



Nishoku Technology Inc.

General Shareholders' Meeting 2021
Meeting Handbook
(Translation)

Time : 9:00A.M., Thursday, June 17, 2021

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 2021 Annual Meeting of Shareholders

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[Meeting Procedure]

Time: 9:00 a.m. on Thursday, June 17, 2021

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) 2020 Business Reports

(2) Audit Committee's Review Reports

(3) Report of all endorsements and guarantees tendered in 2020

(4) Report on loaning of funds overlimit improvement status for subsidiary SAME START LIMITED

(5) Report on the Distributions of the Remunerations to the Company's Employees and Directors for 2020

(6) Report on the Distributions of the Cash Dividends for 2020

4. Acknowledgments

(1) Adoption of the 2020 Business Report and Financial Statements

(2) Adoption of the Proposal for Distribution of 2020 Earnings

5. Discussion Items

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

(2) Amendment to the "Procedures for Election of Directors"

(3) Proposal on the abolishment of the "Rules Governing the Scope of Powers of Supervisors"

6. Extemporaneous Motions

7. Adjournment

[Report Items]

Report No. 1

The 2020 Business Report

Explanation:

The 2020 Business Report is attached as Appendix 1.

Report No. 2

The audit Committee's Review Reports

Explanation:

The 2020 Audit Committee's Review Report is attached as Appendix 2.

Report No. 3

Report of all endorsements and guarantees tendered in 2020

Explanation:

1. The Status of Endorsement And Guarantee of the company in 2020 is stated as follows:

December 31, 2020 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) | 113,920 | 2.56% |
| Nishoku Technology Inc. | NISHOKU TECHNOLOGY VIETNAM Co., Ltd. | Subsidiary, 100% owned by Nishoku Technology Inc. | 1,127,808 | 25.30% |
| Nishoku Technology Inc. | NISHOKU BOUEKI CO., LTD. | Subsidiary, 100% owned by Nishoku Technology Inc. | 159,960 | 3.52% |
| Total (the Company) | | | 1,401,688 | |

2. The endorseees 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, 2021, the balance of the Company’s endorsement/ guarantees accounted for 23.43% of the Company’s net worth.

Report No. 4

Report on loaning of funds overlimit improvement status for subsidiary SAME START LIMITED

Explanation:

The loaning of fund limit between the subsidiary of the Company SAME START LIMITED and the affiliate NISHOKU TECHNOLOGY VIETNAM CO., LTD. (referred to as “Nishoku Vietnam”) is USD 8 million, which has exceeded the limit specified in the Procedures for Loaning of Funds in November 2020. SAME START LIMITED has convened a board of directors’ meeting in the same month to adjust the loaning of fund limit for Nishoku Vietnam. The condition of exceeding the loaning of fun limit has been improved completely.

Report No. 5

Report on the Distributions of the Remunerations to the Company’s Employees and Directors for 2020

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 2020 remuneration to employees and directors has been approved by the Remuneration Committee and the Board are NT\$ 30,000,000 and NT\$ 11,705,000, respectively. The compensations shall be distributed in form of cash.

Report No. 6

Report on the Distributions of the Cash Dividends for 2020

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 2020 profit distributable to shareholders totaling NT\$625,612,290 is proposed and approved by special resolution to be distributed in the form of cash only, of NT\$ 10 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 2020 Business Report and Financial Statements

Explanation:

1. The Company's 2020 financial statements and business report have been approved by the Board. The financial statements have been audited by CPAs Cheng-Chien Chen and Sheng-He Yu of KPMG, and audit reports have been made accordingly.
2. The 2020 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached in the Meeting Agenda as Appendix 1, 3 and 4.

Resolutions:

Proposal No.2

(Proposed by the Board of Directors)

Adoption of the Proposal for Distribution of 2020 Earnings

Explanation:

1. 2020 net profit of NT\$ 721,362,435 deduct the legal reserve of NT\$ 72,136,244 appropriated and plus the special reserve reversal of NT\$ 27,358,194, and the beginning undistributed earnings was NT\$ 1,654,262,267, and decrease in treasury stock NT\$ 80,202,948, the distributable retained earnings is calculated to NT\$ 2,250,643,704. Proposed cash dividend for shareholders NT\$625,612,290 ,NT\$10 per share.(Calculated based on the number of circulating shares on 2021/4/27)
2. The 2020 Earnings Distribution Table is attached in the Meeting Agenda as Appendix 5.

Resolution:

[Discussion Items]

Proposal No.1

(Proposed by the Board of Directors)

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

Explanation:

1. According the June 3, 2020 Letter No. Taiwan-Stock-Governance-1090009468 and January 28, 2021 Letter No. Taiwan-Stock-Governance-11000014461 to amended the” Rules and Procedures of Meetings of Shareholders”.
2. The Comparison Table Before and After Amendment to the” Rules and Procedures of Meetings of Shareholders” attached in the Meeting Agenda as Appendix 6.
3. Proposed for resolution.

Resolution:

Proposal No.2

(Proposed by the Board of Directors)

Amendment to the “Procedures for Election of Directors”

Explanation:

1. According the June 3, 2020 Letter No. Taiwan-Stock-Governance-1090009468 to amended the” Procedures for Election of Directors”.
2. The Comparison Table Before and After Amendment to the” Procedures for Election of Directors” attached in the Meeting Agenda as Appendix 7.
3. Proposed for resolution.

Resolution:

Proposal No.3

(Proposed by the Board of Directors)

Proposal on the abolishment of the “Rules Governing the Scope of Powers of Supervisors”

Explanation:

1. According to Article 14-4 of the Securities and Exchange Act, to cope with the need for the establishment of Audit Committee, it is proposed to abolish the “Rules Governing the Scope of Powers of Supervisors”. Please refer to Appendix 8 of this Handbook for relevant articles of the Rules.
2. Proposed for resolution.

Resolution:

[Extemporary Motions]

[Adjournment]

Nishoku Technology Inc.
2020 Business Report

Appendix 1

1. The 2020 Business result:

(1) Performance Of Business Plan

At the beginning of 2020, the outbreak of COVID-19 pandemic took place worldwide, and to control the pandemic, all countries established border lockdown policies such that the markets around the globe were in panic. Despite that, subsequently, all countries started to lifting the border restrictions, relax the social control measures and reactivate the economy nowadays, the industrial chains in all sectors were still significantly affected by the pandemic and the global economic was still in its downtime.

