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Company Website : <https://www.nishoku.com.tw>



Nishoku Technology Inc.

# 2021 Annual Report

Published on April 30, 2022

1. Names, Job Titles, and Telephone Numbers of the Company's Spokesperson and Acting

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Spokesperson:

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Title: General Manager

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Deputy Spokesperson:

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Title:CFO

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Name of CPA: Cheng-Chien Chen and Yung-Hua Huang

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5. OVERSEAS SECURITIES EXCHANGE : None.

6. FOR MORE INFORMATION ABOUT NISHOKU : <https://www.nishoku.com.tw>

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## 1. Letter to Shareholders

Dear Shareholders,

We thank each and every of our shareholder's support of Nishoku Group. With your busy schedule, we are grateful for your participation in the Company's 2022 General Shareholders Meeting. On behalf of everyone at Nishoku, your presence is most welcome.

For 2021, the consolidated net revenue was NT\$4.829 billion for the fully year, up 0.4% year on year. The full year margin was 28%, with EPS of NT\$9.70, the second highest level since the listing.

Looking to 2022, the impact from the pandemic to the physical economy will fade out gradually, and the global economy is expected to recover continuously. Provided, various countries are expected to taper debt purchase, unwind the balance sheet and raise interest rate for mitigating the inflation pressure. This will slow down the pace of recovery, and result in more uncertainties in the financial markets. The Company continues 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.

Below is 2021 operating report and 2022 operating plans:

### 1. The 2021 Business result:

#### (1) 2021 Performance Of Business Plan

Unit: NT\$ thousand

Item \ Year	2021	2020	Percentage of change (%)
Net operating income	4,829,110	4,808,261	0%
Operating cost	3,464,092	3,268,381	6%
Gross profit	1,365,018	1,539,880	(11%)
Operating profit	889,582	1,069,052	(17%)
Non-Operating Income	(64,788)	(194,495)	67%
Profit before tax	824,794	874,557	(6%)
Profit after tax	606,688	721,362	(16%)
Gross profit (%)	28%	32%	
Operating profit (%)	18%	22%	

#### (2) Status of Budget Execution

Not available as Nishoku Technology Inc. had not declared 2021 financial forecast.

#### (3) Financial Receipt and Expenditure, and Profitability Analysis

Items of analysis		2021	2020
Solvency	Current ratio (%)	212.47	252.34
	Quick ratio (%)	193.41	227.87
	Interest coverage ratio	37.83	42.75
	Debt to assets ratio (%)	51.46	48.28

Profitability	ROA (%)	28.21	9.00
	Return on shareholders' equity (%)	54.70	17.17
	Income before tax as a percentage of paid-in capital (%)	131.61	140.05
	Net profit rate (%)	12.56	15.00
	After tax EPS (NTD)	9.70	11.57

#### (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. 2022 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 2022 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. To respond to the reorganization of the global supply chain, the production base in Vietnam has been expanded, to meet the order shifting 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 to 2022, the impact from the pandemic to the physical economy will fade out gradually, and the global economy is expected to recover continuously. Provided, various countries are expected to taper debt purchase, unwind the balance sheet and raise interest rate for mitigating the inflation pressure. This will slow down the pace of recovery, and result in more uncertainties in the financial markets. The Company continues 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.

Once again, I thank each of our shareholder's support, trust and encouragement for the Company.

I wish you all

Healthy and well

Chairman                      Chen, Piao-Fu

General Manager              Tsai, Chien-Sheng



## 2. Company Profile

### 2.1 Date of Incorporation: June 27th, 1980

### 2.2 Company Milestones

Time	Company Milestones
1980	<ul style="list-style-type: none"> <li>Established as Chi-Hsing Enterprise Co., Ltd. to specialize in the manufacture of steel plastic injection molds and single injection mold products.</li> </ul>
Dec 2001	<ul style="list-style-type: none"> <li>Established as Chi-Hsing Enterprise Co., Ltd. to specialize in the manufacture of steel plastic injection molds and single injection mold products.</li> </ul>
Oct 2003	<ul style="list-style-type: none"> <li>Cultivated the European market in collaboration with strategic partner T&amp;J.</li> </ul>
Jun 2007	<ul style="list-style-type: none"> <li>Changed the company name to Nishoku Technology Inc.</li> </ul>
May 2008	<ul style="list-style-type: none"> <li>Set up Nishoku Technology Vietnam Co., Ltd. in Hanoi, Vietnam</li> </ul>
July 2008	<ul style="list-style-type: none"> <li>Acquired 100% shares of Hsin Jin Li Holdings and indirectly invested 100% shares of Kunshan Nishoku Plastics and Electronics Co., Ltd., Kunshan Nishoku Mold Industrial Co., Ltd., and Nishoku Plastic Mold (Shenzhen) Co., Ltd. through Sun Nice Ltd. (Samoa) to establish production bases in China for expanding the scale of production to meet the needs for market expansion and group operations.</li> </ul>
Nov 2008	<ul style="list-style-type: none"> <li>Implemented the NCVM process in Kunshan and Shenzhen plants.</li> </ul>
May 2009	<ul style="list-style-type: none"> <li>Plans to build the Taipei headquarters building</li> </ul>
Aug 2009	<ul style="list-style-type: none"> <li>Initial public offering.</li> </ul>
Nov 2009	<ul style="list-style-type: none"> <li>Registered for trading at the Emerging Market at TPEx.</li> <li>Construction for Taipei headquarters building started.</li> </ul>
Dec 2009	<ul style="list-style-type: none"> <li>As a means to integrate the Group's internal resources, 100 equity of SUN NICE LTD.(SAMOA) was acquired through investment and 100% equity of Kunshan Xinrisheng Electronics Co., Ltd. and Xinzhihong Electronics Co., Ltd. are held in directly.</li> </ul>
Dec 2010	<ul style="list-style-type: none"> <li>For the purpose of maximizing the distribution efficiency of the Group's internal resources, 2 companies: Kunshan Xinrisheng Electronics Co., Ltd. and Xinzhihong Electronics Co., Ltd. were merged through SUN NICE LTD. (SAMOA) which it directly owned.</li> <li>Selected in the Deloitte Technology Fast 500 Asia Pacific and ranked</li> </ul>

Time	Company Milestones
	the fifth largest in Taiwan.
Jan 2011	<ul style="list-style-type: none"> <li>● Nishoku Technology Vietnam Co., Ltd. passed ISO-9001 and ISO14000 certification.</li> <li>● Completion of Taipei headquarters building</li> </ul>
Mar 2011	<ul style="list-style-type: none"> <li>● Completion of the Taipei Operational HQ Building.</li> </ul>
Jun 2011	<ul style="list-style-type: none"> <li>● Approved for listing by the Financial Supervisory Commission, Executive Yuan.</li> </ul>
Aug 2011	<ul style="list-style-type: none"> <li>● Acquired ISO14001:2004 certification, and Nishoku Technology Vietnam Co., Ltd. passed OHSAS18000 certification.</li> </ul>
Sep 2011	<ul style="list-style-type: none"> <li>● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. passed OHSAS18000 certification.</li> </ul>
Oct 2011	<ul style="list-style-type: none"> <li>● Officially listed on the Taipei Stock Exchange to become a newcomer of the stock market.</li> </ul>
Dec 2011	<ul style="list-style-type: none"> <li>● For the purpose of maximizing the distribution efficiency of the Group's internal resources, 3 companies: Kunshan Xinzhiheng Plastic Electronics Co., Ltd., Kunshan Xinzhiheng Mold Industry Co., Ltd., and Kunshan Xinrisheng Electronics Co., Ltd., were merged through SUN NICE LTD. (SAMOA) which it directly owned.</li> </ul>
Apr 2012	<ul style="list-style-type: none"> <li>● Completion of Nishoku Technology Vietnam Co., Ltd. Phase 2.</li> </ul>
May 2012	<ul style="list-style-type: none"> <li>● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. acquired the National High-tech Enterprise recognition.</li> </ul>
Jun 2012	<ul style="list-style-type: none"> <li>● The Taipei HQ Building passed the LEED Gold certification for green buildings.</li> </ul>
Jul 2012	<ul style="list-style-type: none"> <li>● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. acquired the Certificate of Honor for Industry and Enterprise Safety Management</li> </ul>
Oct 2012	<ul style="list-style-type: none"> <li>● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. acquired the National High-tech Enterprise recognition.</li> </ul>
May 2013	<ul style="list-style-type: none"> <li>● Rated as one of the "Top 2000 Enterprises" and the "Top 150 Computer Peripherals and Components Manufacturers" by CommonWealth.</li> </ul>
Dec 2013	<ul style="list-style-type: none"> <li>● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. won the 2013 Manufacturer with Outstanding Contribution in Guangdong and rated one of the Top 500 Manufacturers.</li> </ul>
May 2014	<ul style="list-style-type: none"> <li>● Rated as one of the "Top 2000 Enterprises" and the "Top 100 Computer Peripherals and Components Manufacturers" by CommonWealth.</li> </ul>
Jun 2014	<ul style="list-style-type: none"> <li>● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. passed</li> </ul>

Time	Company Milestones
	ISO/TS 16949:2009 certification. ◦
Jan 2015	● Nishoku Technology Vietnam Co., Ltd passed ISO/TS 16949:2009 certification.
Apr 2015	● Merged Kunshan Nishoku Plastics and Electronics Co., Ltd., Nishoku Mold Co., Ltd., and Kunshan Nishoku Electronics Co., Ltd. into Kunshan Nishoku Plastics and Electronics Co., Ltd. to maximize the efficiency of internal resource allocation.
May 2015	● Rated as one of the “Top 2000 Enterprises” and the “Top 100 Computer Peripherals and Components Manufacturers” by CommonWealth.
Jul 2015	● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.passed OHSAS1800:2007 certification.
Nov 2015	● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. acquired the National High-tech Enterprise recognition.
Dec 2015	● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. acquired the National High-tech Enterprise recognition.
May 2016	● Rated as one of the “Top 2000 Enterprises” and the “Top 100 Computer Peripherals and Components Manufacturers” by CommonWealth.
May 2017	● Rated as one of the “Top 2000 Enterprises” and the “Top 100 Computer Peripherals and Components Manufacturers” by CommonWealth.
Jul 2017	● Rated as one of the “Top 5000 Enterprises in Taiwan” by China Credit Information Service Ltd.” in 2017
May 2018	● Rated as one of the “Top 2000 Enterprises” and the “Top 100 Computer Peripherals and Components Manufacturers” by CommonWealth.
Jul 2018	● Completed phase II of KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. to expand the scale of production.
Nov 2018	● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. acquired the National High-tech Enterprise recognition.
Nov 2018	● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. acquired the National High-tech Enterprise recognition.
Mar 2019	● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.passed ISO13485:2016 certificaion ◦
May 2019	● Rated as one of the “Top 2000 Enterprises” and the “Top 100 Computer Peripherals and Components Manufacturers” by CommonWealth.
Sep 2019	● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.passed GB/T24001:2016 、ISO14001:2015 、ISO45001:2018 certification.

Time	Company Milestones
Feb 2020	● Nishoku Technology Vietnam Co., Ltd passed ISO9001:2015 、 ISO14001:2015 certification.
Mar 2020	● Nishoku Technology Vietnam Co., Ltd passed ISO45001:2018 certification.
May 2020	● Rated as one of the “Top 2000 Enterprises” and the “Top 100 Computer Peripherals and Components Manufacturers” by CommonWealth.
Jul 2020	● Nishoku Technology Inc. passed ISO9001:2005 、 ISO14001:2015 certification.
Aug 2020	● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD passed ISO45001:2018 certification.
May 2021	● Rated as one of the “Top 2000 Enterprises” and the “Top 100 Computer Peripherals and Components Manufacturers” by CommonWealth.
Jul 2021	● KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD passed IATF 16949:2016 、 ISO9001:2005 、 ISO14001:2015 certification.
Oct 2021	● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. passed ISO9001:2005 、 ISO14001:2015 、 ISO45001:2018 certification.
Dec 2021	● NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. acquired the National High-tech Enterprise recognition.
Mar 2022	● Completed phase III of Nishoku Technology Vietnam Co., Ltd. to expand the scale of production.

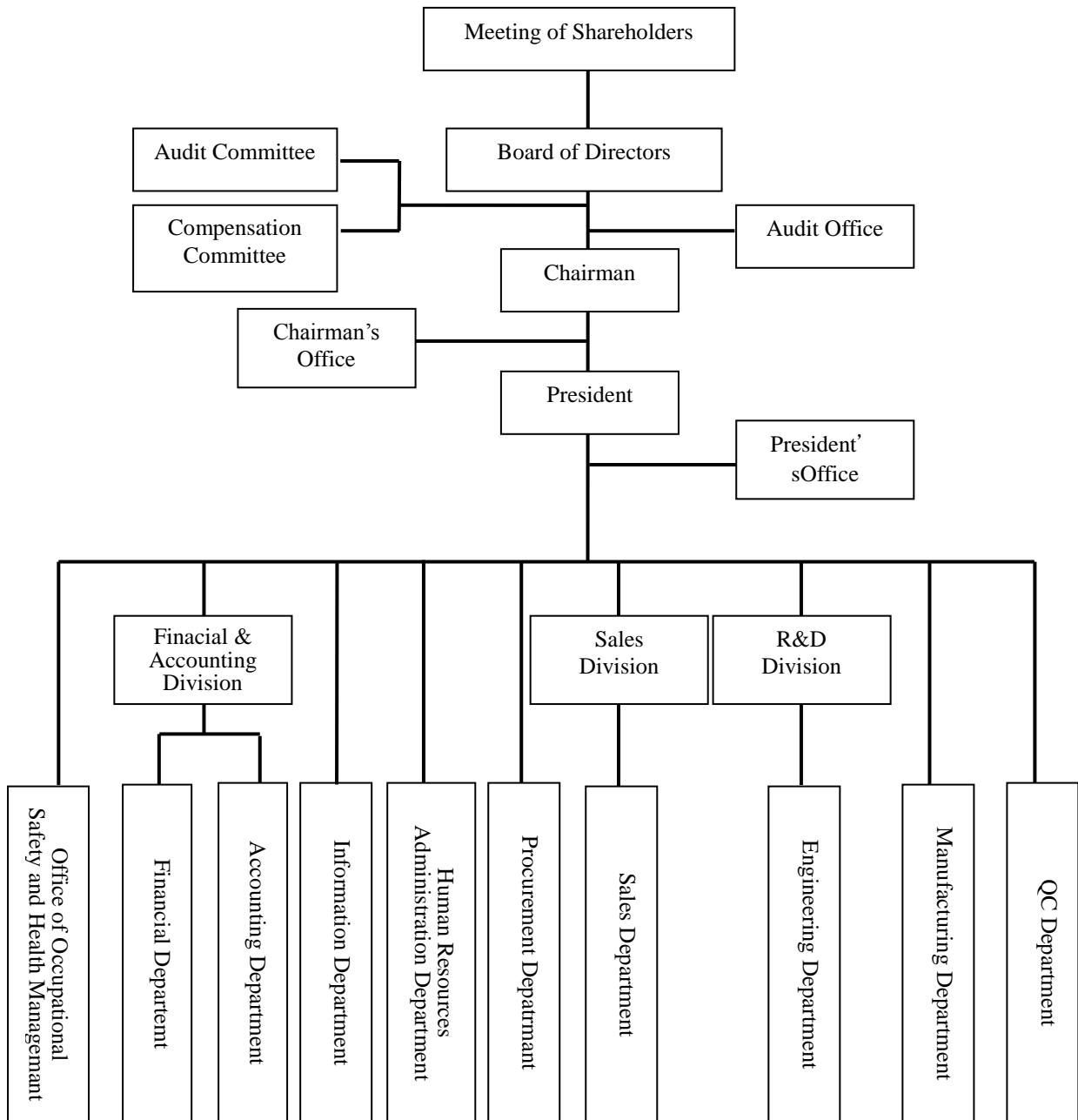
### 3. Corporate Governance

#### 3.1 Organization Structure

##### 3.1.1 Organization Chart (As of 12/31/2021)

There are a Board of Directors and Shareholders Meeting above the Company’s management and the Board of Directors has established the Audit Office. The management’s priority is making decisions. There are also a Chairperson’s Office and President’s Office; 4 divisions have been established under the Board of Director’s office and the President’s office: Finance and Accounting Division, Management Division, Business Division and R&D Division. There are also 10 Offices, including: Labor Safety and Health Management Office, Finance Department, Accounting Department, Information Department, Human Resources Administration Department, Procurement Department, Business Department, Engineering Department, Production Department and Quality Management Department.

The Company’s organization is as the following chart:



### 3.1.2 Department Functions

Department	Main Responsibilities
Chairman's Office	Executes the Board of Directors' important decisions and each business' management strategies, plans of long-term development and their promotion; strategy establishment and plans of the integration development within the Group's businesses.
President's Office	1. Assists the President in executing tasks relating to unit communication, coordination and management. 2. Leads the Company's performance and management.
Audit Office	Assists the Board of Directors and the management in checking and reviewing the deficiency of the internal control system and evaluates operation result and its productivity. Provides improvement suggestions in a timely manner, ensuring that the internal control system may continue to be performed with efficiency. The suggestions will be used as a reference when reviewing and amending the internal control system.
Human Resources Administration Department	1. HR planning, personnel recruiting and change, wages and labor and health insurance, education and training, performance appraisal, management for when personnel leaves their job, and personnel regulation system. 2. Fixed assets management and maintains the Company's normal operation and related matters. 3. Corporate responsibility concurrent unit - facilitates events including corporate commitments, social involvement and environmental protection.
Information Department	Responsible for the the integration and development of the application system, information and management of information and website structure plans, construction and management of information security plans relating to the Group's operating procedures.
Procurement Department	Grasps of prices and market situation of raw materials, management of procurement procedures, procurement negotiation and supplier management.
Financial & Accounting Division	Finance Department: 1. Fund raising, management, uses of funds, etc.; financial report analysis, etc.; budget planning and controlling; convening of Board of Directors meetings and Shareholders meetings, relationship maintenance of shareholders, and promotion of corporate governance. 2. Holds a concurrent position at the Company's corporate ethical management and corporate governance unit.
	Accounting Department: Routine accounting affairs, periodical preparation of financial statements and management statements, account management of investee companies, and reporting and planning of tax affairs.
Sales Division	Development of customers, customer management and maintenance as well as coordination of production and sales in terms of the products produced and manufactured by the Company.
R&D Division	1. Development and testing of new products, new dies and fixtures as well as R&D and supervision of new technology.

	<ol style="list-style-type: none"> <li>2. Technical assistance and solving production issue.</li> <li>3. Preparation of trial material.</li> <li>4. New die production, parts outsourcing control and manufacturing processing.</li> </ol>
Manufacturing Department	<ol style="list-style-type: none"> <li>1. Production process scheduling, shipment date control, management of raw materials and waste, shipment.</li> <li>2. Producing and manufacturing products and semi-finished products that meet quality specifications.</li> <li>3. Dies and machinery maintenance and repair, production of figs and fixtures.</li> </ol>
QC Department	<ol style="list-style-type: none"> <li>1. Supervises instrument calibration, production quality statistics, handling of complaints and promotion of company quality management system, and document control.</li> <li>2. Incoming inspection of raw materials and outsourced parts, manufacturing process inspection, shipment inspection, measurements of sizes of sample parts and measurements of parts in production.</li> </ol>
Office of Occupational Safety and Health Management	<ol style="list-style-type: none"> <li>1. Plans and supervises the labor safety and health management of all departments and implement labor safety and health education and trainings.</li> <li>2. Formulates occupational disaster prevention plans and guides related departments to carry out disaster statistics.</li> <li>3. Plans labor health examinations and implements health management.</li> </ol>

### 3.2 Board of Directors and Management Team

#### 3.2.1 Introduction of Board of Directors

##### 3.2.1.1 Director & Supervisor

As of 04/17/2022

Title	Nationality	Name	Gender / Age	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with Number of the Concerned Person			Note (Note 3)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Ghi Yang Investment Limited	-	12/26/2008	2019/6/18	3	1,839,621	2.95%	1,880,621	3.00%	0	0%	0	0%	—	—	—	—	—	—
	R.O.C	Rep.: Chen, Piao-Fu	Male 61   70 Age	12/26/2008	6/18/2019	3	0	0%	222,682	0.36%	336,476	0.54%	3,600,000	5.74%	Lee-Ming College of Technology QC supervisor of Sampo Corporation QC Assistant Manager of Dixing Industrial Co., Ltd. Chairman of Nishoku Industrial Inc. Chairman of Nishoku Technology INC.	Chairman of Nishoku Technology Inc. Chairman of SAME START LIMITED Chairman of Nishoku Hong Kong Holding Limited Chairman of Nishoku Plastic Mold (Shenzhen) Co., Ltd. Director of SUN NICE LIMITED(SAMOA) Director of Nishoku Boueki Co., Ltd. Chairman of Nishoku Technology Vietnam Co., Ltd.	None	None	None	None
Director	R.O.C	Heng Sheng Investment Limited	-	12/26/2008	6/18/2019	3	2,243,956	3.60%	2,263,956	3.61%	0	0%	0	0%	—	—	—	—	—	—
	R.O.C	Rep.: Tsai, Chien-Sheng	Male 51   60 Age	12/26/2008	6/18/2019	3	0	0%	2,130	0.00%	318,805	0.05%	4,500,000	7.18%	EMBA of National Taiwan University Engineering Supervisor of Dixing Industrial Co., Ltd. President of Nishoku Industrial Inc. President of Nishoku Technology Inc.	President of Nishoku Technology Inc. Director of SAME START LIMITED Director of Nishoku Hong Kong Holding Limited Director of Nishoku Plastic Mold (Shenzhen) Co., Ltd. Chairman of SUN NICE LIMITED(SAMOA) Director of Nishoku Boueki Co., Ltd. Director of Nishoku Technology Vietnam Co., Ltd. Chairman of Kunshan Nishoku Plastic Electronic Co., Ltd. Chairman of SUN NICE LIMITED(B.V.I)	Director	Wu, Ying-Lan	Spouse	None



Title	Nationality	Name	Gender / Age	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with Number of the Concerned Person			Note (Note 3)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
	R.O.C	Rep.: Wu, Ying-Lan	Female 51   60 Age	6/18/2019	6/18/2019	3	0	0%	31,805	0.05%	2,130	0.00%	4,500,000	7.18%	Ming Chuan College Chairman of Nishoku Boueki Co., Ltd.	Chairman of Nishoku Boueki Co., Ltd. VP of Nishoku Technology Inc. Director of Nishoku Plastic Mold (Shenzhen) Co., Ltd.	Director	Tsai, Chien-Sheng	Spouse	None
Director	R.O.C	Cyuan Guan Investment Limited	-	12/26/2008	6/18/2019	3	1,855,308	2.98%	1,855,308	2.96%	0	0%	0	0%	-	-	-	-	-	-
	R.O.C	Rep.: Chang, Wen-Hsien	Male 51   60 Age	12/26/2008	6/18/2019	3	0	0%	117,309	0.19%	9,316	0.01%	4,050,000	6.46%	Ta Hwa Technical College Manufacturing Supervisor of Dixing Industrial Co., Ltd. Vice President of Nishoku Industrial Inc. Executive Vice President of Nishoku Technology Inc. President of Kunshan	Executive Vice President of Nishoku Technology Inc. Supervisor of Nishoku Boueki Co., Ltd. Director of SAME START LIMITED Director of Nishoku Hong Kong Holding Limited Director of Nishoku Plastic Mold (Shenzhen) Co., Ltd Director of SUN NICE LIMITED(SAMOA) Director of Nishoku Technology Vietnam Co., Ltd. Director of Kunshan Nishoku Plastic Electronic Co., Ltd.	None	None	None	None
Director	R.O.C	Jhan Yu Investment Limited	-	12/26/2008	6/18/2019	3	2,683,082	4.31%	2,683,082	4.28%	0	0%	0	0%	-	-	-	-	-	-
	R.O.C	Rep.: Hsieh, Xin-Yi	Male 41   50 Age	1/29/2009	6/18/2019	3	0	0%	47,968	0.08%	38,400	0.06%	4,736,000	7.56%	MBA of International University of Monaco Sales of Spring Machinery Company	Principal of Zhanyu Investment Co., Ltd. Principal of Ji Teng Investment Co., Ltd Sales Manger of Well-achieve Co., Ltd.	None	None	None	None
Director	R.O.C	Chang Shun Investment Limited	-	6/18/2019	6/18/2019	3	2,705,932	4.34%	2,705,932	4.32%	0	0%	0	0%	-	-	-	-	-	-
	R.O.C	Rep.: Fan, Chia-Wen	Female 41   50 Age	6/18/2019	6/18/2019	3	0	0%	194,409	0.31%	0	0%	0	0%	National Kaohsiung University of Hospitality and Tourism Flight attendants of EVA Air	CFO of Changshun Investment Co., Ltd	None	None	None	None

Title	Nationality	Name	Gender / Age	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with Number of the Concerned Person			Note (Note 3)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Chan, Chin-Hung	Male 61   70 Age	6/30/2010	6/18/2019	3	0	0%	0	0%	0	0%	0	0%	Ph.D. in Economics, Kyushu University Executive Director of College of Management, Chang Gung University	Professor of Chang Gung University concurrently serves as the CEO of the School of Business Management. Supervisor of PODAK CO., LTD	None	None	None	None
Independent Director	R.O.C	Lin, Horng Chang	Male 51   60 Age	6/18/2019	6/18/2019	3	0	0%	0	0%	0	0%	0	0%	MBA of George Washington University EMBA of National Taiwan University Financial Senior Manager and Spokeman of Senao International Co., Ltd CFO of HEALTHCONN CORP.	CEO of Heng Cheng Investment Ltd. Director of GREENYN BIOTECHNOLOGY CO., LTD Independent Director of COPLUS INC. Director of Provision Information Co.,Ltd. Independent Director of PROVISION INFORMATION CO., LTD.	None	None	None	None
Independent Director	R.O.C	Ko, Shun-Hsiung	Male 51   60 Age	7/28/2011	6/18/2019	3	0	0%	0	0%	0	0%	0	0%	Mater of Bussiness Administraion of National Taiwan University Senior Manager of Ruentex Development Co.,Ltd. Director of China Development Industrial Bank	CPA of Jianda United Accounting Firm Independent Director of Silergy Corp. Independent Director of Ruentex Development Co.,Ltd.	None	None	None	None

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto

3.2.1.2 Director 、 Supervisor Major Shareholders of the Major Shareholders that are Juridical Persons :

3.2.1.2.1 Major Shareholders of the Institutional Shareholders

As of 04/17/2022

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Ghi Yang Investment Limited	FAST GROW CO., LTD.(100%)
Heng Sheng Investment Limited	LEADING PIONEER CO., LTD. (100%)
Cyuan Guan Investment Limited	STAR GATE CO., LTD. (100%)
Jhan Yu Investment Limited	PAN OCEAN INTERNATIONAL CO., LTD.(100%)
Chang Shun Investment Limited	Quansheng Investment Co., Ltd

3.2.1.3 Major Shareholders of the Major Shareholders that are Juridical Persons

As of 04/17/2022

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
FAST GROW CO., LTD.	SONIC PLUS GROUP LIMITED.(100%)
LEADING PIONEER CO., LTD.	FAMOUS DRAGON LIMITED.(100%)
STAR GATE CO., LTD.	ELITE ALLY LIMITED.(100%)
PAN OCEAN INTERNATIONAL CO., LTD.	ADVANCE SUCCESS INTERNATIONAL LIMITED.(100%)
Quansheng Investment Co., Ltd	CFC Limited(100%)

### 3.2.1.4 Professional Qualifications and Independence Analysis of the Board Directors

Name	Criteria	Independence status	Number of Other Public Issuing Companies in Which the Individual is Concurrently Serving as an Independent Director
Ghi Yang Investment Limited Rep.: Chen, Piao-Fu (Director)	<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Current Chairman and Chief Strategy Officer of the Company, Chairman of Nishoku Technology Vietnam Co., Ltd., Director of KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. and NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.</li> <li>• Directors in the past</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	Not applicable.	None
Heng Sheng Investment Limited Rep.: Tsai, Chien-Sheng (Director)	<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Current President of the Company, Director of NISHOKU TECHNOLOGY VIETNAM, KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. and NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.</li> <li>• Directors in the past</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	Spouse of the representatives of Heng Sheng Investment Limited, Wu, Ying-Lan, but no exceeding half of the board members.	None
Heng Sheng Investment Limited Rep.: Wu, Ying-Lan (Director)	<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Current Vice President of the Company, Chairman of NISHOKU BOUEKI CO., LTD. , and Director of NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	Spouse of the representatives of Heng Sheng Investment Limited, Wu, Ying-Lan, but no exceeding half of the board members.	None
Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien (Director)	<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> </ul>	Not applicable.	None

Name	Criteria	Professional qualification and experience	Independence status	Number of Other Public Issuing Companies in Which the Individual is Concurrently Serving as an Independent Director
		<ul style="list-style-type: none"> <li>• Current Executive Vice President of the Company; President of KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. , Director of NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. and NISHOKU TECHNOLOGY VIETNAM</li> <li>• Directors in the past</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>		
Jhan Yu Investment Limited Rep.: Hsieh, Xin-Yi (Director)		<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Person in Charge, Yi Feng Investment Co., Ltd.</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	Not applicable.	None
Chang Shun Investment Limited Rep.: Fan, Chia-Wen (Director)		<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• CFO of Chang Shun Investment Limited</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	Not applicable.	None
Chan, Chin-Hung (Independent Director)		<ul style="list-style-type: none"> <li>• Possess five years of more work experience as a professor a department of commerce and finance in a private junior college, college, or university;</li> <li>• Currently serving as Professor and Executive Director of School of Business, Chang Gung University, the chair of the Company's Audit Committee, and Supervisor of Podak Co., Ltd.</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent director' conformity to the independence requirement</li> <li>• If the independent director, his/her spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or any of its affiliates; not holding the Company's shares. Not a director, supervisor, or employee of any company or institution having specific relationship with the Company</li> <li>• Not receiving compensation by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company.</li> </ul>	None
Ko, Shun-Hsiung (Independent Director)		<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Qualified and currently serving as a</li> </ul>	<ul style="list-style-type: none"> <li>• Independent director' conformity to the independence requirement</li> <li>• If the independent director, his/her spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or any of its</li> </ul>	2

Name \ Criteria	Professional qualification and experience	Independence status	Number of Other Public Issuing Companies in Which the Individual is Concurrently Serving as an Independent Director
	certified public accountant, the chair of the Company's Remuneration Committee, independent director of Silergy Corp and Ruentex Development Co.,Ltd. • None of the circumstances in the subparagraphs of Article 30 of the Company Act.	affiliates; not holding the Company's shares. Not a director, supervisor, or employee of any company or institution having specific relationship with the Company • Not receiving compensation by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company.	
Lin, Horng Chang (Independent Director)	• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities. • Currently serving as CEO, Heng Cheng Investment Ltd., director of Provision Information Co., Ltd., and independent director of COPLUS INC. • None of the circumstances in the subparagraphs of Article 30 of the Company Act.	• Independent director' conformity to the independence requirement • If the independent director, his/her spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or any of its affiliates; not holding the Company's shares. Not a director, supervisor, or employee of any company or institution having specific relationship with the Company • Not receiving compensation by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company.	1

## II. The board of directors' diversity and independence:

### 1. Specific management targets for the diversity policy

To enhance the corporate governance, and promote the healthy development of the composition and structure of the board of directors, the Company amended Article 20 of the "Corporate Governance Best Practice Principles" to adjust the diversity guidelines. The policy indicates that 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.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors, as a whole, shall possess the following abilities:

- (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.

## 2. Implementation of the board members' diversity policy

The current board consists of nine directors, including six directors and three independent directors; among them, two are female. The independent directors are conformed to the qualifications of independent directors required by the Securities and Futures Bureau, Financial Supervisory Commission.

Each board member possesses the rich experience and expertise in finance, commerce, management, and industry.

The current tenure of the board member is 7.9 years. Among them, Independent director, Lin, Hung Chang, has the tenure under three years, while Independent directors, Chan, Chin-Hung and Ko, Shun-Hsiung have the tenure over nine years. The two independent directors, after the prudential internal assessment of the Company, both have the expertise in commerce, finance, and accounting, and are familiar with the laws and regulations related to securities. Also during the service, they have provided professional and constructive advices from various angle in the independent and unbiased manner, to improve the operation values and fulfill the responsibility of supervision, without harming the independence. Therefore, they are retained as directors.

All board members are Taiwanese. In terms of composition and structure, four directors are also the employees of the Company, for 45%; three independent directors accounted for 33%; two female directors accounted for 22%; two directors are younger than 50 years old, five between 51-60 years old, and two are 61-70 years old. The Company also emphasizes the gender equality in the board members' composition. The goal is to have 25% or more female directors, and it is expected to achieve the goal in the future re-election of directors.

## Implementation of the board members' diversity policy

Item Director Name	Basic composition						Professional background					Professional knowledge and skills					
	Nationality	Sex	Employee of the Company	Age			Seniority as an independent director		Accounting/Finance	Law	Hotel/tourism	Technology and electronics	Manufacturing	The ability to make judgments about operations.	Decision-making ability.	Knowledge of the industry.	Crisis management ability.
				41-50	51-60	61-70	Less than 3 years	3-9 years									
Chen, Piao-Fu	ROC	Male	☉			☉						☉	☉	☉	☉	☉	
Tsai, Chien-Sheng	ROC	Male	☉		☉							☉	☉	☉	☉	☉	
Wu, Ying-Lan	ROC	Female	☉		☉				☉			☉	☉	☉	☉	☉	
Chang, Wen-Hsien	ROC	Male	☉		☉							☉	☉	☉	☉	☉	
Hsieh, Xin-Yi	ROC	Male		☉							☉		☉	☉	☉	☉	
Fan, Chia-Wen	ROC	Female		☉					☉		☉		☉	☉	☉	☉	
Chan, Chin-Hung	ROC	Male				☉		☉	☉			☉	☉	☉	☉	☉	
Ko, Shun-Hsiung	ROC	Male			☉			☉	☉	☉		☉	☉	☉	☉	☉	
Lin, Horng Chang	ROC	Male			☉		☉		☉			☉	☉	☉	☉	☉	

### 3. The board of directors' independence:

The election procedures of all directors are open and just, complying with the “Articles of Incorporation,” the “Procedures for Election of Directors,” the “Corporate Governance Best Practice Principles,” the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” and “Article 14-2 of the Securities and Exchange Act.” The current board consists of nine directors, including six directors and three independent directors. The independent directors accounted for 33%. As of the end of 2021, all independent directors complied with the regulations related to the independent directors by the Securities and Futures Bureau, Financial Supervisory Commission;



between directors and independent directors, there is no circumstance provided in paragraph 3 and 4 of Article 26-3, the Securities and Exchange Act.

Among the directors, the representatives of Heng Sheng Investment Limited, Tsai, Chien-Sheng and Wu, Ying-Lan are couples, but no exceeding half of the board members.

In nutshell, the board of directors of the Company is independent.

### 3.2.2 Introduction of the Management Team

As of 04/17/2022

Title	Nationality	Name	Gender	On-board Date	Current Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with Number of the Concerned Person			Note (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Chen, Piao-Fu	Male	12/27/2011	222,682	0.36%	336,476	0.54%	3,600,000	5.74%	Lee-Ming College of Technology Chairman of Nishoku Technology Inc.	Chairman of SAME START LIMITED Chairman of Nishoku Hong Kong Holding Limited Chairman of Nishoku Plastic Mold (Shenzhen) Co., Ltd. Director of SUN NICE LIMITED(SAMOA) Director of Nishoku Boueki Co., Ltd. Chairman of Nishoku Technology Vietnam Co., Ltd.	None	None	None	
President	R.O.C	Tsai, Chien-Sheng	Male	3/1/2007	2,130	0.00%	31,805	0.05%	4,500,000	7.18%	EMBA of National Taiwan University President of Nishoku Technology Inc.	Director of SAME START LIMITED Director of Nishoku Hong Kong Holding Limited Director of Nishoku Plastic Mold (Shenzhen) Co., Ltd. Chairman of SUN NICE LIMITED(SAMOA) Director of Nishoku Boueki Co., Ltd. Director of Nishoku Technology Vietnam Co., Ltd. Chairman of Kunshan Nishoku Plastic ElectronicCo., Ltd. Chairman of SUN NICE LIMITED(B.V.I)	Vice President	Wu, Ying-Lan	Spouse	N.A.
Executive Vice President	R.O.C	Chang, Wen-Hsien	Male	1/1/2008	117,309	0.19%	9,316	0.01%	4,050,000	6.46%	Ta Hwa Technical College Executive Vice President of Nishoku Technology Inc. President of Kunshan Nishoku Plastic ElectronicCo., Ltd.	Director of SAME START LIMITED Director of Nishoku Hong Kong Holding Limited Director of Nishoku Plastic Mold (Shenzhen) Co., Ltd Director of SUN NICE LIMITED(SAMOA) Director of Nishoku Technology Vietnam Co., Ltd. Director of Kunshan Nishoku Plastic ElectronicCo., Ltd	None	None	None	
Vice President	R.O.C	Wu, Ying-Lan	Female	1/1/2021	31,805	0.05%	2,130	0.00%	4,500,000	7.18%	Ming Chuan College Chairman of Nishoku Boueki Co., Ltd. VP of Nishoku Technology Inc.	Chairman of Nishoku Boueki Co., Ltd. Director of Nishoku Plastic Mold (Shenzhen) Co., Ltd.	Director	Tsai, Chien-Sheng	Spouse	
Assistant vice president	R.O.C	Lin, Tzu-Hsun	Female	5/1/2010	13,400	0.02%	0	0%	0	0%	Master degree in Accounting, National Taipei University Manager of Alchip Technologies, Limited Assistant Manager of Deloitte.	Accounting Supervisor of Nishoku Boueki Co., Ltd. Accounting Supervisor of Same Start Ltd.(Anguilla) Accounting Supervisor of Nishoku Hong Kong Holding Limited Accounting Supervisor of Sun Nice Ltd. (Samoa) Accounting Supervisor of Sun Nice Ltd. (B.V.I)	None	None	None	

Title	Nationality	Name	Gender	On-board Date	Current Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with Number of the Concerned Person			Note (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Manager	R.O.C	Cheng, Chao-Ming	Male	6/27/2017	5,000	0.01%	0	0%	0	0%	Bachelor degree of National Taipei University of Technology Engineering dep. Of Kuang Wu Industry and Commerce Junior College Manager of Nishoku Plastic Mold (Shenzhen) Co., Ltd. Xiamen, Jien Tyen Industry Co., Ltd., manufacturing manager.	None	None	None	None	

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

### 3.3 Remuneration and Compensation Paid to Directors, the President, and Vice President

#### 3.3.1 Remuneration Paid to Director

As of 12/31/2021, Unit: NTD thousand; %

Title	Name	Remuneration								Compensation Earned by a Director Who is an Employee of Pegatron or its Consolidated Entities								Total remuneration		Compensation paid to directors from non-consolidated affiliates				
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)		Total remuneration (A+B+C+D) as a % of net income		Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Compensation (G)					Total remuneration (A+B+C+D+E+F+G) as a % of net income			
		From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities (Note 7)	Cash	Stock		Cash	Stock	From Pegatron	From all consolidated entities
Director	Chairman	Ghi Yang Investment Limited																						
	Rep	Chen, Piao-Fu																						
	Director	Heng Sheng Investment Limited																						
	Rep	Tsai, Chien-Sheng																						
	Director	Heng Sheng Investment Limited																						
	Rep	Wu, Ying-Lan	0	0	0	0	6,785	6,785	360	360	1.18%	1.18%	28,803	28,803	324	324	10,489	0	10,489	0	7.71%	7.71%	0	
	Director	Cyuan Guan Investment Limited																						
	Rep	Chang, Wen-Hsien																						
	Director	Jhan Yu Investment Limited																						
	Rep	Hsieh, Xin-Yi																						
	Independent Director	Independent Director	Chan, Chin-Hung																					
Independent Director		Ko, Shun-Hsiung	0	0	0	0	3,415	3,415	200	200	0.60%	0.60%	0	0	0	0	0	0	0	0	0.60%	0.60%	0	
Independent Director		Lin, Horng Chang																						

1. Please describe the independent directors' remuneration policy, system, standards, and structure, and explain the factors including the independent directors' duties, risks, and invested time connecting to the remuneration amount: The Company's remuneration to independent directors is handled in accordance with the Company's Articles of Incorporation. After the Remuneration Committee has been established on April 25, 2011, related remuneration motions are proposed by the Remuneration Committee and are implemented after being discussed by the Board of Directors. Remuneration to independent directors is determined by the duties, risks, time invested and contribution carried out by them. The Company takes references from related results of the performance evaluation conducted each year and usual standards of peers in the same industry. After being reviewed by the Remuneration Committee, it will be determined by the Board of Directors and it may not exceed the amount stipulated in the Company's Articles of Incorporation. As summarized above, the Company's policy of remuneration to independent directors and procedures for remuneration determination are positively linked to the management performance. The Company also reviews the remuneration system in a timely manner according to the actual operating situation and applicable acts and regulations, in order to balance the Company's sustainable management and risk control.

2. Remuneration received by directors for providing service to any company included in the financial statements (Such as serving as a consultant to all non-employees of the parent company/financial report of all companies/reinvested enterprises, etc.) in the last year: None.

