,752	6
8300	Other comprehensive income (loss):				
8360	Item that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(172,472)	(4)	(22,664)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(m))	34,494	1	4,533	-
8300	Other comprehensive income (after tax)	(137,978)	(3)	(18,131)	(1)
8500	Total comprehensive income	\$ 199,644	5	223,621	5
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	\$ 337,622	8	241,752	6
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 199,644	5	223,621	5
9750	Basic earnings per share (NT dollars) (note 6(p))	\$ 5.42		3.35	
9850	Diluted earnings per share (NT dollars) (note 6(p))	\$ 5.39		3.33	

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

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

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

Equity attributable to owners of parent									
Share capital	Retained earnings				Unappropriated retained earnings	Total other equity interest Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve					
Balance at January 1, 2018	\$ 793,033	1,207,154	436,603	38,354	2,149,862	(181,708)	-	4,443,298	4,443,298
Profit for the year ended December 31, 2018	-	-	-	-	241,752	-	-	241,752	241,752
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(18,131)	-	(18,131)	(18,131)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	241,752	(18,131)	-	223,621	223,621
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	43,589	-	(43,589)	-	-	-	-
Special reserve appropriated	-	-	-	143,354	(143,354)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(237,910)	-	-	(237,910)	(237,910)
Capital surplus at cash dividends	-	(237,910)	-	-	-	-	-	(237,910)	(237,910)
Stock option compensation cost	-	4,228	-	-	-	-	-	4,228	4,228
Treasury stock acquired	-	-	-	-	-	-	(112,016)	(112,016)	(112,016)
Capital reduction by cash	(158,607)	-	-	-	-	-	2,866	(155,741)	(155,741)
Treasury stock retired	(11,464)	(17,483)	-	-	(80,203)	-	109,150	-	-
Balance at December 31, 2018	622,962	955,989	480,192	181,708	1,886,558	(199,839)	-	3,927,570	3,927,570
Profit for the year ended December 31, 2019	-	-	-	-	337,622	-	-	337,622	337,622
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(137,978)	-	(137,978)	(137,978)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	337,622	(137,978)	-	199,644	199,644
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	24,175	-	(24,175)	-	-	-	-
Special reserve appropriated	-	-	-	18,131	(18,131)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(186,889)	-	-	(186,889)	(186,889)
Stock option compensation cost	-	3,135	-	-	-	-	-	3,135	3,135
Balance at December 31, 2019	\$ 622,962	959,124	504,367	199,839	1,994,985	(337,817)	-	3,943,460	3,943,460

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

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 424,551	459,991
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	311,196	255,600
Expected credit (gain) loss	(738)	12,284
Interest expense	26,570	25,408
Interest income	(87,477)	(79,247)
Stock option compensation cost	3,135	4,228
Net gain on financial assets at fair value through profit or loss	(1,464)	(13,293)
Loss on disposal (reversal of) of property, plant and equipment	1,570	3,458
Recognition losses on inventory valuation and obsolescence	(4,189)	20,102
Total adjustments to reconcile profit	<u>248,603</u>	<u>228,540</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit and loss	(184,075)	369,701
Notes and accounts receivables	(46,528)	(18,431)
Inventories	27,081	(37,760)
Other current assets and financial assets	<u>5,663</u>	<u>25,456</u>
	<u>(197,859)</u>	<u>338,966</u>
Changes in operating liabilities:		
Notes and accounts payables	3,075	34,589
Other current liabilities	<u>32,252</u>	<u>(29,958)</u>
	<u>35,327</u>	<u>4,631</u>
Total adjustments	<u>86,071</u>	<u>572,137</u>
Cash inflow generated from operations	510,622	1,032,128
Interest received	85,466	79,247
Interest paid	(25,329)	(25,083)
Income taxes paid	<u>(13,893)</u>	<u>(96,238)</u>
Net cash flows from operating activities	<u>556,866</u>	<u>990,054</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(160,627)	(418,006)
Proceeds from disposal of property, plant and equipment	5,781	3,196
Increase in refundable deposits	(1,011)	(1,652)
Increase in other financial assets	<u>(4,626)</u>	<u>(6,121)</u>
Net cash flows used in investing activities	<u>(160,483)</u>	<u>(422,583)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	19,070	368,160
Increase in short-term notes and bills payable	50,000	50,000
Proceeds from (repayments of) long-term borrowings	100,000	(500,000)
Increase in guarantee deposits received and others	414	332
Payments of lease liabilities	(56,497)	-
Cash dividends paid	(186,889)	(475,820)
Treasury stock acquired	-	(112,016)
Capital reduction by cash	<u>-</u>	<u>(155,741)</u>
Net cash used in financing activities	<u>(73,902)</u>	<u>(825,085)</u>
Effect of exchange rate changes on cash and cash equivalents	(125,725)	(5,839)
Net decrease in cash and cash equivalents	196,756	(263,453)
Cash and cash equivalents at beginning of period	<u>3,343,043</u>	<u>3,606,496</u>
Cash and cash equivalents at end of period	<u>\$ 3,539,799</u>	<u>3,343,043</u>

Nishoku Technology Inc.