At the beginning of the year, the Company was affected by the pandemic such that the commencement of work was postponed to a later day; however, as the pandemic in China was mitigated, and as the pandemic had caused change in the corporate management and personal living and working model, demands related to home economy and remote office were driven to grow, such that the 2020 consolidated operating revenue was NT\$4.808 billion, an increase of 22% from last year. Through product combination and manufacturing process optimization, the whole-year gross margin was 32%, an increase of 10% from last year. Although the Company was affected by the exchange loss in 2020, the earnings per share (EPS) still reached NT\$11.57, an increase of NT\$6.15 from last year, and the whole-year profit also reached the record high since the public offering of the Company.

Unit: NT\$ thousand

| Item \ Year | 2020 | 2019 | Percentage of change (%) |
|----------------------|-----------|-----------|--------------------------|
| Net operating income | 4,808,261 | 3,957,144 | 22% |
| Operating cost | 3,268,381 | 3,078,431 | 6% |
| Gross profit | 1,539,880 | 878,713 | 75% |
| Operating profit | 1,069,052 | 379,003 | 182% |
| Non-Operating Income | (194,495) | 45,548 | (527%) |
| Profit before tax | 874,557 | 424,551 | 106% |
| Profit after tax | 721,362 | 337,622 | 114% |
| Gross profit (%) | 32% | 22% | |
| Operating profit (%) | 22% | 9% | |

(2) Status of Budget Execution

Not available as Nishoku Technology Inc. had not declared 2020 financial forecast.

(3) Financial Receipt and Expenditure, and Profitability Analysis

| Items of analysis | | 2020 | 2019 |
|--------------------------------|--|--------|--------|
| Financial Structure & Solvency | Current ratio (%) | 252.34 | 299.43 |
| | Quick ratio (%) | 227.87 | 274.28 |
| | Interest coverage ratio | 42.75 | 16.98 |
| | Debt to assets ratio (%) | 48.28 | 49.32 |
| Profitability | ROA (%) | 9.00 | 4.74 |
| | Return on shareholders' equity (%) | 17.17 | 8.58 |
| | Income before tax as a percentage of paid-in capital (%) | 140.05 | 68.15 |
| | Net profit rate (%) | 15.00 | 8.53 |
| | After tax EPS (NTD) | 11.57 | 5.42 |

(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. 2021 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 2021 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

Looking into the year of 2021, as the pandemic has changed the corporate management method and persona living and working styles, such new style and models are expected to become common in the future. The new U.S. Government will likely continue to maintain the policies of the former government for a short period of time, and the trade war between China and the U.S. Will continue to drive the transfer of the industrial supply chains. The Company values such occurrence as an opportunity and has accelerated 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 28, 2021

The Board of Directors has prepared the Company's 2020 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 by CPAs Cheng-Chien Chen and Sheng-He Yu. 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 Article 14-4 Exchange Act and the Article 219 of Company Act., we hereby submit this report.

Sincerely,

The 2021 Annual Meeting of Shareholders

Nishoku Technology Inc.

Convener of the Audit Committee: Chan, Chin-Hung

Independent Auditors' Report and 2020 Financial Statements



安侯建業聯合會計師事務所

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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, 2020 and 2019, 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, 2020 and 2019, 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)
February 26, 2021

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | December 31, 2020 | | December 31, 2019 | | Liabilities and Equity | | December 31, 2020 | | December 31, 2019 | | | |
|---------------------|---|-------------------|-----------|-------------------|-----------|--------------------------|------------------------------|--|----|------------------------------|-----|-----------|-----|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % | | |
| Current assets: | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ | 455,105 | 6 | 816,639 | 12 | 2100 | Short-term borrowings (note 6(i)) | \$ | 790,000 | 11 | 510,000 | 8 |
| 1110 | Current financial assets at fair value through profit or loss (note 6(b)) | | 28,624 | - | - | - | 2110 | Short-term notes and bills payable (note 6(j)) | | - | - | 149,994 | 2 |
| 1170 | Accounts receivable, net (notes 6(c) and 7) | | 338,261 | 5 | 66,264 | 1 | 2170 | Notes and accounts payable | | 176,798 | 2 | 9,566 | - |
| 130X | Inventories (note 6(d)) | | 37,504 | 1 | 9,135 | - | 2180 | Accounts payable to related parties (note 7) | | 17,686 | - | 68,588 | 1 |
| 1470 | Other current assets | | 17,922 | - | 5,958 | - | 2280 | Current lease liabilities (note 6(l)) | | 1,548 | - | 3,446 | - |
| 1476 | Other current financial assets (note 7) | | 235,257 | 3 | 4,727 | - | 2300 | Other current liabilities | | 129,838 | 2 | 82,132 | 1 |
| | | | 1,112,673 | 15 | 902,723 | 13 | | | | 1,115,870 | 15 | 823,726 | 12 |
| Non-current assets: | | | | | | Non-Current liabilities: | | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (note 6(b)) | | 126,439 | 2 | - | 1 | 2540 | Long-term borrowings (note 6(k)) | | 1,200,000 | 16 | 1,000,000 | 15 |
| 1535 | Non-current financial assets at amortised cost, net (note 6(e)) | | 1,124,961 | 15 | - | - | 2570 | Deferred tax liabilities (note 6(n)) | | 651,965 | 9 | 788,088 | 12 |
| 1551 | Investments accounted for using equity method (notes 6(f) and 7) | | 4,738,549 | 64 | 5,366,167 | 80 | 2580 | Non-Current lease liabilities (note 6(l)) | | - | - | 1,548 | - |
| 1600 | Property, plant and equipment (note 6(f)) | | 299,596 | 4 | 307,741 | 5 | 2650 | Credit balance of investments accounted for using equity method (notes 6(f) and 7) | | - | - | 121,340 | 2 |
| 1755 | Right-of-use assets (note 6(h)) | | 1,529 | - | 4,964 | - | | | | 1,851,965 | 25 | 1,910,976 | 29 |
| 1840 | Deferred income tax assets (note 6(n)) | | 16,903 | - | 92,093 | 1 | | | | 2,967,835 | 40 | 2,734,702 | 41 |
| 1990 | Other non-current asset | | 4,431 | - | 4,474 | - | | Total liabilities | | | | | |
| | | | 6,312,408 | 85 | 5,775,439 | 87 | | Equity attributable to owners (note 6(o)): | | | | | |
| | | | | | | | 3110 | Ordinary share | | 624,462 | 8 | 622,962 | 9 |
| | | | | | | | 3140 | Advance receipts for share capital | | 2,993 | - | - | - |
| | | | | | | | 3200 | Capital surplus | | 968,882 | 13 | 959,124 | 14 |
| | | | | | | | | Retained earnings: | | | | | |
| | | | | | | | 3310 | Legal reserve | | 538,129 | 7 | 504,367 | 8 |
| | | | | | | | 3320 | Special reserve | | 337,817 | 5 | 199,839 | 3 |
| | | | | | | | 3350 | Unappropriated retained earnings | | 2,295,422 | 31 | 1,994,985 | 30 |
| | | | | | | | | | | 3,171,368 | 43 | 2,699,191 | 41 |
| | | | | | | | 3400 | Other equity interest | | (310,459) | (4) | (337,817) | (5) |
| | | | | | | | | Total equity | | 4,457,246 | 60 | 3,943,460 | 59 |
| Total assets | | | | | | | Total liabilities and equity | | | Total liabilities and equity | | | |
| | | \$ | 7,425,081 | 100 | 6,678,162 | 100 | | | \$ | 7,425,081 | 100 | 6,678,162 | 100 |