Note 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.

## Range of Remunerations for Directors

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	The company Companies in the financial report	The company	The company Companies in the financial report
Below NT\$ 1,000,000				
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	Ghi Yang Investment Limited Rep.: Chen, Piao-Fu 、 Heng Sheng Investment Limited Rep.: Tsai, Chien-Sheng 、 Heng Sheng Investment Limited Rep.: Wu, Ying-Lan 、 Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien 、 Jhan Yu Investment Limited Rep.: Hsieh, Hung-Xin-Yi 、 Chang Shun Investment Limited Rep.: Fan, Chia-Wen 、 Chan, Chin-Hung 、 Ko, Shun-Hsiung 、 Lin, Horng Chang	Ghi Yang Investment Limited Rep.: Chen, Piao-Fu 、 Heng Sheng Investment Limited Rep.: Tsai, Chien-Sheng 、 Heng Sheng Investment Limited Rep.: Wu, Ying-Lan 、 Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien 、 Jhan Yu Investment Limited Rep.: Hsieh, Xin-Yi 、 Chang Shun Investment Limited Rep.: Fan, Chia-Wen 、 Chan, Chin-Hung 、 Ko, Shun-Hsiung 、 Lin, Horng Chang	Jhan Yu Investment Limited Rep.: Hsieh, Xin-Yi 、 Chang Shun Investment Limited Rep.: Fan, Chia-Wen 、 Chan, Chin-Hung 、 Ko, Shun-Hsiung 、 Lin, Horng Chang	Jhan Yu Investment Limited Rep.: Hsieh, Xin-Yi 、 Chang Shun Investment Limited Rep.: Fan, Chia-Wen 、 Chan, Chin-Hung 、 Ko, Shun-Hsiung 、 Lin, Horng Chang
NT\$2,000,000(Included) ~ NT\$3,500,000(Excluded)				
NT\$3,500,000(Included) ~ NT\$5,000,000(Excluded)				
NT\$5,000,000(Included) ~ NT\$10,000,000(Excluded)			Ghi Yang Investment Limited Rep.: Chen, Piao-Fu 、 Heng Sheng	Ghi Yang Investment Limited Rep.: Chen, Piao-Fu 、 Heng Sheng

			Investment Limited Rep.: Tsai, Chien-Sheng · Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien · Heng Sheng Investment Limited Rep.: Wu, Ying-Lan	Investment Limited Rep.: Tsai, Chien-Sheng · Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien · Heng Sheng Investment Limited Rep.: Wu, Ying-Lan
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)				
NT\$15,000,000(Included) ~ NT\$30,000,000(Excluded)				
NT\$30,000,000(Included) ~ NT\$50,000,000(Excluded)				
NT\$50,000,000(Included) ~ NT\$100,000,000(Excluded)				
Over NT\$100,000,000				
Total	9	9	9	9

3.3.2. Remuneration Paid to Supervisor : The company has set up an audit committee to Replace the supervisors so it is not applicable

3.3.3 Compensation Paid to President and Vice President

3.3.3.1 Compensation Paid to President and Vice President

12/31/2021, Unit: NT\$; %

Title	Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total remuneration (A+B+C+D) as a % of net income		Compensation paid to directors from non-consolidated affiliates
		From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron		From all consolidated entities		From Pegatron	From all consolidated entities	
								Cash	Stock	Cash	Stock			
Chief Strategy Officer	Chen, Piao-Fu	15,000	15,000	324	324	13,803	13,803	10,489	0	10,489	0	6.52%	6.52%	None
President	Tsai, Chien-Sheng													
Executive Vice President	Chang, Wen-Hsien													
Vice President	Wu, Ying-Lan													

Note 1: The Company's distribution of remuneration to employees is according to the provisions stipulated in Article 20 in the Articles of Incorporation.

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

Note 2: The policies, standards, and packages, the procedure for determining managerial officers' remunerations, and its linkage to operating performance and future risk exposure: the remunerations paid to the managerial officers are based on the functions, contributions, the Company's operating results of the year, while considering the future risks, deliberated by the Remuneration Committee, and resolved by the board of directors.

Remuneration Brackets Table

Bracket	Name of General Manager and Deputy General Manager	
	The company	The company Companies in the financial report E
Below NT\$ 1,000,000		
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)		
NT\$2,000,000(Included) ~ NT\$3,500,000(Excluded)		
NT\$3,500,000(Included) ~ NT\$5,000,000(Excluded)		
NT\$5,000,000(Included) ~ NT\$10,000,000(Excluded)	Chen, Piao-Fu、Tsai, Chien-Sheng、Chang, Wen-Hsien、Wu, Ying-Lan	
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)		Chen, Piao-Fu、Tsai, Chien-Sheng、Chang,

		Wen-Hsien 、 Wu, Ying-Lan
NT\$15,000,000(Included) ~ NT\$30,000,000(Excluded)		
NT\$30,000,000(Included) ~ NT\$50,000,000(Excluded)		
NT\$50,000,000(Included) ~ NT\$100,000,000(Excluded)		
Over NT\$100,000,000		
<b>Total</b>	<b>4</b>	<b>4</b>



### 3.3.3.2 Employee Profit Sharing Granted to Management Team

unit : Thousand shares; NT\$ thousand

	Position	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income(%)
Managers	Chief Strategy Officer	Chen, Piao-Fu	0	12,168	12,168	2.01%
	President	Tsai, Chien-Sheng				
	Executive Vice President	Chang, Wen-Hsien				
	Vice President	Wu, Ying-Lan				
	Assistant vice president	Lin, Tzu-Husan				
	Manager	Cheng, Chao-Ming				

Note 1: The Company's distribution of remuneration to employees is according to the provisions stipulated in Article 20 in the Articles of Incorporation.

In case the Company has yearly profit, at least 1% shall be appropriated as staff reward and less than 5% as rewards for directors and supervisors. In case the company has accumulative losses (including adjusted unappropriated earnings), reserve shall be made as remuneration. The 2021 remuneration in cash to employees was NT\$27,000 thousand which has been approved by the Board of Directors held on February 25, 2022 and has been submitted to the General Meeting of Shareholders for 2022. °

3.3.4 Compare and state the ratio of total remuneration paid to the Company's Directors, President and Vice Presidents by the company and the companies in the consolidated financial statements to net income in the past two years. Please also describe the policy, criteria, packages and rules relating to the remuneration, as well as its relation to business performance and future risks.

3.3.4.1 Total amount of remuneration as a percentage of net income in the parent company only and consolidated financial statements

Unit: NTD thousand; %

Year	2021				2020			
	Total Remuneration		Total amount of remuneration as a percentage of net income %		Total Remuneration		Total amount of remuneration as a percentage of net income %	
	The company	Companies in the consolidated Financial statements	The company	Companies in the consolidated Financial statements	The company	Companies in the consolidated Financial statements	The company	Companies in the consolidated Financial statements
Director	10,760	10,760	1.77%	1.77%	12,265	12,265	1.70%	1.70%
President & Vice president	39,616	39,616	6.53%	6.53%	31,429	31,429	4.35%	4.35%
Total	50,376	50,376	8.30%	8.30%	43,694	43,694	6.06%	6.06%

Note 1: The Audit Committee was established on June 18, 2019; in 2021, the directors' remunerations decreased from 2020, because the net income after tax decreased in 2021; the total remunerations to the

President and Vice Presidents increased from 2020, because there were more officers and increased payment of bonus.

### 3.3.4.2 Remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks

#### (1) Policy, standard, and mix of the remunerations paid.

##### A. Directors

The Company's remuneration distribution to directors are in compliance with 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. However, the company's accumulated losses shall first have been covered. It has been passed via a special resolution by the Board of Directors and submitted to the Shareholders Meeting.

The payment of remuneration depends on the degree of participation and contribution value of each director, and is determined according to the relevant results of the performance of directors regularly evaluated pursuant to the "Procedures for the Board of Directors Performance Evaluation" and the usual level of the industry, while taking into account the Company's overall operating performance, future risks in the industry and development trend, to give reasonable remuneration. The said remunerations have been deliberated by the Remuneration Committee, and then resolved by the board of directors; the maximum set forth in the Articles of Incorporation must not be exceeded.

##### B. President and Vice President

The remunerations of the President and the Vice Presidents are based on the various allowances and bonuses set forth in the "Management Regulations Governing Appointment and Remunerations of Managerial Officers," and "Regulations for Wage Management" as the appreciation and rewards to employees for their efforts. The relevant bonuses are also based on the Company's annual operating performance, financial position, and operating status, while considering the time input by the individual, the responsibilities assumed, the achievement of personal goals, and the performance at other positions, for the individual performance appraisals.

Where the Company has an annual profit, pursuant to Article 20 of the Company's Articles of Incorporation, at least 1% shall be appropriated as employee remuneration". The performance evaluation is conducted pursuant to the "Management Regulations for Employee's Performance Management and Appraisal;" its result are used as a reference for issuing managerial officers' remunerations. The appraisal includes the results of project or task target execution (or including the achievement of KPI), core functions, and management performance (management functions), to calculate the remunerations for managerial officers' performance. The said payments are determine after deliberated by the

Remuneration Committee and resolved by the board of directors.

C. The remuneration mix paid by this Company is determined pursuant to the Remuneration Committee Charter, including cash remuneration, stock options, bonus and share dividends, retirement benefits, or severance pay, various allowances and other measures with substantial rewards. Its scope should be consistent with the remuneration of directors and managerial officers as provided in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

(2) Procedure for determine remuneration

To regularly evaluate the remuneration of directors and managerial officers, the Company take the evaluation results pursuant to the “Procedures for the Board of Directors Performance Evaluation” and the “Management Regulations for Employee’s Performance Management and Appraisal” applicable to managerial officers and employees as the basis.

In 2021, the performance self-assessment results of the board of directors, board members, and each functional committees all reached the higher standards; and in 2021, the Taiwan Corporate Governance Association was commissioned to perform an external board performance evaluation, which was also evaluated as good and positive. In 2021, even under the impacts of COVID-19 pandemic, the profit performance was good. Therefore, the results of 2021 managerial officers performance evaluation either met or exceeded the predefined targets.

The directors and managerial officers’ performance evaluation and the reasonableness of the remuneration are reviewed and evaluated regularly by the Remuneration Committee and the board of directors every year. The actual amount of remuneration paid to directors and managerial officers every year is deliberated by the Remuneration Committee, and submitted to the board of directors to determine.

(3) Linkage to operating performance and future risk exposure.

The performance objectives of the managerial officers are integrated with “risk control,” to reduce the possible risks generated within the scope of responsibilities, and further manage the occurrence of risks. According to the results of actual performance, various human resources and remuneration policies are linked to. The key decisions of the current management are all made after measuring various risk factors, and the relevant decisions are reflected in the Company's profitability, while the remuneration of the management is related to the performance of its risk control.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in 2021. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Ghi Yang Investment Limited Rep.: Chen, Piao-Fu	6	0	100%	
Director	Heng Sheng Investment Limited Rep.: Tsai, Chien-Sheng	6	0	100%	
Director	Heng Sheng Investment Limited Rep.: Wu, Ying-Lan	6	0	100%	
Director	Cyuan Guan Investment Limited Rep.: Chang, Wen-Hsien	6	0	100%	
Director	Jhan Yu Investment Limited Rep.: Hsieh, Xin-Yi	6	0	100%	
Director	Chang Shun Investment Limited Rep.: Fan, Chia-Wen	6	0	100%	
Independent Director	Lin, Horng Chang	6	0	100%	
Independent Director	Ko, Shun-Hsiung	6	0	100%	
Independent Director	Chan, Chin-Hung	6	0	100%	

Other issues to be recorded:

1. If operation of the Board of Directors encounters one of the following circumstances, the date, session of the board meeting, content of the proposal, opinions of all Independent Directors, and the company's handling of the aforementioned opinions should be clarified:

1) Article 14(3) of the Securities and Exchange Act:

The company has set up an audit committee, in accordance with the Article 14-5 of the Securities and Exchange Act so it is not applicable the Article 14-3 of the Securities and Exchange Act

2) Except for the preceding items, other resolutions expressed disapproval or reservations by Independent Directors through written statements or records: None.

2. In implementation of avoidance of conflict of interest for certain proposals, the names of the Directors, content of the proposals, reasons for the recusal, and the participation in the voting were clarified as follows:

1. February 26, 2021 (1st board meeting in 2021)

(1) Discussion of the proposal to distribute the directors' remunerations: the proposal was voted for each director's remuneration individually; the concern director recused him/herself due to conflict of interest, not participating the discussion and voting.

(2) Discussion of the proposal to distribute the managerial officers' remunerations: the Chairman, Chen, Piao-Fu, and Directors Tsai, Chien-Sheng, Chang, Wen-Hsien, and Wu, Ying-Lan will receive the remunerations; therefore they recused themselves due to conflict of interest, not participating the discussion and voting.

2. February 25, 2021 (1st board meeting in 2022)

(1) Discussion of the proposal to distribute the directors' remunerations: the proposal was voted for each director's remuneration individually; the concern director recused him/herself due to conflict of interest, not participating the discussion and voting.

(2) Discussion of the proposal to distribute the managerial officers' remunerations: the Chairman, Chen, Piao-Fu, and Directors Tsai, Chien-Sheng, Chang, Wen-Hsien, and Wu, Ying-Lan will receive the remunerations; therefore they recused themselves due to conflict of interest, not participating the discussion and voting.

3. TWSE/TPEX Listed Companies should disclose information including the evaluation cycle and period, evaluation scope, method and evaluation content of the Board's self (or peer) evaluation and the Evaluation of the Board of Directors in Attachment should be filled in:

Nature	Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Board of Directors	Executed once a year	2021.01.01~2021.12.31	Entire board of directors and individual board members	Internal self-evaluation of board of directors and board member self-evaluation	The measurement items for the performance evaluation of the board of directors of the Company include the following five major aspects: 1. Participation in the operation of the company; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Election and continuing education of the directors; and 5. Internal control. The measurement items for the self-evaluation of the members of the board of directors include the following six major aspects: 1. Alignment of the goals and mission of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control.
Functional committees			Compensation Committee and Audit Committee	Committee members Internal self-evaluation	The measurement items for the internal self-evaluation of the functional committee and self-evaluation of members thereof include the following five major aspects: 1. Participation in the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Composition of the functional committee and election of its members; and 5. Internal control.

4. Measures the objectives to strengthen the functionality of the Board and execution status in the current year and the recent years:

(1) The Company's members of the Board of Directors attach great importance to the elements of diversification. In the election held in 2019, 2 female directors were newly elected who have different professional backgrounds in terms of knowledge, skills and industries needed for the position. The 2 directors take in reports discussed by the management team

on the Board of Directors meeting and offer guidance and suggestions while maintaining sound communication with the management team, creating best interests for shareholders. In 2020, the Company held a total of 6 Board of Directors meetings which is in compliance with the provisions stipulated in the Rules and Procedures for Board Meetings that at least one meeting shall be conducted each quarter. Important motions are publicly announced on the MOPS in accordance with the law so as to make the information public.

- (2) Create a good board governance system of the Company; strengthen the functions of supervision and management mechanism which meet the Company's Board Meeting rules. The Audit Committee was established in 2019.
- (3) On June 30, 2020, the Company appointed, upon the resolution of the board of directors, Assistant Vice President Tzu-Hsuan Lin of Financial and Accounting Division, as the Corporate Governance Officer. She holds both accountant qualification in Taiwan and the U.S, and has served as an officer in a public company for accounting, financial, shareholder services and affairs related to corporate governance for more than 3 years, so she is qualified as required by laws and regulations.
- (4) In 2021, an external organization, the Chinese Corporate Governance Association, was appointed to conduct a performance evaluation of the board of directors. The evaluation period was from March 1, 2020 to February 28, 2021, and the results were presented to the board of directors report on June 30, 2021; in the same year The revised "Measures for Board Performance Evaluation" is in line with the current practice, and it is specified that the evaluation should be carried out by an external professional independent organization or an external team of experts and scholars at least once every three years.
- (5) The 2021 evaluation result conducted by the Board in accordance with the Regulations Governing the Board Performance Evaluation is as follows; it has been submitted to the Board of Directors meeting on February 25, 2022.  
Evaluation period: January 1, 2021 - December 31, 2021
  - (a) The total evaluation score for the Board is 5 and the evaluation result is 98.22
  - (b) The total evaluation score for the Board members is 5 and the evaluation result is 96.91.
  - (c) The total score of each functional committee is 100 points, and the scoring results are as follows:
    - (1) Remuneration committee, result is 100
    - (2) Audit Committee, result is 99.13

Regarding the aforementioned evaluation result:

1. Entire board of directors - The board of directors performance evaluation indicators include five major aspects for a total 45 indicators, and the evaluation result is: Very Good (98.22) The board members and operation status are relative mature. In addition to certain level of understanding on the operation of the management team, all of the board members are able fulfill their supervisory responsibilities as directors, thereby complying the implementation standard for corporate governance.
2. Individual board member - The board member performance evaluation indicators include six major aspects for a total of 23 indicators, and the evaluation result is: Very Good (96.91), indicating that each director receives positive evaluation result in the operation efficiency and effect for all indicators.
3. Each functional committee - The board member performance evaluation indicators include six major aspects for a total of 25 indicators,
  - (1) Remuneration committee, result is "Excellent" (100)
  - (2) Audit Committee, result is "Very Good" (99.13)

The Audit Committee and Remuneration Committee are composed of professionals and are actively engaged in the operation and internal relationship management of the Company, indicating the complete and thorough operation of the functional committees.

3.4.2 Operation status of the Audit Committee or participation of the supervisors in the operation of the Board:

The Company had supervisors, but with the goal of strengthening corporate governance, the Company established the Audit Committee after the election carried out on the General Meeting of Shareholders held in 2019 before regulations were set out by the competent authority. Aside from executing duties of supervisors relating to applicable laws and regulations, the Company's Audit Committee also assists the Board to exercise their duties of with an aim of supervising the appropriateness of the Company's financial statements, the selection (dismissal), independence and performance of CPAs, the effective implementation of the Company's internal control, the Company's compliance with applicable laws and regulations, and managing and controlling the Company's existing or potential risks.

The main review matters for the Audit Committee of this year includes

- Review quarterly financial statements
- Establish or amend internal control system and relevant important procedures
- Review the effectiveness of the internal control system
- A material monetary loan, endorsement, or provision of a guarantee.
- The hiring, discharge, or compensation of an attesting CPA.
- Business report and proposal for distribution of profit or covering losses.

3.4.2.1 Audit Committee :

A total of 6 (A) meetings of the audit committee were held in 2021. The independent directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Independent Director (Convener)	Chan, Chin-Hung	6	0	100%	
Independent Director	Lin, Horng Chang	6	0	100%	
Independent Director	Ko, Shun-Hsiung	6	0	100%	

Remarks:

1. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, independent directors' dissent, qualified opinion, or material recommendations, opinions of the Audit Committee and the Company's handling of said opinions:

(I) The listed items on Article 14-5 of the Securities and Exchange Act:

Date/session of board of directors' meeting	Proposal content and subsequent handling	Matters specified in §14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but with the consent of more than two-thirds of all directors
2021/02/26 (1st session in 2021)	(1) Consolidated financial statements of 2021	✓	None
	(2) Proposal for base date for the capital increase of new shares in the fourth quarter of 2020 for the replacement of ordinary shares by employees of the company	✓	None
	(3) Submitted the company's 2020 annual business report	✓	None
	(4) 2021 Internal control system declaration	✓	None
	Resolution Result of Audit Committee: Approved by the Audit Committee Meeting attended by all Audit Committee members.		
	Company's Handling for Opinions of Audit Committee: Submitted to the board of directors' meeting and approved by all attending independent directors and directors.		
2021/04/28 (2nd session of 2021)	(1) Consolidated financial statements of Q1, 2021	✓	None
	(2) Proposal on The Company's 2020 Earnings Distribution Proposal	✓	None
	(3) Proposal for base date for the capital increase of new shares in the first quarter of 2021 for the replacement of ordinary shares by employees of the company	✓	None
	Resolution Result of Audit Committee: Approved by the Audit Committee Meeting attended by all Audit Committee members.		
	Company's Handling for Opinions of Audit Committee: Submitted to the board of directors' meeting and approved by all attending independent directors and directors.		
2021/06/30 (3rd session of 2021)	(1) Proposal for amendment to the "Group Approval Authority Table"	✓	None
	(2) Proposal for amendment to the "financing cycle"	✓	None
	Resolution Result of Audit Committee: Approved by the Audit Committee Meeting attended by all Audit Committee members.		
	Company's Handling for Opinions of Audit Committee: Submitted to the board of directors' meeting and approved by all attending independent directors and directors.		
2021/07/29 (4th session of 2021)	(1) Consolidated financial statements of Q2, 2021	✓	None
	(2) Proposal for the loaning of funds to the offshore company Nishoku Technology Vietnam Co. Ltd. with 100% equity directly held by the Company	✓	None
	Resolution Result of Audit Committee: Approved by the Audit Committee Meeting attended by all Audit Committee members.		
	Company's Handling for Opinions of Audit Committee: Submitted to the board of directors' meeting and approved by all attending independent directors and directors.		
2021/10/28 (5th session of 2021)	(1) Consolidated financial statements of Q3, 2021	✓	None
	(2) Proposal for base date for the capital increase of new shares in the third quarter of 2021 for the replacement of ordinary shares by employees of the company	✓	None
	(3) Proposal for amendment to the "Investment Cycle"	✓	None
	(4) Proposal for The company provided the first commercial bank credit line endorsement guarantee to the subsidiary Nishoku Technology Vietnam Co., Ltd.	✓	None
	Resolution Result of Audit Committee: Approved by the Audit Committee Meeting attended by all Audit Committee members.		
	Company's Handling for Opinions of Audit Committee: Submitted to the board of directors' meeting and approved by all attending independent directors and directors.		
2021/12/28 (6th session of 2021)	(1) Proposal for 2022 annual budget and business plans.	✓	None
	(2) Proposal for 2022 annual audit plans.	✓	None
	(3) 2022 independence evaluation of CPAs appointed by the CPA firm.	✓	None
	(4) Proposal for The company provided the Taipei Fubon commercial bank credit line endorsement guarantee to the subsidiary Nishoku Technology Vietnam Co., Ltd.	✓	None
	Resolution Result of Audit Committee: Approved by the Audit Committee Meeting attended by all Audit		



	Committee members.
	Company's Handling for Opinions of Audit Committee: Submitted to the board of directors' meeting and approved by all attending independent directors and directors.

- (II) Other than those described above, any resolutions not approved by the Audit Committee but passed by more than two-thirds of directors: None.
2. For the implementation of independent directors' recusal for conflicts of interests, the independent directors' name, topic discussed, reasons for the required recusal and participation in the voting process: in 2020, there were no motions that had any conflict of interest between the Audit Committee and independent directors.
3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2020:
1. The Company's internal Audit Officer discusses audit report results with members of the Audit Committee on a regular basis, and makes an internal audit report in the Audit Committee meeting each quarter. Where there is a special circumstance, members of the Audit Committee will also be reported to immediately. In 2020, there was no occurrence of any of the situation stated above.
  2. The Company's CPAs periodically reports the audit result or review result of financial statements on Audit Committee meetings as well as other matters required by other applicable laws and regulations. Where there is a special circumstance, members of the Audit Committee will also be reported to immediately. In 2020, there was no occurrence of any of the situation stated above.
  3. Communication status is as follows:
    - (1) Communication status for internal audits

Date	Attendees	Key points of communication	Results of communication
2021/02/26 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung Audit Supervisor Cheng,Chao-Ming	1. Report on the January 2021 audit implementation. 2. According to the outcomes of 2020 self-assessment of the internal control system, no material deficiency was found, and the design and execution of the internal control system were assessed comprehensively as effective, with the "Statement of Internal Control System" issued.	No opinion was raised in the meeting.
2021/04/28 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung Audit Supervisor Cheng,Chao-Ming	Report on the first quarter 2022 audit implementation .	No opinion was raised in the meeting.

2021/06/30 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung Audit Supervisor Cheng,Chao-Ming	Report on the second quarter 2022 audit implementation	No opinion was raised in the meeting.
2021/07/29 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung Audit Supervisor Cheng,Chao-Ming	Report on the July 2022 audit implementation.	No opinion was raised in the meeting.
2021/10/28 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung Audit Supervisor Cheng,Chao-Ming	Report on the third quate 2022 audit implementation	No opinion was raised in the meeting.
2021/12/28 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung Audit Supervisor Cheng,Chao-Ming	Report on the November 2022 audit implementation.	No opinion was raised in the meeting.

(2) Commutation status with CPAs

Date	Attendees	Key points of communication	Results of communication
2021/02/26 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung CPA Chen, Cheng-Chien	1. The CPAs explained the 2020 audited financial report, and discussed the audit findings. 2. The CPAs reported the internal control audit results to the Company 3. The CPAs discussed the effects of latest amended accounting principles and regulations on the Company. 4. Discussion and communication of CPAs focusing questions asked by personnel participating in the meeting.	No opinion was raised in the meeting.
2021/07/29 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung CPA	1. The CPAs explained the Q2 2021 audited financial report, and discussed the audit findings. 2. The CPAs discussed the effects of updated key regulations on the Company. 3. Discussion and communication of CPAs	No opinion was raised in the meeting.

	Chen, Cheng-Chien	focusing questions asked by personnel participating in the meeting.	
2021/10/28 Audit Committee	Independent Director Lin, Horng Chang Independent Director Chan, Chin-Hung Independent Director Ko, Shun-Hsiung CPA Chen, Cheng-Chien	1. The CPAs explained the Q3 2021 audited financial report, and discussed the audit findings. 2. Discussion and communication of CPAs focusing questions asked by personnel participating in the meeting.	No opinion was raised in the meeting.



Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			prevention of insider trading, protecting the rights and interests of investors and the Company.	
<p>3. Structure of Board of Directors and its responsibility</p> <p>(1) If the Board consisted of members from diverse background?</p>	V		<p>(I) The Company has established the “Corporate Governance Best-Practice Principles” which has been disclosed on the Company’s corporate website/Investor Relations/Governance/Organizational Operations Regulations. The Company’s website: <a href="https://www.nishoku.com.tw">https://www.nishoku.com.tw</a>. It regulates that the composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the Company’s business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>(1) Basic requirements and values: Gender, age, nationality, and culture.</p> <p>(2) Professional knowledge and skills: A professional background (e.g. law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.</p> <p>To achieve the ideal goal of corporate governance, members of the Board of Directors shall possess the following abilities:</p> <p>(1) The ability to make judgments about operations.</p> <p>(2) Accounting and financial analysis ability.</p> <p>(3) Business management ability.</p> <p>(4) Crisis management ability.</p> <p>(5) Knowledge of the industry.</p> <p>(6) An international market perspective.</p> <p>(7) Leadership ability.</p> <p>(8) Decision-making ability.</p> <p>For the diversity policy for the board member and its implementation, please refer to page 16~21 of the annual report, the description of II. The board of directors’ diversity and independence.</p>	None
<p>(2) If the Company established any other functional committee in addition to</p>	V		<p>(II) Not only has the Company established an Remuneration Committee, an Audit Committee was also established after the Board election in general</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>Compensation Committee, Audit Committee as required by law?</p> <p>(3) If the Company established methods and procedures to assess the performance of the Board and conduct assessment on annual basis? If the result of the assessment will be reported to the Board and taken into considerations for individual remuneration nomination purpose?</p>	V		<p>meeting of shareholders held in 2019. Other types of functional committees will be established according to the actual condition.</p> <p>(III) The Company's Board passed the "Regulations Governing the Board Performance Evaluation" which has been disclosed on the Company's corporate website/Investor Relations/Governance/Organizational Operations Regulations. Website: <a href="https://www.nishoku.com.tw">https://www.nishoku.com.tw</a></p> <p>The Company uses questionnaires to carry out self-assessment of its performance and discusses future issues that require special attention. As a means to implement corporate governance while improving the function of the Company's Board, performance goals are set to enhance the Board efficiency. The Company's Board shall conduct an internal performance assessment of the internal Board of Directors at least once per year, and a self-assessment for the year shall be conducted at the end of each year according to assessment procedures and assessment indicators. The internal assessment outcome of the Board shall be reported to the next Board of Directors' meeting.</p> <p>In 2021, the board of directors has conducted a performance evaluation in accordance with the performance evaluation method of the board of directors, and submitted the evaluation results to the salary report committee on January 26, 2022 for approval, and submitted it to the board of directors report on February 25, 2022. For the evaluation results, please refer to page 19 of the annual report. page, which will be used as a reference for individual directors' remuneration and nomination for re-appointment.</p> <p>In 2021, an external organization, the Chinese Corporate Governance Association, an external organization, will be appointed to evaluate the performance of the board of directors. The evaluation period will be from March 1, 2020 to February 28, 2021, and the results will be reported to the board of directors on June 30, 2021.</p>	None
<p>(4) If the Company assess the</p>	V		<p>(IV) When the Company appoints CPAs each year, the Financial and</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
independence of CPA periodically?			<p>Accounting Division carries out an independence evaluation of the CPA and an independence statement shall be obtained. According to the “CPA Independence Evaluation Form”, CPAs are evaluated whether they are in compliance with the requirements. The evaluation outcome shall be sent to the Audit Committee for review then to the Board of Directors meeting for discussion as references of appointed CPAs.</p> <p>For the self-evaluation outcome of appointed CPAs for 2021, please refer to page 36 of the Annual Report (Table 1).</p> <p>The Company has executed the 2022 assessment for the CPAs’ independence, and the outcomes of assessment was deliberated and approved by the Audit Committee and the board of directors on December 28, 2021.</p>	None
4. If the Company had adequate number of corporate governance personnel and appoint a chief corporate governance officer overlooking corporate governance affairs including but not limited to handling matters relating to board meetings and shareholder meetings, assisting directors with legal compliance, preparing agendas and producing minutes for board meetings and shareholder meetings?	V		<p>On June 30, 2020, the Company appointed, upon the resolution of the board of directors, Assistant Vice President Tzu-Hsuan Lin of Financial and Accounting Division, as the Corporate Governance Officer. She holds both accountant qualification in Taiwan and the U.S, and has served as an officer in a public company for accounting, financial, shareholder services and affairs related to corporate governance for more than 3 years, so she is qualified as required by laws and regulations.</p> <p>(1) Provides information needed for directors to carry out their duties as well as meeting information 7 days prior to the convening of the Board Meeting.</p> <p>(2) Handles matters relating to the Board Meeting and Shareholders meeting while at the same time assisting in the Board of Directors and Shareholders for the compliance of applicable laws and regulations.</p> <p>(3) Compiles meeting minutes for the Board of Directors, Functional Committees and Shareholders meetings which are provided within 10 days of the meeting.</p> <p>(4) Assist the Board of Directors and Supervisors in complying with laws and regulations.</p> <p>(5) Arranges further education courses and visits to the Group’s important operation bases for directors.</p> <p>(6) Assists in self performance assessments, guides and improves the</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>Company's implementation of corporate governance.</p> <p>(7) Organizes investor conferences.</p> <p>(8) Replies relevant questions asked by investors.</p> <p>(9) Pursuant to the Corporate Governance Best Practice Principles, when independent directors need to meet with the internal audit officer or CPAs individually to understand the Company's finance and business, assistance is provided to arrange such meetings.</p> <p>(10) Review the classification of relevant information and provide the Company information required by the directors, to maintain successful communications and interactions between directors and heads of departments.</p> <p>(11) Assist independent directors and general directors in formulating annual continuing education plans and arranging courses based on the Company's industry characteristics, and the educational and career background of the directors.</p> <p>The Company's corporate governance promotion of 2020 is as follows:</p> <p>(1) Based on the Company's industrial characteristics and business needs, directors are assisted in proposing annual further education plans and arranging courses. Further education courses were held on June 30, 2020 and October 29, 2020 for 3 hours per each course.</p> <p>(2) The Company assess and purchases liability insurance for directors and supervisors. In the latest period, the Company purchased liability insurance for all directors with a premium of USD5 million (equivalent to approximately NT\$147,425,000). The insurance period started September 1, 2020 and ends September 1, 2021, which has been reported to the Board of Directors meeting held on October 29, 2020 for acknowledgment.</p> <p>(3) In August 2020, the Company was invite to take part in the "SinoPac hold road show". Information on most recent Investor Conference can be found on the MOPS.</p> <p>(4) Responsible for reviewing material information for important resolutions to be released after the Board of Directors meeting, ensuring the</p>	None



Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>appropriateness and correctness of important information to protect the transaction information of investors.</p> <p>(5) Maintains investor relations and arranges regular exchange with agency investors, allowing investors to gain enough information to evaluate and decide the Company's reasonable capital market value while at the same time allowing good maintenance of shareholders rights and interests.</p> <p>(6) Completed the preparation of meeting minutes for Board of Directors meeting and its Functional Committees as well as the Shareholders meeting in 2020.</p> <p>(7) Completed self-performance evaluation of Board of Directors and its Functional Committees in 2020.</p> <p>(8) In 2021, the Company engaged an external institution, Taiwan Corporate Governance Association, to conduct a performance evaluation for the board of directors. The evaluation period was from March 1, 2020 to February 28, 2021, and the results were reported to the board of directors on June 30, 2021.</p> <p>The corporate governance officer should complete at least 12 hours of continuing education every year. For his/her continuing education, please refer to page 55 (Table 4) of the annual report, "Continuing education on corporate governance for managerial officers."</p>	None
5. If the Company established communication channel with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of corporate website?	V		<p>The Company's website has a "Stakeholder Section" which discloses information on channels for complaints for stakeholders. There is also a mailbox for Audit Committee complaints and suggestions, enabling the sound communication between the Company and stakeholders.</p> <p>(<a href="https://www.nishoku.com.tw/zh-TW/Investor/Relationship">https://www.nishoku.com.tw/zh-TW/Investor/Relationship</a>)</p>	None



Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>(1) Establishes Employee Welfare Committee to handle various benefits to employees.</p> <p>(2) Purchases labor insurance, National Health Insurance and Group Insurance.</p> <p>(3) Holds employee health examinations performance by qualified hospitals, ensuring the health of employees.</p> <p>(4) Sets Employee canteen, providing meals for employees</p> <p>(5) Allowance for employee marriages, childbirths, three major festivals and birthdays</p> <p>(6) Funeral and hospital subsidies</p> <p>(7) Free car and motorbike parking spaces for colleagues.</p> <p>(8) Periodical employee trips</p> <p>(9) Holds education and training inside and outside the plant from time to time</p> <p>(10) Year-end parties and lucky draws</p> <p>(11) Advanced health check for senior employees and managers.</p> <p>(II) Employee Care:</p> <p>(1) The Company formulates various management rules based on the interest of employees while looking after employees' life, benefits, and offers fair salaries.</p> <p>(2) In order to increase employees' professional ability and enhance work efficiency, further education on employees is encouraged. Methods for further education are various seminars, school training, professional training courses; according to Employee education and training Measures, related fess can be applied and subsided.</p> <p>(3) Employee Safety and Health Measures</p> <p>(A) A first-aid kit is placed on the first floor of the Headquarters to provide instant medical help.</p> <p>(B) The Company has signed an employee health examination contract with a teaching medical center. Not only do we offer health examinations that are customized and different, we also offer comprehensive health report consultancy, helping our</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>employees to pay more attention on their own health.</p> <p>(C) Professional personnel is hired to carry out maternal and child safety education, fire protection and first aid training at the manufacturing area.</p> <p>(D) Sexual harassment and abuse language are strictly prohibited. An employee opinion box has been set up and there are clear compliant procedures to protect the rights of workers.</p> <p>(E) A lactation room has been set up for female employees at the manufacturing area.</p> <p>(III) Investor Relations: The Company has established a spokesperson and acting spokesperson as a communication bridge between the Company and investors. Aside from holding regular shareholder conferences, there is also a dedicated section on the Company's website for investors. The Company's current situation is disclosed through such comprehensive and fair platform, hoping that investors understand wholeheartedly the Company's management outcome and long-term operation direction.</p> <p>(IV) Supplier Relations: 1. The Company's procurement personnel evaluates the quality service, delivery time and price of suppliers with the requisition unit, and establish a database for the qualified manufacturers according to the evaluation outcome. 2. Negotiations and contracting are first given to excellent suppliers, ensuring the quality while reducing the Company's procurement cost.</p> <p>(V) Stakeholder Rights: The Company has set a up a spokesperson and acting spokesperson who are responsible for external communication; there is also a dedicated section on the Company's website for stakeholders, and dedicated personnel has been assigned to respond regarding important CSR issues concerned by stakeholders.</p> <p>(VI) Further Education for Directors: The Company had 9 directors in 2021 and a total of 54 training hours</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>should be carried out; directors who actually took part in the training were 9 with a total of 54 training hours, completing the further education hours of the year.</p> <p>For the above-stated further education status of directors, please refer to pages 54-55 (Table 2) of the Annual Report.</p> <p>(VII) Execution Status of Risk Management Policy and Risk Measurement Standard: Internal measures and internal control systems have been set up as required by the law to carry out various risk management and evaluation. The internal audit unit assesses the implementation level of the internal control system on a regular and unscheduled basis.</p> <p>(VIII) Status of the Company Purchasing Liability Insurance for Directors: It has been stipulated in the Articles of Incorporation that the Company shall purchase liability insurance during the term of office of directors, and shall be liable for their compensation in terms of duties they carry out. Please refer to page 55 of the Annual Report (Table 3).</p> <p>(IX) Further Education and Training Regarding Corporate Governance Participated by Managerial Officers: Please refer to page 55 of the Annual Report (Table 4).</p> <p>(X) Formulation of Succession Plans of Members of the Board and Key Management Personnel: According to the Company's development direction and goals, during the succession planning not only does a successor require excellent work ability, but he/she also needs to hold similar values as the Company. He/she must be contain the quality of integrity, taking commitment seriously, innovation and earning the trust of customers. The Company plans different concurrent tasks for unit managers of various groups. By cultivating strategic ability, it is expected that within 5 to 10 years, members of the Board and key management can be selected from within.</p> <p>(1) Succession Plans for Board Members: The Company currently has 9 directors (including 3 independent</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>directors) who all have commerce, finance, accounting or management expertise required by the business of the Company. Among these directors, 4 of them are also the Company's senior management. In the future, the current structure will continue to be used in respect of the composition of the Company's Board, and their experience and background. In terms of the succession plan of the Board, the Company has proposed to allow members of the key management group to attend the Board Meeting in order to cultivate their strategic ability while at the same time familiarizing the operation of the Board. In the future, these members may be selected as successors of the Board after evaluation. Independent directors on the other hand must require working experiences with respect to commerce, law, finance, accounting or other fields required by the business of the Company. As there is no shortage of such professionals in Taiwan, the succession plan for independent directors of the Company may come from the industry.</p> <p>(2) Succession Plan of Key Management:</p> <ol style="list-style-type: none"> <li>1 The Human Resources Administration Department of the Company coordinates and establishes the key talent development mechanism; the key positions are defined, and for each key position, one to two successors are nominated, and the estimated timetable for succession is specified. Based on the advantages and the ability to be developed of the successor candidates, the relevant incubation program is formulated pursuant to the Company's schedule planned. The program consists of three major modules, namely management ability, professional ability, and personal development plan, for the trainees to integrate and apply, in order to development the ability of decision making and judgement. The HR shall evaluate the effect of training regularly.</li> <li>2 Starting from 2022, the Human Resources and Administration Department will successively promote the Individual Development Program (IDP) for the key management. Through the functional</li> </ol>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>evaluation, various abilities and qualifications required for the current position are identified, to be integrated with the strategic goals of the Company and the department, for strengthening the competencies required for the current job. Meanwhile, the executive strategy consensus meeting is held, to study and discuss the subject courses planned based on the Company's future development direction, to establish their strategic mindset and leadership management, conduct the talent development and leadership legacy, for selecting potential successor candidates.</p> <p>(XI) Execution Status of Customer Policy: The Company maintains close contact with customers and informs customers regarding products which may benefit them while ensuring products meet their expectation of the reliability and quality. We also take the initiative to include new perspectives and methods into the Company's actual management system through communication channels including phone, email and video conference in order to meet customer needs.</p> <p>(XII) Status of Insider Trading Promotion: The Company has established the "Operating Procedures for the Prevention of Insider Trading" which has been disclosed on the Company's website; the Company has regularly promoted the compliance of stock trading laws to its directors, supervisors and managerial officers. Matters relating to insider training is also being regularly promoted to the Company's internal colleagues. On January 5, 2021, April 1, 2021, July 1, 2021, and October 1, 2021, related education and promotions for current directors, managerial officers, and employees were conducted, for total of 116 attendees and total of 58 hours. The courses included the scope of internal material information, classification operation, public operations and handling of violations; the course briefing files were sent to all directors, managerial officers and employees for reference.</p>	None
9. Any improvement made in accordance with the result of the most recent corporate governance evaluation conducted by TWSE? Any measures to be				

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>taken on the outstanding items?</p> <p>Improvement made: In 2021, the Company engaged an external insitution, Taiwan Corporate Governance Association, to conduct a performance evaluation for the board of directors. The evaluation period was from March 1, 2020 to February 28, 2021, and the results were reported to the board of directors on June 30, 2021.</p> <p>Matters to be improved as priority: Continue to evaluate the feasibility of setting up additional functional committees.</p>				



(Table 1)

The evaluation of the independency of CPA

Evaluation Unit: Board Affairs Unit

Evaluation Year : 2022

Appointed Law Firm and CPAs:KPMG/CPA Cheng-Chien Chen and Yung- Hua Huang.