2019 Earnings Distribution Table

Unit: NTD

Item	Amount
Balance, beginning	1,737,564,698
Add:	
Current year net income after tax	337,622,271
Less:	
Legal reserve	33,762,227
Special reserve	137,977,559
Earnings to be allocated	1,903,447,183
Total Distribution :	
Cash dividend to shareholders (NT\$ 4 / share)	249,184,916
Closing undistributed earnings	1,654,262,267

Chairman: Chen, Piao-Fu

General Manager: Tsai, Chien-Sheng

Accounting Head: Lin, Tzu-Hsuan

Comparison Table for the Articles of Incorporation Before and After Revision

After revision	Before revision	Detail
<p>Article 20</p> <p>In case the company has yearly profit, at least 1% shall be appropriated as staff reward and <u>no more</u> than 5% as rewards for directors and supervisors. However, the company's accumulated losses shall <u>first</u> have been covered.</p> <p>The preceding staff reward shall be paid by stock shares or cash dividends. The objects of payment shall consist of employees of controlling and affiliated company meeting certain criteria determined by the Board. The preceding rewards for directors and supervisors shall only be paid by cash dividends.</p> <p>The preceding 2 items shall be resolved by the Board before execution. And the shareholders meeting shall be reported.</p> <p>In case the company has <u>surplus</u> after <u>the general</u> annual final settlement, <u>tax shall be first repaid</u>, the accumulative losses be compensated (including adjusted unappropriated retained earnings) <u>and then</u> 10% be appropriated 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 <u>set aside</u> or reversed. <u>Where</u> in case there is surplus, the Board shall propose a motion of profit distribution along with beginning retained earnings (including adjusted unappropriated retained earnings). Where surplus is distributed in form of new shares, such matter shall be submitted for shareholders meeting to resolve for stock or cash dividends.</p> <p>(Omitted)</p>	<p>Article 20</p> <p>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.</p> <p>The preceding staff reward shall be paid by stock shares or cash dividends. The objects of payment shall consist of employees of controlling and affiliated company meeting certain criteria determined by the Board. The preceding rewards for directors and supervisors shall only be paid by cash dividends.</p> <p>The preceding 2 items shall be resolved by the Board before execution. And the shareholders meeting shall be reported.</p> <p>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 in accordance to laws and regulations. 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). Where surplus is distributed in form of new shares, such matter shall be submitted for shareholders meeting to resolve for stock or cash dividends.</p> <p>(Omitted)</p>	<p>Wording has been revised in accordance to Jing-Shang-Zi Letter No. 10802432410 of Ministry of Economic Affairs, pursuant to Article 237 of the Company Act, governing the setting aside of the legal reserve.</p>
<p>Article 22</p> <p>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. 10th revision was made on Dec. 26, 2008. 11th revision was made on Jun. 30, 2010. 12th revision was made on Jun. 24, 2011. 13th revision was made on Jun. 15, 2012. 14th revision was made on Jun. 15, 2012.</p>	<p>Article 22</p> <p>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. 10th revision was made on Dec. 26, 2008. 11th revision was made on Jun. 30, 2010. 12th revision was made on Jun. 24, 2011. 13th revision was made on Jun. 15, 2012. 14th revision was made on Jun. 15, 2012.</p>	<p>Added no. and date of amendment</p>

After revision	Before revision	Detail
15 th revision was made on Jun. 14, 2013. 16 th revision was made on Jun. 7, 2016. 17 th revision was made on Jun. 14, 2017. 18 th revision was made on Jun. 18, 2019. <u>19th revision was made on Jun. 16, 2020.</u>	15th revision was made on Jun. 14, 2013. 16th revision was made on Jun. 7, 2016. 17th revision was made on Jun. 14, 2017. 18th revision was made on Jun. 18, 2019.	

Nishoku Technology Inc.