See accompanying notes to financial statements.

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

NISHOKU TECHNOLOGY INC.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

| | | 2020 | | 2019 | |
|------|--|-------------------|-----------|----------------|-----------|
| | | Amount | % | Amount | % |
| 4110 | Sales revenue (notes 6(r) and 7) | \$ 869,936 | 100 | 309,608 | 100 |
| 4170 | Less: Sales returns | 736 | - | 296 | - |
| | Net Operating revenues | 869,200 | 100 | 309,312 | 100 |
| 5000 | Operating costs (notes 6(d), (g), (m), 7 and 12) | 590,028 | 68 | 232,141 | 75 |
| 5910 | Less: Unrealized profit from sales | 43,843 | 5 | - | - |
| | Gross profit from operations | 235,329 | 27 | 77,171 | 25 |
| 6000 | Operating expenses (notes 6(c), (g), (m), (p) and 12) | | | | |
| 6100 | Selling expenses | 7,147 | 1 | 6,496 | 2 |
| 6200 | Administrative expenses | 123,665 | 14 | 99,630 | 32 |
| 6300 | Research and development expenses | 9,559 | 1 | 11,169 | 4 |
| 6450 | Expected credit loss (gain) | 401 | - | (179) | - |
| | | 140,772 | 16 | 117,116 | 38 |
| | Net operating loss | 94,557 | 11 | (39,945) | (13) |
| | Non-operating income and expenses: | | | | |
| 7010 | Other income (note 6(t)) | 14,427 | 2 | 15,470 | 5 |
| 7020 | Other gains and losses, net (note 6(u)) | (75,308) | (9) | (25,482) | (8) |
| 7050 | Finance costs, net | (16,649) | (2) | (17,100) | (6) |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method, net | 767,513 | 88 | 481,764 | 156 |
| | Total non-operating income and expenses | 689,983 | 79 | 454,652 | 147 |
| 7900 | Profit before tax | 784,540 | 90 | 414,707 | 134 |
| 7950 | Less: Income tax expenses (note 6(n)) | 63,178 | 7 | 77,085 | 25 |
| | Profit | 721,362 | 83 | 337,622 | 109 |
| 8300 | Other comprehensive income (loss): | | | | |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign operations | 34,198 | 4 | (172,472) | (56) |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(n)) | (6,840) | 1 | 34,494 | 11 |
| 8300 | Other comprehensive income (after tax) | 27,358 | 3 | (137,978) | (45) |
| 8500 | Total comprehensive income | <u>\$ 748,720</u> | <u>86</u> | <u>199,644</u> | <u>64</u> |
| | Basic earnings per share | | | | |
| 9750 | Basic earnings per share (NT dollars) (note 6(q)) | <u>\$ 11.57</u> | | <u>5.42</u> | |
| 9850 | Diluted earnings per share (NT dollars) (note 6(q)) | <u>\$ 11.51</u> | | <u>5.39</u> | |

See accompanying notes to financial statements.

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

NISHOKU TECHNOLOGY INC.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | Share capital | | Retained earnings | | | Other equity interest | Exchange differences on translation of foreign financial statements | Total equity |
|---|-------------------|------------------------------------|-------------------|----------------|-----------------|----------------------------------|---|------------------|
| | Ordinary shares | Advance receipts for share capital | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | |
| Balance at January 1, 2019 | \$ 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 |
| Profit for the year ended December 31, 2020 | - | - | - | - | - | 721,362 | - | 721,362 |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | - | - | 27,358 | 27,358 |
| Total comprehensive income for the year ended December 31, 2020 | - | - | - | - | - | 721,362 | 27,358 | 748,720 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | - | 33,762 | - | (33,762) | - | - |
| Special reserve appropriated | - | - | - | - | 137,978 | (137,978) | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (249,185) | - | (249,185) |
| Stock option compensation cost | - | - | 1,283 | - | - | - | - | 1,283 |
| Issuance of shares exercise of employee stock option | 1,500 | 2,993 | 8,475 | - | - | - | - | 12,968 |
| Balance at December 31, 2020 | \$ 624,462 | 2,993 | 968,882 | 538,129 | 337,817 | 2,295,422 | (310,459) | 4,457,246 |

See accompanying notes to financial statements.