Content	Consistent	Inconsistent	Remark
1. Not an employee of the Company or any of its affiliated enterprises.	✓		After evaluation, no such matters were found in these 2 CPAs
2. Not a director or supervisor of an affiliate of the Company. (However, this restriction does not apply in cases where the person is an independent director of the Company, its parent or subsidiary which the Company directly or indirectly holds 50% of voting rights).	✓		After evaluation, no such matters were found in these 2 CPAs
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.	✓		After evaluation, no such matters were found in these 2 CPAs
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of personnel in(1), (2) and (3).	✓		After evaluation, no such matters were found in these 2 CPAs
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares or a top five shareholder.	✓		After evaluation, no such matters were found in these 2 CPAs
6. Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company.	✓		After evaluation, no such matters were found in these 2 CPAs
7. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.	✓		After evaluation, no such matters were found in these 2 CPAs
8. Not been a person or any conditions defined in Article 30 of the Company Act.	✓		After evaluation, no such matters were found in these 2 CPAs
9. Not under Article 27 of the Company Act with government, juristic person or the representative thereof successfully elected.	✓		After evaluation, no such matters were found in these 2 CPAs
10. Receipt of Auditor's Independence Declaration	✓		Obtained

◆After evaluation, none of the CPAs were found to have matters stated in the independence evaluation stated above.

(Table 2) Board of Directors Training Record :

In 2021, there were a total of 9 directors, and 9 directors completed their continuous further education.

The hours of further education for directors have met the regulations prescribed in the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies”.

Title	Name	Date		Institute	Course	Period (hours)
		From	To			
Chairman	Chen, Piao-Fu	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3
Director	Tsai, Chien-Sheng	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3
Director	Chang, Wen-Hsien	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3
Director	Wu, Ying-Lan	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3
Director	Fan, Chia-Wen	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3
Director	Hsieh, Xin-Yi	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3
Independent Director	Chan, Chin-Hung	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from	3

					CSR to ESG	
Independent Director	Ko, Shun-Hsiung	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3
Independent Director	Lin, Horng Chang	2021/06/30	2021/06/30	Taiwan Corporate Governance Association	Strategy and planning for the corporate M&A	3
		2021/10/28	2021/10/28		The secrets of business administration, from CSR to ESG	3

(Table 3) Purchasing of Liability Insurance for Directors:

Liability insurance for the entire Board and Supervisors		
Insured Object	Insurance Company	Insurance Period (start to end)
Entire Board	Cathay Century Insurance Co., Ltd.	September 1, 2021 to September 1, 2022

(Note) The report of the entire Board insured with liability insurance has been submitted to the Board Meeting held on October 28, 2021.

(Table 4) Further Education and Training Regarding Corporate Governance Participated by Managerial Officers:

Sequence	Title	Name	Course	Number of Hours
1	Chief Strategy Officer	Chen, Piao-Fu	Strategy and planning for the corporate M&A	3
2	Chief Strategy Officer	Chen, Piao-Fu	The secrets of business administration, from CSR to ESG	3
3	President	Tsai, Chien-Sheng	Strategy and planning for the corporate M&A	3
4	President	Tsai, Chien-Sheng	The secrets of business administration, from CSR to ESG	3
5	Executive Vice president	Chang, Wen-Hsien	Strategy and planning for the corporate M&A	3
6	Executive Vice president	Chang, Wen-Hsien	The secrets of business administration, from CSR to ESG	3
7	Vice president	Wu, Ying-Lan	Strategy and planning for the corporate M&A	3
8	Vice president	Wu, Ying-Lan	The secrets of business administration, from CSR to ESG	3
9	Corporate Governance Officer	Lin, Tzu-Hsuan	New policies for enterprise sustainable development and case analysis of fraud prevention	3
10	Corporate Governance Officer	Lin, Tzu-Hsuan	Legal compliance audit of corporate shareholders meeting	3
11	Corporate	Lin, Tzu-Hsuan	M&A strategy and planning	3

	Governance Officer			
12	Corporate Governance Officer	Lin, Tzu-Hsuan	The 13th Taipei Corporate Governance Forum	3
13	Corporate Governance Officer	Lin, Tzu-Hsuan	2021 Insider Equity Transaction Legal Compliance Publicity Briefing	3
14	Corporate Governance Officer	Lin, Tzu-Hsuan	The secrets of business administration, from CSR to ESG	3
15	Corporate Governance Officer	Lin, Tzu-Hsuan	2021 Annual Prevention of Insider Trading Promotion Conference	3

### 3.4.4 The Composition of the Remuneration Committee and its Operation Status:

The Company's Remuneration Committee primarily executes the following duties:

- (1) To establish and regularly review policies, system, standards and structures for performance evaluation and remuneration for directors and managers.
- (2) To regularly assess and set up the salary remuneration for directors and managerial officers.
- (3) To review incentive remuneration plan or employee remuneration plans with share-based payment.
- (4) Motion for suggested amendment to these Rules.

#### 1. Information on the Members of the Remuneration Committee

2021/4/30

Title	Condition Name	Professional qualification and experience	Independence status	Number of other public companies in which the individual is concurrently serving as an remuneration committee member
Independent Director (Convener)	Ko, Shun-Hsiung	<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Qualified and currently serving as a certified public accountant, the chair of the Company's Remuneration Committee, independent director of Silergy Corp and Ruentex Development Co.,Ltd.</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent director' conformity to the independence requirement</li> <li>• If the independent director, his/her spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or any of its affiliates; not holding the Company's shares. Not a director, supervisor, or employee of any company or institution having specific relationship with the Company</li> <li>• Not receiving compensation by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the most recent 2 years.</li> </ul>	3
Independent Director	Lin, Horng Chang	<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Currently serving as CEO, Heng Cheng Investment Ltd., director of Provision Information Co., Ltd., and independent director of COPLUS INC.</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company</li> </ul>	<ul style="list-style-type: none"> <li>• Independent director' conformity to the independence requirement</li> <li>• If the independent director, his/her spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or any of its affiliates; not holding the Company's shares. Not a director, supervisor, or employee of any company or institution having specific relationship with</li> </ul>	1

Title	Condition	Professional qualification and experience	Independence status	Number of other public companies in which the individual is concurrently serving as an remuneration committee member
	Name			
		Act.	the Company • Not receiving compensation by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the most recent 2 years.	
Independent Director	Wang, Zhi-Chen	<ul style="list-style-type: none"> <li>• Possessing the work experience required by the Company's business, such as commercial, knowledge to the industry, operation and management abilities.</li> <li>• Independent director of Provision Information Co., Ltd. and President, PWM Consultancy Inc.</li> <li>• None of the circumstances in the subparagraphs of Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>• Members are conformed to the independence requirement</li> <li>• If the member him/herself, his/her spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or any of its affiliates; not holding the Company's shares. Not a director, supervisor, or employee of any company or institution having specific relationship with the Company</li> <li>• Not receiving compensation by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the most recent 2 years.</li> </ul>	1

## 2. The operation status of the Remuneration Committee

(1) The Company's Remuneration Committee is composed of 3 members.

(2) Tenure of the fourth session of Compensation committee is from **18st June, 2019** to **17th June, 2022**.

A total of 2 (A) meetings of the Compensation Committee were held in 2021. The status of attendance is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks (Note)
Chairman	Ko, Shun-Hsiung	2	0	100%	
Member	Lin, Horng Chang	2	0	100%	
Member	Wang, Zhi-Chen	2	0	100%	

Other matters that shall be reported:

1. If the Board of Directors does not adopt or amend recommendations proposed by the Remuneration Committee, the date, session, proposal contents and resolutions of the Board of Directors, and the company's actions in response to the opinions of the Audit Committee shall be stated (also, where the remuneration approved by the Board of Directors is superior to that recommended by the Remuneration Committee, the differences and reasons shall be stated): None.

Remuneration Committee Meeting Date/ Session	Proposal Content	Remuneration Committee Resolution Result	Company's handling for opinions of Remuneration Committee
2021/02/05 (1st session of 2021)	(1) Proposal for 2020 board of directors' performance evaluation result of the Company (2) Proposal for 2020 remunerations of directors and supervisors (3) Proposal for 2020 remuneration of managerial officers and employees (4) Proposal for 2020 year-end bonus of managerial officers	All attending members approved the proposal as proposed.	Submitted to the board of directors' meeting and approved by all attending independent directors and directors.
2021/12/28 (2nd session of 2021)	(1) Proposal for assessment and review the remuneration of managerial officers of the Company. (2) Proposal for amendments to "Regulations for Board of Directors Performance Evaluation".	All attending members approved the proposal as proposed.	Submitted to the board of directors' meeting and approved by all attending independent directors and directors.

2. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated: None.

3.4.5 Promotion of sustainable development, and variance from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
1. Does the company establish an exclusively (or concurrently) dedicated unit to promote sustainable development have executives appointed by the board of directors to handle the promotion under the board of directors' supervision?	V		<p>The Human Resources and Administration Department of the Company acts as a part-time unit for promoting corporate social responsibility , responsible for proposing and implementing the corporate social responsibility policies, systems or related management guidelines, as well as specific promotion programs, and regularly reporting such to the board of directors. For the economic, environmental, and social issues generated during the operations, the board of directors authorizes the President and the chairman's office to handle, and report the handling situation to the board of directors.</p> <p>Corporate website:<a href="https://www.nishoku.com.tw/zh-TW/Responsibility/Corporate">https://www.nishoku.com.tw/zh-TW/Responsibility/Corporate</a></p>	None
2. Does the Company follow the materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		<p>On April 28, 2021, the board of directors approved to establish the "Risk Management Regulations," as the guiding principle of the Company's risk management. Based on the Company's operating guidelines, various risks are defined, potential risks are monitored, and preventive measures are implemented to strengthen risks management. The risk management policies for various risks are formulated, covering mechanisms like management objectives, organizational framework, ownership of accountability, and risk management procedures and implement accordingly, to control various risks arising from business activities within an acceptable extent, and the board of directors is reported to annually.</p> <p>Risk Project/Risk Assessment Hazard risks Safety protection and emergency contingency, referring to the occurrence probability of major hazardous incidents and the risk of loss. Operation risks</p>	None



Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>Referring to risks such as concentration of sales, concentration of purchases, protection of intellectual property rights, legal compliance, recruitment and retention of talents, and corporate image building and maintenance.</p> <p>Financial risks Including market risk, credit risk, liquidity risk and operational risk</p> <p>Strategic risks Including the risk of excessive concentration in a single area, customer concentration/major customer impact, concentration of agent/ major product line impact, industry concentration, and mergers and acquisitions.</p> <p>Compliance risks / contract risks Referring to the possible loss caused by failure to comply with the relevant regulations of the competent authority. The contract risk refers to possible losses resulted from an invalidated contract by the contract itself which is not legally effect, ultra vires, omission in clauses, poor regulation.</p> <p>Information security risks Referring to unsustainable risks exposing to information assets, which are unable to secure the confidentiality, integrity and availability of the information; including access to the information by unauthorized users, unable to guarantee that the content and processing methods of the information to be correct and complete, and an authorized users cannot access information and use related assets timely when needed, resulting in possible losses.</p> <p>Others In addition to the above risks, if there are other risks, appropriate risk control and handling procedures should be established based the risk characteristics and the degree of impact. The Company regularly reviews the compliance of risk management mechanisms such as risk measurement indicators and concentration exposure. On December 28, 2021, the 2021 annual risk management</p>	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			operation was reported to the board of directors, including the risk assessment, the scope of risk environment and the risk control measures adopted, as well as the operation of risk management.	
<b>3. Environmental Issues</b>				
<b>(1)</b> If the Company endeavored to utilize resources more efficiently and utilized renewable materials which have a lower impact on the environment?	V		(I) The Company and its subsidiaries have built adequate environmental management systems according to the ISO14001 (Environmental Management System) which have been verified by a fair third-party. The certification has been disclosed on the Company's website.	None
<b>(2)</b> Does the Company dedicate in promoting energy utilization efficiency, and use renewable materials that have low impact to the environment.	V		(II) In order to correspond the Company's business growth, a green headquarters has been built which has been put into use on March 30, 2011. The design of the headquarters was based on the standard of the Leadership in Energy and Environmental Design (LEED) prescribed by the US Green Building Council. We have implemented the policy of green building and energy saving and carbon reduction with a goal of lowering the impact on the environment. The Design of the Headquarters: "Water Conservation" landscape watering uses entirely recycled rainwater, tap water-saving device and increases the efficiency of kitchen and bathroom water by 70%. The goal of the process water recovery rate after operation is expected to reach over 90%. Advance night ice storage system has been introduced for "Energy Saving" air conditioning system which can be used in conjunction with a day chiller, saving time and money.	None
<b>(3)</b> Has the Company assessed its potential risks and opportunities now and the future regarding climate change, and adopted related responding?	V		(III) The Company has kept an eye on international trends and corresponding directions and has further understood issues concerned by stakeholders namely the government, investors, customers and the society. The Company evaluated possible legal risks, substantial risks and other risks as well as potential opportunities in order to adopt corresponding measures. The potential risks and opportunities of the climate change for	None

Items	Implementation Status			Non-implementation and its reason(s)															
	Y	N	Summary																
			<p>the Company now and the future, and related responding to the climate adopted:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Potential risks of the climate change</th> <th>Opportunities</th> <th>Response</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Now</td> <td>Greenhouse gas emission control and carbon credit trading system</td> <td>Promote low-carbon green production, save power, and reduce operating costs</td> <td>Through the replacement of lighting equipment and the purchase of energy-saving machines, the number of power used is reduced.</td> </tr> <tr> <td>Cost of developing carbon product development costs</td> <td>Energy saving, carbon reduction, and operating cost deduction through green process and environmental protection system</td> <td>Introduce water-based spraying and painting process, to use water-based paint for products, to reduce volatile organic compounds (VOCs).</td> </tr> <tr> <td>Future</td> <td>The increase in sustainable development regulations increases related costs</td> <td>Find and use green energy and environment friendly materials</td> <td>Investment of resources at the early stage to develop green energy and environmental protection materials.</td> </tr> </tbody> </table>	Item	Potential risks of the climate change	Opportunities	Response	Now	Greenhouse gas emission control and carbon credit trading system	Promote low-carbon green production, save power, and reduce operating costs	Through the replacement of lighting equipment and the purchase of energy-saving machines, the number of power used is reduced.	Cost of developing carbon product development costs	Energy saving, carbon reduction, and operating cost deduction through green process and environmental protection system	Introduce water-based spraying and painting process, to use water-based paint for products, to reduce volatile organic compounds (VOCs).	Future	The increase in sustainable development regulations increases related costs	Find and use green energy and environment friendly materials	Investment of resources at the early stage to develop green energy and environmental protection materials.	None
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Items	Implementation Status			Non-implementation and its reason(s)
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(4) If the Company monitored the amount of greenhouse emission, water usage and waste handling for the past two years and established corporate strategies on reduction of carbon emission, greenhouse gas emission, water usage and waste management?	V		<p>(IV) In addition to the Company, the overseas production locations of Nishoku Group - Kunshan, Shenzhen and Vietnam all uphold the notion of co-existence with the Earth environment, continue to promote energy saving and greenhouse gas emission reduction measures, actively reduce carbon emission and focus on power consumption measures and review internal energy consumption status periodically. The Company has established relevant provisions for polices on the energy saving and carbon reduction, greenhouse gas emission reduction, reduction of water usage or other waste management in the “Corporate Social Responsibility Best Practice Principles”, and also implements such polices thoroughly.</p> <p>The Company’s greenhouse gas emission inspection has been verified by external unit. In addition to the obtaining of green building certificate for the Group’s headquarter building, the greenhouse gas total emission of the production locations in 2020 and 2019 were 7,552.74 tons and 10,979.65 tons respectively, indicating that the greenhouse gas emission of the organization in 2020 was reduced by 31.21% from the previous year. The Company will continue to exert effort in the improvement of environment, and also plans to achieve the management goal of reduction of greenhouse gas emission by 5% annually in the future. The execution measures are as follows:</p> <ol style="list-style-type: none"> <li>1. Production end energy-saving measures: Reduction of process energy consumption, increase of equipment efficiency and energy management, etc.</li> <li>2. Office energy saving measures: <ol style="list-style-type: none"> <li>(1) Group’s headquarter building obtained the U.S. Green Building Council LEED green building golden class certification in June 2012.</li> <li>(2) Office environment adjusts the air conditioning depending upon the season and the temperature is set at 26 degree</li> </ol> </li> </ol>	None

Items	Implementation Status			Non-implementation and its reason(s)												
	Y	N	Summary													
			<p>Celsius constantly in order to reduce the power load.</p> <p>(3) Office lighting uses energy-saving and high-performance lighting fixtures in order to reduce the heat generated by the light source and to achieve the objective of energy saving.</p> <p>(4) Promote employees to use stairs instead of elevators.</p> <p>3. Others:</p> <p>(1) Use document electronic signing and approval system to perform electronic signing approval, thereby reducing the paper usage amount, and promote the use of recycled papers.</p> <p>(2) Properly execute the recycle management and resource classification of wastes, such kitchen wastes, metal/aluminum/glass bottles, waste papers and plastic bottles, etc., and appoint professional personnel to be responsible for the treatment and classification of wastes.</p> <p>Presently, the main production locations have consecutively obtained the greenhouse gas emission inspection reports. According to the inspection result below, the carbon emission in 2020 was reduced by 31.21% from 2019:</p> <p>In 2019、2020, the Company entrusted Greem Industrial (ShenZhen) Co.,Ltd. to complete For the greenhouse gas verification, according to the inspection result:</p> <table border="1" data-bbox="981 1139 1789 1348"> <thead> <tr> <th>Emission (tCO2e) /Year</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Scope 1 Direct Greenhouse Gas Emission</td> <td>7.45</td> <td>18.08</td> </tr> <tr> <td>Scope 2 Energy Indirect Greenhouse Gas Emission</td> <td>7,545.29</td> <td>10,961.57</td> </tr> <tr> <td>Emission (tCO2e) Total</td> <td>7,552.74</td> <td>10,979.65</td> </tr> </tbody> </table>	Emission (tCO2e) /Year	2020	2019	Scope 1 Direct Greenhouse Gas Emission	7.45	18.08	Scope 2 Energy Indirect Greenhouse Gas Emission	7,545.29	10,961.57	Emission (tCO2e) Total	7,552.74	10,979.65	None
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Items	Implementation Status			Non-implementation and its reason(s)																		
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			<p>4. Water consumption and total weight of waste (ton)</p> <p>The Company has monitored environmental protection issues such as water resources and waste for a long time. Currently, all major production bases have obtained the certification of ISO14001 environment management system. The following is the information of the water consumption and total waste weight at the Taipei Plant:</p> <table border="1"> <thead> <tr> <th rowspan="2">Year/Item</th> <th rowspan="2">Water consumption (ton)</th> <th colspan="2">Total weight of waste (ton)</th> </tr> <tr> <th>Hazardous</th> <th>Non hazardous</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>4,648</td> <td>0</td> <td>21.56</td> </tr> <tr> <td>2020</td> <td>3,601</td> <td>0</td> <td>23.15</td> </tr> <tr> <td>2019</td> <td>3,854</td> <td>0</td> <td>24.24</td> </tr> </tbody> </table>	Year/Item	Water consumption (ton)	Total weight of waste (ton)		Hazardous	Non hazardous	2021	4,648	0	21.56	2020	3,601	0	23.15	2019	3,854	0	24.24	
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<p><b>4. Social Issues</b></p> <p><b>(1)</b> If the Company followed relevant laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?</p> <p><b>(2)</b> If the Company followed relevant laws and regulations and international guidelines on consumer health and safety, customer privacy, marketing and labeling of products and services and established relevant consumer protection policy and grievance channel?</p>	V		<p>(I) The Company strictly follows laws and regulations prescribed by the government by implementing labor laws and regulations to protect the rights of colleagues. In addition to establishing labor-management meetings and holding regular labor-management meetings, our colleagues can also give their opinions or suggestions through the communication channel within their unit or cross-unit, reaching the goal of sufficient communication and efficient problem-solving.</p> <p>(II) 1. The Company's Articles of Incorporation clearly states that "In case the company has yearly profit, at least 1% shall be appropriated as employee remuneration". Moreover, performance of various business groups and personal performance are used as reference base for determination, and after the approval of authorization manager is gained, reasonable reward shall be given to employees.</p>	None																		

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(3) If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to employees periodically?	V		<p>2. The Company’s holiday system has been formulated in accordance with the Labor Standards Act.</p> <p>3. For the status of the Company's employee welfare measures and implementation, please refer to “V. Operation Overview and Labor-Management Relations” (pages 117-121).</p> <p>4. Diversity and equality in workplace Complying with the Act of Gender Equality in Employment, to protect the equal right of working regardless gender. For recruitment, examination, employment, appraisal, promotion, education and training, and benefit measures, the Company do not differ due to genders; provided, where the certain job is only suitable for certain gender, this shall not apply.</p> <p>In 2021, the average weight of female employees was 54%, and 33% for the female managers; please refer to Page 117 of the annual report, (II) Gender distribution by position category</p> <p>(III) The Company and the subsidiaries all have been certified for the ISO 45001 occupational health and safety management system. “Providing a safe and health workplace for employees” is the Company’s fundamental obligation. Aside from establishing a Labor Safety and Health Management Committee to implement necessary workplace environmental inspection, various safety and health facilities for labors and improvement or proposal of suggestions are also provided. Additionally, the health and safety education and trainings are conducted every year. Given the importance of protection measures for workplace and personal safety, the Company carries out related educational training on an unscheduled basis. The “Safety and Health Education for Labors” educational training is performed on</p>	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>employees containing courses such as: general safety and health educational training and classes regarding how to provide awareness of safety, and enhancement of health in workplace. Learning evaluation is also carried out in the process of educational training to ensure the correctness of the learning direction of employees while at the same time confirming the implementation of the working environment and personal safety, for the zero-disaster environment.</p> <p>In 2021, there were six occupational disasters, with 6 people involved (accounting for 0.002% of the total employees at the end of 2021, and the goal of zero-disaster was not achieved. For the improvement measures to occupational disaster, the department will conduct training to enhance the awareness of safety precautions at work, and the awareness of traffic safety precautions, to ensure the safety of employees at work and during commuting.</p>	None
(4) If the Company provided career planning, relevant raining and skill development for employees?	V		(IV) The Company values the importance of employees' competitiveness and is dedicated to talent development. Annual education and training plans are arranged according to the education and training Measures. Flexible adjustment may be made according to the nature of work to meet expectations of duty and career development.	
(5) If the Company followed relevant laws and regulations and international guidelines on consumer health and safety, customer privacy, marketing and labeling of products and services and established relevant consumer protection policy and grievance channel?	V		(V) The Company is in the manufacturing industry; products are not directly sold to consumers. Even though there are no compliant procedures in terms of R&D, procurement, manufacturing, production and service to protect consumers' rights and interests, a section dedicated to stakeholders can be found on the Company's website in accordance with the Business Integrity Rules. There is also a compliant management to prevent product or service from directly or indirectly damaging the rights and interests, health and safety of consumers or other stakeholders.	



Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(6) If the Company established suppliers management policy requesting suppliers to comply with relevant regulations on EHS and human rights issues and monitored suppliers' execution status.	V		<p>(VI) The Company evaluates and inspects the condition of suppliers in accordance with the Company's "Supplier Management Measures", "Supplier Evaluation Management Procedures", "Supplier Questionnaire", and "Inspection Form of Environmental Quality Assurance System for Suppliers". The Company performs an evaluation on new suppliers to determine whether it can become a qualified manufacturer; in terms of existing suppliers, the Company carries out regular evaluation to ensure they are adequate and provide guidance on supplier compliance with matters namely environmental management, restricted substance control, non-hazardous substances and non-conflict miners.</p> <p>All suppliers signed the contract with the commitment of complying with the Company's environmental policies including compliance of laws and regulations, reduction of impact, continuous improvement, implementation of education, and communication. If a supplier is involved with unlawful incident, the Company may terminate its contract. Where a supplier, customer or an entity which the Company does business with is suspected to have violated the Company's CSR policies which has made a significant impact on the environment and society, the business relationship between 2 parties may be considered to be terminated.</p> <p>In light of the important issue of environmental protection, countries in the EU and other countries have passed acts including the Restriction of Hazardous Substances Directive (RoHS) and Waste Electrical and Waste Electric and Electronic Equipment (WEEE). As a member of the green product supply chain, not only does Nishoku Technology promote products that are lead-free but is also dedicated to fulfilling the needs of customers regarding heavy metal and banned chemical substances. We are currently promoting forbidden substance</p>	None

Items	Implementation Status			Non-implementation and its reason(s)																											
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			control and have released statement that all suppliers must meet the standard prescribed by laws and regulations.																												
5. If the Company's CSR report prepared based on international recognized standard and if the report verified by the third party?	V		The Company has established the Corporate Social Responsibility Best Practice Principles. There is no major difference between the Company's CSR status and self-established CSR Best Practice Principles.	None																											
<p>6. If the Company established any guideline of corporate social responsibility in accordance with "Corporate Social Responsibility Best-Practice Principles for Listed Companies"?</p> <p>As a means to fulfill CSR and improve the balance of economy, society, the environment and ecology, and sustainable development, the Company's Board of Directors passed the establishment of the Company's "CSR Best Practice Principles" in November 2015. Inspection of execution status is carried out on a regular basis and improvements are made accordingly. Since the establishment of the Principles, no material variation has been found.</p>																															
<p>7. Other material information that helps to understand the operation of corporate social responsibility:</p> <p>(I) As a means to fulfill corporate responsibility in protecting the environment, the raw materials currently used by the Company all comply with the RoHS regulations prescribed in July 2006. The dangerous substances stipulated in the RoHS are strictly prohibited in the production, and relevant information is also delivered to all departments, ensuring that all products of the Company comply with the RoHS or meet the needs of our customers.</p> <p>(II) With a certain amount of money, the Company engages in events of social care and disadvantaged groups. Employees of the Company are also encouraged to take part in doing charities and make a difference in order to give back to the society.</p>																															
<table border="1"> <thead> <tr> <th>Number</th> <th>Name of the Recipient</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Genesis Social Welfare Foundation</td> <td>50,000</td> </tr> <tr> <td>2</td> <td>Mennonite Social Welfare Foundation</td> <td>59,329</td> </tr> <tr> <td>3</td> <td>Buddhist Puxian Social Welfare Foundation of Yilan County</td> <td>58,200</td> </tr> <tr> <td>4</td> <td>Hualien Bethesda Nursing Institute, Hualien County Christian Missionaries</td> <td>60,000</td> </tr> <tr> <td>5</td> <td>Taiwan Fund for Children and Families</td> <td>65,000</td> </tr> <tr> <td>6</td> <td>Xinzhuang District Office, New Taipei City</td> <td>50,000</td> </tr> <tr> <td>7</td> <td>Private Huiming Blind Child Welfare Association is attached to the Christian Huiming Blind Welfare Association of Taichung City</td> <td>60,000</td> </tr> <tr> <td>8</td> <td>The Chiayi Diocese of Chiayi County is attached to the Chiayi Diocese of</td> <td>60,000</td> </tr> </tbody> </table>					Number	Name of the Recipient	Amount	1	Genesis Social Welfare Foundation	50,000	2	Mennonite Social Welfare Foundation	59,329	3	Buddhist Puxian Social Welfare Foundation of Yilan County	58,200	4	Hualien Bethesda Nursing Institute, Hualien County Christian Missionaries	60,000	5	Taiwan Fund for Children and Families	65,000	6	Xinzhuang District Office, New Taipei City	50,000	7	Private Huiming Blind Child Welfare Association is attached to the Christian Huiming Blind Welfare Association of Taichung City	60,000	8	The Chiayi Diocese of Chiayi County is attached to the Chiayi Diocese of	60,000
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Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
9			70,000	
10			60,000	
11			6,000	
12			15,000	
13			15,000	
14			24,000	
15			30,000	
16			42,000	
17			50,000	
18			59,040	
19			10,000	
20			50,000	
21			50,000	
22			30,000	
23			50,000	
24			300,000	
25			50,000	
			1,373,569	

(III) In order to prevent employees from being exposed to hazards and reduce the risk of occupational diseases, the Company carries out annual regular health examinations and keeps track of employees' health, while regularly carrying out workplace inspection and providing protective equipment.

(IV) Establishment of Lactation Room: As a means to provide convenience for female workers to collect milk, a comprehensive lactation room was

Items	Implementation Status			Non-implementation and its reason(s)	
	Y	N	Summary		
<p>established to encourage the nature of breastmilk, ensuring the health of our next generation.</p> <p>(V) Day Care Facility: The Company works with nearby day care centers to look after toddlers of the Company's employees, enabling them to not only focus on work but also their families.</p> <p>(VI) Safety and health: in addition to complying with the Occupational Safety and Health Act and related subordinating regulations, and handling matters accordingly, the Company also continues to promote the occupational health and safety management system (ISO 45001) to implement various health and safety management.</p> <p>(VII) International quality certification:</p>					
Item		Kunshan Plant	Shenzhen Plant	Vietnam Plant	Taipei Plant
TS 16949 Certification of quality and quantity management system	Date of issuance	2014/6/18			
	Date of this issuance From to	2021/7/15~2024/7/14			
ISO 9001 Certification of quality and quantity management system	Date of first issuance	2002/10/29	2011/12/16	2011/2/16	1998/5/6
	Date of this issuance From to	2021/7/5~2024/7/14	2021/11/25~2023/12/15	2020/2/19~2023/2/16	2020/7/20~2023/8/14
ISO 14001 Environment management system	Date of first issuance	2015/7/22	2008/2/1	2011/2/17	2011/8/15
	Date of this issuance From to	2021/7/15~2024/7/21	2021/11/25~2022/9/22	2020/2/19~2023/2/17	2020/7/20~2023/8/14
ISO 45001 Occupational health and safety management system	Date of first issuance	2020/8/14	2013/9/23	2011/8/5	
	Date of this issuance From to	2020/8/14~2023/8/13	2021/11/25~2022/9/22	2020/3/6~2023/3/6	
ISO 13485 Medical device quality management system	Date of first issuance	2019/3/27			
	Date of this issuance From to	2019/3/27~2022/3/26			

3.4.6 Implementation of Ethical Corporate Management Best Practice Principles:

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p><b>1. Ethical Corporate Management Policy</b>  <b>(1)</b> If the Company established ethical corporate management policy approved by the Board and specified procedures in its internal policies and external document? If the Board of Directors and the management team committed to enforce such policies rigorously and thoroughly?</p>	V		<p>(I) The board of directors has approved the “Ethical Corporate Management Best Practice Principles” in 2011, and the “Procedures for Ethical Management and Guidelines for Conduct” in 2021, to clearly specify the policies and conduct regulations for ethical management. For the directors and executives of the Company to understand and implement the ethical management philosophy better, while incorporating the “Commitment of Ethic and Integrity” in the documents required to be signed by the new directors and executives, the major contents include: no unethical conduct, not providing or receive improper benefits, not providing illegal political contributions or improper charitable donations or sponsorships, recusal for conflict of interests, performing the confidentiality obligation and no infringement to the intellectual property rights, complying with NDA, not engaging insider trading, performing the explanation obligation, not receiving improper benefits, nor conducting business with unethical operators; the re-elected or newly elected directors and supervisors are required to sign the “Commitment of Ethic and Integrity.”                      In 2021, the directors and executives of the Group complied the requirement in the above paragraphs, and no violation as of now.</p>	None
<p><b>(2)</b> If the Company established a system to periodically evaluate business activities which are possibly at a higher risk of being involved in an unethical conduct and if relevant prevention</p>	V		<p>(II) The Company regularly analyses the forms of the whistle-blowing system for unethical conducts. An effective accounting system and internal control</p>	

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>policy covering business activities specified in the second paragraph of Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSE Listed Companies established thereof?</p> <p>(3) If the Company executed any measures to prevent unethical conduct and clearly prescribed the specific ethical management practice including operational procedures, guiding principles, penalties and grievance channels? If the Company reviewed the execution of these measures periodically and revised the measures where necessary.</p>	V		<p>system are established for business activities with high risks, and the following procedures have been formulated in the “Ethical Management Best Practice Principles”:</p> <ul style="list-style-type: none"> <li>● No providing or acceptance of bribes.</li> <li>● No providing illegal political contributions.</li> <li>● No improper charitable donations or sponsorship.</li> <li>● No offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>● No misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> <li>● No engaging in unfair competitive practices.</li> <li>● No damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</li> </ul> <p>(III)The Company has established the “Ethical Management Best Practice Principles”, which has clearly stated its operating procedures, conduct guidelines, penalties for violation and reporting system, such as channels including dedicated contact personnel, contact number and e-reporting mailbox on the Company’s website and internal website. For Company employees involving in ethical conduct, it shall be handled according to the</p>	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			reporting procedures of the “Handling Measures for Reporting Illegal and Unethical and Dishonest Conducts”.	
<p><b>2. Implementation of Ethical Corporate Management</b></p> <p><b>(1)</b> If the Company checked whether the respective counterparty holds any record of unethical misconduct and if the contract terms required the compliance of ethical corporate management policy?</p> <p><b>(2)</b> If the Company set up a unit, under the direct supervision of the Board of Directors, to handle the implementation and supervision of ethical corporate management as well as prevention of unethical conduct and reported to the Board of Directors periodically (annually)?</p>	V		<p>(I) The Company has established the “Supplier Evaluation Management Procedures” and “Supplier Questionnaire” for approving trading objects for which the Company does business activities with. For suppliers/contractors which the Company is already in cooperation with, regular audits and inspections are carried out. Related terms and conditions between the Company and trading objects are also specified in the contact.</p> <p>(II) 1. The Human Resources and Administration Department, Legal Affairs Office and Finance Department jointly formed the “Task Force for Promoting Ethical Management” with Vice President Wu, Ying-lan as the convener, conducting business pursuant to relevant management regulations, to ensure the implementation of the Ethical Corporate Management Best Practice Principles. The dedicated unit reported the implementation to the board of directors on December 28, 2021.</p> <p>2. The operation and implementation in 2021 are as following:</p> <p>A. Education and training</p> <p>(1). Participated in external education and training related to ethical management issues (including courses related to practice and management of fraud risk, corporate</p>	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>(3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?.</p>	V		<p>governance, professional ethics and legal responsibility, accounting system, and internal control), with a total of 92.5 hours.</p> <p>(2). Total 1,051 new recruits attended the ethical management promotional training.</p> <p><b>B. Legal compliance</b> The Group-wide legal education and training was conducted by the Legal Office, focusing on ethical management, integrity commitment, commercial bribery, and intellectual property, The training has been held four times in 2021, with 142.5 hours of promotion.</p> <p><b>C. Commitment of Ethics and Integrity</b> Based on the principles of fairness, honesty, trustworthiness and transparency, the Company conducts the business. In order to implement the ethical corporate management policy, and actively prevent unethical conducts, suppliers or contractors are required to sign the “Commitment of Ethics and Integrity,” as many as 76.7%.</p> <p><b>D. Regular inspection</b> The Company has established the “Reward and Punishment Management Regulations,” incorporating ethical management into employee performance appraisal and human resources policies, to establish a clear and effective discipline system. There will be no corruption and anti-competitive behavior in 2021.</p> <p>(III) The Company has established the “Ethical Management Best Practice Principles” and when a proposal at a given Board of Directors meeting concerns the personal interest of, or the interest of</p>	None



Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>(4) If the Company established an effective accounting system and internal control system and if internal auditing department formulated auditing plan based on the result of risk evaluation on unethical conduct and audited the compliance of prevention plan or authorized external accounting firm to conduct auditing?</p>	V		<p>the juristic person represented by any of the directors, managerial officers, and other stakeholders attending or present at Board Meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given Board Meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.</p> <p>As a means to avoid improper leaks of internal material information, the “Operating Procedures for the Prevention of Insider Trading” has also been established for the compliance of the Company’s directors, managerial officers, employees and shareholders holding more than 10% of the Company’s shares as well as spouses, minor children and holding shares using another person’s name stated previously.</p> <p>There is also a stakeholders section on the Company's website, providing a channel for making statements.</p> <p>(IV) The accounting system and internal control system established by the Company are able to control relevant operation risks. However, with the change of economic environment and the Company's expanding business scales, the Company adheres to its ethical management while at the same time making appropriate reviews and improvements. The internal audit personnel carries out audits on the</p>	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(5) If the Company organized training and awareness programs on ethical corporate management to internal and external parties?	V		<p>compliance of the systems stated previously, and shall make an audit report to submit to the Board meeting. CPAs are appointed to execute audits, and when it is necessary, professionals may be appointed for assistance.</p> <p>(V) As required by the “Regulations Governing Establishment of Internal Control Systems by Public Companies” and the “Operating Procedures for the Prevention of Insider Trading” passed by the Board, an Education Promotion Handbook is produced quarterly and courses are carried out by external education institutions for assistant general manger-level and above. Trainings relating to Professional Ethics for Employees and Conduct of Conduct are arranged for the Company's general employees.</p> <p>On January 5, 2021, April 1, 2021, July 1, 2021, and October 1, 2021, the directors, managerial officers, and employees were informed with the common violations of insiders’ equity transfer and related education, for total of 116 readers. The contents included the scope of internal material information, classification operation, disclosure operations and handling of violations of the insiders’ equity transfer; the promotional materials were sent to all directors, managerial officers and employees for reference.</p>	None
<b>3.Implementation of whistleblowing system</b> <b>(1) If the Company established a whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case?</b>	V		<p>(I) The Company has established the “Handling Measures for Reporting Illegal and Unethical and Dishonest Conducts”, as well as independent whistle-blowing mailbox for internal and external</p>	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>(2) If the Company established standard operational procedures and relevant information confidentiality policy for investigation of reported cases and recommendation of preventive measures?</p> <p>(3) If the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?</p>	V		<p>personnel. A whistle-blower may send the reporting matter directly to such mailbox. The authorization unit appoints suitable dedicated personnel to handle the matter according to the nature of such matter, and the identity and reporting content will be kept confidential. An internal audit may be carried out according to needs.</p> <p>(II) The Company has established applicable standard operating procedures investigation in terms of reporting matters and an investigation is conducted under a confidential document.</p> <p>(III) The Company's "Handling Measures for Reporting Illegal and Unethical and Dishonest Conducts" clearly specifies that the handling personnel shall keep confidential of the identity of the whistle-blower as well as the content, and shall protect such person from suffering any consequences of reporting an incident.</p>	None
<p><b>4. Information Disclosure</b> If the Company disclosed ethical corporate management policy and its status of implementation via corporate website or Market Observation Post System?</p>	V		The Company has disclosed information relating to ethical management on its website and annual report for relevant personnel.	None
<p><b>5. If the Company established any guideline of ethical business conduct in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation?</b> The Company's "Ethical Management Best Practice Principles" has been approved by the Board Meeting and has been publicly announced on the Company's website and MOPS for compliance of employees. The concurrent unit, Finance Department, is responsible for the promotion of corporate ethical management.</p>				
<p><b>6. If any other information that helped to understand the operation of ethical business conduct and its implementation. (ie. Declarations, trainings and conventions held with vender to promote ethical business conduct)?</b></p>				

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(I) In the daily operation, it is prohibited to involve bribery when various departments are conducting businesses, regardless of directly or through third parties (including through subsidiaries, joint ventures, agents, representatives, consultants, stockbrokers, contractors, suppliers or other media).				
(II) All forms of bribery are prohibited, such as: receiving contract rebates, or taking advantages from customers, agents, contractors, suppliers and employees. However, it is not limited to benefits received or given with accepted social customs (such as gifts to manufacturers on 3 major festivals) or gifts for when the Company visits customers within an amount under NT\$10,000, and is carried out occasionally without any concern of affecting any specific rights and obligations. The “Group Decision-Making Authority Form” shall be filled in and submitted to the authorization manager prior to making any expenditure relating to entertainment.				
(III) It is prohibited to make direct or indirect donations to specific political parties, party members, candidates, political organizations or persons as a form of bribery.				
(IV) For making donations to charitable institutions, an application must be sent for approval by the authorization manager, ensuring the transparency of all donation process.				
(V) No offering or acceptance of unreasonable presents or hospitality, or other improper benefits. Unreasonable gifts, hospitality or other improper benefits are gifts that are not part of normal accepted social customs which should not be carried out occasionally that may affect specific rights and obligations.				
(VI) For data confidentiality of business secrets or commercially sensitive information obtained, the Company has established the “Insider Trading Prevention Management Operating Procedures” for the compliance of the directors and supervisors. Employees are also required to sign an employee confidentiality agreement. For suppliers, customers or trading object in which the Company has business with involved in unethical conduct, the business relationship between both parties should be terminated.				

#### 3.4.7 The Company has Corporate Governance Rules and Related Measures:

The Company currently has Corporate Governance Rules, CSR Best Practice Principles, Ethical Conduct Rules for Directors, Supervisors and Managerial Officers, Rules and Procedures for Board Meetings, Rules of Procedure for Board of Directors Meetings, Duties of Independent Directors, Professional Ethics for Employees and Code of Conduct, and comprehensive internal control system and internal audit system in order to implement the operation and promotion of corporate government. Related rules and measures can be found on the Company’s internal and external websites.