Comparison Table for the” Rules and Procedures of Meetings of Shareholders” Before and After Revision

After revision	Before revision	Detail
<p>5. Operation Content Paragraph 1, 2 and 3 omitted. <u>Matters pertaining to election or discharge of directors and supervisors, alteration of the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph 1, Article 185 hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporaneous motions;</u> the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice. <u>Matters including the accession date regarding election of directors shall be listed in the agenda of shareholders meeting. After the election at the shareholders meeting, there shall be no changes to accession date by special motions or other means.</u> Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the company a proposal for discussion at a regular shareholders’ meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. <u>A shareholder proposal proposed for urging the Company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors.</u> 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. Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders’ meeting, the company shall give a public</p>	<p>5. Operation Content Paragraph 1, 2 and 3 omitted. The matters stated in Article 172 of the 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 itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporaneous motions. The essential contents required by the Article 172 of the Company Act may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</p> <p>Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at a regular shareholders’ meeting in writing. However, only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. 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.</p> <p>Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders’ meeting, the company shall give a public notice announcing acceptance of proposal, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders’ meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular</p>	<p>Partial amendments are made pursuant to Article 172 and 172-1 of the Company Act.</p> <p>Paragraph 5 is added in accordance to Jing-Shang-Zi Letter No. 10702417500 dated Aug. 6, 2018.</p>

After revision	Before revision	Detail
<p>notice announcing acceptance of proposal <u>in writing</u>, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and <u>any proposal</u> containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.</p>	<p>shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.</p>	
<p>8. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors.</p> <p><u>Relevant motions (including extemporary motions and changes in the original motions) shall be voted on a case-by-case basis.</u> The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p> <p>Paragraph 2 and 3 omitted.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote, <u>and arrange appropriate time for discussion.</u></p>	<p>8. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p> <p>Paragraph 2 and 3 omitted.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.</p>	<p>In line with the adopting of full-scale electronic voting by listed companies since 2018, and implemented the concept of case-by-case voting, partial amendment is made.</p>
<p>11. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When the Company holds a shareholders meeting, it <u>shall</u> allow the shareholders to exercise voting rights by electronic means,</p>	<p>11. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or</p>	<p>In line with the adopting of full-scale electronic voting by listed companies since 2018, partial amendment is made.</p>

After revision	Before revision	Detail
<p><u>and also correspondence means.</u> When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, the shareholder is deemed to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>(Omitted)</p>	<p>electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, the shareholder is deemed to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>(Omitted)</p>	
<p>13. Paragraph 1 and 2 omitted. The minutes shall detail the date and venue of the meeting, the chairperson's name, the method of resolution, the proceeding and voting results <u>(including calculation of voting shares)</u> of various meeting agendas. <u>In cases of director elections, the number of voting shares of director candidates shall be revealed.</u> These minutes must be retained for as long as the Company exists.</p>	<p>13. Paragraph 1 and 2 omitted. The minutes shall detail the date and venue of the meeting, the chairperson's name, the method of resolution, the proceeding and results of various meeting agendas. These minutes must be retained for as long as the Company exists.</p>	<p>Pursuant to the existing laws and regulations, and implemented the concept of case-by-case voting, partial amendment is made</p>

**Nishoku Technology Inc.
Articles of Incorporation
(Before amendment)**

Appendix 8

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 5-1 The employees who are entitled to the transfer or distribution of the treasury stock bought back by the Company, share subscription warrant issued to employees, issued new shares for capital increase and restricted stock must be employees of the controlling or subsidiary company meeting certain criteria. The Board is authorized to determine such criteria
- Article 6 Deleted
- Article 7 The stock shares of the company are registered shares. They shall be numbered and signed by directors representing the Company or affixed with seals thereof and may 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 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 Deleted.

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 Audit Committee

- Article 13 The company shall entitle 7 to 11 directors 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 of the company shall be done by nomination system with candidates. Shareholders shall elect among a list of candidates of directors.

For directors, there are 3~4 independent directors. The 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.

Article 13-1 The Company establishes Remuneration Committees and other functional committees in accordance with laws and regulations and depending on business operation needs.

Pursuant to Article 14-4 of the Securities and Exchange Act, the Company has established an Audit Committee, which shall be composed of the entire number of independent directors. The Audit Committee shall carry out duties as prescribed by the Company Act, Securities and Exchange Act and other regulations governing the power of Audit Committee. The number of Audit Committee members, term of office, rules and procedures of audit committee meetings, exercising of power and other matters to be complied with shall be handled in accordance to relevant rules and regulations as prescribed by the competent authority or the Charters of the Audit Committee.

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 all independent directors are dismissed due to any reasons, the company shall re-elect directors by convening temporary shareholders meeting within 60 days of occurrence in accordance to the law. Except for the circumstances where the entire Board is re-elected, the tenure of succeeding directors shall expired at the end of 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 Deleted.

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

A company shall report the insured amount, coverage, premium rate, and other important contents of the directors liability insurance it has obtained or renewed for directors, at the most recent board meeting.

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 and submitted it 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 controlling and affiliated company meeting certain criteria determined by the Board. 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 upappropriated retained earnings) by appropriating 10% as legal reserve in accordance to laws and regulations. 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). Where surplus is distributed in form of new shares, such matter shall be submitted for shareholders meeting to resolve for stock or cash dividends.

Pursuant to Article 240 and 241 of the Company Act, the Company authorizes the distributable dividends and bonuses, or legal reserve and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition

thereto a report of such distribution shall be submitted to the shareholders' meeting.