NISHOKU TECHNOLOGY INC.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|--|-------------------|------------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 784,540 | 414,707 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation and amortization expense | 12,534 | 17,414 |
| Expected credit loss (gain) | 401 | (179) |
| Interest expense | 16,649 | 17,100 |
| Net gain arising from derecognition of financial assets measured at amortised cost | (2,940) | - |
| Interest income | (11,113) | (11,025) |
| Stock option compensation cost | 1,283 | 3,135 |
| Share of profit of subsidiaries accounted for using equity method | (767,513) | (481,764) |
| Loss on disposal of property, plant and equipment | - | 11 |
| Unrealized profit (loss) from sales | 43,843 | - |
| Recognition losses on (reversal of) inventory valuation and obsolescence | 564 | (121) |
| Others | - | (3,374) |
| Total adjustments to reconcile profit (loss) | (706,292) | (458,803) |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Financial assets at fair value through profit or loss | (28,490) | - |
| Notes and accounts receivables (including related parties) | (272,398) | 53,980 |
| Inventories | (28,933) | (1,182) |
| Other current assets and other financial assets | (15,971) | 1,665 |
| | (345,792) | 54,463 |
| Changes in operating liabilities: | | |
| Notes and accounts payables (including related parties) | 116,330 | (27,558) |
| Other current liabilities | 36,376 | 11,389 |
| | 152,706 | (16,169) |
| Total changes in operating assets and liabilities | (193,086) | 38,294 |
| Total adjustments | (899,378) | (420,509) |
| Cash outflow generated from operations | (114,838) | (5,802) |
| Interest received | 12,974 | 9,133 |
| Interest paid | (16,602) | (17,009) |
| Income taxes paid | (120,166) | (5,944) |
| Net cash flows used in operating activities | (238,632) | (19,622) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at amortised cost | (1,124,961) | - |
| Acquisition of Non-Current financial assets at fair value through profit or loss | (123,633) | - |
| Acquisition of investments accounted for using equity method | (241,120) | - |
| Cash dividends from investments accounted for using equity method | 1,505,266 | 46,478 |
| Proceeds from capital reduction of subsidiaries accounted for using equity method | - | 678,296 |
| Acquisition of property, plant and equipment | (188) | (169) |
| Proceeds from disposal of property, plant and equipment | - | 2,320 |
| Increase in other receivables due from related parties | (227,840) | - |
| Increase in other non-current assets | (722) | (413) |
| Net cash flows from (used in) investing activities | (213,198) | 726,512 |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | 280,000 | (50,000) |
| Increase (decrease) in short-term notes and bills payable | (150,000) | 50,000 |
| Proceeds from long-term borrowings | 200,000 | 100,000 |
| Payment of lease liabilities | (3,487) | (3,487) |
| Cash dividends paid | (249,185) | (186,889) |
| Exercise of employee share options | 12,968 | - |
| Net cash flows from (used in) financing activities | 90,296 | (90,376) |
| Net increase (decrease) in cash and cash equivalents | (361,534) | 616,514 |
| Cash and cash equivalents at beginning of period | 816,639 | 200,125 |
| Cash and cash equivalents at end of period | \$ 455,105 | 816,639 |

Independent Auditors' Report and 2020 Consolidated Financial Statements



安侯建業聯合會計師事務所
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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, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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)
February 26, 2021

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2020 | | December 31, 2019 | | | | December 31, 2020 | | December 31, 2019 | |
|------------------------|---|-------------------|----|-------------------|----|---------------------------------|---|-------------------|-----|-------------------|-----|
| Assets | | Amount | % | Amount | % | Liabilities and Equity | | Amount | % | Amount | % |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ 2,626,650 | 30 | 3,539,799 | 46 | 2100 | Short-term borrowings (note 6(h)) | \$ 988,920 | 12 | 824,790 | 10 |
| 1110 | Current financial assets at fair value through profit or loss (note 6(b)) | 665,743 | 8 | 449,429 | 6 | 2111 | Short-term notes and bills payable (note 6(i)) | - | - | 149,994 | 2 |
| 1170 | Notes and accounts receivables, net (note 6(c)) | 1,817,252 | 21 | 1,395,940 | 18 | 2170 | Accounts payable | 800,428 | 9 | 604,378 | 8 |
| 130X | Inventories (note 6(d)) | 523,074 | 6 | 475,628 | 6 | 2280 | Current lease liabilities (note 6(k)) | 39,224 | - | 59,531 | 1 |
| 1470 | Other current assets | 54,105 | 1 | 35,229 | - | 2300 | Other current liabilities | 447,836 | 5 | 334,256 | 4 |
| 1476 | Other current financial assets (note 8) | 57,520 | 1 | 11,567 | - | | | 2,276,408 | 26 | 1,972,949 | 25 |
| | | 5,744,344 | 67 | 5,907,592 | 76 | | | | | | |
| Non-current assets: | | | | | | Non-Current liabilities: | | | | | |
| 1511 | Non-current financial assets at fair value through profit or loss (note 6(b)) | 126,439 | 1 | - | - | 2540 | Long-term borrowings (note 6(j)) | 1,200,000 | 14 | 1,000,000 | 13 |
| 1535 | Non-current financial assets at amortised cost (note 6(e)) | 1,124,961 | 13 | - | - | 2570 | Deferred tax liabilities (note 6(m)) | 652,948 | 8 | 788,926 | 10 |
| 1600 | Property, plant and equipment (note 6(f)) | 1,444,529 | 17 | 1,531,841 | 20 | 2580 | Non-current lease liabilities (note 6(k)) | 30,891 | - | 75,586 | 1 |
| 1755 | Right-of-use assets (note 6(g)) | 69,737 | 1 | 134,970 | 2 | | | 1,883,839 | 22 | 1,864,512 | 24 |
| 1840 | Deferred income tax assets (note 6(m)) | 21,792 | - | 96,553 | 1 | | Total liabilities | 4,160,247 | 48 | 3,837,461 | 49 |
| 1915 | Prepayments for equipment | 8,503 | - | 15,555 | - | | Equity attributable to owners of parent (note 6(n)): | | | | |
| 1985 | Long-term prepaid rents | 66,518 | 1 | 70,173 | 1 | 3110 | Ordinary share | 624,462 | 7 | 622,962 | 8 |
| 1990 | Other non-current assets | 10,670 | - | 24,237 | - | 3140 | Advance receipts for share capital | 2,993 | - | - | - |
| | | 2,873,149 | 33 | 1,873,329 | 24 | 3200 | Capital surplus | 968,882 | 11 | 959,124 | 12 |
| | | | | | | | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | 538,129 | 7 | 504,367 | 6 |
| | | | | | | 3320 | Special reserve | 337,817 | 4 | 199,839 | 3 |
| | | | | | | 3350 | Unappropriated retained earnings | 2,295,422 | 27 | 1,994,985 | 26 |
| | | | | | | | | 3,171,368 | 38 | 2,699,191 | 35 |
| | | | | | | 3400 | Other equity interest | (310,459) | (4) | (337,817) | (4) |
| | | | | | | | Total equity | 4,457,246 | 52 | 3,943,460 | 51 |

Total assets

\$ 8,617,493 100 7,780,921 100

Total liabilities and equity

\$ 8,617,493 100 7,780,921 100

See accompanying notes to consolidated financial statements.