#### 3.4.8 Other important may be disclosed regarding information to improve the understanding of the Company's corporate governance operation:

The Company has a corporate governance section on the website for the disclosure of related information on corporate governance.

Company website:<https://www.nishoku.com.tw/zh-TW/Investor/Company>

3.4.9 The following items related to the implementation of internal control systems shall be disclosed:

(1) Internal Control Statement

Nishoku Technology Inc.  
Statement of Internal Control System

Date: February 25, 2022

Based on the findings of self-assessment, Nishoku Technology Inc. states the following with regard to its internal control system in 2021:

1. Nishoku Technology Inc. is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of financial reporting and compliance with of applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of Nishoku Technology Inc. contains self-monitoring mechanism and Nishoku Technology Inc. takes corrective actions whenever a deficiency is identified.
3. Nishoku Technology Inc. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. Nishoku Technology Inc. has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the self-assessment mentioned in the preceding paragraph, Nishoku Technology Inc. believes that, as of December 31, 2021, its internal control system (including its supervision and management of subsidiaries), as well as understanding the degree of achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of financial reporting, and compliance with the applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of Nishoku Technology Inc.’s Annual Report for the year 2020 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on February 25, 2022 with zero of nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Nishoku Technology Inc.

Chen, Piao-Fu  
Chairman

Tsai, Chien-Sheng  
President and Chief Executive Officer

(2) Where a CPA is entrusted to carry out a special audit of the internal control system, furnish the CPA audit report: None.

3.4.10 The penalties delivered to the Company and the staffs of the Company, or the penalties delivered by the Company to the staffs for violations of internal control system in the most recent years and up to the date of the annual report which caused material impact to shareholder equity or share price and content of penalty shall be disclosed accordingly: None.

#### 3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

##### 3.4.11.1 The 2021 major Resolutions of Shareholders' Meeting and its Implementation Status:

1. Approval of the 2020 Business Report and Financial Statements.  
Execution status: according to the resolution.
2. Approval of the 2020 earnings distribution.  
Execution status: a cash dividend of NT\$10 per share was issued. Base date: June 26, 2021. The distribution was completed on July 16, 2021.
3. Discuss the amendment to the "Rules and Procedures of Meetings of Shareholders"  
Execution status: according to the resolution.
4. Discuss the amendment to the "Procedures for Election of Directors"  
Execution status: according to the resolution.
5. Discuss the proposal on the abolishment of the "Rules Governing the Scope of Powers of Supervisors" °  
Execution status: according to the resolution.

##### 3.4.11.2 Major Resolutions of Board Meetings

Date	Major resolutions	Matters listed in §14-3 of the Securities and Exchange Act	Independent director holding any dissent or qualified opinion
2021 First session February 25, 2021	1. Motion for the Company's 2020 parent only and consolidated financial statements	-	None
	2. Motion for the Company's 2020 remuneration to directors, supervisors and employees, and year-end bonus for managerial officers	-	None
	3. Set the base date for the issuance of new shares and capital increase in the fourth quarter of 2020 for the exchange of common shares for the company's employee stock option certificates	✓	None
	4. Motion for the Company's 2020 business report	-	None
	5. Motion for the Company's 2020 internal control system statement	✓	None
	6. Motion for amendment to the "Rules and	-	None

Date	Major resolutions	Matters listed in §14-3 of the Securities and Exchange Act	Independent director holding any dissent or qualified opinion	
	Procedures of Meetings of Shareholders”			
	7. Motion for amendment to the “Procedures for Election of Directors”	-	None	
	8. Motion for amendment to the “Code of Ethics for Directors”	-	None	
	9. Motion for proposal on the abolishment of the “Rules Governing the Scope of Powers of Supervisors”	-	None	
	10. Motion for the proposal of the time, location and agendas for the Company’s 2021 General Meeting of Shareholders and that voting method may be conducted electronically	-	None	
	11. Proposal of setting a time to accept shareholders’ proposals for 2021 General Meeting of Shareholders	-	None	
	12. Motion for the continuation of the Company's credit contract with CTBC Bank Co., Ltd.	✓	None	
	13. Motion for the continuation of the Company's credit contract with Mega International Commercial Bank.	✓	None	
	14. Motion for the continuation of the Company's credit contract with First Commercial Bank Co., Ltd.	✓	None	
	15. Motion for the continuation of the Company's credit contract with E.SUN Commercial Bank Co., Ltd.	-	None	
	Opinion of the independent directors: None.			
	How the company responded to these opinions: None.			
	Resolution: The motion was passed without objections after the Chair consulted with all attending independent directors and directors.			
	No other motions or extraordinary motions			
2021 2nd session April 28, 2021	1. Motion for the Company’s 2020 earnings distribution	-	None	
	2. The Company's 2020 Earnings Distribution Proposal for the Distribution of Shareholders' Dividends in Cash	-	None	
	3. Set the base date for the issuance of new shares and capital increase in the first quarter of 2021 for the exchange of common shares for the company’s employee stock option certificates	✓	None	
	4. Establishing the “Reporting Procedures and Regulations for Material Contingency” and “Risk Management Measures.”	-	None	
	5. Motion for the continuation of the Company's credit contract with Citibank Taiwan Ltd.	✓	None	

Date	Major resolutions	Matters listed in §14-3 of the Securities and Exchange Act	Independent director holding any dissent or qualified opinion
	Opinion of the independent directors: None.		
	How the company responded to these opinions: None.		
	Resolution: The motion was passed without objections after the Chair consulted with all attending independent directors and directors.		
	No other motions or extraordinary motions		
2021 3rd session June 30, 2021	1.Proposal for determine again the date and venue of the 2021 Annual General Meeting °	-	None
	2. Motion for amendment to the “ Level of Group Authority table”	-	None
	3. Motion for amendment to the “Reporting Procedures and Regulations for Material Contingency”	-	None
	4. Motion for amendment to the “Finance cycle”	-	None
	5.Addition of the “Operational Regulations for the Finance and Business among Affiliates” °	-	None
	6. Motion for the continuation of the Company's credit contract with MEGA BILLS FINANCE CO., LTD.	-	None
	7. Motion for the continuation of the Company's credit contract with Taipei Fubon Commercial Bank.	✓	None
	Opinion of the independent directors: None.		
	How the company responded to these opinions: None.		
	Resolution: The motion was passed without objections after the Chair consulted with all attending independent directors and directors.		
No other motions or extraordinary motions			
2021 4th session July 29, 2021	1. Motion for the Consolidated Financial Statements for the second quarter of 2021.	-	None
	2.Proposal for the loaning of funds to the offshore company Nishoku Technology Vietnam Co. Ltd. with 100% equity directly held by the Company.	✓	None
	Opinion of the independent directors: None.		
	How the company responded to these opinions: None.		
	Resolution: The motion was passed without objections after the Chair consulted with all attending independent directors and directors.		
	No other motions or extraordinary motions		
2021 5th session October 28, 2021	1. Motion for the Consolidated Financial Statements for the third quarter of 2021.	-	None
	2. Set the base date for the issuance of new shares and capital increase in the third quarter of 2021 for the exchange of common shares for the company’s employee stock option certificates	✓	None
	3. Motion for amendment to the “Investment cycle”	-	None
	4. Motion for amendment to the “Ethical Corporate	-	None



Date	Major resolutions	Matters listed in §14-3 of the Securities and Exchange Act	Independent director holding any dissent or qualified opinion
	Management Best Practice Principles” and Addition to the “Procedures for Ethical Management and Guidelines for Conduct”		
	5. Motion for the continuation of the Company's credit contract with First Commercial Bank.	✓	None
	Opinion of the independent directors: None.		
	How the company responded to these opinions: None.		
	Resolution: The motion was passed without objections after the Chair consulted with all attending independent directors and directors.		
	No other motions or extraordinary motions		
2021 6th session December 28, 2021	1. Motion for reporting the Company’s 2022 budgets and business plans	-	None
	2. Motion for reporting the Company’s 2022 audit plans	-	None
	3. Motion for the Company’s 2022 independence evaluation of CPAs appointed by the CPA firm	✓	None
	4. Motions resolved by the Remuneration Committee on the second meeting in 2021 、 Implementation of Directors' Remuneration and Employees' Dividends in 2020	-	None
	5. Motion for the amendment to the “Regulations Governing the Board Performance Evaluation”	-	None
	6. Motion for the continuation of the Company's credit contract with Taipei Fubon Commercial Bank.	✓	None
	7. Motion for the continuation of the Company's credit contract with E.SUN Commercial Bank Co., Ltd.	-	None
	8. Motion for the continuation of the Company's credit contract with International Bills Finance Corporation.	-	None
	Opinion of the independent directors: None.		
	How the company responded to these opinions: None.		
	Resolution: The motion was passed without objections after the Chair consulted with all attending independent directors and directors.		
No other motions or extraordinary motions			
2022 First session February 25, 2022	1. Motion for the Company’s 2021 parent only and consolidated financial statements	-	None
	2. Motion for the Company’s 2021 remuneration to directors, supervisors and employees, and year-end bonus for managerial officers	✓	None
	3. Motion for the Company’s 2021 business report	-	None
	4. Motion for the Company’s 2021 internal control system statement	✓	None
	6. Motion for amendment to the “Regulations for	-	None

Date	Major resolutions	Matters listed in §14-3 of the Securities and Exchange Act	Independent director holding any dissent or qualified opinion
	Employee Performance Management and Appraisal ”		
	6. Motion for amendment to the “Corporate Governance Best Practice Principles”	-	None
	7. Motion for amendment to the “Code of Ethics for Directors”	-	None
	8.Motion for the Company’s election for nine seats of directors (three independent directors) and also to set a time to accept shareholders’ proposals and candidates for 2022 General Meeting of Shareholders	-	None
	9.Motion for proposal for the release of prohibitions on the directors from participation in competitive business proposal	-	None
	10. Motion for the proposal of the time, location and agendas for the Company’s 2022 General Meeting of Shareholders	-	None
	11.KPMG Taiwan has internal job rotation, so the CPAs would be replaced since Q1 2022.	-	None
	12. Motion for the continuation of the Company's credit contract with Mega International Commercial Bank.	✓	None
	13. Motion for the continuation of the Company's credit contract with CTBC Bank Co., Ltd.	✓	None
	14. Motion for the continuation of the Company's credit contract with Citibank Taiwan Ltd.	✓	None
	15. Motion for the proposal of signing a loan limit with Esun Bank	-	None
	Opinion of the independent directors: None.		
	How the company responded to these opinions: None.		
	Resolution: The motion was passed without objections after the Chair consulted with all attending independent directors and directors.		
	No other motions or extraordinary motions		

3.4.12 Major Issues of Record or Written Statement Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2020 and to the date of the annual report: None.

3.4.13 Resign and discharge by the Company's chairman, president, accounting head, treasurer, internal audit head and research and development head in the latest fiscal year and as of the publication date of the annual report: None.

### 3.5 CPA Fees

#### Information on CPA fees

unit: NT\$ thousand

CPA Firm	CPA		Auditing Period	Auditing Fees	Non-Auditing Fees	Total	Note
KPMG	Cheng-Chien Chen	Sheng-Ho Yu	2021/01/01   2021/12/31	4,250	444	4,694	None

Please specify the content of non-audit professional services: (such as taxation certification, assurance or other financial advisory services)

Transfer pricing taxation service fees, service fees for the verification and certification for direct deduction of business tax, and commercial and industrial registration.

3.5.1 Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

3.5.2 Over 10% decrease in audit fee on a year-to-year basis: Not applicable.

#### 3.6 Information on Change of CPA: None

3.7 If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

#### 3.8 Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Department Heads and Shareholders of 10% Shareholding or More

3.8.1 Information on Net Change in Shareholding :

Unit: Share

Title	Name	2021		1/1/2022-4/17/2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Ghi Yang Investment Co., Limited Rep.: Chen, Piao-Fu	0	0	0	0
Director	Heng Sheng Investment Co., Limited Rep.: Tsai, Chien-Sheng	0	0	0	0
Director	Heng Sheng Investment Co., Limited Rep.: Wu, Ying-Lan				
Director	Cyuan Guan Investment Co., Limited Rep.: Chang, Wen-Hsien		0	0	0

Title	Name	2021		1/1/2022-4/17/2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Jhan Yu Investment Limited Rep.: Hsieh, Xin-Yi	0	2,000,000 (2,000,000)	0	
Director	Chang Shun Investment Limited Rep.: Fan, Chia-Wen	0	0	0	0
Independent Director	Ko, Shun-Hsiung	0	0	0	0
Independent Director	Chan, Chin-Hung	0	0	0	0
Independent Director	Lin, Horng Chang	0	0	0	0
Chief Strategy Officer	Chen, Piao-Fu	0	0	0	0
President	Tsai, Chien-Sheng	0	0	0	0
Executive Vice President	Chang, Wen-Hsien	0	0	0	0
Vice President	Wu, Ying-Lan	0	0	0	0
Assistant vice president	Lin, Tzu-Hsuan	40,000	0	(27,000)	0
Manager	Cheng, Chao-Ming	(15,000)	0	5,000	0

### 3.8.2 Information of Shares Transferred:

#### **Information on Transfer of Equity:**

Name	Reason for Transfer	Transaction Date	Trading Counterparts	The Relationship between the Counterparty and the company's Director, Supervisor, Manager, or Shareholder with a Stake of More Than 10 Percent	Shares	Transactio n Price
None						

3.8.3 Information of Equity Pledged:

**Information on Pledge of Equity:**

Name	Reason for Change in Equity Pledge	Date of Change	Trading Counterparts	The Relationship between the Counterparty and the company's Director, Supervisor, Manager, or Shareholder with a Stake of More Than 10 Percent	Shares	Shareholding Ratio	Pledge Ratio	Pledge (Redemption) Amount
Jhan Yu Investment Limited	Redeemed	5/10/2021	First Commercial Bank Wu-Ku Branch		2,000,000	4.28%	74.54%	
Jhan Yu Investment Limited	Pledged	5/18/2021	CTBCBANK Co.,Ltd Tunpei Branch		2,000,000	4.28%	74.54%	

### 3.9 The Relations of the Top Ten Shareholders as Defined in the Finance Standard Article 6:

Unit: shares; %; As of 04/17/2022

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Yi Feng Investment Co., Limited	4,736,000	7.56%	0	0%	0	0%	Jhan Yu Investment Limited	Same as the Chairperson	None
Rep.: Hsieh, Xin-Yi	47,986	0.08%	38,400	0.06%	2,683,082	4.28%			
Ji Teng Investment Co., Limited	4,500,000	7.18%	0	0%	0	0%	Heng heng Investment Co., Limited	Same as the Chairperson	
Rep.: Tsai, Chien-Sheng	2,130	0.00%	31,805	0.05%	2,263,956	3.61%			
Yun Ding Investment Co., Limited	4,050,000	6.46%	0	0%	0	0%	None	None	
Rep.: Chang, Wen-Hsien	117,309	0.19%	9,316	0.01%	1,855,308	2.96%			
CTBC Bank is entrusted with the custody of the investment account of Jin Zhi Limited	3,897,856	6.22%	0	0%	0	0%	None	None	
Jin Hong Investment Co., Limited	3,600,000	5.74%	0	0%	0	0%	Ghi Yang Investment Co., Limited	Same as the Chairperson	
Rep.: Chen, Piao-Fu	222,682	0.36%	336,476	0.54%	1,880,621	3.00%			
Chang Shun Investment Limited	2,705,932	4.32%	0	0%	0	0%	None	None	
Rep.: Fan, Zhen-Yi	0	0%	0	0%	0	0%			
Jhan Yu Investment Limited	2,683,082	4.28%	0	0%	0	0%	Yi Feng Investment Co., Limited	Same as the Chairperson	
Rep.: Hsieh, Xin-Yi	47,968	0.08%	38,400	0.06%	4,736,000	7.56%			
Heng Sheng Investment Co., Limited	2,263,956	3.61%	0	0%	0	0%	Ji Teng Investment Co., Limited	Same as the Chairperson	
Rep.: Tsai, Chien-Sheng	2,130	0.00%	31,805	0.05%	4,500,000	7.18%			
CTBC Bank is entrusted with the custody of the investment account of Rui Bo Lian Limited	2,054,360	3.28%	0	0%	0	0%	None	None	
Ghi Yang Investment Co., Limited	1,880,621	3.00%	0	0%	0	0%	Jin Hong Investment Co., Limited	Same as the Chairperson	
Rep.: Chen, Piao-Fu	222,682	0.36%	336,476	0.54%	3,600,000	5.74%			

### 3.10 Long-Term Investment Ownershi

Unit: thousand shares; %; As of 12/31/2021

Long-Term Investment (Note1)	Ownership by Pegatron		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
SUN NICE LTD. (SAMOA)	34,468	100%	0	0%	34,468	100%
NISHOKU BOUEKI CO., LTD.	6,300	100%	0	0%	6,300	100%
SUN NICE LTD.(B.V.I)	0	0%	15,697	100%	15,697	100%
NISHOKU TECHNOLOGY VIETNAM CO., LTD.	(Note 2)	100%	0	0%	(Note 2)	100%
SAME START LTD. (ANGUILLA)	0	0%	0	100%	0	100%
NISHOKU HONG KONG HOLDING LIMITED	0	0%	62,298	100%	62,298	100%
NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.	0	0%	(Note 2)	100%	(Note 2)	100%
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.	0	0%	(Note 2)	100%	(Note 2)	100%

Note 1: Refers to the Company's investments accounted for under equity method.

Note 2: No shares issued.

## 4. Capital and Shares

### 4.1 Capital and Shares

#### 4.1.1 Type of Stock

As of the publication date of the annual report; unit: thousand shares; NT\$ thousand

Year/ Month	Issue Price	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
May 1980	1,000	2.5	2,500	2.5	2,500	Founding capital	None	Note 1
Nov 1983	1,000	10	10,000	10	10,000	Cash Capital Increase - NT\$7,500 thousand	None	Note 2
Jun 1988	1,000	20	20,000	20	20,000	Cash Capital Increase - NT\$10,000 thousand	None	Note 3
Mar 2008	10	22,000	220,000	22,000	220,000	Cash Capital Increase - NT\$200,000 thousand	None	Note 4
May 2008	20	100,000	1,000,000	32,000	320,000	Cash Capital Increase - NT\$100,000 thousand	None	Note 5
Sep 2008	35	100,000	1,000,000	37,714	377,143	Cash Capital Increase - NT\$57,143 thousand	None	Note 6
Dec 2008	40	100,000	1,000,000	54,214	542,143	Cash Capital Increase - NT\$165,000 thousand	None	Note 7
Jan 2009	10	100,000	1,000,000	59,214	592,143	Capitalized earnings - NT\$50,000 thousand	None	Note 8
May 2009	40	100,000	1,000,000	64,964	649,643	Cash Capital Increase - NT\$57,500 thousand	None	Note 9
Jun 2009	45	100,000	1,000,000	70,964	709,643	Cash Capital Increase - NT\$60,000 thousand	None	Note 10
Dec 2010	2021	100,000	1,000,000	73,964	739,643	Cash Capital Increase - NT\$30,000 thousand	None	Note 11
Oct 2011	55	150,000	1,500,000	81,164	811,643	Cash Capital Increase - NT\$72,000 thousand	None	Note 12
Feb 2014	10	150,000	1,500,000	80,265	802,653	Cancellation of Treasury Shares - NT\$8,990 thousand	None	Note 13
Aug 2016	10	150,000	1,500,000	79,303	793,033	Cancellation of Treasury Shares - NT\$9,620 thousand	None	Note 14
Aug 2018	10	150,000	1,500,000	63,442	634,426	Cash Capital Increase - NT\$158,607 thousand	None	Note 15
Nov 2018	10	150,000	1,500,000	62,296	622,962	Cancellation of Treasury Shares - NT\$11,464 thousand	None	Note 16



Nov 2020	10	150,000	1,500,000	62,446	624,462	Employee stock option certificate conversion shares 1,500 thousand	None	Note 17
Mar 2021	10	150,000	1,500,000	62,491	624,912	Employee stock warrants converted to common shares NT\$450 thousands	None	Note 18
May 2021	10	150,000	1,500,000	62,561	625,612	Employee stock warrants converted to common shares NT\$700 thousands	None	Note 19
Nov 2021	10	150,000	1,500,000	62,671	626,712	Employee stock warrants converted to common shares NT\$1,100 thousands	None	Note 20

Note 1 : Approved by Taiwan Provincial Government on May 20, 1980.

Note 2 : 11/10/1983 Jin So Son Tzi No.246628

Note 3 : 06/17/1988 Jin So Son Tzi No.304680

Note 4 : 07/20/2007 Jin So Son Tzi No.09632459260 and 03/20/2008 Jin So Son Tzi No.09731903470

Note 5 : 05/16/2008 Jin So Son Tzi No.09732260590

Note 6 : 09/23/2008 Jin So Son Tzi No.09733121770

Note 7 : 12/15/2008 Jin So Son Tzi No.09701315730

Note 8 : 01/14/2009 Jin So Son Tzi No.09801004840

Note 9 : 05/13/2009 Jin So Son Tzi No.09801094360

Note 10 : 06/04/2009 Jin So Son Tzi No.09801111260

Note 11 : 12/13/2010 Jin So Son Tzi No.09901274890

Note 12 : 10/17/2011 Jin So Son Tzi No.10001239610

Note 13 : 02/06/2014 Jin So Son Tzi No.10301021820

Note 14 : 08/10/2016 Jin So Son Tzi No.10501189160

Note 15 : 08/16/2018 Jin So Son Tzi No.107020212870

Note 16 : 11/27/2018 Jin So Son Tzi No.10701145000

Note 17 : 11/19/2020 Jin So Son Tzi No.10901214520

Note 18 : 23/3/2021 Jin So Son Tzi No.202101047370

Note 19 : 26/5/2021 Jin So Son Tzi No. 202101085760

Note 20 : 22/11/2021 Jin So Son Tzi No.202101208860

Units: share

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Common Share	62,676,229	87,323,771	150,000,000	None

Note: The Company's stocks are publicly-traded. 5,000 Shares refer to employee stock option conversion but alternation registration has not been performed.

#### 4.1.2 Information for Shelf Registration: None

## 4.2 Composition of Shareholders

As of 04/17/2022; Units: share

Shareholder Structure Amount	Government Agencies	Financial Institutions	Other Juridical Person	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasure shares	Total
Number of Individuals	0	1	32	48	4,099	0	4,180
Number of Shares Held	0	1,800,000	31,331,483	7,562,033	21,982,713	0	62,676,229
Shareholding Ratio	0.00%	2.87%	49.99%	12.07%	35.07%	0.00%	100.00%

Note: refers to the number of shares repurchased by the Company.

## 4.3 Shareholding Distribution Status

4.3.1 Common Share (The par value for each share is NT\$10) As of 04/17/2022

Class of Shareholding (Unit :Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	953	230,604	0.37%
1,000 ~ 5,000	2,655	5,116,955	8.16%
5,001 ~ 10,000	278	2,173,576	3.47%
10,001 ~ 15,000	78	1,002,001	1.60%
15,001 ~ 20,000	57	1,040,559	1.66%
20,001 ~ 30,000	38	944,912	1.51%
30,001 ~ 40,000	19	663,514	1.06%
40,001 ~ 50,000	18	833,775	1.33%
50,001 ~ 100,000	29	2,031,2021	3.24%
100,001 ~ 200,000	18	2,271,934	3.62%
200,001 ~ 400,000	14	3,871,418	6.18%
400,001 ~ 600,000	7	3,499,173	5.58%
600,001 ~ 800,000	4	2,969,583	4.74%
800,001 ~ 1,000,000	0	0	0.00%
over 1,000,001	12	36,027,115	57.48%
Total	4,180	62,676,229	100.00%

4.3.2 Shareholding Distribution Status of Preferred Shares: None.

## 4.4 List of Major Shareholder

Unit: shares; %; As of 04/17/2022

Shareholder's Name	Shareholding Shares	Percentage
Yi Feng Investment Limited	4,736,000	7.56%
Ji Teng Investment Limited	4,500,000	7.18%
CTBC Bank is entrusted with the custody of the investment account of Gold Telent Limited	3,897,856	6.46%
Jin Hong Investment Limited	3,600,000	6.22%
Chang, Wen-Hsien	3,517,309	5.74%
Chang Shun Investment Limited	2,705,932	4.32%
Jhan Yu Investment Limited	2,683,082	4.28%
Heng Sheng Investment Limited	2,263,956	3.61%
CTBC Bank is entrusted with the custody of the investment	2,054,360	3.28%

Shareholder's Name	Shareholding	Shares	Percentage
account of Rambo Land Limited			
Ghi Yang Investment Limited		1,880,621	3.00%

Note: refers to top 10 shareholders of the Company

#### 4.5 Market Price, Net Worth, Earnings and Dividends Per Common Share

Unit: NT\$, except for weighted average shares and return on investment ratios

Item		Year	2020	2021	01/01/2022-04/30/2022
Market Price per Share	Highest Market Price		123.00	171.50	93.90
	Lowest Market Price		41.00	72.30	83.10
	Average Market Price		95.87	130.56	87.10
Net Worth per Share	Before Distribution		71.52	70.46	75.00
	After Distribution		71.52	(Note 2)	NA
Earnings per Share	Weighted Average Shares		62,321 thousand shares	62,550 thousand shares	62,671 thousand shares
	Earnings per Share	Before Dividends	11.57	9.70	2.28
		After Dividends	11.57	(Note 2)	NA
Dividends per Share	Cash Dividends		10.00	8.50	NA
	Stock Dividend	Dividends from Retained Earnings	0	0	NA
		Dividends from Capital Surplus	0	0	NA
	Accumulated Undistributed Dividends		0	0	NA
Return on Investment (Note1)	Price / Earnings Ratio		8.29	13.46	NA
	Price / Dividend Ratio		9.59	15.36	NA
	Cash Dividend Yield Rate		10.43%	6.51%	NA

Note 1: (1) Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share.

(2) Price/Dividend Ratio = Average Closing Price for the Year / Cash Dividends per Share

(3) Cash Dividend Yield = Cash Dividends per Share / Average Closing Price for the Year

Note 2: cash dividends for 2021 earnings distribution are calculated as NT\$8.5 per share.

Note 3: Net worth per share and earnings per share are filled in according to the consolidated financial report of Q1 2022 reviewed by the CPAs.

#### 4.6 Dividend Policy and Execution Status

##### 4.6.1 Dividend Policy Stipulated in the Company's Articles of Incorporation

In case the Company has yearly profit, at least 1% shall be appropriated as staff reward and less than 5% as rewards for directors and supervisors. In case the company has accumulative losses

(including adjusted unappropriated earnings), reserve shall be made as compensation.

The employee remuneration mentioned in the preceding paragraph may be determined by shares or cash and its receiving parties must include its serving employees in accordance with the requirements established by the Board of Directors; the board and supervisor remuneration mentioned in the preceding paragraph may be determined only by cash.

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

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.

#### 4.6.2 Dividend distribution resolved by this Board Meeting

Item	NT\$ per share	Source
Cash dividend	8.5	Undistributed earnings

4.6.3 Explanation shall be given if there were expected materials changes in the dividend policy:

There were no expected materials changes in the Company's dividend policy, so there is not impact.

#### 4.7 Impact to 2021 Business Performance and EPS resulting from Stock Dividend

**Distribution:Not Applicable.**

#### 4.8 Compensation to Employees and Remuneration to Directors:

4.8.1 Compensation to employees and remuneration to directors stipulated in the Company's

Articles of Incorporation

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.

#### 4.8.2 Accounting treatment applied to the difference between actual and estimated compensation to employees and remuneration to directors.

Where there are still changes on the resolution day of Shareholders meeting, they shall be recognized as accounting estimate changes and will be accounted on the annual shareholders resolution day.

#### 4.8.3 Approving status of remuneration distribution by the Board of Directors:

1. Remuneration to employees and remuneration to directors, supervisors are distributed in cash or stocks. Any discrepancy between the annual recognized distributed amount and figure, the difference, reason and response should be disclosed:

The Company's 2021 remuneration to employees was NT\$27,000,000, and remuneration to directors and supervisors was NT\$10,200,000; both were all distributed in the form of cash. There is no discrepancy of the amount of remuneration to employees, directors and supervisors mentioned above.

2. Amount of stock distributed as employee remuneration and as a percentage to net income of parent company only or individual financial statements and aggregate remuneration to employees:

Not applicable because the Company did not distribute any employee remuneration in stocks.

#### 4.8.4 If there's any discrepancy between actual distribution (including the number of shares distributed, amount and stock price) and the recognized remuneration for employees, directors and supervisors for the previous year, please specify the discrepancy, cause, and how it is treated:

The Company's motion for 2020 earnings distribution was resolved and passed by the General Meeting of Shareholders held on August 12, 2021. Remuneration paid in cash to employees was NT\$30,000 thousand and remuneration paid in cash to directors was NT\$11,705 thousand. There is no discrepancy between the actual distribution and the recognized remuneration.

**4.9 Buyback of Common Stock: None.**

**4.10 Issuance of Corporate Bond: None.**

**4.11 Preferred Shares (with stock option) : None.**

**4.12 Issuance of Global Depository Receipts : None.**

**4.13 Employee Restricted Stocks :**

4.13.1 Employee stock options that have not yet expired shall be disclosed as of the publication date of the annual report and there is no impact to the shareholders' equity.

Employee Stock Options (ESO)

April 30, 2022

The types of employee subscription warrants	First ESO								
Effective date	July 17, 2017								
Issuance date	July 28, 2017								
No. of units issued	600 units, each unit is 1,000 shares of ESO								
No. of subscribable shares as a percentage of total issued shares (%)	<b>0.96%</b>								
Subscription period	After 2 years, employees granted with ESO may exercise their stock options rights.								
Performance of contract	Issuance of new stocks								
Period and ratio (%) in which subscription is restricted	<table><thead><tr><th><u>ESO Grant Period</u></th><th><u>Stock Option Exercisable Ratio (accumulative)</u></th></tr></thead><tbody><tr><td>After 2 years</td><td>50%</td></tr><tr><td>After 3 years</td><td>75%</td></tr><tr><td>After 4 years</td><td>100%</td></tr></tbody></table>	<u>ESO Grant Period</u>	<u>Stock Option Exercisable Ratio (accumulative)</u>	After 2 years	50%	After 3 years	75%	After 4 years	100%
<u>ESO Grant Period</u>	<u>Stock Option Exercisable Ratio (accumulative)</u>								
After 2 years	50%								
After 3 years	75%								
After 4 years	100%								
Number of shares obtained through exercise of subscription rights	<b>380,000</b> shares								
NT\$ amount of shares subscribed	20,763,500								
No. of shares that have not been subscribed (Note 1)	0 shares								
Subscription price per share of the unsubscribed	NT\$61.50								

shares (Note2)	
No. of unsubscribed shares as a percentage of total issued shares (%) (Note 1)	0%
Effect on the shareholders	The stock options are executed in an installment of 4 years after 2 years of the issue date and the shareholders' equity is diluted year by year which poses a limited diluting effect.

Note 1 : referring to the deducted invalid shares due to expiration.

Note 2: due to the distribution of cash dividends and the cash reduction, the execution price for ESO was adjusted according to the ESO issuance measures.

4.13.2 As of the publication of the annual report, the names of managerial officers granted with employee stock options and the names of top ten employees by the number of shares subscribed under the employee stock options granted, the status of grant and share subscription:

April 30, 2022

Title	Name	Subscribable shares through obtained employee share warrants	No. of subscribable shares as a percentage (%) of total issued shares	Subscribed				Unsubscribed				
				No. of shares	Subscription price	Amount of shares subscribed	No. of shares as a percentage (%) of the total issued shares	No. of shares	Subscription price	Amount of shares subscribed	No. of shares as a percentage (%) of the total issued shares	
Managerial Officer	CFO Accounting Officer	Lin, Tzu-Husan	60	0.10%	15	66.50	3,461.5	0.09%	0	61.60	0	0%
	Audit Officer	Cheng, Chao-Ming			45	61.60	3,769.5					
Employee	Assistant General Manager	Huang, Wan-Jun	380	0.61%	150	66.50	13,363	0.33%	0	61.60	0	0%
	Assistant General Manager	Li, Ming-Li										
	Assistant General Manager	Li, Bei-Ping										
	Senior Manager	Su, Xian-Zhang (Note)										
	Manager	Li, Gao-Mei (Note)										
	Manager	Chen, Wei-Zhong										
	Manager	Guo, Ling-Hua										
	Manager	Chen, Yao-Lin (Note)										

	Assistant manager	Lee, Zong-Yi										
	Assistant manager	Su, Zhi-Wei										

Note: left the Company.

**4.14 Issuance of Employee Restricted Stocks : None.**

**4.15 Status of New Shares Issuance in connection with Mergers and Acquisitions:Not Applicable.**

**4.16 Financing Plan and Implementation Rebecca: None.**



## 5. Overview of Business Operation

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### 5.1.1.1 Operating Scope

- (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.

##### 5.1.1.2 Breakdown of Sales by Major Products

Unit: NTD thousand

Product Category \ Year		2020		2021		First quarter of 2022	
		Operating Revenue Amount	Proportion (%)	Operating Revenue Amount	Proportion (%)	Operating Revenue Amount	Proportion (%)
Plastic Components	3C Products	2,809,676	58.43%	2,570,299	53.23%	535,307	57.01%
	Other	1,623,403	33.76%	1,928,963	39.94%	340,475	36.26%
	Subtotal	4,433,079	92.19%	4,499,262	93.17%	875,782	93.27%
Die		372,894	7.76%	328,797	6.81%	62,723	6.68%
Other		2,288	0.05%	1,051	0.02%	487	0.05%
Total		4,808,261	100.00%	4,829,201	100.00%	938,992	100.00%

##### 5.1.1.3 Product Lines

Our primary products include the design and development of precision plastic dies, and single and double injection components. The main application for plastic injection components include phone cases, MP3 cases, earphones and their parts, components for notebooks, household appliances parts, computer peripherals components, wearable bracelets, and existing light housings, dashboards, fan outlets, and grips in automotive fields.

##### 5.1.1.4 Product Development

Our Company is a professional plant for designing and manufacturing dies as well as single and double injection plastic components injection with its primary products covering manufacturing different types of plastic components and assembly. With the accumulation of years of expertise and experience on injection, not only do we offer our customers professionalism in terms of plastics, techniques and skills to solve difficult

issues encountered by the industry, we also offer our customers extended surface treatment processes including electroplating, printing, painting and ultrasonic fusion technology and assembly. Different hardening and spraying process technology of inserted injection and soft plastics are being used and our development of all process technologies have matured and are continuing to improve.

## **5.1.2 Industry Overview**

### **5.1.2.1 Progress and Development of the Industry**

#### **(1) Die Industry**

The die industry is categorized as a special industry with intensive technology and capital and at the same time high-added values. It is also a crucial basic tool in terms of mass production of various end products; it therefore is also known as the “Mother of Industry.” The development of the die industry not only improves the precision degree of industrial products, it also drives the overall progress of the entire manufacturing industry, accelerating the upgrading of industries. Consequently, the die industry is regarded as a paramount basic industry for flourishing manufacturing sectors. There are many types of die products with a wide range of applications, 75% of the rough-processed industrial product parts and 50% of finished parts are mostly shaped by dies and most plastic products are also molded by dies. As the basic industry of the national economy, dies are involved in industries such as machinery, automobiles, light industry, electronics, chemical industry, metallurgy, and building materials. Products from high-tech industries to people’s livelihood industries all use dies as basic tools for mass production. At the moment, of all downstream application industries, 3C related industries have the highest proportion in terms of applications, followed by the transportation tool industry. The total of both industries account for 70% of the overall applications. With regard to die types, the stamping and plastic molding are the main supplies for 3C related industries followed by the supplies for shell production of automobiles, motorbikes and die-casting mold; the downstream industries are mainly automobiles, motorbikes and forging dies for automobiles, motorbikes and bicycle industries. The Company is a manufacturer of plastic dies.

In 2021, the total output value of Taiwan’s dies amounted to T\$61 billion, less 26.29% compared to 2020.

#### **(2) Plastic Component Application Industry**

Plastic injection products have a relatively wide range of applications which include: consumer electronics, medical equipment, automotive industry, information industry, etc. At the moment, industrial plastic products in the domestic market used in information process equipment account for approximately 1/4 of the overall applications; household electrical appliances,



### 5.1.2.3. Development Trends of Products and Competition Situation

#### (I) Trends of Product Development

##### A. Die Industry

In the face of the micro era, the life cycle of all types of products are getting shorter and shorter, especially in the 3C electronics industry. The die industry will therefore encounter the challenge of tight delivery and profit reduction. In order to response to such trend, sectors must use process automation to replace manual processing while at the same time using systems including CAD/CAM/CAE (computer-aided drawing/ computer-aided processing/computer-aided engineering) to reduce trial molds to further reach the precision required by the development of molds. In addition, due to the fact that molds are being produced by orders, it is therefore unlikely to be mass-produced on an economic scale; the sales for mold production is mostly regional, hence the reason for the establishment of overseas subsidiaries or joint ventures by mold manufacturers as a means to deploy business globally. As a result, the original die industry that only dominates regionally may transfer into a global industry. With the mold industry moving towards internationally, only by early deployment globally may domestic manufacturers seize the first business opportunity.

Molds are products that are customized which cannot be mass-produced and they require close cooperation and coordination with customers in order to perform design adjustments. Consequently, the industry focused mainly on sales of domestic customers or for their own use then it would move onto the neighboring countries which limited sales. Nevertheless, as a means to reduce inventory, decrease production costs and quickly respond to market demands, many downstream information manufacturers of mold industry have adopted the production and sales strategy of global operation. In order to meet customer requirements in the market, mold manufacturers have also established overseas subsidiaries or joint ventures to accompany their customers to conduct a global deployment so as to face and respond to the challenges encountered in various locations.

##### B. Plastic Component Application Industry

Along with the continuous improvement of digital technology and manufacturing technology, communications, information and consumer electronics products have gradually been integrated into a 3C industry. While at the same time products are developing into a trend which allows them to be lighter, thinner, shorter, smaller, and the exterior design is appealing to the eye. With the constant introduction of new products, it has prompted rapid

replacement of products. Hence, it is no doubt that the future development of industry will focus on automated production equipment, rapid production, high-quality products and diversification. Judging from the inevitable development trend of high-tech productions moving towards lighter, shorter and smaller of the global electronics, information and communication, requirements for precision components have also somewhat increased. The manufacturing technology and surface treatment application of precision components have become the goal for all manufacturers to proactively research and develop.

## (II) Competition Situation of Products

The Company is a production manufacturer for design and development of professional precision dies and precision plastic injection components. The Company's main competitors include Coxon Group, TaiHan Precision Technology Co., Ltd., Ways Technical Corp., Ltd. and Megaforce Company with main competitions such as die development and various plastic injection components. Many mold manufacturers and plastic injection plants perform lower-level production with simple machinery and equipment. Nevertheless, the Company's advantages can be summarized as follows:

- A. High degree of vertical integration - it can effectively connect the supply chain to provide products needed by customers at one time in order to increase the market share while making a stop for the entering of new manufacturers, adding more virtual barriers for competitors to enter the market.
- B. Effectively grasping the key technology capabilities of new products by participating in projects and joint development discussion with end customers at the beginning stage of a product development; providing customers diversified services so as to effectively shorten the production cycle and reduce production costs.
- C. Adopting automated production and double injection machines which have been regarded as a leading advantage in the industry. When faced with price competition, regardless of cost or quality, the Company poses the benefit of economic scale which is unlikely to be replaced by new manufacturers in the short and medium period of time.

### 5.1.3 Research and Development

#### 5.1.3.1 Research and Development Expense in Recent Year

Unit: NTD thousand

Year	2020	2021	First quarter of 2022
Item			
R&D expenses	87,074	95,753	22,467

Net operating income	4,808,261	4,829,2021	938,992
R&D expenses to net revenue ratio	1.81%	1.98%	2.39%

### 5.1.3.2 Research and Development Accomplishments in the Recent Year

(1) As a means to increase added values to plastic components, the Company keeps on investing in surface treatment technologies, which include heat transfer printing, printing, coating, engraving, heat stacking and NCVM and has successfully developed insert molding process inserted injection.

(2) Patents acquired by the Company in the past 5 years:

Year	Specific R&D Result	Country - Patent Approval Number
2014	Electronic watch body structure and production method of its watch bands.	Taiwan - I423000
2017	Fixture structure in integrated silicon steel sheet	Taiwan - M543164
2017	Fixture structure in integrated silicon steel sheet	Mainland - ZL 2017 2 0139556.8
2017	Fixture structure in integrated silicon steel sheet	The U.S. - Approved, pending patent approval number.
2019	Fixture structure in integrated silicon steel sheet	The U.S. - 10317185 - Acquired on June 11, 2019.

### 5.1.4 Long Term and Short Term Business Development Plans

#### 5.1.4.1 Short-term plans

- (1) Deepen the layout of diversified products and proactively extend popular products in terms of automotive and information products.
- (2) Accelerate the expansion of the Vietnamese market development and production scale to achieve synergy in the production economy.
- (3) Seek strategic partners in connection to business and technology improvement, deepening and widening corporate core competitiveness.
- (4) Accelerate the development of automation and replacement of electronics to improve efficiency and streamline manpower.
- (5) Build standard and modeled designs and carryout process improvement, increasing production efficiency.
- (6) Continue to invest in R&D funds, and recruit and cultivate professional R&D personnel as a means to develop key technologies and new products, constructing a strong R&D team.
- (7) Deepen cultivation of compound process and develop automotive exterior decorative parts and manufacturing process.