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 Deleted.
- 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.
10th revision was made on Dec. 26, 2008.
11th revision was made on Jun. 30, 2010.
12th revision was made on Jun. 24, 2011.
13th revision was made on Jun. 15, 2012.
14th revision was made on Jun. 15, 2012.
15th revision was made on Jun. 14, 2013.
16th revision was made on Jun. 7, 2016.
17th revision was made on Jun. 14, 2017.
18th revision was made on Jun. 18, 2019.

Nishoku Technology Inc.

Chairman: Chen, Piao-Fu

Nishoku Technology Inc.
Rules and Procedures of Meetings of Shareholders
(Before amendment)

Appendix 9

I. 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.

II. 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.

III. Definition

None.

IV. Responsibilities

The Board: Convene shareholders meetings.

V. Operation Content

1. The Company's shareholders meeting shall, unless otherwise provided for in laws or regulations, be convened by the Board of Directors.

The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) 30 days prior to the date of a regular shareholders meeting or 15 days prior to the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days prior the date of the regular shareholders meeting or 15 days prior to the date of the special shareholders meeting. In addition, 15 days before the date of the shareholders meeting, the Company shall also prepare the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

The matters stated in Article 172 of the 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 itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and

shall not be brought up as extemporary motions. The essential contents required by the Article 172 of the Company Act may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at a regular shareholders' meeting in writing. However, only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. 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.

Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the company shall give a public notice announcing acceptance of proposal, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.

2. A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by providing the proxy form issued by the Company stating therein the scope of power authorized to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the Company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the company shall prevail. Unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

After the service of the power of attorney of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by way of electronic transmission, a proxy rescission notice shall be filed with the Company within two days before the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

3. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.
4. The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

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

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5. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the managing directors to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

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

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors (including at least one independent directors), the convener of the Audit Committee in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

6. This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

7. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

8. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

9. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

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

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

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

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

10. Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder.

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

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

11. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, the shareholder is deemed to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. Unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event that the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights that has already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, 2 days prior to the date of the shareholders meeting. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail. When a shareholder has exercised voting rights by correspondence or electronic means, and also by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

12. The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting

results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

13. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The minutes shall detail the date and venue of the meeting, the chairperson's name, the method of resolution, the proceeding and results of various meeting agendas. These minutes must be retained for as long as the Company exists.

14. On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

15. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

16. When a meeting is in progress, the chair may announce a break based on time considerations.

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

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

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

17. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

VI. Relative documents

None.

VII. Attachment

None.

Nishoku Technology Inc.
Shareholding of Directors

Appendix 10

1. As of the date for suspension of share transfer of this Shareholders' Meeting, April 18, 2020, the Company's paid-in capital was NT\$ 622,962,290, with total issued share of 62,296,229 shares.
2. In accordance with Article 26 of "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies, the lowest shareholding of all Directors shall be 4,983,698 shares.
3. The total shareholding of all Directors recorded in the shareholders' register has met the legal standard for percentage of shareholding.
4. The Company had set up Audit Committee, so there is no applicable for the minimum required of shareholdings of supervisors by law.
5. The shareholdings of Directors:

Title	Name	Elected Date	Tenure	Shareholding when elected		Shares held as of date for suspension of share transfer	
				No. of Shares	Percentage of shareholdings	No. of Shares	Percentage of shareholdings
Chairman	Ghi Yang Investment Limited Rep.: Chen, Piao-Fu	Jun. 18, 2019	3 years	1,839,621	2.95%	1,880,621	3.02%
Director	Heng Sheng Investment Limited Rep.: Tsai, Chien-Sheng	Jun. 18, 2019	3 years	2,243,956	3.60%	2,263,956	3.63%
Director	Heng Sheng Investment Limited Rep.: Wu, Ying-Lan	Jun. 18, 2019	3 years				
Director	Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien	Jun. 18, 2019	3 years	1,855,308	2.98%	1,855,308	2.98%
Director	Jhan Yu Investment Limited Rep.: Hsieh, Hung-Chang	Jun. 18, 2019	3 years	2,683,082	4.31%	2,683,082	4.31%
Director	Chang Shun Investment Limited Rep.: Fan, Chia-Wen	Jun. 18, 2019	3 years	2,705,932	4.34%	2,705,932	4.34%
Total shareholdings of all Directors				11,327,899	18.18%	11,388,899	18.28%
Independent Director	Ko, Shun-Hsiung	Jun. 18, 2019	3 years	0	0.00%	0	0.00%
Independent Director	Chan, Chin-Hung	Jun. 18, 2019	3 years	0	0.00%	0	0.00%
Independent Director	Lin, Horng Chang	Jun. 18, 2019	3 years	0	0.00%	0	0.00%
Total shareholdings of all Independent Directors				0	0.00%	0	0.00%