(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, 2020 and 2019

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

| | | 2020 | | 2019 | |
|------|--|-------------------|-----------|----------------|----------|
| | | Amount | % | Amount | % |
| 4110 | Operating revenues (note 6(q)) | \$ 4,883,877 | 102 | 4,026,762 | 102 |
| 4170 | Less: Sales returns and allowances | 75,616 | 2 | 69,618 | 2 |
| | Net Operating revenues | 4,808,261 | 100 | 3,957,144 | 100 |
| 5000 | Operating costs (notes 6(d), (g), (l) and 12) | 3,268,381 | 68 | 3,078,431 | 78 |
| | Gross profit from operations | 1,539,880 | 32 | 878,713 | 22 |
| 6000 | Operating expenses: (notes 6(c), (g), (l), (o), (r) and 12) | | | | |
| 6100 | Selling expenses | 56,007 | 1 | 77,584 | 2 |
| 6200 | Administrative expenses | 327,149 | 7 | 310,153 | 8 |
| 6300 | Research and development expenses | 87,074 | 2 | 112,711 | 3 |
| 6450 | Expected credit loss (gain) | 598 | - | (738) | - |
| | | 470,828 | 10 | 499,710 | 13 |
| | Net operating income | 1,069,052 | 22 | 379,003 | 9 |
| | Non-operating income and expenses: | | | | |
| 7010 | Other income (note 6(s)) | 81,677 | 2 | 104,711 | 3 |
| 7020 | Other gains and losses, net (note 6(t)) | (255,224) | (5) | (32,593) | (1) |
| 7050 | Finance costs, net | (20,948) | - | (26,570) | (1) |
| | Total non-operating income and expenses | (194,495) | (3) | 45,548 | 1 |
| 7900 | Profit before tax | 874,557 | 19 | 424,551 | 10 |
| 7950 | Less: Income tax expenses (note 6(m)) | 153,195 | 3 | 86,929 | 2 |
| | Profit | 721,362 | 16 | 337,622 | 8 |
| 8300 | Other comprehensive income (loss): | | | | |
| 8360 | Item that may be reclassified subsequently to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign operations | 34,198 | 1 | (172,472) | (4) |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(m)) | (6,840) | - | 34,494 | 1 |
| 8300 | Other comprehensive income (after tax) | 27,358 | 1 | (137,978) | (3) |
| 8500 | Total comprehensive income | \$ 748,720 | 17 | 199,644 | 5 |
| | Profit, attributable to: | | | | |
| 8610 | Profit, attributable to owners of parent | \$ 721,362 | 16 | 337,622 | 8 |
| | Comprehensive income attributable to: | | | | |
| 8710 | Comprehensive income, attributable to owners of parent | \$ 748,720 | 17 | 199,644 | 5 |
| 9750 | Basic earnings per share (NT dollars) (note 6(p)) | \$ 11.57 | | 5.42 | |
| 9850 | Diluted earnings per share (NT dollars) (note 6(p)) | \$ 11.51 | | 5.39 | |

See accompanying notes to consolidated financial statements.

(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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | Total other equity interest | | |
|---|---|------------------------------------|-------------------|----------------|-----------------|----------------------------------|---|---|------------------|
| | Share capital | | Retained earnings | | | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Total equity attributable to owners of parent | Total equity |
| | Ordinary shares | Advance receipts for share capital | Capital surplus | Legal reserve | Special reserve | | | | |
| Balance at January 1, 2019 | \$ 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 |
| Profit for the year ended December 31, 2020 | - | - | - | - | - | 721,362 | - | 721,362 | 721,362 |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | - | - | 27,358 | 27,358 | 27,358 |
| Total comprehensive income for the year ended December 31, 2020 | - | - | - | - | - | 721,362 | 27,358 | 748,720 | 748,720 |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve appropriated | - | - | - | 33,762 | - | (33,762) | - | - | - |
| Special reserve appropriated | - | - | - | - | 137,978 | (137,978) | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (249,185) | - | (249,185) | (249,185) |
| Stock option compensation cost | - | - | 1,283 | - | - | - | - | 1,283 | 1,283 |
| Issuance of shares exercise of employee stock option | 1,500 | 2,993 | 8,475 | - | - | - | - | 12,968 | 12,968 |
| Balance at December 31, 2020 | \$ 624,462 | 2,993 | 968,882 | 538,129 | 337,817 | 2,295,422 | (310,459) | 4,457,246 | 4,457,246 |

See accompanying notes to consolidated financial statements.

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

| | <u>2020</u> | <u>2019</u> |
|--|----------------------------|-------------------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 874,557 | 424,551 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation and amortization expense | 277,032 | 311,196 |
| Expected credit loss (gain) | 598 | (738) |
| Interest expense | 20,948 | 26,570 |
| Interest income | (63,921) | (87,477) |
| Stock option compensation cost | 1,283 | 3,135 |
| Net gain on financial assets at fair value through profit or loss | (3,584) | (1,464) |
| Loss on disposal (reversal of) of property, plant and equipment | (3,653) | 1,570 |
| Recognition losses (reversal of provision) on inventory valuation and obsolescence | 2,648 | (4,189) |
| Others | 1,336 | - |
| Total adjustments to reconcile profit | <u>232,687</u> | <u>248,603</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Financial assets at fair value through profit and loss | (215,535) | (184,075) |
| Notes and accounts receivables | (421,910) | (46,528) |
| Inventories | (50,094) | 27,081 |
| Other current assets and financial assets | (8,381) | 5,663 |
| | <u>(695,920)</u> | <u>(197,859)</u> |
| Changes in operating liabilities: | | |
| Notes and accounts payables | 196,050 | 3,075 |
| Other current liabilities | 70,622 | 32,252 |
| | <u>266,672</u> | <u>35,327</u> |
| Total adjustments | <u>(196,561)</u> | <u>86,071</u> |
| Cash inflow generated from operations | 677,996 | 510,622 |
| Interest received | 65,891 | 85,466 |
| Interest paid | (20,922) | (25,329) |
| Income taxes paid | (186,451) | (13,893) |
| Net cash flows from operating activities | <u>536,514</u> | <u>556,866</u> |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at amortised cost | (1,181,921) | - |
| Acquisition of financial assets at fair value through profit or loss | (123,633) | - |
| Acquisition of property, plant and equipment | (103,953) | (160,627) |
| Proceeds from disposal of property, plant and equipment | 9,138 | 5,781 |
| Decrease (increase) in refundable deposits | 10,391 | (1,011) |
| Increase in other financial assets | (2,274) | (4,626) |
| Net cash flows used in investing activities | <u>(1,392,252)</u> | <u>(160,483)</u> |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 164,130 | 19,070 |
| Increase (decrease) in short-term notes and bills payable | (150,000) | 50,000 |
| Proceeds from long-term borrowings | 200,000 | 100,000 |
| Increase in guarantee deposits received and others | 146 | 414 |
| Payments of lease liabilities | (57,064) | (56,497) |
| Cash dividends paid | (249,185) | (186,889) |
| Exercise of employee share options | 12,968 | - |
| Net cash used in financing activities | <u>(79,005)</u> | <u>(73,902)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 21,594 | (125,725) |
| Net increase (decrease) in cash and cash equivalents | (913,149) | 196,756 |
| Cash and cash equivalents at beginning of period | 3,539,799 | 3,343,043 |
| Cash and cash equivalents at end of period | <u><u>\$ 2,626,650</u></u> | <u><u>3,539,799</u></u> |