#### 5.1.4.2 Long-term plans

- (1) Proactively develop new market applications, expand product width, and maintain the market competitiveness.
- (2) Become strategic alliance with industry's key technology manufacturers to carry out technical cooperation so as to accelerate new applications between the combination of plastic material development and other products.
- (3) Strengthen the technical position of key components for new products in the market, increasing the market share and competitiveness.
- (4) Emphasize product profitability; products with low margins will not be produced; insist on making products that are different.
- (5) Operation model is high-end technologies and know-how oriented in terms of R&D and marketing.
- (6) Establish a plant that contains consistent, automatic and comprehensive manufacturing processes; ensure stable quality via strict and inclusive process management.
- (7) Continue to expand global product lines and sales regions to reduce the operational risk of excessively concentrated product development.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### 5.2.1.1 Sales (Service) Regions

Unit: NTD thousand; %

Item \ Year		2020		2021		First quarter of 2022	
		Sales Amount	To revenue ratio	Sales Amount	To revenue ratio	Sales Amount	To revenue ratio
Export Sales	North America	1,608,676	33.46%	1,467,672	30.39%	429,609	45.75%
	Europe	2,668,964	55.51%	2,906,577	60.19%	407,681	43.42%
	Asia	502,679	10.45%	409,542	8.48%	85,084	9.06%
	Subtotal	4,780,319	99.42%	4,783,791	99.06%	922,374	98.23%
Domestic Sales		27,942	0.58%	45,319	0.94%	16,618	1.77%
Total		4,808,261	100.00%	4,829,2021	100.00%	938,992	100.00%

#### 5.2.1.2 Market Share

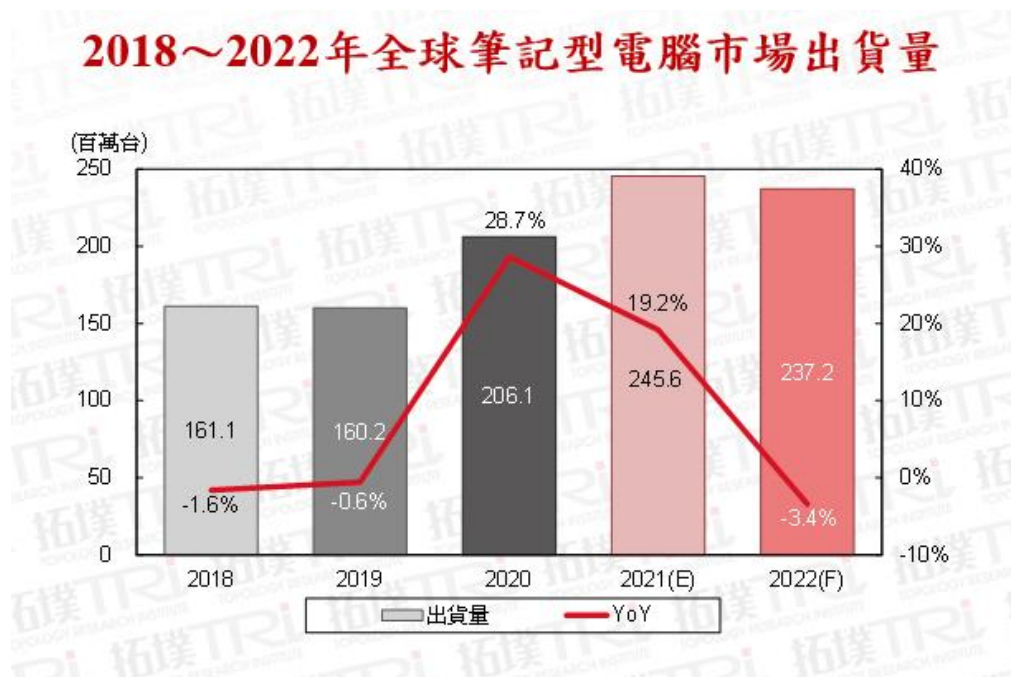
The Company has been focusing on the production of mold design and development and plastic components which is highly recognized in the industry. The Company has diversified products to meet market requirements. Our products are being widely used on components for notebooks, computer-related components, phone cases, MP3 cases, earphones and their parts, household appliances parts, wearable bracelets, existing light housings, dashboards, fan outlets, and grips in automotive fields. The Company's total turnover of 2021 amounted to NT\$4,829,2021 thousand, of which the main income from plastic injection components amounted to approximately NT\$4,499,262 thousand; operating amount for molds accounted for approximately

NT\$328,797 thousand. The final products of plastic injection components are considerably different, hence there is no complete and objective analysis for market shares provided for reference.

### 5.2.1.3 Market Demand, Supply, and Growth

Given that the Company's main products are plastic components for IT products and accessories for the interior of automotive as the main product lines, the situation of the supply and demand is affected according to changes of end product sales and product life cycles.

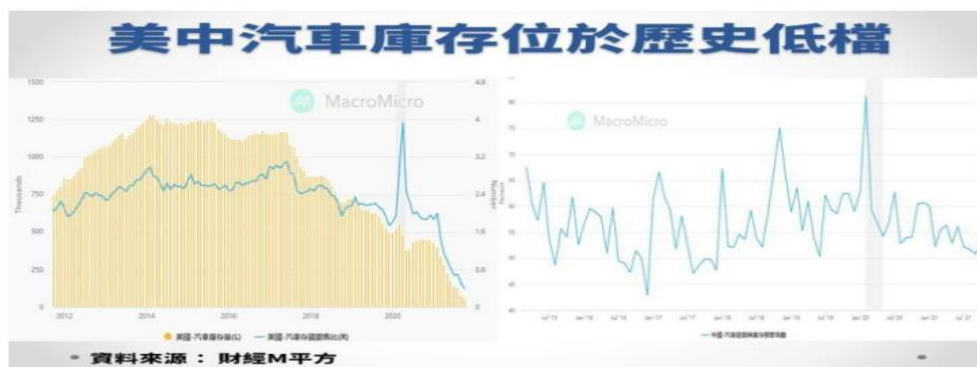
According to the analysis of Topology Research Institute, the global notebook shipments would reach 245.6 million units in 2021, a historic high; For 2022, the shipment is expected to be 237.2 million unit, slight decline by 3.4% year on year, indicating that the remote working, remote teaching, and home entertainment formed during the prolonged COVID-19 pandemic will become the emerging demands based on the notebooks, or the underlying supportive strength for the 2022 global notebook market.



▲ Source : TrendForce ; Compiled by Topology Research Institute , 2022.1

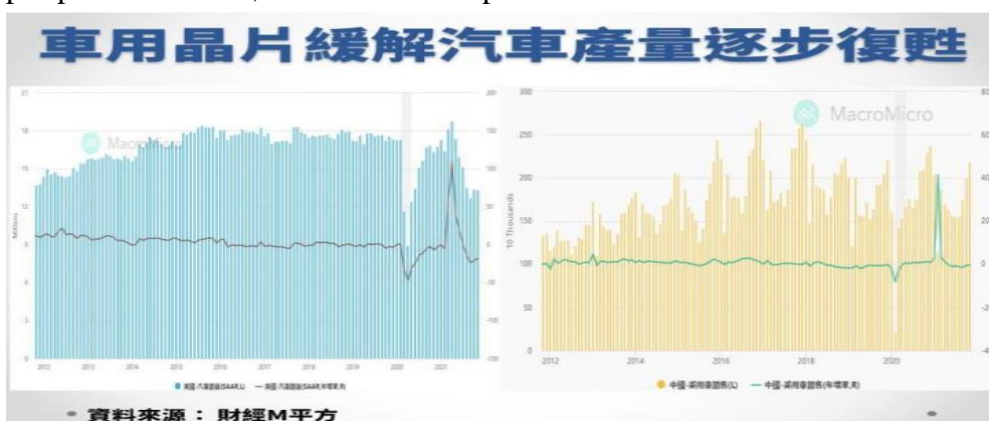
Auto parts market: due to the global shortage of automotive chips in 2021, the demands for cars continued to exceed the supply. The relatively low level of vehicle inventory in the United States and China, and the relatively high price of used cars in the United States, demonstrate the slowdown in car sales caused by supply chain disruptions, and indirectly imply that end demand is still strong.





Affected by the pandemic outbreak in Southeast Asia earlier, the shortage of automotive chips was more than expected, and the scale of reduced global vehicle production was estimated 10%. However, with the improvement of chip supply chain problems, many OEM car makers and IDM chip manufacturers have stated that the worst timing for the shortage of automotive chips has passed, and the production of vehicles will show a recovery in 2022-2023.

The seasonally adjusted annual rate (SAAR) of U.S. auto sales in November 2021 was 13.34 million units, a decrease of 18% year-on-year and 0.4% monthly; in addition, China's passenger car sales in November were 2.19 million units, a decrease of 5% year-on-year and monthly increase 9%. The annual decline in sales in the two major car markets has slowed down. The Chinese car market has resumed monthly growth. Meanwhile, it echoed the claims of car makers and research institutes, and it was observed that the inventories of dealers in major market were much lower than the historic level, coupled with the frequency of commuting has gradually recovered to the pre-pandemic level, beneficial to the performance of the car market in the future.



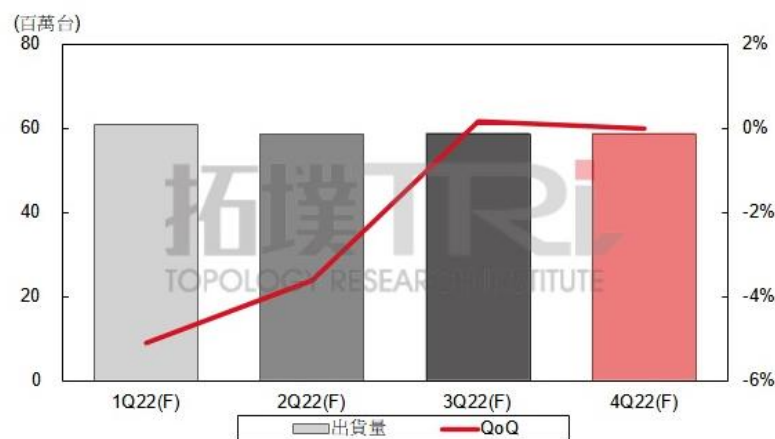
According to the research institute, IHS Markit, although the global light vehicle production in 2021 is revised down by 1.3% to 74.8 million units (previously 80.8 million units), reflecting the impact of the pandemic in Malaysia on the auto industry, but it is believed that the worst timing has passed, and it maintains the original estimate of 82.7 million units in 2022, with an annual growth rate of 10.6%. The car market in various market will resume positive growth for the first time in 2022, but the shortage of automotive chips will prolong to at least the end of 2022. It is estimated that in

2022/2023, the passenger vehicle production in the Greater China Area, North America, and Europe will increase by +24.5%/27.5%, +15.2%/17.3%, and +18.6%/20.6%, respectively.

#### Looking towards 2022

According to the analysis of Topology Research Institute, the global notebook shipments will reach 237.2 million units in 2022, slight decline by 3.4% year on year from 245.6 million units in 2021. The notebook brands with higher proportion of commercial notebooks in the major product mix, such as Acer, Asus, Dell, HP, Lenovo and Samsung, are expected to contribute total 66.7 million units, accounting for about 27.1% of the overall shipments, and are expected to be the key growth driver in the market in 2022.

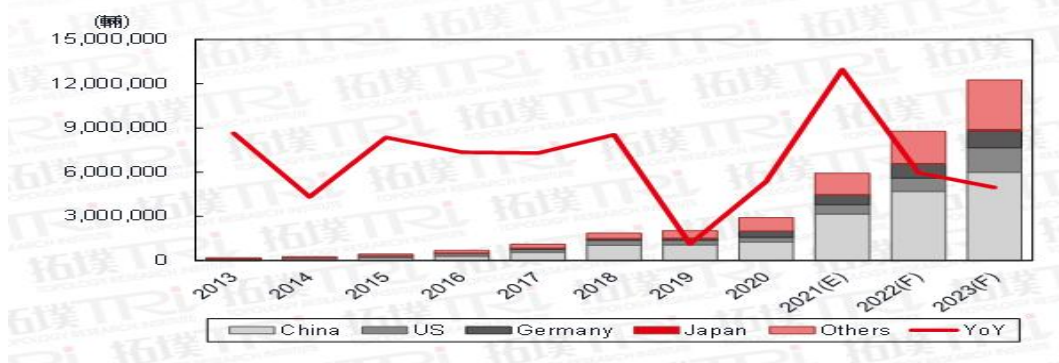
In 2022, due to the effects of the “deferred orders” in 2021 and “reversed demands” in 2022, regarding the global notebook market, the excessive orders of “materials and parts” and “whole unit product” placed by the notebook ODM, OEM, and distributors will emerged as “idled material.” Attentions shall be paid because the issue may put pressures on the operation and working funds.



▲ Estimated quarterly shipments of the global notebook market in 2022. (Source : TrendForce; compiled by Topology Research Institute, January 2022)

In addition, in 2021, the global car market was overshadowed by a shortage of semiconductors, and the sharp reduction in the production capacity of automakers impacted the overall vehicle sales performance. Although there is an opportunity to grow due to deferred demands in 2022, the risks resulted from prolonged supply chain issues, COVID-19 pandemic, and inflations cannot be overlooked. In the automotive industry, the electrification and self-driving are still the two major development trends. Electric vehicles have penetrated rapidly, it is estimated the number of vehicles in 2022 will exceed 8 million. It will lead a intensive competition among car manufacturers, supply chains and even countries.

### 2013~2023年新能源車 (BEV、PHEV、FCV)銷售量預估



Source : Source : TrendForce ; Topology Research Institute , 2021/12.

#### 5.2.1.4 Competitive Advantages

The analysis of various competitive niche points is as follows:

##### (1) Consistent Production Process with High-Integration

Effectively grasping the key technology capabilities of new products by participating in projects and joint development discussion with end customers at the beginning stage of a product development; providing customers diversified services so as to effectively shorten the production cycle and reduce production costs.

##### (2) Production Scales and Best Equipment in the Industry

The high-speed precision mold processing equipment made in Switzerland and the development of design software have been introduced to greatly improve process precision and efficiency which satisfies the needs of customers in terms of product quality improvement and development time shortening. Industry-leading in the number of double injection equipment. Operating procedures including R&D design, mold making or production are carried out in the plant of the Company to improve production efficiency and reduce the production costs while at the same time satisfying the vast demand of customers. The Company has mold manufacturing plants and plastic molding plants in China, Taiwan and Hanoi, Vietnam. The Company also has crucial technical resources for plastic molding and R&D capabilities for molds which enable the completion of mold development and plastic injection production in the shortest time possible. In addition, since 2015, automation of the production process has been implemented gradually. Through product combination adjustment and acceleration of process automation, in addition to the significant reduction of manpower, the gross profit is also increased relatively.

##### (3) R&D technology leading others of the same industry; the Company is able to effectively manufacture products that are lighter and slimmer. With the already succeeded double injection combination of silicone and plastic, the Company is

proactively developing new markets hoping to bring the double injection technology into products in the new field while being recognized by internationally known manufactures.

(4) Leading Others of the Same Industry with the Deployment in China and Vietnam markets

The Company's production bases are located in Taiwan, China and Vietnam. These 3 locations have substantial production scales and rapid capacity scheduling flexibility. Nearby customers are quickly served with the geographic advantage, offering high-quality and high-efficient supplying services. This robust production resource has also become the Company's vital competitive advantage for receiving OEM orders from large internationally known manufacturers.

5.2.1.5 Advantages, Disadvantages and its Responsive Strategies Advantages

(1) Favorable Factors

A. Outstanding Technology Development and Manufacturing Process Innovation Capability

Since the establishment, the Company has been investing in double injection composite molding technology, therefore, the Company has the crucial technology to double injection plastic molding and precision mold design and development, and has successfully entered the supply chain systems such as Japanese, American and domestic well-known manufacturers. It is evident that the Company's R&D technology and product quality have reached international standards. Furthermore, the Company is persistent with investment of process improvement. The semi automated machine is used for process production with the leading process technology developed by our R&D team. The production time and work procedures are greatly reduced, improving production yield while reducing production costs.

B. Wide Range of Product End-Use Applications - A Promising Future is to be Expected

Plastic injection molding products can be applied to many daily necessities, including communications, information, electronics industry, home multimedia, medical, automotive, household appliances and office equipment. With a wide range of applications, not only management costs can be reduced, potential business opportunities can also be discovered to distribute management risks of market development for single products. In light of the consistent product growth in the application market, the demand of plastic injection molded products also continues to increase. Mold manufacturing and plastic injection molding sectors still have substantial growing room.

### C. Consistent Manufacturing Process - Reaching Effective Production Scales with High Efficiency

The Company has adopted the “consistent” production method which means that all operations can be done within the plant from having joint discussions with end customers in the early stage of R&D to the precision of surface treatment technology, coating and assembly, reaching the goal of time control and the maintenance of quality. As a means to serve customers close-by to obtain more OEM business and reduce production costs, the Company has established production bases in China and Hanoi, Vietnam, so as to provide customers the most comprehensive and timely services.

### (2) Unfavorable Factors and Corresponding Measures

#### A. The life-cycle of products shortens

##### Corresponding Measures:

Due to the quick replacement of consumer electronic products and new products forever being launched, the product life-cycle is becoming shorter and shorter. For the past few years, the Company has been proactively developing businesses in terms of fields such as information products and automotive products, gradually achieving synergies of product economic scale.

#### B. Lowering of Product Price

##### Corresponding Measures:

(A) Research and develop the possibility of new technology and the use of new manufacturing processes. Continue to invest in the R&D of new products as a means

to improve product quality while at the same time providing products that are integrated and have high added values, allowing them to increase competitiveness.

(B) Expand production capabilities and increase yield to reach production economic scale that lowers the production costs of units.

#### C. Constant New Competitors

##### Corresponding Measures:

(A) Build strategic partnership with customers to maintain long-term yet stable cooperation.

(B) Self-develop technologies and apply for product patent rights to hold a competitive advantage.

(C) Keep a close eye on development trends in the market; develop customized products to meet customers' needs, further improving their satisfaction.

## D. Rise of Labor Cost

### Corresponding Measures:

(A) Aside from the continuous introduction of automated production equipment with high-precision, reasonable working hours will also be facilitated to reduce the dependence on labor and at the same time reducing production costs.

(B) Improve personnel's skills through adequate training.

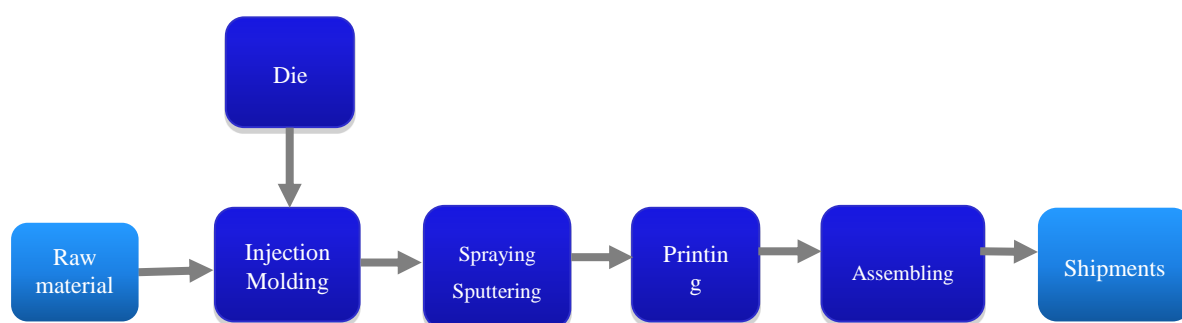
## 5.2.2 Application of Major Products

### 1. Important Purposes of Primary Products

Products	Product Purpose
Die	Including plastic parts such as: phone cases, MP3 cases, earphones and their parts, notebook components, household appliances parts, computer peripherals components, existing light housings, dashboards, central control panels, fan outlets and grips in automotive fields.
Plastic Components	

### 2. Manufacturing Process of Primary Products

The semi automated manufacturing process technology developed by the Company only requires one manufacturing process to complete production. The Company has more production efficiency compared with the production technology with others of the same industry.



### 5.2.3 Supply of Major Material

The Company's primary raw materials are billet steel and plastic particles such as PC (polycarbonate), ABS (acrylonitrile, butadiene and styrene), TPU (thermoplastic polyurethane). The raw material suppliers are mostly domestic and overseas well-known manufacturers that provide stable and quality supply. Meanwhile, not only the Company keeps a close eye on the market situation in order to stabilize the purchase price for key raw materials but also creates long-term strategic cooperation with manufacturers.

5.2.4 The names of the suppliers who have accounted for more than 10% of the total purchase (sales) amount in any of the previous 2 years, and the amount and proportion of the purchase (sales) amount, and explain the reasons for such increase or decrease:

1. The names of the suppliers who have accounted for more than 10% of the total purchase amount in any of the previous 2 years, and the amount and proportion of the purchase amount, and explain the reasons for such increase or decrease:

Item	2020				2021				Q1, 2022			
	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer	Name	Amount	Ratio to net purchase as of the first quarter of the current year (%)	Relation to the issuer
1	Company A	222,526	13	None	Company A	190,095	10	None				
2	Others	1,471,820	87		Others	1,623,549	90		Others	368,918	100	
	Net purchase amount	1,694,346	100		Net purchase amount	1,813,644	100		Net purchase amount	368,918	100	

There have been no significant changes to supplier accounting for 10% or more of the net purchase amount in the past 2 years. The Company's procurement of other raw materials is based on the needs of customers' products, to purchase the most suitable raw materials for production, while being committed to raw material cost control. Other than procuring from the international renown manufacturers, the self-supply rate of domestic raw material is increased, and the raw material procurement costs are reduced.

2. The names of the suppliers who have accounted for more than 10% of the total sales amount in any of the previous 2 years, and the amount and proportion of the sales amount, and explain the reasons for such increase or decrease:

Unit: NTD thousand

Item	2020				2021				First quarter of 2021			
	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer	Name	Amount	Ratio to net sales as of the first quarter of the current year (%)	Relation to the issuer
1	Customer B	1,920,512	39.94	None	Customer B	1,800,416	37.28	None	Customer B	262,915	28.00	None
2									Customer D	138,035	14.70	None
3									Customer E	98,693	10.51	None
4	Other	2,887,749	60.06	-	Other	3,028,694	62.72	-	Other	439,349	46.79	-
	Net sales	4,808,261	100.00	-	Net sales	4,829,2021	100.00	-	Net sales	938,992	100.00	-

There have been no significant changes to customers accounting for 10% or more of the net sales amount in the past 2 years. Aside from strengthening the existing customer base, the Company will proactively expand and develop all types of different applications in the future by using its outstanding double injection mold technology and molding R&D capabilities to further continue developing new customer groups to increase the market share.

## 5.2.5 Production/Sales Quantities and Value over the Past Two Years

Unit: set; thousand pieces; NT\$ thousand

Year	2020			2021		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Primary Products						
Die	(Note 1)	469	296,746	(Note 1)	612	304,337
Plastic Components	(Note 1)	379,749	3,300,697	(Note 1)	379,837	3,394,095
Total	(Note 1)	(Note 2)	3,597,443	(Note 1)	(Note 2)	3,698,432

Note 1: The Company's mold-opening equipment is put into use according to the situation of orders and there are many different types of equipment. Products of plastic components are mostly non-standard products with various types, so the complex of each manufacturing process is different. Product capacity therefore was unable to be counted.

Note 2: Due to different unit measurements used, the total is not applicable.

## 5.2.6 Sales Quantities and Value of the Last Two Years

Unit: set; thousand pieces; NT\$ thousand

Year	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Primary Products								
Die	5	1,735	531	371,159	8	4,211	591	324,586
Plastic Components	2,857	25,319	369,361	4,407,760	3,108	40,584	374,999	4,458,678
Other (Note 1)	93	888	10	1,400	1	524	3	527
Total	(Note 1)	27,942	(Note 1)	4,780,319	(Note 1)	45,319	(Note 1)	4,783,791

Note 1: Due to different unit measurements used, the total is not applicable.

## 5.3 Status of Employees

### (1) Age distribution by position category

April 30, 2022 Unit: Persons

Year		2020 December 31, 2020	2021 December 31, 2021	During 2022 until the printing date of the annual report on April 30, 2022
Number of Employees	Managers	66	40	42
	Professional/assistants	746	938	952
	Technicians	2,178	1,619	1,486
	Total	2,990	2,597	2,480
Average age		38.10	37.3	37.5
Average Years of Service		6.28	6	6.0
Academic qualification (%)	Ph.D.	0.00%	0%	0%
	Master's Degree	1.77%	3%	2%
	Bachelor's Degree	18.13%	18%	20%
	High School	35.52%	33%	33%



Year	2020 December 31, 2020	2021 December 31, 2021	During 2022 until the printing date of the annual report on April 30, 2022
Less than High School	44.76%	46%	45%

(2) Gender distribution by position category

Complying with the Act of Gender Equality in Employment, to protect the equal right of working regardless gender. For recruitment, examination, employment, appraisal, promotion, education and training, and benefit measures, the Company do not differ due to genders; provided, where the certain job is only suitable for certain gender, this shall not apply.

In 2021, the average weight of female employees was 54%, and 33% for the female managers

Year	SEX	2020 December 31, 2020	%	2021 December 31, 2021	%	
Number of Employees	Managers	Male	49	73%	27	68%
		Female	18	27%	13	33%
	Managers Subtotal		67		40	
	Professional/assistants	Male	368	49%	483	51%
		Female	377	51%	455	49%
	Professional/assistants Subtotal		745		938	
	Technicians	Male	1,023	47%	676	42%
		Female	1,155	53%	943	58%
	Technicians Subtotal		2,178		1,619	
	Total	Male	1,440	48%	1,186	46%
		Female	1,550	52%	1,411	54%
	Total		2,990		2,597	

#### 5.4 Expenditure on Environmental Protection

As of the printing date of the annual report, the losses caused from environmental pollution (including compensation and an environmental audit outcome that resulted in a violation of the environmental laws and regulations - the date of penalty, penalty reference, the violation of provision, the content of the violation, penalty content). The current and future possible estimated amount and countermeasures shall also be disclosed. If it cannot be reasonably estimated, facts of the reason shall be given: None.

#### 5.5 Employee Relations

##### 5.5.1 Employee's Welfare and Benefit

#### 5.5.1.1 Employee welfare and benefit

Aside from following the Labor Standards Act and other applicable acts and regulations, the Company has established the Staff Welfare Committee with a welfare fund set aside each month. Representatives are selected by both sides of the labor and the management to be in charge of matters in connection to employee welfare so as to reach the goal of a harmonious working environment as well as bringing all employees together. Welfare provided by the Company and the Welfare Committee:

- (1) The purchase of labor insurance, National Health Insurance and Group Insurance.
- (2) Periodic health examinations.
- (3) Employee canteen, providing meals for employees
- (4) Allowance for employee marriages, childbirths, three major festivals and birthdays , the wedding and childbirth incentives are paid additionally.
- (5) Funeral and hospital subsidies
- (6) Free car and motorbike parking spaces for colleagues.
- (7) Periodical employee trips
- (8) Year-end parties and lucky draws
- (9) Advanced health check for senior employees and managers

#### 5.5.1.2 Training program

“People are the Company’s valuable assets” - In order to improve employees’ knowledge and skills, we have planned a training and development system as well as the Educational Training Promotion Committee to ensure training needs and annual training plans. By continuous innovation and improvement, educational training is able to meet the organizational needs. At Nishoku, we improve employees’ professional skills and core competitiveness through providing them comprehensive training and further education channels and while cultivating professionals and corporate management talents.

#### 2021 employees’ further education training system and its actual execution

Unit: NTD

Item	Total number of people	Total hours	Total expenses
1. New recruit training	4,292	4,264.5	0
2. Professional job skills training	1,222	827	149,800
Total	5,514	5,091.5	149,800

#### 5.5.1.3 Retirement system

The Company has established the Employee Retirement Management Measures in

accordance with provisions stipulated in the Labor Standards Act and Labor Pension Act. The Measures regulate the retirement terms for employees and pension distribution standard as a means to implement the retirement system and at the same time looking after our employees after they retire. In accordance with the regulations stipulated in the “Labor Retirement Reserve Fund and Management Measures” published by Ministry of the Interior, a certain ratio of retirement reserve fund is allocated on a monthly basis from employees’ salaries and wages to be deposited into Bank of Taiwan for safekeeping; or according to the provisions of the labor retirement pension system, no less than 6% of the monthly salaries and wages of employees shall be allocated to be deposited into employees’ labor pension account; if there is a voluntary contribution to the retirement pension, the voluntary contribution will be debited from the employee's monthly salary to the individual retirement pension account of the Labor Insurance Bureau ; recently, group annuity insurance and retirement award fund have been planned to achieve the goal of providing our employees with a retirement long-term plan that is more diverse and comprehensive.

#### 5.5.1.4 Employee rights

The Company keeps a harmonious labor-management relationship. Employees may communicate with the Company through labor-management meetings regarding issues of the various system and working environment so as to maintain healthy interaction between the labor and management. In addition, the Company’s Staff Welfare Committee is responsible for matters in relation to the welfare of employees and organizes various events from time to time so as to reach the goal of a harmonious working environment as well as bringing all employees together.

#### 5.5.1.5 Employees Code of Conduct: To regulate employees conduct and ethics

The Company’s “Regulations of Professional Ethics and Conducts” have been promulgated as a means to regulate professional conduct and ethics of all employees; it has been disclosed on the Company’s website/Investor Relations/Governance/Organizational Operations Regulations. The Company’s website: <http://www.nishoku.com.tw/Investor/Investor/Company>.

#### 5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past year and as of the date of this annual report.

1. Up to now, the Company has not had any labor litigation due to labor disputes. The employer and employee have good and harmonious relationship. All relevant disputes risks can be mediated through harmonious discussions in advance, and no litigation have arisen due to labor disputes.
2. Possible current and future measures: (1)

- (1) Thoroughly comply with labor acts and regulations and strengthen welfare facilities.
- (2) Establish a labor-management communication channel and complaint channel that are open and straightforward.
- (3) Establish an operating management system for all employees.

### 3. Amount of possible current and future losses:

As a result of the labor inspection in 2021, there was a violation to Article 36, paragraph 1 of the Labor Standards Act, and was fined NT\$20,000. After the incident, the related possible deficiency risks have been improved and the future deficiencies have been prevented.

In the future, the Company will adhere to its management policy of being harmonious and honest. If there are no other external changes, the labor-management relationship should be normal and harmonious. Other than that, relevant practices will be reviewed with higher standards to avoid unintentional violations, and no monetary loss is expected.

#### 5.5.3 Work environment and personal safety protection

As a means to protect the safety of employees, we insure labor and health insurance for all our employees. We also provide group insurance and business travel insurance and carry out periodical employee health examinations in accordance with acts and regulations. Company associates also enjoy health examinations specifically for associates to ensure the health of all employees.

We also have public accident liability insurance covered on working places such as the Company and the plant. Public safety equipment checks of buildings and fire equipment are reported to the competent authority in accordance with acts and regulations. The Company also selects employees who have obtained fire management personnel qualification certificate to maintain the safety of fire equipment in the workplace.

In order to prevent occupational accidents and protect the safety and health of employees, the Company has established the “Labor Safety And Health Code” required by the Occupational Safety and Health Act and applicable acts and regulations. Safety and health management personnel and first-aid personnel for Labors have also been set up in accordance with laws. A safety and health educational training is organized on an annual basis. There had no related disaster in the year.

Given the importance of protection measures for workplace and personal safety, the Company carries out related educational training on an unscheduled basis. The “Safety

and Health Education for Labors” educational training is performed on employees containing courses such as: general safety and health educational training, how to enhance awareness of safety, fire safety and hygiene, occupational health promotion and how to prevent sexual harassment in the workplace. Learning evaluation is also carried out in the process of educational training to ensure the correctness of the learning direction of employees while at the same time confirming the implementation of the working environment and personal safety.

2021- Taipei Plant

Name of class	Session	Attendees
Fire-fighting class for the first half of 2021	1	10
Fire-fighting class for the second half of 2021	1	15
Orientation - trainings for health and safety	9	9

International quality certification

Item		Kunshan Plant	Shenzhen Plant	Vietnam Plant
ISO 45001 Occupational health and safety management system	Date of first issuance	2020/8/14	2013/9/23	2011/8/5
	Date of this issuance From to	2020/8/14~2023/8/13	2021/11/25~2022/9/22	2020/3/6~2023/3/6

## 5.6. Cyber security management

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

The accountable unit for the information security in the Company is the Information Department, with one information officer and several professional information engineers; they are in charge of establishing the information security policies for the Company, planning the information security measures, and implementing the related information security operations.

Due to the importance of the information security, the accountable unit reports the information security governance and implementation of the Company to the board of directors

I. Targets of the information security policy:

1. Maintain the continuous operations of various information systems.
2. Prevent hackers and various viruses from invading and destructing.
3. Prevent intentional improper and illegal use by humans.

4. Prevent the leakage of confidential and sensitive data.
5. Avoid negligence and incidents made by humans.
6. Maintain security in the physical environment.

## II. information security control measures

### 1. Computer device security management

- (1) The Company's computer mainframes and various application servers, as well as other equipment are installed in the dedicated data centers. The access control of the data centers adopts the induction card for entrance and exit, and the access are logged for reference.
- (2) The air conditioners in the data centers have the backup mechanism, to keep the computer equipment running in an environment with appropriate temperature and humidity; the FE-13 environmental gas automatic computer fire extinguishing system is placed, which can be applied to fires caused by general factors or appliances.
- (3) The mainframes in data centers are equipped with uninterruptible power supply and voltage stabilization equipment, and are connected to the power supply system of generators provided by the Company's building, to avoid crash caused by sudden power failure from Taipower, or to ensure that the operation of the computer application systems will not be interrupted during a temporary power failure.

### 2. Network security management

- (1) The entrance to connect the external network is installed with the enterprise-level firewalls to prevent illegal intrusion by hackers.
- (2) Taipei Group Headquarter and overseas plants: the connection operation of Kunshan, Shenzhen and Vietnam plants uses data encryption to prevent illegal capture during data transmission.
- (3) When logging into the Company's intranet remotely to access the ERP system, an SSLVPN account must be applied for. Login is only valid for use through the secure method of SSLVPN, and the use records are left for audit.
- (4) The internet conduct management and filtering equipment are configured to control the internet access, block access to harmful or network addresses and content prohibited by policy, to strengthen network security and prevent bandwidth resources from being improperly occupied.

### 3. Antivirus and management

- (1) Endpoint protection software is installed in the server and the terminal computer devices, and the virus codes are automatically updated to ensure that the latest viruses would be blocked, while detecting and preventing the installation of potentially threatening system execution files.
- (2) The email server is equipped with email anti-virus and spam filtering mechanisms, to prevent viruses or spam from entering the user's PC.

#### 4. Access control

- (1) For using of each application system, the system access application procedure stipulated by the Company must be followed; upon the approval of the accountable officer, the information department will establish a system account, and each system administrator will authorize the access based on the applied functions before the access is granted.
- (2) The password setting of an account requires appropriate strength and digits; the password must contain alphabets, numbers, and symbols for being valid.
- (3) When implementing the resignation (leave) procedures, the Information Department must be informed to delete the accounts at each system.

#### 5. Ensuring the sustainable operation of systems

- (1) System backup: a cloud-based backup system is built, and a daily backup mechanism is adopted. In addition to uploading a copy to the cloud-based storage service, Hicloud Boxe, another set of copy is stored in the data center, to ensure the security of the system and data.
- (2) Disaster recovery drills: the drill is conducted for each system annually. After the restoration datum point is selected, the data are sent from the backup media to be restored in the system mainframe, and the user unit will confirm the accuracy of the restored data in writing, to ensure the accuracy and validity of the backup media.
- (3) Two data lines are leased from the telecommunication provider. Through the bandwidth management equipment, the two lines are used in parallel to backup each other, to ensure that the network communication is not interrupted.

#### 6. Promotion, education, and training of information security

- (1) Reminding promotion: the employees are required to change password regularly, to keep the account secure.
- (2) Seminar promotion: the information security related trainings are conducted for the internal employees every year.

III. Implementation in 2021.

- Remote backup has been synchronized daily.
- One disaster recovery drill was conducted in the year.
- Training: total 11 sessions of information security education and training were conducted, including “Training of antivirus software,” “Training of operating the spam mail screening software,” “Explanation and prevention of ransomware,” and “Information security training.” The cumulative promotion hours were 80 hours, with total 46 attendees.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: no such circumstance. °

### **5.7 Important Contracts**

Sales contract, technical cooperation contracts, engineering contracts, long term loans contracts and other significant contracts that are active or ending within a year which are sufficient to affect the interests of shareholders as of the end of the printing date of the annual report: None.



## 6. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

##### 6.1.1.1 Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Year Item		Five-Year Financial Summary (Note)					Financial Data for the Current Fiscal Year up to March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		6,153,279	5,509,564	5,907,592	5,744,344	6,071,254	6,271,420
Property, plant and equipment		1,495,836	1,649,355	1,531,841	1,444,529	1,386,444	1,416,993
Intangible assets		0	0	0	0	0	0
Other assets		227,955	203,418	341,488	1,428,620	1,639,394	1,671,657
Total assets		7,877,070	7,362,337	7,780,921	8,617,493	9,097,092	9,360,070
Current liabilities	Before Distribution	1,628,203	1,815,798	1,972,949	2,276,408	2,857,465	2,778,895
	After Distribution	2,104,021	2,002,687	2,222,134	2,902,020	(Note 2)	(Note 2)
Non-current liabilities		1,805,569	1,618,969	1,864,512	1,883,839	1,823,928	1,880,364
Total liabilities	Before Distribution	3,433,772	3,434,767	3,837,461	4,160,247	4,681,393	4,659,259
	After Distribution	3,909,590	3,621,656	4,086,646	4,785,859	(Note 2)	(Note 2)
Equity		4,443,298	3,927,570	3,943,460	4,457,246	4,415,699	4,700,811
Share capital		793,033	622,962	622,962	624,462	626,712	626,712
Capital surplus		1,207,154	955,989	959,124	968,882	981,485	981,485
Retained earnings	Before Distribution	2,624,819	2,548,458	2,699,191	3,171,368	3,152,444	3,295,392
	After Distribution	2,386,910	2,361,569	2,450,006	2,545,756	(Note 2)	(Note 2)
Other equity interest		(181,708)	(199,839)	(337,817)	(310,459)	(344,942)	(203,086)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total Equity	Before Distribution	4,443,298	3,927,570	3,943,460	4,457,246	4,415,699	4,700,811
	After Distribution	3,967,480	3,740,681	3,694,275	3,831,634	(Note 2)	

Note 1: All financial information of the financial statement has been certified or reviewed by the CPAs.

Note 2: 2021 earnings distribution has not yet been passed by the General Meeting of Shareholders, it is therefore not stated.

### 6.1.1.2 Condensed Individual Balance Sheet

Unit: NTD thousand

Item		Year	Five-Year Financial Summary (Note)					Financial Data for the Current Fiscal Year up to March 31, 2022 (Note 3)
			2017	2018	2019	2020	2021	
Current assets			994,306	338,831	902,723	1,112,673	1,605,820	NA
Property, plant and equipment			335,972	322,537	307,741	299,596	301,775	
Intangible assets			0	0	0	0	0	
Other assets			5,593,215	5,775,073	5,467,698	6,012,812	6,275,219	
Total assets			6,923,493	6,436,441	6,678,162	7,425,081	8,182,814	
Current liabilities	Before Distribution		674,718	840,574	823,726	1,115,870	1,946,661	
	After Distribution		1,150,536	1,027,463	1,072,911	1,741,482	(Note 2)	
Non-current liabilities			1,805,477	1,668,297	1,910,976	1,851,965	1,820,454	
Total liabilities	Before Distribution		2,480,195	2,508,871	2,734,702	2,967,835	3,767,115	
	After Distribution		2,956,013	2,695,760	2,983,887	3,593,447	(Note 2)	
Equity			4,443,298	3,927,570	3,943,460	4,457,246	4,415,699	
Share capital			793,033	622,962	622,962	624,462	626,712	
Capital surplus			1,207,154	955,989	959,124	968,882	981,485	
Retained earnings	Before Distribution		2,624,819	2,548,458	2,699,191	3,171,368	3,152,444	
	After Distribution		2,386,910	2,361,569	2,450,006	2,545,756	(Note 2)	
Other equity interest			(181,708)	(199,839)	(337,817)	(310,459)	(344,942)	
Treasury stock			0	0	0	0	0	
Non-controlling interests			0	0	0	0	0	
Total Equity	Before Distribution		4,443,298	3,927,570	3,943,460	4,457,246	4,415,699	
	After Distribution		3,967,480	3,740,681	3,694,275	3,831,634	(Note 2)	

Note 1: All financial information of the financial statement has been certified or reviewed by the CPAs.

Note 2: 2021 earnings distribution has not yet been passed by the General Meeting of Shareholders, it is therefore not stated.

Note 3: Consolidated financial report of Q1 2022 was prepared using the IFRSs, it is therefore not applicable.