Nishoku Technology Inc.

2020 Earnings Distribution Table

Unit: NTD

| Item | Amount |
|--|---------------|
| Beginning retained earnings | 1,654,262,267 |
| Less: Decrease in treasury stock | (80,202,948) |
| Adjusted beginning retained earnings | 1,574,059,319 |
| | |
| Add: Current year net income after tax | 721,362,435 |
| Add: Special reserve reversal | 27,358,194 |
| Less: Legal reserve | (72,136,244) |
| | |
| Earnings to be allocated | 2,250,643,704 |
| Total Distribution : | |
| Cash dividend to shareholders (NT\$ 10/ share) | (625,612,290) |
| Closing undistributed earnings | 1,625,031,414 |

Chairman: Chen, Piao-Fu

General Manager: Tsai, Chien-Sheng

Accounting Head: Lin, Tzu-Hsuan

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.</p> <p>Election or dismissal of directors or supervisors, amendments to 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, the dissolution, merger, or demerger of the Company, or any matter under Article 185, paragraph 1 of the <u>Company Act</u>, <u>Articles 26-1 and 43-6 of the Securities and Exchange Act</u>, or <u>Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u>, shall be set out in the notice of the reasons for convening the shareholders meeting and the essential contents shall be explained. None of the above matters may be raised by an extraordinary motion.</p> <p>Paragraph 5 omitted.</p> <p>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.</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, 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. A shareholder proposal proposed for urging the Company to promote public interests or</p> | <p>5. Operation Content Paragraph 1, 2 and 3 omitted.</p> <p>Election or dismissal of directors or supervisors, amendments to 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, the dissolution, merger, or demerger of the Company, or any matter under Article 185, shall be set out in the notice of the reasons for convening the shareholders meeting and the essential contents shall be explained. None of the above matters may be raised by an extraordinary motion.</p> <p>Paragraph 5 omitted.</p> <p>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.</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, 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. 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. Besides, the proposed motion by</p> | <p>Pursuant to the existing laws and regulations, partial amendment is made</p> |

| After revision | Before revision | Detail |
|--|---|---|
| <p>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. 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><u>Shareholders may submit suggestive proposals for urging the Company to promote public interests or fulfill its social responsibilities, provided that the procedure shall comply with relevant provisions of Article 172-1 of the Company Act, and the number of items so proposed shall be limited to one only, and no proposal containing more than one item shall be included in the meeting agenda.</u></p> <p>Below Omitted.</p> | <p>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>Below Omitted.</p> | |
| <p>5. Operation Content Paragraph 7 first set omitted. The chair shall call the meeting to order at the appointed meeting time, <u>and shall also announce information related to the number of shares having no voting rights and the number of shares represented by the attending shareholders.</u> 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.</p> <p>Below Omitted.</p> | <p>5. Operation Content Paragraph 7 first set omitted. 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.</p> <p>Below Omitted.</p> | <p>Pursuant to the existing laws and regulations, partial amendment is made</p> |
| <p>5. Operation Content Paragraph 12 first set The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election</p> | <p>5. Operation Content Paragraph 12 first set The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election</p> | <p>Pursuant to the existing laws and regulations, partial</p> |

| After revision | Before revision | Detail |
|---|--|--------------------------|
| <p>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 <u>and the name of unelected directors as well as their number of votes received.</u></p> <p>Paragraph 12 second paragraph omitted.</p> | <p>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.</p> <p>Paragraph 12 second paragraph omitted.</p> | <p>amendment is made</p> |

Comparison Table for the” Procedures for Election of Directors” Before and After Revision

| After revision | Before revision | Detail |
|--|---|---|
| <p>V. Operation Content</p> <p>3.Elections of directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p> <p>Where the number of independent directors falls below the number prescribed in the proviso of Paragraph 1 of Article 14-2 of Securities and Exchange Act, relevant provisions of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings or Subparagraph 8 of “Specific Determination Standard for Conditions Unsuitable for Offering Socks Traded on TPEX Prescribed in Subparagraphs of Paragraph 1 of Article 10 of the “Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX”, the Company shall hold by-election at the most recent shareholders’ meeting.</p> <p>Where the number of independent directors falls below the number prescribed in the proviso of Paragraph 1 of Article 14-2 of Securities and Exchange Act, the Company shall hold by-election at the most recent shareholders’ meeting. When all independent directors are dismissed, the Company shall convene an extraordinary shareholders’ meeting within sixty days from the occurrence of such event to hold a by-election for the independent directors.</p> | <p>V. Operation Content</p> <p>3.Elections of directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act, and reviews on their qualifications, education, working experience, background, and the existence of any matters set forth in Article 30 of the Company Act shall be conducted, and supporting documents for other additional qualifications shall not be listed arbitrarily; in addition, the review result shall be submitted to the shareholders for reference in order to elect appropriate and competent directors.</p> <p>When the number of directors falls below five due to the discharge of a director for any reason, the Company shall hold a by-election for director at the following shareholders meeting. When the number of directors falls short by one third of the total number prescribed by the articles of incorporation, the Company shall convene a special shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).</p> <p>Where the number of independent directors falls below the number prescribed in the proviso of Paragraph 1 of Article 14-2 of Securities and Exchange Act, relevant provisions of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings or Subparagraph 8 of “Specific Determination Standard for Conditions Unsuitable for Offering Socks Traded on TPEX Prescribed in Subparagraphs of Paragraph 1 of Article 10 of the “Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX”, the Company shall hold by election at the most recent shareholders’ meeting. When all independent directors are dismissed, the Company shall convene an extraordinary</p> | <p>Pursuant to the existing laws and regulations, partial amendment is made</p> |

| After revision | Before revision | Detail |
|--|---|---|
| | shareholders' meeting within sixty days from the occurrence of such event to hold a by-election for the independent directors. | |
| <p>10. A ballot is invalid under any of the following circumstances:</p> <p>(1) Where the ballot <u>is not prepared by a person with the right to convene.</u></p> <p>(2)-(8) Omitted.</p> | <p>10. A ballot is invalid under any of the following circumstances:</p> <p>(1) Where the ballot provided by the board of directors is not used.</p> <p>(2)-(8) Omitted.</p> | <p>Pursuant to the existing laws and regulations, partial amendment is made</p> |

Rules Governing the Scope of Powers of Supervisors

I. Purpose

To ensure the normal business operation of the Company and to develop an effective, comprehensive, and robust supervisory system for the supervisors, allowing supervisors to fulfill their functions, and for the purpose of strengthening the Company's internal monitoring mechanisms and ensuring sound corporate governance, in order to fulfill the responsibility for safeguarding the rights and interests of the Company and all of its shareholders, these Rules are adopted pursuant to the provisions of Chapter 4 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

II. Scope

Except as otherwise provided by law or regulation or by the articles of incorporation, the powers and duties of the supervisors of this Company and the matters to be carried out by this Company when the supervisors exercise their powers shall be as set forth in these Rules.

III. Definition

None.

IV. Responsibilities

The supervisors shall faithfully perform their duties and fulfill the obligation to exercise the due care of a good administrator. They shall maintain a high degree of self-discipline and adopt a prudential attitude in supervising the business and financial conditions of the Company, in order to safeguard the rights and interests of the Company and its shareholders. If in the course of their duties a supervisor violates a law, regulation, or the articles of incorporation, or if a supervisor neglects his or her supervisory duties, thereby causing damage to the Company, the supervisor shall be legally held liable to the Company for damages.

V. Operation Content

1. A supervisor shall be familiar with the relevant laws and regulations, shall understand the rights, obligations, and duties of the directors of the Company and the respective functions, duties, and operations of each department. Supervisors shall attend meetings of the board of directors to oversee its operation and to state their opinions when appropriate so as to control or discover any irregularity as early as possible.
In the exercise of supervisory powers by each respective supervisor, a supervisor that deems it necessary may convene a meeting, in consideration the overall interest of the Company and the shareholders, to exchange opinions with other supervisors, provided that in so doing the independent exercise of powers by other supervisors is not obstructed.
2. Supervisors shall monitor the business operations of the Company, examine its financial and business conditions from time to time, and review its books and records. They may request reports to be presented by the board of directors or any of the managerial officers in order to understand the status of performance of their respective duties, and shall attend to the effectiveness and implementation of the internal control system so as to reduce the financial and operational risks of the Company.
3. When a meeting of the board of directors is held, each supervisor shall be notified of the meeting in accordance with the provisions of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and the meeting notice and sufficient meeting materials shall be delivered to all supervisors.
4. The supervisors shall maintain a high degree of self-discipline; when a proposal put forward at a meeting bears on the personal interest of a supervisor, and such relationship is likely to prejudice the interest of the Company, the supervisor shall enter into recusal.
5. Upon discovering any violation of a law or regulation, the articles of incorporation, or a shareholders meeting resolution by the board of directors or by a director in the course of

their duties, a supervisor shall immediately notify the board of directors or the director to cease such conduct.

6. Supervisors shall thoroughly review and issue a report on the various books and records (including business reports, financial statements, proposals for distribution of earnings or for covering of losses) compiled by the board of directors and presented at shareholders meetings, and shall state their opinion at the shareholder meeting.

7. A supervisor may at any time investigate the financial and business conditions of this Company, and the relevant departments in this Company shall provide the books and documents that may be required by the investigation.

When reviewing the financial or business conditions of the Company, a supervisor may retain attorneys or accountants on behalf of the Company to perform the review, provided that they shall inform the relevant persons of their confidentiality obligations.

The board of directors or managerial officers shall submit reports at the request of a supervisor and may not for any reason obstruct, evade, or refuse the inspections of the supervisors.

When a supervisor performs his or her duties, the Company shall provide the necessary assistance in accordance with the needs of the supervisor, and any reasonable expenses required for such assistance shall be borne by the Company.

8. Supervisors shall conduct periodic discussions with the internal auditors regarding their examination of deficiencies in the internal control system, and shall make a record of the discussions.

The Company shall establish a channel for communication between its employees, shareholders, and interested parties and the supervisors in order to facilitate the supervisory duties of the supervisors. Upon discovering any misconduct, a supervisor shall take timely measures to curb its expansion, and if necessary shall file a report with the competent authority or relevant regulatory agencies.

If any of a TSWE/TPEX listed company's independent directors, general managers, heads of finance, accounting, research and development, or internal audit departments, or CPAs resigns or is removed from their position, the supervisors shall closely investigate the reasons and make necessary recommendations or take necessary measures.

9. It is advisable that the Company, in accordance with the Articles of Incorporation or the resolution of a shareholders meeting, purchases liability insurance for the supervisors with respect to liabilities resulting from the performance of duties during their terms of office, so as to reduce and spread the risk of material damage to the rights and interests of the Company and the shareholders as a result of fault or negligence of a supervisor.
10. Upon becoming a supervisor and throughout their term in that position, a supervisor is advised to participate in training courses covering subjects related to corporate governance, such as finance, risk management, business, commerce, accounting, law, or corporate social responsibility, offered by the institutions designated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies.
11. These Rules shall be submitted by the board of directors to the shareholders' meeting for approval before implementation, and the same requirements shall be applied to amendments of these Rules.

VI. Relevant Documents

None.

VII. Attachments

None.

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

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.

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 I, 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; 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.

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.

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. 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. 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 in writing, 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.