## 6.1.2 Consolidated Statement of Comprehensive Income

### 6.1.2.1 Condensed Consolidated Statement of Comprehensive Income

Unit: NTD thousand

Item \ Year	Five-Year Financial Summary (Note)					Financial Data for the Current Fiscal Year up to March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenues	4,019,508	4,218,842	3,957,144	4,808,261	4,829,2021	938,992
Gross profit	994,040	797,817	878,713	1,539,880	1,365,018	225,236
Results from operating activities	596,916	318,255	379,003	1,069,052	889,582	115,596
Non-operating income and expenses	(98,358)	141,736	45,548	(194,495)	(64,788)	75,696
Profit before tax	498,558	459,991	424,551	874,557	824,794	191,292
Profit (loss) from continuing operations	435,894	241,752	337,622	721,362	606,688	142,948
Profit (loss) from discontinued operations	0	0	0	0	0	0
Profit	435,894	241,752	337,622	721,362	606,688	142,948
Other comprehensive income (after tax)	(143,354)	(18,131)	(137,978)	27,358	(34,483)	141,856
Comprehensive income	292,540	223,621	199,644	748,720	572,205	284,804
Profit (loss), attributable to owners of parent	435,894	241,752	337,622	721,362	606,688	142,948
Profit (loss), attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income, attributable to owners of parent	292,540	223,621	199,644	748,720	572,205	284,804
Comprehensive income, attributable to non-controlling interests	0	0	0	0	0	0
Basic earnings per share	5.50	3.35	5.42	11.57	9.70	2.28

Note 1: All financial information of the financial statement has been certified or reviewed by the CPAs.

### 6.1.2.2 Condensed Individual Statement of Comprehensive Income

Unit: NTD thousand

Item \ Year	Five-Year Financial Summary (Note)					Financial Data for the Current Fiscal Year up to March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenues	414,126	374,609	309,312	869,200	1,285,481	Not applicable
Gross profit	111,804	104,085	77,171	235,329	381,847	
Results from operating activities	(78)	(13,838)	(39,945)	94,557	224,176	
Non-operating income and expenses	449,796	423,741	454,652	689,983	520,586	
Profit before tax	449,718	409,903	414,707	784,540	744,762	
Profit (loss) from continuing operations	435,894	241,752	337,622	721,362	606,688	
Profit (loss) from discontinued operations	0	0	0	0	0	
Profit	435,894	241,752	337,622	721,362	606,688	
Other comprehensive income (after tax)	(143,354)	(18,131)	(137,978)	27,358	(34,483)	
Comprehensive income	292,540	223,621	199,644	748,720	572,205	
Profit (loss), attributable to owners of parent	0	0	0	0	0	
Profit (loss), attributable to non-controlling interests	0	0	0	0	0	
Comprehensive income, attributable to owners of parent	0	0	0	0	0	
Comprehensive income, attributable to non-controlling interests	0	0	0	0	0	
Basic earnings per share	5.50	3.35	5.42	11.57	9.70	

Note 1: All financial information of the financial statement has been certified by the CPAs.

Note 2: Consolidated financial report of Q1 2022 was prepared using the IFRSs, it is therefore not applicable.

### 6.1.3 Auditing by CPA from 2016 to 2021

Year	CPA Firm	CPA's Name	Auditing Opinion
2017	KPMG	Cheng-Chien Chen 、 Huang, Yong-Hua	Unqualified
2018	KPMG	Cheng-Chien Chen 、 Huang, Yong-Hua	Unqualified
2019	KPMG	Cheng-Chien Chen 、 Sheng-Ho Yu	Unqualified
2020	KPMG	Cheng-Chien Chen 、 Sheng-Ho Yu	Unqualified
2021	KPMG	Cheng-Chien Chen 、 Sheng-Ho Yu	Unqualified

## 6.2 Five-Year Financial Analysis

### 6.2.1 Consolidated Financial Analysis

Item		Year	Five-Year Financial Analysis (Note1)					Financial Data for the Current Fiscal Year up to March 31, 2022
			2017	2018	2019	2020	2021	
Capital structure (%)	Debt ratio		43.59	46.65	49.32	48.28	51.46	49.78
	Ratio of long-term capital to property, plant and equipment		417.75	336.29	379.15	438.97	450.05	464.45
Solvency	Current ratio (%)		377.92	303.42	299.43	252.34	212.47	225.68
	Quick ratio (%)		345.46	274.34	274.28	227.87	193.41	203.68
	Times interest earned (Times)		29.64	19.10	16.98	42.75	37.83	31.22
Operating ability	Accounts receivable turnover (Times)		2.88	3.13	2.88	2.99	3.04	2.95
	Average collection period		126.74	116.61	126.74	122.07	120.07	123.73
	Inventory turnover (Times)		6.84	6.98	6.32	6.54	6.64	5.24
	Accounts payable turnover (Times)		5.47	5.86	5.11	4.65	4.98	5.02
	Average days in sales		53.36	52.29	57.75	55.81	54.96	69.65
	Property, plant, and equipment turnover (Times)		2.76	2.68	2.49	3.23	3.41	2.67
	Total assets turnover (Times)		0.52	0.55	0.52	0.59	0.54	0.40
Profitability	Return on total assets (%)		5.85	3.44	4.74	9.00	7.05	6.42
	Return on stockholders' equity (%)		9.45	5.78	8.58	17.17	13.68	12.54
	Pretax profit to paid-in capital (%)		62.87	73.84	68.15	140.05	131.61	30.52
	Net profit margin (%)		10.84	5.73	8.53	15.00	12.56	15.22
	Basic earnings per share (\$)		5.50	3.35	5.42	11.57	9.70	2.28
Cash flow	Cash flow ratio (%)		18.21	54.52	28.23	23.57	57.81	(3.73)
	Cash flow adequacy ratio (%)		88.68	88.38	108.42	111.96	114.93	143.42
	Cash reinvestment ratio (%)		(3.49)	5.53	3.89	2.86	12.04	(1.15)
Leverage	Operating leverage		1.39	1.80	1.82	1.26	1.27	1.50
	Financial leverage		1.03	1.09	1.08	1.02	1.03	1.06

Note 1: The financial information of each year has been reviewed and certified by the CPAs; financial information of Q1 2022 has been reviewed by the CPAs.

Please explain the reasons for the changes in the financial ratios over the last two years: (significant current variations reaching 20% or more)

Item	Variation ratio	Variation reason
Return on total assets (%)	-22%	It was mainly due to the decrease of the profit of the Company in 2021
Return on stockholders' equity (%)	-20%	
Cash flow ratio (%)	145%	It was mainly due to the decrease in the financial assets measured at FVTPL and account receivables, the net cash flow increased relatively greater in 2021.
Cash reinvestment ratio (%)	322%	

## 6.2.2 Individual Financial Analysis

Item		Year	Five-Year Financial Analysis (Note1)					Financial Data for the Current Fiscal Year up to March 31, 2022 (Note 2)
			2017	2018	2019	2020	2021	
Capital structure (%)	Debt ratio		35.82	38.98	40.95	39.97	46.04	Not applicable
	Ratio of long-term capital to property, plant and equipment		1,859.91	1,734.95	1,902.39	2,105.91	2,066.49	
Solvency	Current ratio (%)		147.37	40.31	109.59	99.71	82.49	
	Quick ratio (%)		145.72	38.74	107.90	95.28	80.51	
	Times interest earned (Times)		33.01	22.13	25.25	48.12	37.60	
Operating ability	Accounts receivable turnover (Times)		4.26	2.95	3.32	4.30	4.02	
	Average collection period		85.60	123.91	109.94	84.94	90.83	
	Inventory turnover (Times)		43.24	34.93	27.36	25.30	26.95	
	Accounts payable turnover (Times)		17.95	18.15	18.17	6.33	5.66	
	Average days in sales		8.44	10.45	13.34	14.43	13.54	
	Property, plant, and equipment turnover (Times)		1.22	1.14	0.98	2.86	4.28	
	Total assets turnover (Times)		0.06	0.06	0.05	0.12	0.16	
Profitability	Return on total assets (%)		6.65	3.85	5.36	10.42	7.98	
	Return on stockholders' equity (%)		9.45	5.78	8.58	17.17	13.68	
	Pretax profit to paid-in capital (%)		56.71	65.80	66.57	125.63	118.84	
	Net profit margin (%)		105.26	64.53	109.15	82.99	47.20	
	Basic earnings per share (\$)		5.50	3.35	5.42	11.57	9.70	
Cash flow	Cash flow ratio (%)		75.64	25.31	3.26	(21.39)	6.68	
	Cash flow adequacy ratio (%)		55.80	52.90	50.50	36.87	29.19	
	Cash reinvestment ratio (%)		(1.98)	(4.67)	(2.73)	(9.46)	(10.18)	
Leverage	Operating leverage		(199.99)	(0.11)	0.56	1.60	1.13	
	Financial leverage		0.01	0.42	0.70	1.21	1.10	

Note 1: The financial information of each year has been reviewed and certified by the CPAs

Note 2: Consolidated financial report of Q1 2022 was prepared using the IFRSs, it is therefore not applicable.

Please explain the reasons for the changes in the financial ratios over the last two years: (significant current variations reaching 20% or more)

Item	Variation ratio	Variation reason
Times interest earned (Times)	-22%	Mainly because the profits of the investees decreased, the net profit of the parent decreased in 2021.
Property, plant, and equipment turnover (Times)	49%	It was mainly due to the significant increase of the revenue of the Company in 2021
Total assets turnover (Times)	34%	
Return on total assets (%)	-23%	Mainly because the profits of the investees decreased,

Item	Variation ratio	Variation reason
Return on stockholders' equity (%)	-20%	the net profit of the parent decreased in 2021.
Net profit margin (%)	-43%	
Cash flow ratio (%)	131%	It was mainly because the profits of the investees decreased, and the income tax payment decreased in 2021.
Cash flow adequacy ratio (%)	-21%	
Operating leverage	-29%	It was mainly because the operating incomes from the core business of the parent grew in 2021, and thus the operating leverage decreased.

### 6.2.3 The formula of financial analysis (IFRS)

#### 1. Capital Structure

(1) Debt ratio = Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

#### 2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year

#### 3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business

operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable

derived from business operation)

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(2) Days sales in accounts receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Account payable turnover (including accounts payable and notes payable derived from business operation) =

Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from

business operation)

(5) Average days in sales = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Net fixed assets

(7) Total assets turnover = Net sales / Total assets

#### 4. Profitability

(1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets

(2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity

(3) Return to issued capital stock = Net income before tax / Issued capital stock

(4) Profit ratio = Net income (loss) / Net sales

(5) Basic earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued

#### 5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activity / Current liability

(2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure +

Inventory interest + Cash dividend) in the past 5 years

(3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term

investment + Other assets + Working capital)

#### 6. Balance

(1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating

income(note6)

(2) Degree of financial leverage = Operating income / (Operating income – interest expense)



### 6.3 Audit Committee's Report in the Most Recent Year

## Audit Committee's Review Report

Date: April 28,2022

The Board of Directors has prepared the Nishoku Techonology Inc (“the Company”) 2021 Bussiness Report, financial statements, and proposal for earning distribution. The CPA firm of KPMG was retained to audit Compnay’s financial statements and has issued an audit report relating to the financial statements. The above Busniness Report, financial statements, and earning distribution proposal have been examined and dertermined to be correct and accurate by the Audit Committee members of Nishoku Techonogly Inc. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Compnay Law, we herby submit this report.

Nishoku Technology Inc.

Chairman of Audit Committee:

Chan, Chin-Hung

## 6.4 Consolidated Financial Statement

### 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, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 25, 2022

**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, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 3,999,433	44	2,626,650	30	2100	Short-term borrowings (note 6(h))	\$ 1,737,760	19	988,920	12
1110	Current financial assets at fair value through profit or loss (note 6(b))	104,006	1	665,743	8	2111	Short-term notes and bills payable (note 6(i))	99,971	1	-	-
1170	Notes and accounts receivables, net (note 6(c))	1,352,595	15	1,817,252	21	2170	Notes and Accounts payable	588,508	6	800,428	9
130X	Inventories (note 6(d))	519,871	7	523,074	6	2280	Current lease liabilities (note 6(k))	31,228	-	39,224	-
1470	Other current assets	38,966	-	54,105	1	2300	Other current liabilities (note 6(q))	399,998	5	447,836	5
1476	Other current financial assets (note 8)	56,383	1	57,520	1			<u>2,857,465</u>	<u>31</u>	<u>2,276,408</u>	<u>26</u>
		<u>6,071,254</u>	<u>68</u>	<u>5,744,344</u>	<u>67</u>						
Non-current assets:						<b>Non-Current liabilities:</b>					
1511	Non-current financial assets designated at fair value through profit or loss (note 6(b))	197,419	2	126,439	1	2540	Long-term borrowings (note 6(j))	1,150,000	13	1,200,000	14
1535	Non-current financial assets at amortised cost (note 6(e))	1,264,067	14	1,124,961	13	2570	Deferred tax liabilities	667,215	7	652,948	8
1600	Property, plant and equipment (note 6(f))	1,386,444	15	1,444,529	17	2580	Non-current lease liabilities (note 6(k))	6,713	-	30,891	-
1755	Right-of-use assets (note 6(g))	37,608	-	69,737	1			<u>1,823,928</u>	<u>20</u>	<u>1,883,839</u>	<u>22</u>
1840	Deferred income tax assets	22,267	-	21,792	-			<u>4,681,393</u>	<u>51</u>	<u>4,160,247</u>	<u>48</u>
1915	Prepayments for equipment	36,570	-	8,503	-	<b>Total liabilities</b>					
1985	Long-term prepaid rents	63,270	1	66,518	1	<b>Equity attributable to owners of parent (note 6(n)):</b>					
1990	Other non-current assets	18,193	-	10,670	-	3110	Ordinary share	626,712	7	624,462	7
		<u>3,025,838</u>	<u>32</u>	<u>2,873,149</u>	<u>33</u>	3140	Advance receipts for share capital	-	-	2,993	-
						3200	Capital surplus	981,485	11	968,882	11
						<b>Retained earnings:</b>					
						3310	Legal reserve	610,265	7	538,129	7
						3320	Special reserve	310,459	3	337,817	4
						3350	Unappropriated retained earnings	2,231,720	25	2,295,422	27
								<u>3,152,444</u>	<u>35</u>	<u>3,171,368</u>	<u>38</u>
						3400	Other equity	(344,942)	(4)	(310,459)	(4)
						<b>Total equity</b>		<u>4,415,699</u>	<u>49</u>	<u>4,457,246</u>	<u>52</u>
<b>Total assets</b>		<u>\$ 9,097,092</u>	<u>100</u>	<u>8,617,493</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 9,097,092</u>	<u>100</u>	<u>8,617,493</u>	<u>100</u>

(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, 2021 and 2020**

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

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Operating revenues</b> (note 6(q))	\$ 4,914,583	102	4,883,877	102
4170	Less: Sales returns and allowances	85,473	2	75,616	2
	<b>Net Operating revenues</b>	4,829,110	100	4,808,261	100
5000	Operating costs (notes 6(d), (f), (g), (l) and 12)	3,464,092	72	3,268,381	68
	<b>Gross profit from operations</b>	1,365,018	28	1,539,880	32
6000	<b>Operating expenses:</b> (notes 6(c), (f), (g), (l), (o), (r) and 12)				
6100	Selling expenses	69,505	1	56,007	1
6200	Administrative expenses	310,111	7	327,149	7
6300	Research and development expenses	95,753	2	87,074	2
6450	Expected credit loss	67	-	598	-
		475,436	10	470,828	10
	<b>Net operating income</b>	889,582	18	1,069,052	22
	<b>Non-operating income and expenses:</b>				
7010	Other income (note 6(s))	74,087	2	81,677	2
7020	Other gains and losses, net (note 6(t))	(116,480)	(2)	(255,224)	(5)
7050	Finance costs, net (note 6(k))	(22,395)	-	(20,948)	-
	<b>Total non-operating income and expenses</b>	(64,788)	-	(194,495)	(3)
7900	<b>Profit before tax</b>	824,794	18	874,557	19
7950	<b>Less: Income tax expenses</b> (note 6(m))	218,106	5	153,195	3
	<b>Profit</b>	606,688	13	721,362	16
8300	<b>Other comprehensive income (loss):</b>				
8360	<b>Item that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations	(43,104)	(1)	34,198	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(m))	8,621	-	(6,840)	-
8300	<b>Other comprehensive income (after tax)</b>	(34,483)	(1)	27,358	1
8500	<b>Total comprehensive income</b>	<b>\$ 572,205</b>	<b>12</b>	<b>748,720</b>	<b>17</b>
	<b>Profit, attributable to:</b>				
8610	Profit, attributable to owners of parent	<b>\$ 606,688</b>	<b>13</b>	<b>721,362</b>	<b>16</b>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	<b>\$ 572,205</b>	<b>12</b>	<b>748,720</b>	<b>17</b>
9750	Basic earnings per share (NT dollars) (note 6(p))	<b>\$ 9.70</b>		<b>11.57</b>	
9850	Diluted earnings per share (NT dollars) (note 6(p))	<b>\$ 9.64</b>		<b>11.51</b>	

(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, 2021 and 2020**

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

	Equity attributable to owners of parent							Total other equity Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Total equity
	Share capital		Retained earnings				Unappropriated retained earnings			
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve					
<b>Balance at January 1, 2020</b>	\$ 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	
<b>Balance at December 31, 2020</b>	624,462	2,993	968,882	538,129	337,817	2,295,422	(310,459)	4,457,246	4,457,246	
Profit for the year ended December 31, 2021	-	-	-	-	-	606,688	-	606,688	606,688	
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	(34,483)	(34,483)	(34,483)	
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	606,688	(34,483)	572,205	572,205	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	72,136	-	(72,136)	-	-	-	
Reversal of special reserve	-	-	-	-	(27,358)	27,358	-	-	-	
Cash dividends of preferred share	-	-	-	-	-	(625,612)	-	(625,612)	(625,612)	
Stock option compensation cost	-	-	429	-	-	-	-	429	429	
Issuance of shares exercise of employee stock option	2,250	(2,993)	12,174	-	-	-	-	11,431	11,431	
<b>Balance at December 31, 2021</b>	\$ 626,712	-	981,485	610,265	310,459	2,231,720	(344,942)	4,415,699	4,415,699	



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

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2021 and 2020**

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

	<u>2021</u>	<u>2020</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 824,794	874,557
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	243,881	277,032
Expected credit loss	67	598
Interest expense	22,395	20,948
Interest income	(54,712)	(63,921)
Stock option compensation cost	429	1,283
Net loss (gain) on financial assets at fair value through profit or loss	3,281	(3,584)
Gain on disposal of property, plant and equipment	(7,514)	(3,653)
Recognition losses on (reversal of) inventory valuation and obsolescence	(22,114)	2,648
Others	403	1,336
<b>Total adjustments to reconcile profit</b>	<u>186,116</u>	<u>232,687</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit and loss	562,590	(215,535)
Notes and accounts receivables	464,590	(421,910)
Inventories	25,317	(50,094)
Other current assets and financial assets	8,509	(8,381)
	<u>1,061,006</u>	<u>(695,920)</u>
<b>Changes in operating liabilities:</b>		
Notes and accounts payables	(211,920)	196,050
Other current liabilities	(63,897)	70,622
	<u>(275,817)</u>	<u>266,672</u>
<b>Total adjustments</b>	<u>971,305</u>	<u>(196,561)</u>
Cash inflow generated from operations	1,796,099	677,996
Interest received	54,609	65,891
Interest paid	(21,770)	(20,922)
Income taxes paid	(176,997)	(186,451)
<b>Net cash flows from operating activities</b>	<u>1,651,941</u>	<u>536,514</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortised cost	(137,506)	(1,181,921)
Acquisition of financial assets at fair value through profit or loss	(79,436)	(123,633)
Proceeds from disposal of financial assets at fair value through profit or loss	4,321	-
Acquisition of property, plant and equipment	(215,378)	(103,953)
Proceeds from disposal of property, plant and equipment	23,927	9,138
Decrease in refundable deposits	2,724	10,391
Increase in other financial assets	(7,562)	(2,274)
<b>Net cash flows used in investing activities</b>	<u>(408,910)</u>	<u>(1,392,252)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	748,840	164,130
Increase (decrease) in short-term notes and bills payable	100,000	(150,000)
Proceeds from (repayments of) long-term borrowings	(50,000)	200,000
Increase in guarantee deposits received	2,490	146
Payments of lease liabilities	(39,697)	(57,064)
Cash dividends paid	(625,612)	(249,185)
Exercise of employee share options	11,431	12,968
<b>Net cash flows from (used in) financing activities</b>	<u>147,452</u>	<u>(79,005)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(17,700)	21,594
<b>Net increase (decrease) in cash and cash equivalents</b>	1,372,783	(913,149)
<b>Cash and cash equivalents at beginning of period</b>	2,626,650	3,539,799
<b>Cash and cash equivalents at end of period</b>	<u>\$ 3,999,433</u>	<u>2,626,650</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**(1) Company history**

NISHOKU TECHNOLOGY INC. (the “Company”) was incorporated in year 1980, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) on October 5, 2011. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) primarily are involved in the manufacture and sale of plastic injection mold, tooling manufacturing and general import and export Trade, please refer to note 14.

**(2) Approval date and procedures of the consolidated financial statements:**

These consolidated financial statements were authorized for issue by the board of directors on February 25, 2022.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

#### (4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies are applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of preparation

- (i) Basis of measurement

Except for the financial instruments at fair value through profit or loss are measured at fair value, the consolidated financial statements have been prepared on a historical cost basis.

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

- (c) Basis of consolidation

- (i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal Activities	Percentage of shareholding (%)	
			December 31, 2021	December 31, 2020
The Company	NISHOKU BOUEKI CO., LTD. (NISHOKU BOUEKI)	Trading Company	100%	100%
"	NISHOKU TECHNOLOGY VIETNAM CO., LTD. (NISHOKU VIETNAM)	Manufacture and Sale of tooling and plastic products	100%	100%
"	SUN NICE LIMITED (SAMOA) (SUN NICE (SAMOA))	Holding Company	100%	100%
SUN NICE (SAMOA)	SAME START LIMITED (Anguilla) (SAME START Anguilla)	Trading Company	100%	100%
"	NISHOKU HONG KONG HOLDING LIMITED (NISHOKU HK)	Holding Company	100%	100%
"	SUN NICE LIMITED (BVI) (SUN NICE (BVI))	Holding Company	100%	100%
NISHOKU (HK)	NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. (NISHOKU SHENZHEN)	Manufacture and Sale of mold and plastic products	100%	100%
"	KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. (KUNSHAN NISHOKU PLASTIC)	Manufacture and Sale of mold and plastic products	71.49%	71.49%

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal Activities	Percentage of shareholding (%)	
			December 31, 2021	December 31, 2020
SUN NICE (BVI)	KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. (KUNSHAN NISHOKU PLASTIC)	Manufacture and Sale of mold and plastic products	28.51%	28.51%

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, guarantee deposit paid and other financial assets)

## **NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**

### Notes to the Consolidated Financial Statements

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ;  
and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.



## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### 3) Other financial liabilities

Financial liabilities are classified as measured at amortized cost, which comprise loans and borrowings, and trade and other payables. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### 4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

##### 5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (i) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### (ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

##### (iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

- 1) Buildings: 20~50 years
- 2) Accessory equipment of buildings: 5~10 years
- 3) Machinery and equipment: 3~8 years
- 4) Office and other equipment: 2~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (j) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### (i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (k) Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

##### (i) Sale of goods

The Group manufactures and sells plastic goods and molds. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as employee expenses, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax asset are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
  - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
    - 1) the same taxable entity; or
    - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (q) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company dividend by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise convertible bonds, employee stock options, and employee bonuses not yet resolved by the shareholders.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgment made in applying the accounting policies that have significant effects on amounts recognized in consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the following year is as follows:

(a) The loss allowance of accounts receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The recognition of impairment loss, please refer to note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be changes in the net realizable value of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.



## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(u) for assumptions used in measuring fair value.

#### (6) Explanation of significant accounts:

- (a) Cash and cash Equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and demand deposits	\$ 2,497,999	1,827,075
Time deposits	920,154	429,335
Bond acquired under repurchase agreement	581,280	370,240
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 3,999,433</b>	<b>2,626,650</b>

Please refer to note 6(u) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

- (b) Financial assets at fair value through profit or loss

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial assets at fair value through profit or loss		
Fund investments-current	\$ 38,861	46,663
Fixed income financial instruments	65,145	612,833
Overseas corporate bonds	-	6,247
Total	<b>\$ 104,006</b>	<b>671,990</b>
Fund investments-non-current	<b>\$ 197,419</b>	<b>126,439</b>

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (i) Please refer to note 6(e) for fund investments-non-current.
- (ii) Please refer to note 6(u) for credit risk and market risk.
- (iii) As of December 31, 2021 and 2020, the Group did not provide any financial assets as collateral for its loans.

(c) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 2,823	6,083
Accounts receivable	1,349,896	1,811,698
Less : Loss allowance	(124)	(529)
	<b>\$ 1,352,595</b>	<b>1,817,252</b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision were determined as follows:

December 31, 2021			
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 1,334,126	-%	-
0 to 120 days past due	15,657	0%~1%	11
121 to 270 days past due	113	0%~100%	113
Total	<b>\$ 1,349,896</b>		<b>124</b>
December 31, 2020			
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 1,804,736	-%	-
0 to 120 days past due	6,423	0%~1%	2
121 to 270 days past due	37	0%~30%	25
More than 1 year past due	502	100%	502
Total	<b>\$ 1,811,698</b>		<b>529</b>

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The movement in the allowance for notes and accounts receivables were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Blance at January 1	\$ 529	19,099
Impairment losses recognized	67	598
Amounts written off	(472)	(19,168)
Balance on December 31, 2021 and 2020	<b>\$ 124</b>	<b>529</b>

(d) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 196,059	194,769
Work in process	197,865	203,355
Finished goods	125,947	124,950
	<b>\$ 519,871</b>	<b>523,074</b>

For the years ended December 31, 2021 and 2020, raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sale amounted to \$3,464,092 thousand and \$3,268,381 thousand, respectively. For the years ended December 31, 2021 and 2020, the Group recognized the losses (reversal gains) on inventory valuation and obsolescence as cost of goods sold amounting to \$(22,114) thousand and \$2,648 thousand, respectively.

As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.

(e) Non-current financial assets at amortized cost

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Restricted bank deposit	<b>\$ 1,264,067</b>	<b>1,124,961</b>

In June, 2021 and May and July, 2020, the Group applied to IRS for the application of “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” (hereinafter referred to as the “Act”), and the remittance was approved within one month. According to the Act, the funds need to be deposited in a special-purpose account for five years, and 5% of the funds can be used without restriction, 25% can be used on financial investment, and 70%, at least, can be used for substantive investment; Otherwise, the funds can only be redeemed within 3 consecutive years on average after the five years maturity. Please refer to note 6(b) for financial assets.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(f) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Land	Building	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2021	\$ 179,672	1,048,926	1,955,334	479,442	56,056	3,719,430
Additions	-	11,477	90,729	17,989	61,097	181,292
Reclassifications	-	14,749	6,225	986	(21,210)	750
Disposals	-	(470)	(179,414)	(32,770)	-	(212,654)
Effect of changes in foreign exchange rates	-	(9,450)	(26,866)	(1,119)	18,742	(18,693)
Balance on December 31, 2021	<b>\$ 179,672</b>	<b>1,065,232</b>	<b>1,846,008</b>	<b>464,528</b>	<b>114,685</b>	<b>3,670,125</b>
Balance on January 1, 2020	\$ 179,672	920,762	2,016,688	476,633	101,928	3,695,683
Additions	-	589	47,821	21,811	48,645	118,866
Reclassifications	-	123,467	(50)	1,066	(125,867)	(1,384)
Disposals	-	-	(102,036)	(25,442)	-	(127,478)
Effect of changes in foreign exchange rates	-	4,108	(7,089)	5,374	31,350	33,743
Balance on December 31, 2020	<b>\$ 179,672</b>	<b>1,048,926</b>	<b>1,955,334</b>	<b>479,442</b>	<b>56,056</b>	<b>3,719,430</b>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2021	\$ -	453,394	1,435,367	386,140	-	2,274,901
Depreciation	-	39,557	118,920	40,514	-	198,991
Reclassifications	-	-	246	504	-	750
Disposals	-	(470)	(164,717)	(31,055)	-	(196,242)
Effect of changes in foreign exchange rates	-	(3,724)	9,174	(169)	-	5,281
Balance on January 1, 2021	<b>\$ -</b>	<b>488,757</b>	<b>1,398,990</b>	<b>395,934</b>	<b>-</b>	<b>2,283,681</b>
Balance on January 1, 2020	\$ -	391,905	1,413,474	358,463	-	2,163,842
Depreciation	-	47,072	121,300	45,357	-	213,729
Disposals	-	-	(98,534)	(23,459)	-	(121,993)
Effect of changes in foreign exchange rates	-	14,417	(873)	5,779	-	19,323
Balance on December 31, 2020	<b>\$ -</b>	<b>453,394</b>	<b>1,435,367</b>	<b>386,140</b>	<b>-</b>	<b>2,274,901</b>
<b>Carrying amounts:</b>						
Balance on December 31, 2021	<b>\$ 179,672</b>	<b>576,475</b>	<b>447,018</b>	<b>68,594</b>	<b>114,685</b>	<b>1,386,444</b>
Balance on December 31, 2020	<b>\$ 179,672</b>	<b>595,532</b>	<b>519,967</b>	<b>93,302</b>	<b>56,056</b>	<b>1,444,529</b>

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had not been pledged as collateral.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(g) Right-of-use assets

The Group leases many assets including land and buildings, vehicles and machinery equipment. Information about leases for which the Group as a lessee was presented below:

	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Transporta tion equipment</b>	<b>Total</b>
<b>Cost:</b>				
Balance at January 1, 2021	\$ 94,009	4,728	8,399	107,136
Additions	-	-	11,958	11,958
Disposals/ Wright-off	(12,423)	(4,691)	(8,399)	(25,513)
Effect of changes in foreign exchange rates	(738)	(37)	-	(775)
Balance at December 31, 2021	<b>\$ 80,848</b>	<b>-</b>	<b>11,958</b>	<b>92,806</b>
Balance at January 1, 2020	\$ 149,480	31,099	8,399	188,978
Additions	2,366	4,625	-	6,991
Disposals/ Wright-off	(59,079)	(30,929)	-	(90,008)
Effect of changes in foreign exchange rates	1,242	(67)	-	1,175
Balance at December 31, 2020	<b>\$ 94,009</b>	<b>4,728</b>	<b>8,399</b>	<b>107,136</b>
<b>Accumulated depreciation and impairment losses:</b>				
Balance at January 1, 2021	\$ 30,529	-	6,870	37,399
Depreciation for the year	31,565	4,689	2,829	39,083
Disposals/ Wright-off	(7,968)	(4,691)	(8,399)	(21,058)
Effect of changes in foreign exchange rates	(228)	2	-	(226)
Balance at December 31, 2021	<b>\$ 53,898</b>	<b>-</b>	<b>1,300</b>	<b>55,198</b>
Balance at January 1, 2020	\$ 35,024	15,549	3,435	54,008
Depreciation for the year	37,260	15,464	3,435	56,159
Disposals/ Wright-off	(42,231)	(30,929)	-	(73,160)
Effect of changes in foreign exchange rates	476	(84)	-	392
Balance at December 31, 2020	<b>\$ 30,529</b>	<b>-</b>	<b>6,870</b>	<b>37,399</b>
<b>Carrying amount:</b>				
Balance at December 31, 2021	<b>\$ 26,950</b>	<b>-</b>	<b>10,658</b>	<b>37,608</b>
Balance at December 31, 2020	<b>\$ 63,480</b>	<b>4,728</b>	<b>1,529</b>	<b>69,737</b>

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(h) Short-term borrowings

The Short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Secured loans	\$ 44,000	45,000
Credit loans, no pledge	1,693,760	943,920
Total	<b>\$ 1,737,760</b>	<b>988,920</b>
Interest rate range	<b>0.4%~0.83%</b>	<b>0.4%~0.83%</b>

For the collateral for short-term borrowings, please refer to note 8.

(i) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2021		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	Mega Bills	0.59%	\$ 100,000
Less: Discount on short-term notes and bills payable			(29)
Total			<b>\$ 99,971</b>

(j) Long-term borrowings

The detail were as follows:

	December 31, 2021			
	Currency	Interest rate range	Maturity year	Amount
Unsecured bank loans	NTD	0.92%~0.96%	2023	<b>\$ 1,150,000</b>
	December 31, 2020			
	Currency	Interest rate range	Maturity year	Amount
Unsecured bank loans	NTD	0.95%~0.98%	2022	<b>\$ 1,200,000</b>

Please refer to note 6(u) for the exchange rate risk, the interest rate risk, and the sensitivity analysis of the financial assets and liabilities of the Group.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(k) Lease liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<b>\$ 31,228</b>	<b>39,224</b>
Non-current financial assets	<b>\$ 6,713</b>	<b>30,891</b>

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss was as follows:

	<b>For the years ended December 31, 2021</b>	<b>For the years ended December 31, 2020</b>
Interest expenses on lease liabilities	<b>\$ 616</b>	<b>1,178</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 735</b>	<b>857</b>

The amounts recognized in the statement of cash flows for the Group was as follows:

	<b>For the years ended December 31, 2021</b>	<b>For the years ended December 31, 2020</b>
Total cash outflow for leases	<b>\$ 41,048</b>	<b>59,098</b>

(l) Employee benefits

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, and recognized as the contribution in the current period.

The pension costs incurred from the contributions to the Labor Insurance amounted to \$42,946 thousand and \$27,436 thousand for the years ended December 31, 2021 and 2020, respectively.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(m) Income tax

(i) The components of income tax in the years 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Current tax expense	\$ 198,184	221,397
Deferred tax expense (benefit)	19,922	(68,202)
	<b>\$ 218,106</b>	<b>153,195</b>

(ii) The amounts of income tax expense (profit) recognized in other comprehensive income or loss for 2021 and 2020 was as follows:

	<b>2021</b>	<b>2020</b>
Foreign currency translation differences for foreign operations	<b>\$ (8,621)</b>	<b>6,840</b>

(iii) Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<b>2021</b>	<b>2020</b>
Profit excluding income tax	\$ 824,794	874,557
Income tax using the Company's domestic tax rate	278,170	278,160
Effect of tax rates in foreign jurisdiction	(32,192)	(30,040)
Undistributed earnings additional tax	2,549	-
Tax incentive-Repatriated offshore funds	(27,948)	(177,211)
Change in unrealized deferred tax assets	-	75,540
Prior year's income tax adjustment and other	(2,473)	6,746
	<b>\$ 218,106</b>	<b>153,195</b>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were all temporary differences in respect of the following items:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unrealized investment losses	\$ 75,540	75,540
Depreciation period difference	41,109	43,734
Loss on inventory valuation	31,157	37,013
The carryforward of unused tax losses	30,419	20,875
Other	8,442	13,692
	<b>\$ 186,667</b>	<b>190,854</b>



## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2021, the unused prior-year tax loss carry-forward of the consolidated entities set up overseas amounted to \$299,314 thousand, and the deductible taxes calculated by the local tax authorities amounted to \$30,419 thousand.

2) Recognized deferred tax liabilities

Changes in the amount of deferred tax liabilities for 2021 and 2020 were as follows:

	Investment income recognized under the equity method	Foreign currency translation differences for foreign operations	Others	Total
Deferred tax liabilities				
Balance on January 1, 2021	\$ 725,246	(73,877)	596	651,965
Recognized in profit or loss	22,765	-	(588)	22,177
Recognized in other comprehensive income or loss	-	(10,401)	-	(10,401)
Balance on December 31, 2021	<b>\$ 748,011</b>	<b>(84,278)</b>	<b>8</b>	<b>663,741</b>
Balance on January 1, 2020	\$ 870,257	(82,177)	8	788,088
Recognized in profit or loss	(145,011)	-	588	(144,423)
Recognized in other comprehensive income or loss	-	8,300	-	8,300
Balance on December 31, 2020	<b>\$ 725,246</b>	<b>(73,877)</b>	<b>596</b>	<b>651,965</b>

3) Recognized deferred tax assets

Changes in the amounts of deferred tax assets for 2021 and 2020 was as follows:

	Investment income recognized under the equity method	Loss on inventory valuation	Foreign currency translation differences for foreign operations	Unused tax losses carry forwards	Others	Total
Deferred tax assets						
Balance on January 1, 2021	\$ -	(560)	(1,780)	(4,688)	(14,764)	(21,792)
Recognized in profit or loss	-	101	-	(797)	(1,559)	(2,255)
Recognized in other comprehensive income or loss	-	-	1,780	-	-	1,780
Balance on December 31, 2021	<b>\$ -</b>	<b>(459)</b>	<b>-</b>	<b>(5,485)</b>	<b>(16,323)</b>	<b>(22,267)</b>
Balance on January 1, 2020	\$ (75,540)	(447)	(320)	(15,452)	(4,794)	(96,553)
Recognized in profit or loss	75,540	(113)	-	10,764	(9,970)	76,221
Recognized in other comprehensive income or loss	-	-	(1,460)	-	-	(1,460)
Balance on December 31, 2020	<b>\$ -</b>	<b>(560)</b>	<b>(1,780)</b>	<b>(4,688)</b>	<b>(14,764)</b>	<b>(21,792)</b>

- (v) The Company and NISHOKU BOUEKI income tax returns have been examined by the tax authority through the years up to 2019.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(n) Capital and other equity      (m) Income tax

(i) The components of income tax in the years 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Current tax expense	\$ 198,184	221,397
Deferred tax expense (benefit)	19,922	(68,202)
	<b>\$ 218,106</b>	<b>153,195</b>

(ii) The amounts of income tax expense (profit) recognized in other comprehensive income or loss for 2021 and 2020 was as follows:

	<b>2021</b>	<b>2020</b>
Foreign currency translation differences for foreign operations	\$ (8,621)	6,840

(iii) Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<b>2021</b>	<b>2020</b>
Profit excluding income tax	\$ 824,794	874,557
Income tax using the Company's domestic tax rate	278,170	278,160
Effect of tax rates in foreign jurisdiction	(32,192)	(30,040)
Undistributed earnings additional tax	2,549	-
Tax incentive-Repatriated offshore funds	(27,948)	(177,211)
Change in unrealized deferred tax assets	-	75,540
Prior year's income tax adjustment and other	(2,473)	6,746
	<b>\$ 218,106</b>	<b>153,195</b>

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1) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were all temporary differences in respect of the following items:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unrealized investment losses	\$ 75,540	75,540
Depreciation period difference	41,109	43,734
Loss on inventory valuation	31,157	37,013
The carryforward of unused tax losses	30,419	20,875
Other	8,442	13,692
	<b>\$ 186,667</b>	<b>190,854</b>

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2021 and 2020, the total value of authorized ordinary shares were amounted to \$1,500,000 thousand, of which \$20,000 thousand were reserved for the exercising of employee stock options, with par value of \$10 per share represents 150,000 thousands of ordinary shares. As of that date, both 62,671 thousands and 62,446 thousands of shares were issued and the related registration procedures were completed. All issued shares were paid up upon issuance.

The balances of capital surplus were issued and the related registration procedures were completed as of December 31, 2021 and 2020, were as follows:

	<b>Ordinary shares</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	62,446	62,296
Exercising of Employee share options	225	150
Balance on December 31	<b>62,671</b>	<b>62,446</b>

(i) Issuance of capital stock

The Company issued 180 new shares of common stock for the exercise of employee stock options in 2021. All shares were completed the related legal and registration procedures. The Company issued 195 thousand shares, with par value of \$10 per share for the exercise of employee stock options in 2020. Therein 150 thousand shares were completed the legal registration procedures. As of December 31, 2020 there were still 45 thousand shares whose legal registration procedure are unfinished and classified under advance receipts for share capital \$2,993.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital	\$ 970,593	958,419
Employee share options	10,892	10,463
	<b>\$ 981,485</b>	<b>968,882</b>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (iii) Retained earnings

The Group's article of incorporation stipulate that, when allocating the profit for each fiscal year, the Company shall first offset its losses in previous years. Of the remaining profit, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. Aside from the aforesaid legal reserve, the Company shall appropriate or reverse another sum as special earnings reserve in accordance with relevant laws or regulations or requested by the authorities in charge. The remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the amendment of the of Article 240 and Article 241 of the ROC Company Act, the Company authorized the distributable dividends and bonuses 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.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution only if the current-year retained earnings available for distribution does not reach \$0.5 per share, the Company may decide not to distribute dividend. The dividend to be distributed may be in the form of cash and stock, and cash portion of the dividend, should not be less than 30% of the total distributed dividend.

#### 1) Legal reserve

According to the amendment of the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

#### 2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be set aside as special earnings reserve during earnings distribution. Similarly, a portion of undistributed prior-period earnings shall be set aside as special earnings reserve (and can not be distributed) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2021, the total amount of special reserve amounted to \$310,459 thousand.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3) Earnings distribution

Earnings distribution for 2020 and 2019 were decided via the general meeting of shareholders held on August 12, 2021, and June 16, 2020, respectively. The relevant dividend distributions to shareholders were as follow:

	2020		2019	
	Payout per share	Amount	Payout per share	Amount
Dividend to shareholders				
Cash	\$ 10.0	<u>625,612</u>	4.0	<u>249,185</u>

#### (o) Share-based payment

(i) The Company issued 600 units of employee stock options, at 1,000 shares per unit, to its employees and its subsidiaries' who met certain requirements on July 28, 2017. The duration of the employee stock options is five year. 50%, 75%, and 100% of the stock options are exercisable 2 years, 3 years, and 4 years, respectively, after the grant date. Those qualified employees are entitled to purchase the shares at the closing price of ordinary shares of the Company on the same day. After the grant of the stock options, any changes in the ordinary shares of the Company, the exercise price of the share options will be adjusted according to the prescribed formula.