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.

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. Relevant motions (including extemporaneous motions and changes in the original motions) shall be voted on a case-by-case basis. 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, and arrange appropriate time for discussion.

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 shall allow the shareholders to exercise voting rights by electronic means, and also correspondence 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 voting results (including calculation of voting shares) of various meeting agendas. In cases of director elections, the number of voting shares of director candidates shall be revealed. 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. Articles of Incorporation

Chapter 1 General Principles

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

Chapter 2 Stock Shares

- Article 5 The capital sum of the company is NT\$1,500,000,000 to be divided for 150,000,000 shares of NT\$10 per share to be issued by several times. The preceding capital sum has reserved NT\$20,000,000 to be divided for 2,000,000 shares for stock option, special stock for stock option, or for the use of company with stock option to exercise power of stock option. In accordance with Company Act and other related laws and rules, the Board is authorized to issue the shares for several times.
- Article 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 shared 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 no more than 5% as rewards for directors and supervisors. However, the company's accumulated losses shall first have been covered.

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 surplus after the general annual final settlement, tax shall be first repaid, the accumulative losses be compensated and then 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 set aside or reversed. Where in case there is surplus, the Board shall propose a motion of profit distribution along with beginning retained earnings. Where surplus is distributed in form of new shares, such matter shall be submitted for shareholders meeting to resolve for stock 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.
19th revision was made on Jun. 16, 2020.

Nishoku Technology Inc.

Chairman: Chen, Piao-Fu

Nishoku Technology Inc.
Procedures for Election of Directors
(Before amendment)

I. Purpose

To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 and 41 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.

II. Scope of Review

Except as otherwise provided by law and regulation or Articles of Incorporation of the Company, the elections of directors of the Company shall be conducted in accordance with these Procedures. In addition, the establishment of independent directors and compliance matters shall be handled in accordance with the regulations of the competent authority of securities.

III. Definition

None.

IV. Responsibilities

None.

V. Operation Content

1. The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- (1) Basic requirements and values: Gender, age, nationality, and culture.
- (2) Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

- (1) The ability to make judgments about operations.
- (2) Accounting and financial analysis ability.
- (3) Business management ability.
- (4) Crisis management ability.
- (5) Knowledge of the industry.
- (6) An international market perspective.
- (7) Leadership ability.
- (8) Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

2. The qualifications for the independent directors of the Company shall comply with Articles 2, 3, and 4 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.

The election of independent directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, and shall be conducted in accordance with Article 24 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.

3. Elections of directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act, and reviews on their qualifications, education, working experience, background, and the existence of any matters set forth in Article 30 of the Company Act shall be conducted, and supporting documents for other additional qualifications shall not be listed arbitrarily; in addition, the review result shall be submitted to the shareholders for reference in order to elect appropriate and competent directors.

When the number of directors falls below five due to the discharge of a director for any reason, the Company shall hold a by-election for director at the following shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the Company shall convene a special shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

Where the number of independent directors falls below the number prescribed in the proviso of Paragraph 1 of Article 14-2 of Securities and Exchange Act, relevant provisions of the

Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings or Subparagraph 8 of “Specific Determination Standard for Conditions Unsuitable for Offering Stocks Traded on TPEX Prescribed in Subparagraphs of Paragraph 1 of Article 10 of the “Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX”, the Company shall hold by-election at the most recent shareholders’ meeting. When all independent directors are dismissed, the Company shall convene an extraordinary shareholders’ meeting within sixty days from the occurrence of such event to hold a by-election for the independent directors.

4. The cumulative voting method shall be used for election of the directors at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
5. The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with

each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

6. The number of directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
7. Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and counting personnel. In addition, the vote monitoring personnel shall be equipped with the shareholder status.
8. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.
9. If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "Candidate column" of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identification card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.
10. A ballot is invalid under any of the following circumstances:
 - (1) Where the ballot provided by the board of directors is not used.
 - (2) A blank ballot is placed in the ballot box.
 - (3) The writing is unclear and indecipherable or has been altered.
 - (4) The candidate whose name is entered in the ballot is a shareholder and his/her account name and shareholder account number does not conform with the shareholder registry, or the candidate whose name is entered in the ballot is not a shareholder and does not conform with the name and identity card number provided.
 - (5) Other words or marks are entered in addition to the candidate's account name (name) or shareholder account number (or identity certificate number) and the number of voting rights allotted.
 - (6) The name of the candidate entered on the ballot is identical to that of another shareholder, but no shareholder account number or identification card number is provided on the ballot to identify such individual.
 - (7) The total number of voting rights casted in the voting exceed the total number of voting rights held by voters.

- (8) The number of candidates filled in exceeds the number of seats required for election.
11. The voting rights shall be calculated on-site immediately after the end of the poll, and the results of the list of persons elected as directors and their respective number of voting rights won shall be announced by the chair on-site.
- 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.
- However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
12. The board of directors of the Company shall issue notifications to the persons elected as directors.
13. These Rules shall be submitted by the board of directors to the shareholders' meeting for approval before implementation, and the same requirements shall be applied to amendments of these Rules.

VI. Relevant Documents

None.

VII. Attachments

None.

Nishoku Technology Inc. Shareholding of Directors

1. 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 4,999,298 shares.
2. The total shareholding of all Directors recorded in the shareholders’ register has met the legal standard for percentage of shareholding.
3. The Company had set up Audit Committee, so there is no applicable for the minimum required of shareholdings of supervisors by law.
4. 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 | 3.01% |
| Director | Heng Sheng Investment Limited Rep.: Tsai, Chien-Sheng | Jun. 18, 2019 | 3 years | 2,243,956 | 3.60% | 2,263,956 | 3.62% |
| 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 | 2.97% |
| Director | Jhan Yu Investment Limited Rep.: Hsieh, Xin-Yi | Jun. 18, 2019 | 3 years | 2,683,082 | 4.31% | 2,683,082 | 4.29% |
| Director | Chang Shun Investment Limited Rep.: Fan, Chia-Wen | Jun. 18, 2019 | 3 years | 2,705,932 | 4.34% | 2,705,932 | 4.33% |
| Total shareholdings of all Directors | | | | 11,327,899 | 18.18% | 11,388,899 | 18.22% |
| 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% |

Note: As of the closing date of this meeting of shareholders on April 19, 2021, the total number of issued shares is 62,561,229 shares.