(ii) Details of the employee stock options are as follows:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at January 1	\$ 66.50 (note)	235	70.80	440
Granted during the year	-	-	-	-
Forfeited during the year	-	(50)	-	(10)
Exercised during the year	61.60	<u>(180)</u>	66.50	<u>(195)</u>
Outstanding at December 31	61.60 (note)	<u>5</u>	66.50 (note)	<u>235</u>
Exercisable at December 31		<u>-</u>		<u>135</u>
The weighted average price of the stock options		<u>\$ 18.15</u>		<u>18.15</u>

(Note) The Company adjusted the exercise price of stock options according to its requirements for issuance stock options.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The details of the stock options of the Group as of December 31, 2021 and 2020 were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Weighted average of remaining contractual period (years)	0.57	1.57

- (iii) The Company used the Black-Scholes pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	<b>2017</b>
Exercise price (NT dollars)	81.80
Share price at grant date (NT dollars)	81.80
Expected dividend	- %
Expected volatility (%)	26.78%~27.89%
Risk-free interest rate (%)	0.67%~0.73%
Expected life (years)	5

- (iv) For the years ended December 31, 2021 and 2020, the expenses attributable to share based payment amounted to \$429 thousand and \$1,283 thousand, respectively.

(p) Earnings per share

- (i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2021 and 2020, was based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders of the Company	<b>\$ 606,688</b>	<b>721,362</b>
Weighted-average number of ordinary shares (thousand shares)	<b>62,550</b>	<b>62,321</b>
Basic earnings per share	<b>\$ 9.70</b>	<b>11.57</b>

- (ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2021 and 2020, were based on the profit attributable to the ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders of the Company (diluted)	<b>\$ 606,688</b>	<b>721,362</b>

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Weighted-average number of ordinary shares (diluted) (thousand shares)

	<b>2021</b>	<b>2020</b>
Weighted-average number of ordinary shares (basic)	62,550	62,321
Effect of employee stock bonus	367	327
Weighted-average number of ordinary shares (diluted)	<b>62,917</b>	<b>62,648</b>
Diluted earnings per share	<b>\$ 9.64</b>	<b>11.51</b>

(q) Revenue from contracts with customers

(i) Details of revenue

	<b>2021</b>	<b>2020</b>
<u>Primary geographical markets</u>		
North America	\$ 1,467,672	1,608,676
Asia	454,861	530,621
Europe	2,906,577	2,668,964
	<b>\$ 4,829,110</b>	<b>4,808,261</b>
<u>Major products/services lines</u>		
Plastic injection	\$ 4,499,262	4,433,079
Mold	328,797	372,894
Others	1,051	2,288
	<b>\$ 4,829,110</b>	<b>4,808,261</b>

(ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract liabilities	<b>\$ 27,586</b>	<b>51,775</b>	<b>31,622</b>

For details on accounts receivable, please refer to note 6 (c).

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2021 and 2020, which was included in the contract liability balance at the beginning of the period, was \$51,171 thousand and \$31,622 thousand, respectively.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(r) Employee, board of directors' compensation

In accordance with the Articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and not exceed 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$27,000 thousand and \$30,000 thousand, and directors' remuneration amounting to \$10,200 thousand and \$11,705 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating. If the actual amount of the annual distribution and the estimated amount of differences, according to the changes in accounting estimates, and the difference recognized as the next year annual profit (loss). Such as the resolution of the board of directors to take the stock of employee compensation, the numbers of shares to be distributed would be calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors, please refer to Market Observation Post System for further information.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020. There is no difference in the actual distribution situation.

(s) Other revenue

The other revenue for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Interest income	\$ 54,712	63,921
Others	19,375	17,756
Total other income	<b>\$ 74,087</b>	<b>81,677</b>

(t) Other gains and losses

The other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Foreign exchange losses, net	\$ (120,332)	(261,003)
Gains (losses) on financial assets at fair value through profit or loss	(3,281)	3,584
Gains on disposals of property, plant and equipment	7,514	3,653
Others	(381)	(1,458)
	<b>\$ (116,480)</b>	<b>(255,224)</b>



## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (u) Financial Instruments

##### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Group's accounts receivable and investments.

##### 1) Accounts receivable and others receivables

For credit risk exposure of note and accounts receivable, please refer to note 6(c).

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. These criterias are reviewed periodically.

##### 2) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes their counterparts do not have significant default risk, therefore, the credit risk is insignificant.

##### 3) Credit risk exposure

As of December 31, 2021 and 2020, the Group's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the consolidated statements of financial position and amounted to \$6,973,903 thousand and \$6,418,565 thousand, respectively. The Group had deposited these bank deposits in different financial institutions, and the Group believes that there is no significant credit risk from the above mentioned financial institutions.

##### 4) Concentration of credit risk

The credit risk exposure of the Group comes from the credit of individual customers, and the industry of the customer also have effect on credit risk. For the years ended December 31, 2021 and 2020, sales to the individual customers whose revenue constituting over 10% of net revenue are 37% and 40% of total revenues respectively. As of December 31, 2021 and 2020, 26% and 43%, respectively, of accounts receivable were those customers.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1-2 years</u>
<b>December 31, 2021</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,737,760	1,739,215	1,739,215	-
Short-term notes and bills payable	99,971	100,000	100,000	-
Long-term borrowings	1,150,000	1,169,644	10,805	1,158,839
Non-interest bearing liabilities				
Notes and accounts payable	588,508	588,508	588,508	-
Lease liabilities	37,941	37,941	31,228	6,713
Other financial liabilities	51,986	51,986	51,986	-
	<b><u>\$ 3,666,166</u></b>	<b><u>3,687,294</u></b>	<b><u>2,521,742</u></b>	<b><u>1,165,552</u></b>
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 988,920	989,735	989,735	-
Long-term borrowings	1,200,000	1,220,867	11,492	1,209,375
Non-interest bearing liabilities				
Notes and accounts payable	800,428	800,428	800,428	-
Lease liabilities	70,115	70,115	39,224	30,891
Other financial liabilities	55,202	55,202	55,202	-
	<b><u>\$ 3,114,665</u></b>	<b><u>3,136,347</u></b>	<b><u>1,896,081</u></b>	<b><u>1,240,266</u></b>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exchange rate risk

The Group's significant exposure to foreign currency risk on financial assets and liabilities was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 156,910	27.680	4,343,257	153,339	28.480	4,367,099
CNY	84	4.344	363	199	4.377	870
EUR	387	31	12,106	210	35	7,349
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	6,166	27.680	170,677	8,170	28.480	232,674

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, accounts payable and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the USD and CNY at December 31, 2021 and 2020, would have increased or decreased the net profit before tax by \$41,850 thousand and \$41,426 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (including realized and unrealized portions) amounted to \$120,332 thousand and \$261,003 thousand, respectively.

#### 2) Interest rate analysis

The details of financial instruments exposed to interest rate risk were as follows:

	<u>Carrying amount</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fixed-rate instruments:		
Financial assets	\$ 2,684,754	799,575
Financial liabilities	(2,287,731)	(1,288,920)
	<u>\$ 397,023</u>	<u>(489,345)</u>
Variable-rate instruments:		
Financial assets	\$ 2,633,734	1,826,437
Financial liabilities	(700,000)	(900,000)
	<u>\$ 1,933,734</u>	<u>926,437</u>

The sensitivity analysis is based on the exposure to the interest rate risk of nonderivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases 1 basis points when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1 basis points, the Group's net income would have decreased / increased by \$4,834 thousand and \$2,316 thousand for the years ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and bank deposits in variable-rate bills.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

1) Fair value of financial instruments

The fair value of financial assets at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2021			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets at fair value through profit or loss-current	<u>\$ 104,006</u>	<u>38,861</u>	<u>-</u>	<u>65,145</u>	<u>104,006</u>
Non derivative financial assets at fair value through profit or loss-non-current	<u>\$ 197,419</u>	<u>197,419</u>	<u>-</u>	<u>-</u>	<u>197,419</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,999,433				
Notes and accounts receivable, net	1,352,595				
Other financial assets-current	1,023				
Refundable deposits	12,375				
Financial assets measured at amortized cost-current	55,360				
Non-current financial assets measured at amortized cost	<u>1,264,067</u>				
	<u>\$ 6,684,853</u>				
Financial liabilities measured at amortized cost					
Long and short term borrowings	\$ 2,887,760				
Short-term notes and bills payable	99,971				
Notes and accounts payable	588,508				
Lease liabilities	37,941				
Other payables	<u>51,986</u>				
	<u>\$ 3,666,166</u>				

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	December 31, 2020			
	Carrying amounts	Fair Value		
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Non derivative financial assets at fair value through profit or loss-current	<u>\$ 665,743</u>	<u>46,663</u>	<u>6,247</u>	<u>612,833</u>
Non derivative financial assets at fair value through profit or loss-non current	<u>\$ 126,439</u>	<u>126,439</u>	-	<u>126,439</u>
Financial assets measured at amortized cost				
Cash and cash equivalents	\$ 2,626,650			
Notes and accounts receivable, net	1,817,252			
Other financial assets-current	560			
Refundable deposits	15,099			
Financial assets measured at amortized cost-current	56,960			
Non-current financial assets measured at amortized cost	<u>1,124,961</u>			
	<u>\$ 5,641,482</u>			
Financial liabilities measured at amortized cost				
Long and short term borrowings	\$ 2,188,920			
Short-term notes and bills payable	800,428			
Lease liabilities	70,115			
Other payables	<u>55,202</u>			
	<u>\$ 3,114,665</u>			

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. Fair value of forward currency is usually determined by the forward currency exchange rate.

#### 3) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	<u>At fair value through profit or loss</u>	
	<u>2021</u>	<u>2020</u>
Balance in the beginning of the period	\$ 612,833	430,513
Recognized In profit or loss	34,946	32,133
Purchased	673,164	1,969,820
Disposal	<u>(1,255,798)</u>	<u>(1,819,633)</u>
Balance in the ending of the period	<u><b>\$ 65,145</b></u>	<u><b>612,833</b></u>

The aforementioned total gains and losses were recognized in “other income”. There were no transfers from all Level in 2021 and 2020.

#### 4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value are “financial assets measured at fair value through profit or loss –fixed income financial instrument” and derivative financial assets. The financial assets’ fair value are using the prior transaction price before adjustments or third-party pricing information. The unobservable inputs are not set up as the Group measures fair value, so the quantified information of significant unobservable inputs are not disclosed.

#### (v) Financial risk management

##### (i) Structure of risk management

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(ii) The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

For more disclosures about the quantitative effects of these risks exposures and the Group's objectives, policies and processes for measuring and managing the above mentioned risks, please refer to note 6(u).

(w) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, paid-in capital, and retained earnings. As of December 31, 2021 and 2020, the Group's equity-to-asset ratios were 49% and 52%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2021.

(x) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

(i) For acquisition of right-of-use assets, please refer to note 6(g).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Changes in lease payment	Foreign exchange movement and others	
Short-term borrowings	\$ 988,920	748,840	-	-	1,737,760
Short-term notes and bills payable	-	100,000	-	(29)	99,971
Long-term borrowings	1,200,000	(50,000)	-	-	1,150,000
Lease liabilities	70,115	(39,697)	7,459	64	37,941
<b>Total liabilities from financing activities</b>	<b>\$ 2,259,035</b>	<b>759,143</b>	<b>7,459</b>	<b>35</b>	<b>3,025,672</b>

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Changes in lease payment	Foreign exchange movement and others	
Short-term borrowings	\$ 824,790	164,130	-	-	988,920
Short-term notes and bills payable	149,994	(150,000)	-	6	-
Long-term borrowings	1,000,000	200,000	-	-	1,200,000
Lease liabilities	135,117	(57,064)	(9,906)	1,968	70,115
Total liabilities from financing activities	<u>\$ 2,109,901</u>	<u>157,066</u>	<u>(9,906)</u>	<u>1,974</u>	<u>2,259,035</u>

#### (7) Related-party transactions:

(a) Transaction of key management personnel

(iii) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 50,051	51,351
Post-employment benefits	324	216
	<u>\$ 50,375</u>	<u>51,567</u>

#### (8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Demand deposits (classified under other current financial assets)	Short-term borrowings	\$ 55,360	56,960
Demand deposits (classified under other current assets)	Performance bond	1,704	-
Demand deposits (classified under other current financial assets)	Guarantee for carbon emission	25	25
		<u>\$ 57,089</u>	<u>56,985</u>



## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

**(9) Significant Commitments and Contingencies:**

(a) Unrecognized contractual commitments

- (i) The Group's unrecognized contractual commitments to the purchase of plant and equipment are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Acquisition of property, plant and equipment	<b>\$ 79,739</b>	<b>42,920</b>

- (ii) For the necessary to bank loan and operating capital, the Company and its subsidiaries provide guarantee and endorsement for other parties were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Outstanding guarantee notes	<b>\$ 1,360,064</b>	<b>1,398,688</b>
Actual usage amount	<b>\$ 193,760</b>	<b>153,920</b>

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salary	900,465	202,307	1,102,772	798,071	228,698	1,026,769
Labor and health insurance	24,057	10,295	34,352	20,278	8,956	29,234
Pension	34,216	8,730	42,946	21,418	6,018	27,436
Others	24,242	35,874	60,116	21,015	34,129	55,144
Depreciation	185,131	52,943	238,074	217,348	52,540	269,888
Amortization	2,664	3,143	5,807	3,435	3,709	7,144

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

##### (i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 3)	Ending balance (Note 3)	Actual usage amount during the period	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
0	The Company	NISHOKU VIETNAM	Other accounts receivable	Yes	285,350	276,800	249,120	0.63~0.72%	Necessary to loan other parties	-	Operating capital	-	-	-	441,570 (Note 1)	1,766,280 (Note 1)

Note 1: The individual amount and the total amount for lending to a company shall not exceed 10% and 40% of the lending company’s net worth in the latest financial statement, respectively. The Company for lending to the Company directly or indirectly holds 100% of their shares, with the loan amount not limited and the total amounts not exceeding the lending company’s net worth in the last financial statement.

Note 2: Related transaction have been eliminated during the preparation of the consolidated financial statements.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

##### (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	SAME START (Anguilla)	3	4,415,699	113,560	-	-	-	- %	4,415,699	Y	N	N
0	"	NISHOKU VIETNAM	2	4,415,699	1,196,688	1,184,704	193,760	-	26.83%	4,415,699	"	"	"
0	"	NISHOKU BOUEKI	2	4,415,699	176,560	175,360	-	-	3.97%	4,415,699	"	"	"

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 100%, respectively, of the Company net worth in the latest financial statements. The total amount of the guarantee that the Company and its subsidiaries to a company shall not exceed 100%, of the Company’s net worth in the latest financial statement. The Company directly or indirectly holds 100% of their shares, the guarantee amounts not limited by the Company’s net worth in the latest financial statement.

Note 2: The relationship of guarantor and endorsements to related parties were as follows:

- 1) Business relationship between the Company
- 2) The Company directly or indirectly holds over 50% of subsidiaries’ shares;
- 3) The parent company and its subsidiaries holds over 50% of investees’ shares
- 4) A subsidiary jointed owned over 50% by the Company and the Company’s directly-owned subsidiary.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Nomura Global Financial Bond Fund	None	Financial assets at fair value through profit or loss - current	-	8,260	- %	8,260	
"	JPMorgan Investment Funds–Global High Yield Bond Fund	"	"	-	8,360	- %	8,360	
"	ABITL Income Multi-asset Income Fund of Funds A2	"	"	-	5,697	- %	5,697	
"	BGF ESG Multi-Asset Fund	"	"	-	11,142	- %	11,142	
NISHOKU BOUEKI	PineBridge Preferred Securities Income Fund	"	"	-	5,402	- %	5,402	
NISHOKU SHENZHEN	Fixed income financial instruments	"	"	-	65,145	- %	65,145	
The Company	Allianz Global Investors Income and Growth Fund A	"	Financial assets at fair value through profit or loss - non current	-	11,173	- %	11,173	
"	Allianz Global Investors Income and Growth Fund	"	"	-	46,552	- %	46,552	
"	PineBridge Global ESG Quantitative Bond Fund	"	"	-	46,223	- %	46,223	
"	PineBridge Global Multi-Strategy High Yield Bond Fund	"	"	-	37,455	- %	37,455	
"	Nomura Global Financial Bond Fund	"	"	-	22,092	- %	22,092	
"	ESITC GLOBAL HIGH YIELD BOND FUND	"	"	-	12,127	- %	12,127	
"	ABITL Income Fund -Multi Asset Income Fund of Funds N	"	"	-	21,797	- %	21,797	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
KUNSHAN NISHOKU PLASTIC	Fixed income financial instrument	Financial assets at fair value through profit or loss-current	Wells Fargo Asset Management (Shanghai)	None	-	218,869	-	217,150	-	448,664	436,019	12,645	-	-
NISHOKU SHENZHEN	"	Financial assets at fair value through profit or loss-current	Wells Fargo Asset Management (Shanghai)	"	-	393,964	-	456,014	-	807,134	784,833	22,301	-	65,145

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
SAME START (Anguilla)	KUNSHAN NISHOKU PLASTIC	Associate	Purchase	194,219	88%	Note 1	Note 1	Note 1	(68,975)	(87)%	Note 2
KUNSHAN NISHOKU PLASTIC	SAME START (Anguilla)	"	Sale	(194,219)	(5)%	"	"	"	68,975	6%	"
The Company	KUNSHAN NISHOKU PLASTIC	"	Sale	(900,917)	(70)%	"	"	"	192,562	64%	Note 2
KUNSHAN NISHOKU PLASTIC	The Company	"	Purchase	900,917	52%	"	"	"	(192,562)	(35)%	"
The Company	NISHOKU VIETNAM	"	Sale	(143,112)	(11)%	"	"	"	50,713	17%	"
NISHOKU VIETNAM	The Company	"	Purchase	143,112	47%	"	"	"	(50,713)	(51)%	Note 2
SAME START (Anguilla)	The Company	"	Sale	(125,332)	(58)%	"	"	"	41,135	56%	"
The Company	SAME START (Anguilla)	"	Purchase	125,332	15%	"	"	"	(41,135)	(23)%	Note 2

Note 1: Payment term given to related parties and third parties were 90 days and 60 to 120 days, respectively. In addition, the Company did not buy same product from third part, so the purchase price can not be compared.

Note 2: The subsidiaries did not purchase or sale same product from third parties, so the purchase (sale) price can not be compared. In addition, the receipt terms of related parties were not significant different to third parties.

Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	KUNSHAN NISHOKU PLASTIC	Associate	192,562	3.64	-		69,279	-

Note 1: Until January 28, 2022.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

The following is the information for the years ended December 31, 2020, business relationships and significant intercompany transactions with the amounts exceeding NT\$10 million:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions,			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	SAME START (Anguilla)	1	Purchase	125,332	Note 3	3%
"	"	"	1	Account Payable	41,135	"	-%
"	"	KUNSHAN NISHOKU PLASTIC	1	Sales	900,917	"	18%
"	"	"	1	Account receivable	192,562	"	2%
"	"	NISHOKU VIETNAM	1	Sales	143,112	"	3%
"	"	"	1	Account receivable	50,713	"	1%
"	"	"	1	Other receivables	249,120	Loans	3%
1	SAME START (Anguilla)	NISHOKU SHENZHEN	3	Purchase	25,161	"	1%
"	"	"	3	Account Payable	10,147	"	-%
"	"	KUNSHAN NISHOKU PLASTIC	3	Purchase	194,219	"	4%
"	"	"	3	Account Payable	68,975	"	1%
"	"	NISHOKU VIETNAM	3	Sales	86,108	"	2%
"	"	"	3	Account receivable	31,807	"	-%

Note 1: "0" represents the parent company, and the others represent the subsidiaries.

Note 2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note 3: The trading price and product that purchase or sale from related parties that did not purchase or sale from third parties, so can not be compared. The payments terms were 90 days for related parties.

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest balance during the year		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	SUN NICE (SAMOA)	SAMOA	Holding	1,096,194	1,096,194	56,282	100%	34,468	100.00%	4,538,818	564,574	564,574	
"	NISHOKU BOUEKI	Taiwan	Purchase and sales of plastic raws and parts	1,000	1,000	6,300	100%	6,300	100.00%	106,388	(3,076)	(1,676)	
"	NISHOKU VIETNAM	Vietnam	Manufacture and sale of tooling and plastic products	508,434 (USD 16,500 thousand)	508,434 (USD 16,500 thousand)	-	100%	-	100.00%	136,258	30,542	30,851	
SUN NICE	SAME START (Anquilla)	Aquilla	Purchase and sale of mold and plastic products	-	-	-	100%	-	100.00%	(31,132)	60,137	28,490	
"	NISHOKU HK	HK	Holding	1,800,361 (USD 57,915 thousand)	1,800,361 (USD 57,915 thousand)	62,298	100%	62,298	100.00%	3,644,042	385,025	385,025	
"	SUNNICE (BVI)	BVI	"	585,292 (USD 17,948 thousand)	585,292 (USD 17,948 thousand)	15,697	100%	15,697	100.00%	982,222	151,235	151,235	

Note 1: Transactions within the Group were eliminated in the consolidated financial statements

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 1)	Book value (Note 1)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
NISHOKU SHENZHEN	Manufacture and sale of mold and plastic products	USD11,288 thousand	Indirect investment through third area	703,870 (USD22,939 thousand)	-	-	703,870 (USD22,939 thousand)	5,580	100.00%	5,580	828,113	475,841
KUNSHAN NISHOKU PLASTIC	Manufacture and sale of mold and plastic products	USD53,310 thousand	"	1,674,270 (USD52,524 thousand)	-	-	1,674,270 (USD52,524 thousand)	533,010	100.00%	530,721	3,436,928	675,359

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,378,140	2,378,140	(Note 2)

Note 1: The above investment income (loss) in mainland China were based on financial statements audited by the Company's auditors.

Note 2: The Company has received the certificate issue by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start operating of its headquarters.

Note 3: Above investment amount within the Group were eliminated in the consolidated financial statements.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Yi Feng Investment Limited		4,736,000	7.55%
Ji Teng Investment Limited		4,500,000	7.18%
Yun Ding Investment Limited		4,050,000	6.46%
CTBC Bank Trusted Custody investment account_Gold Talent Co., Ltd.		3,897,856	6.21%
Jin Hong Investment Limited		3,600,000	5.74%

## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (14) Segment information:

(a) General information

The Group identifies its operating segments based on decision of the chief operating decision maker (CODM). The Group's operating segments are in United States, Asia and Europe, etc. Those operating segments are reportable segments. The Revenue from manufacture and supply electronic parts to clients. Since the strategy of each segment is different, it is necessary to separate them for management.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies".

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price. The Group's product revenues from geographical clients are as follows:

	2021				
	United States	Asia	Europe	Elimination	Total
<b>Revenue from external customers</b>	<b>\$ 1,467,672</b>	<b>454,861</b>	<b>2,906,577</b>	-	<b>4,829,110</b>
<b>Reportable segment profit or loss</b>	<b>\$ 461,751</b>	<b>32,439</b>	<b>395,392</b>	-	<b>889,582</b>
	2020				
	United States	Asia	Europe	Elimination	Total
<b>Revenue from external customers</b>	<b>\$ 1,608,676</b>	<b>530,621</b>	<b>2,668,964</b>	-	<b>4,808,261</b>
<b>Reportable segment profit or loss</b>	<b>\$ 518,245</b>	<b>44,212</b>	<b>506,595</b>	-	<b>1,069,052</b>



## NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(c) Product and service information

Revenue from external customers of the Group was as follows:

<u>Product and Services</u>	<u>2021</u>	<u>2020</u>
Plastic injection	\$ 4,499,262	4,433,079
Mold	328,797	372,894
Others	1,051	2,288
Total	<u>\$ 4,829,110</u>	<u>4,808,261</u>

(d) Major customers

Sales to individual clients constituting over 10% of total revenue in 2021 and 2020 are summarized as follows:

<u>Customer</u>	<u>2021</u>	
	<u>Amount</u>	<u>Percentage of net sales</u>
Company A	<u>\$ 1,800,416</u>	<u>37</u>
<u>Customer</u>	<u>2020</u>	
	<u>Amount</u>	<u>Percentage of net sales</u>
Company A	<u>\$ 1,920,512</u>	<u>40</u>

## 6.5 Non-Consolidated Financial Statements

### 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, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years 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, 2021 and 2020, 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 25, 2022

**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, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2021</u>		<u>December 31, 2020</u>				<u>December 31, 2021</u>		<u>December 31, 2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Liabilities and Equity</b>						<b>Assets</b>					
<b>Current liabilities:</b>						<b>Current assets:</b>					
2100	Short-term borrowings (note 6(i))	\$ 1,500,000	18	790,000	11	1100	Cash and cash equivalents (note 6(a))	\$ 978,669	12	455,105	6
2110	Short-term notes and bills payable (note 6(j))	99,971	1	-	-	1110	Current financial assets at fair value through profit or loss (note 6(b))	33,459	1	28,624	-
2170	Notes and accounts payable	135,526	2	176,798	2	1170	Accounts receivable, net (notes 6(c) and 7)	301,550	4	338,261	5
2180	Accounts payable to related parties (note 7)	41,135	1	17,686	-	130X	Inventories (note 6(d))	28,095	-	37,504	1
2280	Current lease liabilities (note 6(l))	3,960	-	1,548	-	1470	Other current assets	14,171	-	17,922	-
2300	Other current liabilities	166,069	2	129,838	2	1476	Other current financial assets (note 7)	249,876	3	235,257	3
		<u>1,946,661</u>	<u>24</u>	<u>1,115,870</u>	<u>15</u>			<u>1,605,820</u>	<u>20</u>	<u>1,112,673</u>	<u>15</u>
<b>Non-Current liabilities:</b>						<b>Non-current assets:</b>					
2540	Long-term borrowings (note 6(k))	1,150,000	14	1,200,000	16	1510	Non-current financial assets at fair value through profit or loss (note 6(b))	197,419	2	126,439	2
2570	Deferred tax liabilities (note 6(n))	663,741	8	651,965	9	1535	Non-current financial assets at amortised cost, net (note 6(e))	1,264,067	15	1,124,961	15
2580	Non-Current lease liabilities (note 6(l))	6,713	-	-	-	1551	Investments accounted for using equity method (notes 6(f) and 7)	4,781,464	59	4,738,549	64
		<u>1,820,454</u>	<u>22</u>	<u>1,851,965</u>	<u>25</u>	1600	Property, plant and equipment (note 6(f))	301,775	4	299,596	4
	<b>Total liabilities</b>	<u>3,767,115</u>	<u>46</u>	<u>2,967,835</u>	<u>40</u>	1755	Right-of-use assets (note 6(h))	10,658	-	1,529	-
<b>Equity attributable to owners (notes 6(o) and (p)):</b>						1840	Deferred income tax assets (note 6(n))	16,646	-	16,903	-
3110	Ordinary share	626,712	8	624,462	8	1990	Other non-current asset	4,965	-	4,431	-
3140	Advance receipts for share capital	-	-	2,993	-			<u>6,576,994</u>	<u>80</u>	<u>6,312,408</u>	<u>85</u>
3200	Capital surplus	981,485	12	968,882	13						
<b>Retained earnings:</b>											
3310	Legal reserve	610,265	7	538,129	7						
3320	Special reserve	310,459	4	337,817	5						
3350	Unappropriated retained earnings	2,231,720	27	2,295,422	31						
		<u>3,152,444</u>	<u>38</u>	<u>3,171,368</u>	<u>43</u>						
3400	Other equity	(344,942)	(4)	(310,459)	(4)						
	<b>Total equity</b>	<u>4,415,699</u>	<u>54</u>	<u>4,457,246</u>	<u>60</u>						
	<b>Total liabilities and equity</b>	<u>\$ 8,182,814</u>	<u>100</u>	<u>7,425,081</u>	<u>100</u>		<b>Total assets</b>	<u>\$ 8,182,814</u>	<u>100</u>	<u>7,425,081</u>	<u>100</u>

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

**NISHOKU TECHNOLOGY INC.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

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

	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Sales revenue</b> (notes 6(r) and 7)			
	\$ 1,294,292	101	869,936	100
4170	Less: Sales returns	8,811	736	-
	<b>Net Operating revenues</b>	1,285,481	869,200	100
5000	<b>Operating costs</b> (notes 6(d), (g), (m), 7 and 12)	883,916	590,028	68
5910	Less: Unrealized profit from sales	19,718	43,843	5
	<b>Gross profit from operations</b>	381,847	235,329	27
6000	<b>Operating expenses</b> (notes 6(c), (g), (m), (p) and 12)			
6100	Selling expenses	7,109	7,147	1
6200	Administrative expenses	139,613	123,665	14
6300	Research and development expenses	10,843	9,559	1
6450	Expected credit loss	106	401	-
		157,671	140,772	16
	<b>Net operating loss</b>	224,176	94,557	11
	<b>Non-operating income and expenses:</b>			
7010	Other income (note 6(t))	13,589	14,427	2
7020	Other gains and losses, net (note 6(u))	(66,405)	(75,308)	(9)
7050	Finance costs, net	(20,347)	(16,649)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method, net	593,749	767,513	88
	<b>Total non-operating income and expenses</b>	520,586	689,983	79
7900	<b>Profit before tax</b>	744,762	784,540	90
7950	Less: Income tax expenses (note 6(n))	138,074	63,178	7
	<b>Profit</b>	606,688	721,362	83
8300	<b>Other comprehensive income (loss):</b>			
8360	<b>Items that may be reclassified subsequently to profit or loss</b>			
8361	Exchange differences on translation of foreign operations	(43,104)	34,198	4
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(n))	8,621	(6,840)	(1)
8300	<b>Other comprehensive income (after tax)</b>	(34,483)	27,358	3
8500	<b>Total comprehensive income</b>	<b>\$ 572,205</b>	<b>748,720</b>	<b>86</b>
9750	Basic earnings per share (NT dollars) (note 6(q))	<b>\$ 9.70</b>	<b>11.57</b>	
9850	Diluted earnings per share (NT dollars) (note 6(q))	<b>\$ 9.64</b>	<b>11.51</b>	

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

**NISHOKU TECHNOLOGY INC.**

**Statements of Changes in Equity**

**For the years ended December 31, 2021 and 2020**

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

	Share capital			Retained earnings			Other equity	Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
<b>Balance at January 1, 2020</b>	\$ 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
<b>Balance at December 31, 2020</b>	624,462	2,993	968,882	538,129	337,817	2,295,422	(310,459)	4,457,246
Profit for the year ended December 31, 2021	-	-	-	-	-	606,688	-	606,688
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	(34,483)	(34,483)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	606,688	(34,483)	572,205
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	-	72,136	-	(72,136)	-	-
Reversal of special reserve	-	-	-	-	(27,358)	27,358	-	-
Cash dividends of ordinary share	-	-	-	-	-	(625,612)	-	(625,612)
Stock option compensation cost	-	-	429	-	-	-	-	429
Issuance of shares exercise of employee stock option	2,250	(2,993)	12,174	-	-	-	-	11,431
<b>Balance at December 31, 2021</b>	\$ 626,712	-	981,485	610,265	310,459	2,231,720	(344,942)	4,415,699

## NISHOKU TECHNOLOGY INC.

## Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 744,762	784,540
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	8,770	12,534
Expected credit loss	106	401
Interest expense	20,347	16,649
Net loss (gain) on financial assets at fair value through profit or loss	3,493	(2,940)
Interest income	(10,202)	(11,113)
Stock option compensation cost	429	1,283
Share of profit of subsidiaries accounted for using equity method	(593,749)	(767,513)
Gain on disposal of property, plant and equipment	(12)	-
Unrealized profit from sales	19,718	43,843
Recognition losses on (reversal of) inventory valuation and obsolescence	(504)	564
<b>Total adjustments to reconcile profit (loss)</b>	<b>(551,604)</b>	<b>(706,292)</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss	(4,193)	(28,490)
Notes and accounts receivables (including related parties)	36,605	(272,398)
Inventories	9,913	(28,933)
Other current assets and other financial assets	4,547	(15,971)
	<b>46,872</b>	<b>(345,792)</b>
<b>Changes in operating liabilities:</b>		
Notes and accounts payables (including related parties)	(17,823)	116,330
Other current liabilities	(7,377)	36,376
	<b>(25,200)</b>	<b>152,706</b>
<b>Total changes in operating assets and liabilities</b>	<b>21,672</b>	<b>(193,086)</b>
<b>Total adjustments</b>	<b>(529,932)</b>	<b>(899,378)</b>
Cash inflow (outflow) generated from operations	214,830	(114,838)
Interest received	10,098	12,974
Interest paid	(20,336)	(16,602)
Income taxes paid	(74,608)	(120,166)
<b>Net cash flows from (used in) operating activities</b>	<b>129,984</b>	<b>(238,632)</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortised cost	(139,106)	(1,124,961)
Acquisition of Non-Current financial assets at fair value through profit or loss	(79,436)	(123,633)
Proceeds from disposal of financial assets at fair value through profit or loss	4,321	-
Acquisition of investments accounted for using equity method	-	(241,120)
Cash dividends from investments accounted for using equity method	488,012	1,505,266
Acquisition of property, plant and equipment	(7,501)	(188)
Proceeds from disposal of property, plant and equipment	12	-
Increase in other receivables due from related parties	(14,515)	(227,840)
Increase in other non-current assets	(1,153)	(722)
<b>Net cash flows from (used in) investing activities</b>	<b>250,634</b>	<b>(213,198)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	710,000	280,000
Increase (decrease) in short-term notes and bills payable	100,000	(150,000)
Proceeds from (repayments of) long-term borrowings	(50,000)	200,000
Payment of lease liabilities	(2,873)	(3,487)
Cash dividends paid	(625,612)	(249,185)
Exercise of employee share options	11,431	12,968
<b>Net cash flows from financing activities</b>	<b>142,946</b>	<b>90,296</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>523,564</b>	<b>(361,534)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>455,105</b>	<b>816,639</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 978,669</b>	<b>455,105</b>



(English Translation of Financial Statements Originally Issued in Chinese)

**NISHOKU TECHNOLOGY INC.**

**Notes to the Financial Statements**

**For the years ended December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**(1) Company history**

NISHOKU TECHNOLOGY INC. (the “Company”) was incorporated in year 1980, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) on October 5, 2011. The Company primarily is involved in the manufacture and sale of plastic injection mold, tooling manufacturing and general import and export Trade.

**(2) Approval date and procedures of the financial statements:**

These financial statements were authorized for issue by the board of directors on February 25, 2022.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

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- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**(4) Summary of significant accounting policies:**

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

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies are applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the financial instruments at fair value through profit or loss are measured at fair value, the financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

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(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits, which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ;  
and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

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ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing

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3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Other financial liabilities

Financial liabilities are classified as measured at amortized cost, which comprise loans and borrowings, and trade and other payables. Interest expense and foreign exchange gains and losses are recognized in profit or loss, and is included in financial costs under non-operating income or expenses. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.



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The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 50 years
- 2) Accessory equipment of buildings: 8~10 years
- 3) Machinery and equipment: 3~8 years
- 4) Office and other equipment: 3~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company manufactures and sells plastic goods and molds. The Company recognizes revenue when control of the products has transferred, a point in time when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, since this is the point in time when the Company has a right to receive an amount of consideration unconditionally.

(ii) Financing components

The Company does not expect to have any contracts which the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as employee expenses, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax asset are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
  - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
    - 1) the same taxable entity; or
    - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company dividend by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

- (r) Operating segments

Please refer to Company's consolidated financial statements for the years ended December 31, 2021 and 2020, for further details.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgment made in applying the accounting policies that have significant effects on amounts recognized in financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the following year is as follows:

- (a) The loss allowance of accounts receivable of subsidiaries accounted for using equity method

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

- (b) Valuation of inventories of subsidiaries accounted for using equity method

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be changes in the net realizable value of inventories.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(v) for assumptions used in measuring fair value.

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**(6) Explanation of significant accounts:**

(a) Cash and cash Equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and demand deposits	\$ 162,109	198,785
Time deposits	304,480	-
Bond acquired under repurchase agreement	512,080	256,320
Cash and cash equivalents in the statement of cash flows	<b>\$ 978,669</b>	<b>455,105</b>

Please refer to note 6(v) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets at fair value through profit or loss

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial assets at fair value through profit or loss		
Fund investments-current	<b>\$ 33,459</b>	<b>28,624</b>
Fund investments-non-current	<b>\$ 197,419</b>	<b>126,439</b>

(i) Please refer to Note 6(e) for fund investments-non-current.

(ii) Please refer to note 6(v) for credit risk and market risk.

(iii) As of December 31, 2021 and 2020, the Company did not provide any financial assets as collateral for its loans.

(c) Accounts receivable (including related parties)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable (including related parties)	\$ 301,663	338,740
Less : Loss allowance	(113)	(479)
	<b>\$ 301,550</b>	<b>338,261</b>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provisions were determined as follows:

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	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 294,404	-%	-
0 to 120 days past due	7,146	0%~1%	-
121 to 270 days past due	113	0%~100%	113
<b>Total</b>	<b>\$ 301,663</b>		<b>113</b>

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 338,099	-%	-
0 to 120 days past due	162	0%~1%	-
More than 1 year past due	479	100%	479
<b>Total</b>	<b>\$ 338,740</b>		<b>479</b>

The movement in the allowance for notes and accounts receivables were as follows:

	<b>2021</b>	<b>2020</b>
Blance at January 1	\$ 479	78
Impairment losses recognized	106	401
Amounts written off	(472)	-
<b>Balance at December 31</b>	<b>\$ 113</b>	<b>479</b>

(d) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 4,371	1,683
Work in process and semi-finished products	1,377	755
Finished goods	11,589	2,683
Merchandise	10,758	32,383
	<b>\$ 28,095</b>	<b>37,504</b>

For the years ended December 31, 2021 and 2020, raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sale amounted to \$883,916 thousand and \$590,028 thousand, respectively. For the years ended December 31, 2021 and 2020, the Company recognized the losses (reversal of gains) on inventory valuation and obsolescence as cost of goods sold amounting to \$(504) thousand and \$564 thousand, respectively.

As of December 31, 2021 and 2020, the Company did not provide any inventories as collateral for its loans.



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(e) Non-current financial assets at amortized cost

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Restricted bank deposit	<b>\$ 1,264,067</b>	<b>1,124,961</b>

In June, 2021 and May and July, 2020, the Company applied to IRS for the application of “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” (hereinafter referred to as the “Act”), and the remittance was approved within one month. According to the Act, the funds need to be deposited in a special-purpose account for five years, and 5% of the funds can be used without restriction, 25% can be used on financial investment, and 70%, at least, can be used for substantive investment; Otherwise, the funds can only be redeemed within 3 consecutive years on average after the five years maturity. Please refer to Note 6(b) for financial investments.

(f) Investments accounted for using equity method

A summary of the Company’s financial information for investments accounted for using the equity method at the reporting date is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiaries	<b>\$ 4,781,464</b>	<b>4,738,549</b>

(i) Subsidiaries

Please refer to the Company’s consolidated financial statements for the year ended December 31, 2021, for details of subsidiaries.

(ii) As of December 31, 2021 and 2020, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(g) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020, were as follows:

	<b>Land</b>	<b>Building</b>	<b>Machinery and equipment</b>	<b>Office and other equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>					
Balance on January 1, 2021	\$ 179,672	218,832	15,438	2,873	416,815
Additions	-	173	6,785	543	7,501
Disposals	-	-	(371)	-	(371)
Balance on December 31, 2021	<b>\$ 179,672</b>	<b>219,005</b>	<b>21,852</b>	<b>3,416</b>	<b>423,945</b>
Balance on January 1, 2020	\$ 179,672	218,832	15,250	3,683	417,437
Additions	-	-	188	-	188
Disposals	-	-	-	(810)	(810)
Balance on December 31, 2020	<b>\$ 179,672</b>	<b>218,832</b>	<b>15,438</b>	<b>2,873</b>	<b>416,815</b>

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	Land	Building	Machinery and equipment	Office and other equipment	Total
<b>Depreciation and impairments loss:</b>					
Balance on January 1, 2021	\$ -	101,740	12,879	2,600	117,219
Depreciation	-	3,865	1,165	292	5,322
Disposals	-	-	(371)	-	(371)
Balance on December 31, 2021	<u>\$ -</u>	<u>105,605</u>	<u>13,673</u>	<u>2,892</u>	<u>122,170</u>
Balance on January 1, 2020	\$ -	94,855	11,939	2,902	109,696
Depreciation	-	6,885	940	508	8,333
Disposals	-	-	-	(810)	(810)
Balance on December 31, 2020	<u>\$ -</u>	<u>101,740</u>	<u>12,879</u>	<u>2,600</u>	<u>117,219</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2021	<u>\$ 179,672</u>	<u>113,400</u>	<u>8,179</u>	<u>524</u>	<u>301,775</u>
Balance on December 31, 2020	<u>\$ 179,672</u>	<u>117,092</u>	<u>2,559</u>	<u>273</u>	<u>299,596</u>

As of December 31, 2021 and 2020, the property, plant and equipment of the Company had not been pledged as collateral.

(h) Right-of-use assets

The Company leases vehicles. Information about leases for which the Company as a lessee was presented below:

	Vehicles
<b>Cost:</b>	
Balance at January 1, 2021	\$ 8,399
Additions	11,958
Disposals/ Wright-off	(8,399)
Balance at December 31, 2021	<u>\$ 11,958</u>
Balance at December 31, 2020 (equal to balance at January 1, 2020)	<u>\$ 8,399</u>
<b>Accumulated depreciation and impairment losses:</b>	
Balance at January 1, 2021	\$ 6,870
Depreciation for the year	2,829
Disposals	(8,399)
Balance at December 31, 2021	<u>\$ 1,300</u>
Balance at January 1, 2020	\$ 3,435
Depreciation for the year	3,435
Balance at December 31, 2020	<u>\$ 6,870</u>
<b>Carrying amount:</b>	
Balance at December 31, 2021	<u>\$ 10,658</u>
Balance at December 31, 2020	<u>\$ 1,529</u>

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(i) Short-term borrowings

The Short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Credit loans, no pledge	<b>\$ 1,500,000</b>	<b>790,000</b>
Interest rate range	<b>0.77%~0.83%</b>	<b>0.78%~0.83%</b>

(j) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2021		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	Mega Bills	0.59%	\$ 100,000
Less: Discount on short-term notes and bills payable			(29)
Total			<b>\$ 99,971</b>

(k) Long-term borrowings

The detail were as follows:

	December 31, 2021			
	Currency	Interest rate range	Maturity year	Amount
Unsecured bank loans	NTD	0.92%~0.96%	2023	<b>\$ 1,150,000</b>
	December 31, 2020			
	Currency	Interest rate range	Maturity year	Amount
Unsecured bank loans	NTD	0.95%~0.98%	2022	<b>\$ 1,200,000</b>

Please refer to note 6(v) for the exchange rate risk, the interest rate risk, and the sensitivity analysis of the financial assets and liabilities of the Company.

(l) Lease liabilities

	December 31, 2021	December 31, 2020
Current	<b>\$ 3,960</b>	<b>1,548</b>
Non-current financial assets	<b>\$ 6,713</b>	<b>-</b>

For the maturity analysis, please refer to note 6(v).

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The amounts recognized in profit or loss was as follows:

	<u>2021</u>	<u>2020</u>
Interest expenses on lease liabilities	<u>\$ 40</u>	<u>41</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 2,913</u>	<u>3,487</u>

(m) Employee benefits

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Labor Insurance amounted to \$3,521 thousand and \$2,337 thousand for the years ended December 31, 2021 and 2020, respectively.

(n) Income taxes

(i) The components of income tax in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 117,420	130,951
Deferred tax expense (benefit)	20,654	(67,773)
	<u>\$ 138,074</u>	<u>63,178</u>

(ii) The amounts of income tax profit recognized in other comprehensive income or loss for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Foreign currency translation differences for foreign operations	<u>\$ (8,621)</u>	<u>6,840</u>

(iii) Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Profit excluding income tax	\$ 744,762	784,540
Income tax using the Company's domestic tax rate	148,952	156,908
Tax incentive- Repatriated offshore funds	(27,948)	(177,211)
Change in unrealized deferred tax assets	-	75,540
Undistributed earnings additional tax	2,549	-
Others	14,521	7,941
	<u>\$ 138,074</u>	<u>63,178</u>

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(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

There were no unrecognized deferred tax liabilities and the unrecognized deferred tax assets were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unrealized investment losses	<b>\$ 75,540</b>	<b>75,540</b>

2) Recognized deferred tax liabilities

Changes in the amounts of deferred tax liabilities for 2021 and 2020, were as of follows:

	<b>Investment income recognized under the equity method</b>	<b>Foreign currency translation differences for foreign operations</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities				
Balance at January 1, 2021	\$ 725,246	(73,877)	596	651,965
Recognized in profit or loss	22,765	-	(588)	22,177
Foreign currency translation differences for foreign operations	-	(10,401)	-	(10,401)
Balance at December 31, 2021	<b>\$ 748,011</b>	<b>(84,278)</b>	<b>8</b>	<b>663,741</b>
Balance at January 1, 2020	\$ 870,257	(82,177)	8	788,088
Recognized in profit or loss	(145,011)	-	588	(144,423)
Foreign currency translation differences for foreign operations	-	8,300	-	8,300
Balance at December 31, 2020	<b>\$ 725,246</b>	<b>(73,877)</b>	<b>596</b>	<b>651,965</b>

3) Recognized deferred tax assets

Changes in the amounts of deferred tax assets for 2021 and 2020 were as follows:

	<b>Investment income recognized under the equity method</b>	<b>Loss on inventory valuation</b>	<b>Foreign currency translation differences for foreign operations</b>	<b>Unused tax losses carry forwards</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets						
Balance at January 1, 2021	\$ -	(560)	(1,780)	-	(14,563)	(16,903)
Recognized in profit or loss	-	101	-	-	(1,624)	(1,523)
Recognized in other comprehensive income or loss	-	-	1,780	-	-	1,780
Balance at December 31, 2021	<b>\$ -</b>	<b>(459)</b>	<b>-</b>	<b>-</b>	<b>(16,187)</b>	<b>(16,646)</b>
Balance at January 1, 2020	\$ (75,540)	(447)	(320)	(12,540)	(3,246)	(92,093)
Recognized in profit or loss	75,540	(113)	-	12,540	(11,317)	76,650
Recognized in other comprehensive income or loss	-	-	(1,460)	-	-	(1,460)
Balance at December 31, 2020	<b>\$ -</b>	<b>(560)</b>	<b>(1,780)</b>	<b>-</b>	<b>(14,563)</b>	<b>(16,903)</b>

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(v) The Company income tax returns have been examined by the tax authority through the years up to 2019.

(o) Capital and other equity

On December 31, 2021 and 2020, the total share capital of the Company were both \$1,500,000 thousand, and the denomination per share was \$ 10, both with a total of 150,000 thousand shares (all including employee stock option, and the amount of shares that can be subscribed is \$20,000 thousands). As of that date, both 62,671 thousand shares and 62,446 thousand shares whose legal registration procedure for the authorized capital stock is completed. All issued shares were paid up upon issuance.

The issued and registered shares of common stock in 2021 and 2020 were as follows (expressed in thousands of shares)

	<b>Ordinary shares</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	62,446	62,296
Exercise of employee stock option	225	150
Balance on December 31	<b>62,671</b>	<b>62,446</b>

(i) Issuance of common stock

The Company issued 180 thousand shares, with par value of \$10 per share for the exercise of employee stock options in 2021. All shares were completed the related legal and registration procedures. The Company issued 195 thousand shares, with par value of \$10 per share for the exercise of employee stock options in 2020. Therein 150 thousand shares were completed the legal registration procedures. As of December 31, 2020 there were still 45 thousand shares whose legal procedure are unfinished and classified under advance receipts for share capital \$2,993.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital	\$ 970,593	958,419
Employee share options	10,892	10,463
	<b>\$ 981,485</b>	<b>968,882</b>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

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(iii) Retained earnings

The Company's article of incorporation stipulate that, when allocating the profit for each fiscal year, the Company shall first offset its losses in previous years. Of the remaining profit, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. Aside from the aforesaid legal reserve, the Company shall appropriate or reverse another sum as special earnings reserve in accordance with relevant laws or regulations or requested by the authorities in charge. The remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the amendment of the of Article 240 and Article 241 of the ROC Company Act, the Company authorized the distributable dividends and bonuses 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.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution only if the current-year retained earnings available for distribution does not reach \$0.5 per share, the Company may decide not to distribute dividend. The dividend to be distributed may be in the form of cash and stock, and cash dividend in the distribution shall not be less than 30%.

1) Legal reserve

According to the amendment of the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be set aside as special earnings reserve during earnings distribution. The amount to be set aside should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be set aside as special earnings reserve (and can not be distributed) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2021, special earnings reserve amounted to \$310,459 thousand.

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3) Earnings distribution

Earnings distribution for 2020 and 2019 were decided via the general meeting of shareholders held on August 12, 2021, and June 16, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Payout per share	Amount	Payout per share	Amount
Dividend to shareholders				
Cash	\$ 10.0	<u><u>625,612</u></u>	4.0	<u><u>249,185</u></u>

(p) Share-based payment

(i) The Company issued 600 units of employee stock options, at 1,000 shares per unit, to its employees and its subsidiaries' who met certain requirements on July 28, 2017. The duration of the employee stock options is five year. 50%, 75%, and 100% of the stock options are exercisable 2 years, 3 years, and 4 years, respectively, after the grant date. Those qualified employees are entitled to purchase the shares at the closing price of ordinary shares of the Company on the same day. After the grant of the stock options, any changes in the ordinary shares of the Company, the exercise price of the share options will be adjusted according to the prescribed formula.

(ii) Details of the employee stock options were as follows:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at January 1	\$ 66.50 (note)	235	70.80	440
Granted during the year	-	-	-	-
Forfeited during the year	-	(50)	-	(10)
Exercised during the year	61.60	<u>(180)</u>	66.50	<u>(195)</u>
Outstanding at December 31	61.60 (note)	<u><u>5</u></u>	66.50 (note)	<u><u>235</u></u>
Exercisable at December 31		<u><u>-</u></u>		<u><u>135</u></u>
The weighted average price of the stock options		<u><u>\$ 18.15</u></u>		<u><u>18.15</u></u>

(Note) The Company adjusted the exercise price of stock options according to its requirements for issuance stock options.



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The details of the stock options of the Company were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Weighted average of remaining contractual period (years)	0.57	1.57

- (iii) The Company used the Black-Scholes pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	<b>2017 employee stock option</b>
Exercise price (NT dollars)	81.80
Share price at grant date (NT dollars)	81.80
Expected dividend (%)	- %
Expected volatility (%)	26.78%~27.89%
Risk-free interest rate (%)	0.67%~0.73%
Expected life (years)	5

- (iv) For the years ended December 31, 2021 and 2020, the expenses attributable to share based payment amounted to \$429 thousand and \$1,283 thousand, respectively.

(q) Earnings per share

- (i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2021 and 2020, was based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders of the Company	<b>\$ 606,688</b>	<b>721,362</b>
Weighted-average number of ordinary shares (thousand shares)	<b>62,550</b>	<b>62,321</b>
Basic earnings per share (NT dollars)	<b>\$ 9.70</b>	<b>11.57</b>

- (ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2021 and 2020, were based on the profit attributable to the ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders of the Company (diluted)	<b>\$ 606,688</b>	<b>721,362</b>

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Weighted-average number of ordinary shares (diluted) (thousand shares)

	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares (basic)	62,550	62,321
Effect of employee stock bonus	367	327
Weighted-average number of ordinary shares (diluted)	<u>62,917</u>	<u>62,648</u>
Diluted earnings per share	<u>9.64</u>	<u>11.51</u>

(r) Revenue from contracts with customers

(i) Details of revenue

	<u>2021</u>	<u>2020</u>
<u>Primary geographical markets</u>		
North America	\$ 163,018	186,114
Asia	1,077,923	653,511
Europe	44,540	29,575
	<u>\$ 1,285,481</u>	<u>869,200</u>

Major products

Plastic injection	\$ 1,196,981	718,768
Mold	87,450	140,870
Others	1,050	9,562
	<u>\$ 1,285,481</u>	<u>869,200</u>

(ii) Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities	<u>\$ 10,571</u>	<u>8,843</u>	<u>5,445</u>

For details on accounts receivable, please refer to note 6 (c).

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2021 and 2020, which was included in the contract liability balance at the beginning of the period, was \$8,690 thousand and \$5,445 thousand, respectively.

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(s) Employee, board of directors' compensation

In accordance with the Articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and not exceed 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$27,000 thousand and \$30,000 thousand, and directors' remuneration amounting to \$10,200 thousand and \$11,705 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's articles. These remunerations were recognized as operating costs or operating expenses during 2021 and 2020. If the Board of Directors decide to distribute compensation for employees by shares, the numbers of shares to be distributed would be calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors. The related information please refer to Market Observation Post. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020.

(t) Other revenue

	<u>2021</u>	<u>2020</u>
Interest income	\$ 10,202	11,113
Others	3,387	3,314
	<u><b>\$ 13,589</b></u>	<u><b>14,427</b></u>

(u) Other gains and losses

The other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	\$ (62,924)	(78,248)
Gains (losses) on financial assets at fair value through profit or loss	(3,493)	2,940
Gains on disposal of property, plant and equipment, net	12	-
	<u><b>\$ (66,405)</b></u>	<u><b>(75,308)</b></u>

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(v) Financial Instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Company's accounts receivable and investments.

1) Accounts receivable and others receivables

For credit risk exposure of note and accounts receivables, please refer to note 6(c).

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. These criterias are reviewed periodically.

2) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Company's finance department. As the Company deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes their counterparts do not have significant default risk, therefore, the credit risk is insignificant.

3) Credit risk exposure

As of December 31, 2021 and 2020, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the statements of financial position and amounted to \$3,025,040 thousand and \$2,308,647 thousand, respectively. The Company had deposited these bank deposits in different financial institutions, and the Company believes that there is no significant credit risk from the above mentioned financial institutions.

4) Concentration of credit risk

The credit risk exposure of the Company comes from the credit of individual customers, and the industry of the customer also have effect on credit risk. For the years ended December 31, 2021 and 2020, sales to the individual customers whose revenue constituting over 10% of net revenue are 81% and 84% of total revenues respectively. As of December 31, 2021 and 2020, 81% and 89%, of accounts receivable were for those customers, respectively.

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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1-2 years</u>
<b>December 31, 2021</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,500,000	1,501,196	1,501,196	-
Short-term notes and bills payable	99,971	100,000	100,000	-
Long-term borrowings	1,150,000	1,169,644	10,805	1,158,839
Non-interest bearing liabilities				
Notes and accounts payables (including related parties)	176,661	176,661	176,661	-
Lease liabilities	10,673	10,673	3,960	6,713
Other financial liabilities	14,862	14,862	14,862	-
	<b><u>\$ 2,952,167</u></b>	<b><u>2,973,036</u></b>	<b><u>1,807,484</u></b>	<b><u>1,165,552</u></b>
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 790,000	790,638	790,638	-
Long-term borrowings	1,200,000	1,220,867	11,492	1,209,375
Non-interest bearing liabilities				
Notes and accounts payables (including related parties)	194,484	194,484	194,484	-
Lease liabilities	1,548	1,548	1,548	-
Other financial liabilities	11,605	11,605	11,605	-
	<b><u>\$ 2,197,637</u></b>	<b><u>2,219,142</u></b>	<b><u>1,009,767</u></b>	<b><u>1,209,375</u></b>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exchange rate risk

The Company's significant exposure to foreign currency risk on financial assets and liabilities was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 99,808	27.680	2,762,677	65,578	28.480	1,867,649
CNY	51	4.344	220	51	4.377	222
EUR	387	31	12,106	210	35	7,349
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	5,656	27.680	156,555	6,258	28.480	178,233

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The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, accounts payable and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the USD and CNY at December 31, 2021 and 2020, would have increased or decreased the net profit before tax by \$26,184 thousand and \$16,970 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (including realized and unrealized portions) amounted to \$62,924 thousand and \$78,248 thousand, respectively.

2) Interest rate analysis

The details of financial instruments exposed to interest rate risk were as follows:

	<b>Carrying amount</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Fixed-rate instruments:		
Financial assets	\$ 1,944,520	256,320
Financial liabilities	(2,049,971)	(1,090,000)
	<b><u>\$ (105,451)</u></b>	<b><u>(833,680)</u></b>
Variable-rate instruments:		
Financial assets	\$ 298,116	198,685
Financial liabilities	(700,000)	(900,000)
	<b><u>\$ (401,884)</u></b>	<b><u>(701,315)</u></b>

The sensitivity analysis is based on the exposure to the interest rate risk of nonderivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases 1 basis points when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

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If the interest rate had increased / decreased by 1 basis points, the Company's net income would have decreased / increased by \$1,005 thousand and \$1,753 thousand for the years ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates and bank deposits in variable-rate bills.

(iv) Fair value of financial instruments

1) Fair value of financial instruments

The fair value of financial assets at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2021 Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Current Fund investment	\$ 33,459	33,459	-	-	33,459
Non-Current Fund investment	\$ 197,419	197,419	-	-	197,419
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 978,669				
Accounts receivable, net (including related parties)	301,550				
Other financial assets-current	249,876				
Refundable deposits	4,683				
Non-current financial assets measured at amortized cost	1,264,067				
	<u>\$ 2,798,845</u>				
Financial liabilities measured at amortized cost					
Long and short term borrowings	\$ 2,650,000				
Short-term notes and bills payable	99,971				
Notes and accounts payables (including related parties)	176,661				
Lease liabilities	10,673				
Other payables	14,862				
	<u>\$ 2,952,167</u>				

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	December 31, 2020				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Current Fund investment	\$ 28,624	28,624	-	-	28,624
Non-current Fund investment	\$ 126,439	126,439	-	-	126,439
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 455,105				
Notes and accounts receivable, net	338,261				
Other financial assets-current	235,257				
Refundable deposits	3,830				
Non-current financial assets measured at amortized cost	<u>1,124,961</u>				
	<u>\$ 2,157,414</u>				
Financial liabilities measured at amortized cost					
Long and short term borrowings	\$ 1,990,000				
Notes and accounts payables (including related parties)	194,484				
Lease liabilities	1,548				
Other payables	<u>11,605</u>				
	<u>\$ 2,197,637</u>				

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. Fair value of forward currency is usually determined by the forward currency exchange rate.



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**Notes to the Financial Statements**

- 3) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value are derivative financial assets. The financial assets' fair value are using third-party pricing information. The unobservable inputs are not set up as the Company measures fair value, therefore, the quantified information of significant unobservable inputs are not disclosed.

(w) Financial risk management

- (i) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors the management to ensure compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

- (ii) The Company have exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

For more disclosures about the quantitative effects of these risks exposures and the Company's objectives, policies and processes for measuring and managing the above mentioned risks, please refer to note 6(v).

(x) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, paid-in capital, and retained earnings. As of December 31, 2021 and 2020, the Company's equity to asset ratios were 54% and 60%, respectively. There were no changes in the Company's approach to capital management as of December 31, 2021.

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**Notes to the Financial Statements**

(y) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

- (i) For acquisition of right-of-use assets, please refer to note 6(h).  
(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Changes in lease payments	Others	
Short-term borrowings	\$ 790,000	710,000	-	-	1,500,000
Short-term notes and bills payable	-	100,000	-	(29)	99,971
Long-term borrowings	1,200,000	(50,000)	-	-	1,150,000
Lease liabilities	1,548	(2,873)	11,958	40	10,673
Total liabilities from financing activities	<b>\$ 1,991,548</b>	<b>757,127</b>	<b>11,958</b>	<b>11</b>	<b>2,760,644</b>

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Changes in lease payments	Others	
Short-term borrowings	\$ 510,000	280,000	-	-	790,000
Short-term notes and bills payable	149,994	(150,000)	-	6	-
Long-term borrowings	1,000,000	200,000	-	-	1,200,000
Lease liabilities	4,994	(3,487)	-	41	1,548
Total liabilities from financing activities	<b>\$ 1,664,988</b>	<b>326,513</b>	<b>-</b>	<b>47</b>	<b>1,991,548</b>

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The following are entities that have had transaction with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
NISHOKU BOUEKI CO., LTD. (NISHOKU BOUEKI)	The Company's subsidiaries
NISHOKU TECHNOLOGY VIETNAM CO.,LTD. (NISHOKU VIETNAM)	The Company's subsidiaries
SUN NICE LIMITED (SAMOA) (SUN NICE (SAMOA))	The Company's subsidiaries
SAME START LIMITED (Anguilla) (SAME START (Anguilla))	The Company's subsidiaries
NISHOKU HONG KONG HOLDING LTD. (NISHOKU HK)	The Company's subsidiaries
SUN NICE LIMITED (BVI) (SUN NICE (BVI))	The Company's subsidiaries
NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. (NISHOKU (SHENZHEN))	The Company's subsidiaries
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. (KUNSHAN NISHOKU PLASTIC)	The Company's subsidiaries

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(b) Significant transactions with related parties

- (i) The amounts of sales by the Company to related parties and the outstanding balance were as follows:

	Sales		Accounts receivable-related parties	
	2021	2020	December 31, 2021	December 31, 2020
Subsidiary company				
KUNSHAN NISHOKU PLASTIC	\$ 900,917	603,930	192,562	301,922
NISHOKU VIETNAM	143,112	7,811	50,713	7,730
Other	3,037	44	634	33
	<b><u>\$ 1,047,066</u></b>	<b><u>611,785</u></b>	<b><u>243,909</u></b>	<b><u>309,685</u></b>

The credit terms were 90 days for related parties. The general credit terms were 30 to 150 days for non-related parties. The product sale to related parties was different from other clients, therefore, the sales prices cannot be compared to other clients.

- (ii) The amounts of purchase by the Company to related parties and the outstanding balance were as follows:

	Purchases		Accounts payable- related parties	
	2021	2020	December 31, 2021	December 31, 2020
Subsidiary company				
SAME START (Anguilla)	\$ 125,332	136,013	41,135	17,686
Other	-	65	-	-
	<b><u>\$ 125,332</u></b>	<b><u>136,078</u></b>	<b><u>41,135</u></b>	<b><u>17,686</u></b>

The payment terms were 90 days for related parties. The general credit terms for vendors other than related parties are 60 to 120 days. The Company do not purchase the same product from other vendors, therefore, the purchase prices cannot be compared to other vendors.

- (iii) Guarantees and endorsements

The amounts of guarantees notes issued as collateral for bank loans were as follows:

	December 31, 2021	December 31, 2020
Guarantees notes issued	<b><u>\$ 1,360,064</u></b>	<b><u>1,398,688</u></b>
Actual usage amount	<b><u>\$ 193,760</u></b>	<b><u>153,920</u></b>

**NISHOKU TECHNOLOGY INC.**  
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(iv) Loans to Related Parties

The loans to related parties were as follows:

<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary company:		
NISHOKU VIETNAM	<u>\$ 249,120</u>	<u>227,840</u>

The loans to related parties are unsecured. There are no expected credit loss required after the management's assessment.

(v) Other

- 1) The Company paid for operating expenses on behalf of Same Start (Anguilla) amounted to \$0 thousand and \$37,675 thousand for the years ended December 31, 2021 and 2020, respectively; besides that, there are some receivables not recovery (under other current financial assets) as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
SAME START (Anguilla)	<u>\$ -</u>	<u>6,301</u>

- 2) The Company sold machinery and controlled items to NISHOKU VIETNAM and KUNSHAN NISHOKU PLASTIC during 2021 and 2020, and the unrealized gains incurred from these transactions are recorded as the deduction of the investments accounted for using equity method, and gains from disposal are recognized by years according to the period of expected use. The realized gains recognized during 2021 and 2020 were \$309 thousand and \$2,486 thousand, respectively.

(c) Transaction of key management personnel

(i) Key management personnel compensation

Key management personnel compensation comprise:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 50,051	43,511
Post-employment benefits	324	216
	<u>\$ 50,375</u>	<u>43,727</u>

**NISHOKU TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(8) **Pledged assets:None**

(9) **Significant Commitments and Contingencies:**

Please refer note 7 for guarantees to subsidiaries.

(10) **Losses Due to Major Disasters: None**

(11) **Subsequent Events: None**

(12) **Other:**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2021			2020		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses							
Salary		15,420	102,757	118,177	14,385	89,581	103,966
Labor and health insurance		1,910	6,447	8,357	1,574	3,473	5,047
Pension		850	2,671	3,521	769	1,568	2,337
Remuneration of directors		-	10,780	10,780	-	12,265	12,265
Others		1,328	1,626	2,954	1,139	1,895	3,034
Depreciation		3,638	4,513	8,151	5,294	6,474	11,768
Amortization		17	602	619	25	741	766

The number of the Company's employees and the additional information of employee benefits were as follows:

	2021	2020
Employees	<u>81</u>	<u>76</u>
Non concurrently as employees of directors	<u>5</u>	<u>6</u>
Average of employee benefit expenses	<u>\$ 1,750</u>	<u>1,634</u>
Average of employee salary expenses	<u>\$ 1,555</u>	<u>1,485</u>
Adjustment of employee salary expenses	<u>4.71%</u>	<u>26.28%</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

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The Company compensation policies are as follows:

(a) Director of the Board:

The compensation paid to the directors includes remuneration and meeting travel allowances, which is not fixed monthly remuneration.

The compensation is in accordance with Article 20 of the Company's Articles of Incorporation, the Company shall allocate at a maximum of 5% of the profit as remuneration to directors for the year, and the Company shall base on its determination of an individual director's remuneration on the evaluation results of his or her performance.

(b) Managerial officer:

In addition to referring to the employee remuneration policy, the remuneration is determined by the Company's overall operating performance, the individual performance, contribution to the Company's operations, special achievements and peer salary levels.

Aforementioned directors' and managers' compensation is evaluated by the remuneration committee, and is submitted to the Board of Directors for resolution.

(c) Employees:

The salary for each employee is based on the Company's salary management regulations, which include the fixed salary, allowances, and the variable pay, as well as performance bonuses and special dividends. The rewards are given according to the seniority, rank, and work performance, etc..

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 2)	Actual usage amount during the period	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
0	The Company	NISHOKU VIETNAM	Other accounts receivable	Yes	285,350	276,800	249,120	0.63-0.72%	Necessary to loan other parties	-	Operating capital	-	-	-	441,570 (Note 1)	1,766,280 (Note 1)

Note 1: The individual amount and the total amount for lending to a company shall not exceed 10% and 40% of the lending company's net worth in the latest financial statement, respectively. The Company for lending to the Company directly or indirectly holds 100% of their shares, with the loan amount not limited and the total amounts not exceeding the lending company's net worth in the last financial statement.

Note 2: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date

**NISHOKU TECHNOLOGY INC.**  
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(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	SAME START (Anguilla)	3	4,415,699	113,560	-	-	-	- %	4,415,699	Y	N	N
0	"	NISHOKU VIETNAM	2	4,415,699	1,196,688	1,184,704	193,760	-	26.83%	4,415,699	"	"	"
0	"	NISHOKU BOUEKI	2	4,415,699	176,560	175,360	-	-	3.97%	4,415,699	"	"	"

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 100%, respectively, of the Company net worth in the latest financial statements. The total amount of the guarantee that the Company and its subsidiaries to a company shall not exceed 100%, of the Company's net worth in the latest financial statement. The Company directly or indirectly holds 100% of their shares, the guarantee amounts not limited by the Company's net worth in the latest financial statement.

Note 2: The relationship of guarantor and endorsements to related parties were as follows:

- 1) Business relationship between the Company
- 2) The Company directly or indirectly holds over 50% of subsidiaries' shares;
- 3) The parent company and its subsidiaries holds over 50% of investees' shares
- 4) A subsidiary jointed owned over 50% by the Company and the Company's directly-owned subsidiary.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Nomura Global Financial Bond Fund	None	Financial assets at fair value through profit or loss - current	-	8,260	- %	8,260	
"	JPMorgan Investment Funds-Global High Yield Bond Fund	"	"	-	8,360	- %	8,360	
"	ABITL Income Multi-asset Income Fund of Funds A2	"	"	-	5,697	- %	5,697	
"	BGF ESG Multi-Asset Fund	"	"	-	11,142	- %	11,142	
NISHOKU BOUEKI	PineBridge Preferred Securities Income Fund	"	"	-	5,402	- %	5,402	
NISHOKU SHENZHEN	Fixed income financial instruments	"	"	-	65,145	- %	65,145	
The Company	Allianz Global Investors Income and Growth Fund A	"	Financial assets at fair value through profit or loss - non current	-	11,173	- %	11,173	
"	Allianz Global Investors Income and Growth Fund	"	"	-	46,552	- %	46,552	
"	PineBridge Global ESG Quantitative Bond Fund	"	"	-	46,223	- %	46,223	
"	PineBridge Global Multi-Strategy High Yield Bond Fund	"	"	-	37,455	- %	37,455	
"	Nomura Global Financial Bond Fund	"	"	-	22,092	- %	22,092	
"	FSITC GLOBAL HIGH YIELD BOND FUND	"	"	-	12,127	- %	12,127	
"	ABITL Income Fund -Multi Asset Income Fund of Funds N	"	"	-	21,797	- %	21,797	

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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
KUNSHAN NISHOKU PLASTIC	Fixed income financial instruments	Financial assets at fair value through profit or loss-current	Wells Fargo Asset Management (Shanghai)	None	-	218,869	-	217,150	-	448,664	436,019	12,645	-	-
NISHOKU SHENZHEN	"	"	Wells Fargo Asset Management (Shanghai)	"	-	393,964	-	456,014	-	807,134	784,833	22,301	-	65,145

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
SAME START (Anguilla)	KUNSHAN NISHOKU PLASTIC	Associate	Purchase	194,219	88%	Note 1	Note 1	Note 1	(68,975)	(87)%	Note 2
KUNSHAN NISHOKU PLASTIC	SAME START (Anguilla)	"	Sale	(194,219)	(5)%	"	"	"	68,975	6%	"
The Company	KUNSHAN NISHOKU PLASTIC	"	Sale	(900,917)	(70)%	"	"	"	192,562	64%	Note 2
KUNSHAN NISHOKU PLASTIC	The Company	"	Purchase	900,917	52%	"	"	"	(192,562)	(35)%	"
The Company	NISHOKU VIETNAM	"	Sale	(143,112)	(11)%	"	"	"	50,713	17%	"
NISHOKU VIETNAM	The Company	"	Purchase	143,112	47%	"	"	"	(50,713)	(51)%	Note 2
SAME START (Anguilla)	The Company	"	Sale	(125,332)	(58)%	"	"	"	41,135	56%	"
The Company	SAME START (Anguilla)	"	Purchase	125,332	15%	"	"	"	(41,135)	(23)%	Note 2



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Note 1: Payment term given to related parties and third parties were 90 days and 60 to 120 days, respectively. In addition, the Company did not buy same product from third part, so the purchase price cannot be compared.

Note 2: The subsidiaries did not purchase or sale same product from third parties, so the purchase (sale) price cannot be compared. In addition, the receipt terms of related parties were not significant different to third parties.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	KUNSHAN NISHOKU PLASTIC	Associate	192,562	3.64	-		69,279	-

Note 1: Until January 28, 2022.

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	SUN NICE (SAMOA)	SAMOA	Holding	1,096,194	1,096,194	34,468	100.00%	4,538,818	564,574	564,574	
"	NISHOKU BOUEKI	Taiwan	Purchase and sales of plastic raws and parts	1,000	1,000	6,300	100.00%	106,388	(3,076)	(1,676)	
"	NISHOKU VIETNAM	Vietnam	Manufacture and sale of tooling and plastic products	508,434 (USD 16,500 thousand)	508,434 (USD 16,500 thousand)	-	100.00%	136,258	30,542	30,851	
SUN NICE (SAMOA)	SAME START (Anguilla)	Anguilla	Purchase and sale of mold and plastic products	-	-	-	100.00%	(31,132)	60,137	28,490	
"	NISHOKU HK	HK	Holding	1,800,361 (USD 57,915 thousand)	1,800,361 (USD 57,915 thousand)	62,298	100.00%	3,644,042	385,025	385,025	
"	SUN NICE (BVI)	BVI	"	585,292 (USD 17,948 thousand)	585,292 (USD 17,948 thousand)	15,697	100.00%	982,222	151,235	151,235	

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 1)	Book value (Note 1)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
NISHOKU SHENZHEN	Manufacture and sale of mold and plastic products	USD11,288 thousands	Indirect investment through third area	703,870 (USD22,939 thousand)	-	-	703,870 (USD22,939 thousand)	5,580	100.00%	5,580	828,113	475,841
KUNSHAN NISHOKU PLASTIC	Manufacture and sale of mold and plastic products	USD53,310 thousands	"	1,674,270 (USD52,524 thousand)	-	-	1,674,270 (USD52,524 thousand)	533,010	100.00%	530,721	3,436,928	675,359

**NISHOKU TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,378,140	2,378,140	(Note 2)

Note 1: The above investment income (loss) in mainland China were based on financial statements audited by the Company's auditors.

Note 2: The Company has received the certificate issue by the Industrial Development Bureau, Ministry of Economic Affairs when investing abroad, allowing it to start operating of its headquarters. As a result, there is no limitation on investment to Mainland China for the Company.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholding	Shares	Percentage
<b>Shareholder's Name</b>		
Yi Feng Investment Limited	4,736,000	7.55%
Ji Teng Investment Limited	4,500,000	7.18%
Yun Ding Investment Limited	4,050,000	6.46%
CTBC Bank Trusted Custody investment account _Gold Talent Co., Ltd.	3,897,856	6.21%
Jin Hong Investment Limited	3,600,000	5.74%

**(14) Segment information:**

Please refer to the Company's consolidated financial statements for the year ended December 31, 2021 for details.

**6.6 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report: None.**

## 7. Review of Financial Position, Management Performance and Risk Management

### 7.1 Financial Status

#### 7.1.1 Analysis of Financial Status – Consolidated

Unit: NT\$ thousands; %

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	6,071,254	5,744,344	326,910	5.69%
Property, plant and equipment	1,386,444	1,444,529	(58,085)	-4.02%
Non-current assets	1,639,394	1,428,620	210,774	14.75%
Total Assets	9,097,092	8,617,493	479,599	5.57%
Current Liabilities	2,857,465	2,276,408	581,057	25.53%
Long-term liabilities	1,150,000	1,200,000	(50,000)	-4.17%
Other liabilities	673,928	683,839	(9,911)	-1.45%
Total Liabilities	4,681,393	4,160,247	521,146	12.53%
Capital stock	626,712	624,462	2,250	0.36%
Capital Surplus	981,485	968,882	12,603	1.30%
Retained earnings	3,152,444	3,171,368	(18,924)	-0.60%
Total Stockholders' Equity	4,415,699	4,457,246	(41,547)	-0.93%
<p>The reasons of the material change (significant current variations amounting to 20% and the amount of changes reached NTD 10 million) of assets, liabilities and equity above in the later period and within 2 years and the responses of the Company. Please specify the future countermeasures if the effects are significant:</p> <p>(1) Increased current liabilities: it is mainly because the strong TWD resulted in less translation from USD, and the regular expenses were funded with the bank borrowings. °</p> <p>Future countermeasures: None.</p>				

#### 7.1.2 Analysis of Financial Status - Individual

Unit: NTD thousand; %

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	1,605,820	1,112,673	493,147	44.32%
Refers to investments accounted for under equity method.	4,781,464	4,738,549	42,915	0.91%
Property, plant and equipment	301,775	299,596	2,179	0.73%
Non-current assets	1,493,755	1,274,263	219,492	17.23%
Total Assets	8,182,814	7,425,081	757,733	10.21%
Current Liabilities	1,946,661	1,115,870	830,791	74.45%
Long-term liabilities	1,150,000	1,200,000	(50,000)	-4.17%
Other liabilities	670,454	651,965	18,489	2.84%
Total Liabilities	3,767,115	2,967,835	799,280	26.93%
Capital stock	626,712	624,462	2,250	0.36%
Capital Surplus	981,485	968,882	12,603	1.30%
Retained earnings	3,152,444	3,171,368	(18,924)	-0.60%
Total Stockholders' Equity	4,415,699	4,457,246	(41,547)	-0.93%
<p>The reasons of the material change (significant current variations amounting to 20% and the amount of changes reached NTD 10 million) of assets, liabilities and equity above in the later period and within 2</p>				

years and the responses of the Company. Please specify the future countermeasures if the effects are significant:

- (1) Increased current assets: it is mainly because the overseas subsidiaries repatriate earnings as the cash position.
- (2) Increased current liabilities/assets: it is mainly because the strong TWD resulted in less translation from USD, and the regular expenses were funded with the bank borrowings.

Future countermeasures: None.

## 7.2 Operating Results

### 7.2.1 Analysis of Operating Results - Consolidated

Unit: NTD thousand; %

Item \ Year	2021	2020	Difference	
			Amount	%
Net Sales	4,829,2021	4,808,261	20,849	0.43%
Cost of Sales	3,464,092	3,268,381	195,711	5.99%
Gross Profit	1,365,018	1,539,880	(174,862)	-11.36%
Operating Expense	475,436	470,828	4,608	0.98%
Results from operating activities	889,582	1,069,052	(179,470)	-16.79%
Non-operating Income and Expenses	(64,788)	(194,495)	129,707	66.69%
Profit Before Tax	824,794	874,557	(49,763)	-5.69%
Income Tax Expense	218,106	153,195	64,911	42.37%
Profit for the year	606,688	721,362	(114,674)	-15.90%
<p>The main reasons and expected sales volume of the significant changes (significant current variations amounting to 20% and the amount of changes reached NTD 10 million) in operating income, operating net profit and net profit before tax in the last two years that may affect the company's future financial business and plan for the response:</p> <p>(1) Increased non-operating incomes and expenses: the appreciation of TWD to USD in 2021 was not as much as in 2020, and thus the net loss from foreign exchange in 2021 decreased by NT\$140,671 thousand from 2020. °</p> <p>(2) Increased income tax expenses: it is mainly because in 2020, there was a tax incentive for repatriated overseas funds resulted in less income tax burden, but in 2021 there was no such incentive. °</p>				

### 7.2.2 Analysis of Operating Results - Individual

Unit: NTD thousand; %

Item \ Year	2021	2020	Difference	
			Amount	%
Net Sales	1,285,481	869,200	416,281	47.89%
Cost of Sales	883,916	590,028	293,888	49.81%
Gross Profit	381,847	235,329	146,518	62.26%
Operating Expense	157,671	140,772	16,899	12.00%
Results from operating activities	224,176	94,557	129,619	137.08%
Non-operating Income and Expenses	520,586	689,983	(169,397)	-24.55%

Profit Before Tax	744,762	784,540	(39,778)	-5.07%
Income Tax Expense	138,074	63,178	74,896	118.55%
Profit for the year	606,688	721,362	(114,674)	-15.90%

The main reasons and expected sales volume of the significant changes (significant current variations amounting to 20% and the amount of changes reached NTD 10 million) in operating income, operating net profit and net profit before tax in the last two years that may affect the company's future financial business and plan for the response:

- (1) Increase of operating revenue, increase of operating cost, increase of gross profit, and increase of operating net profit: It was mainly due to the increase of the 2021 consolidated revenue.
- (2) Decrease of non-operating Income and expenses: It was mainly due to the decreased in the recognized profit of investees in 2021.
- (3) Increased income tax expenses: it is mainly because in 2020, there was a tax incentive for repatriated overseas funds resulted in less income tax burden, but in 2021 there was no such incentive.

### 7.2.3 The possible impact and response plans regarding the expected sales volume and their basis:

The Company's sales in 2021 was based on the condition of overall supply and demand of the industry, and used the production capacity planning and past operating performance as basis which shall not pose any effect on the Company's future financial business.

## 7.3 Analysis of Cash Flow

### 7.3.1 Analysis of cash flows in the most recent year:

#### 1. Consolidated Financial Statements

Unit: NTD thousand

Beginning Cash Balance	Net Cash Flow From Operating Activities Throughout The Year	Annual Cash Outflows	Cash Surplus (Deficit)	Remedial Measures for Cash Deficit	
				Investment Plan	Financial Plan
2,626,650	1,651,941	(279,158)	3,999,433	None	None
<p>1. Analysis of changes in cash flows</p> <p>(1) Operating activities: Net cash inflows of NT\$1,651,941 thousand is mainly due to operating profits.</p> <p>(2) Investment activities: Net cash outflows of NT\$408,910 thousand is mainly due to acquisitions of financial assets and property, plant, and equipment.</p> <p>(3) Financing activities: Net cash inflows of NT\$147,452 thousand is mainly because the strong TWD resulted in less translation from USD, and the regular expenses were funded with the bank borrowings..</p> <p>(4) Effect of exchange rate changes and cash equivalents: NT\$(17,700) thousand</p> <p>2. Expected remedies for cash deficits and liquidity analysis: No occurrence of cash deficits and liquidity.</p>					

#### 2. Non-Consolidated Financial Statements

Unit: NTD thousand

Beginning Cash Balance	Net Cash Flow From Operating Activities	Annual Cash inflows	Cash Surplus (Deficit)	Remedial Measures for Cash Deficit	
				Investment Plan	Financial Plan

	Throughout The Year				
455,105	129,984	393,580	978,669	None	None
<p>1. Analysis of changes in cash flows</p> <p>(1) Operating activities: Net cash inflows of NT\$129,984 thousand is mainly due to operating profits.</p> <p>(2) Investment activities: Net cash inflows of NT\$250,634 thousand is mainly because the overseas subsidiaries repatriated earnings</p> <p>(3) Financing activities: Net cash inflows of NT\$142,946 thousand is mainly because the strong TWD resulted in less translation from USD, and the regular expenses were funded with the bank borrowings.</p> <p>2. Expected remedies for cash deficits and liquidity analysis: No occurrence of cash deficits and liquidity.</p>					

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

7.3.3 Cash Flow Analysis for the Coming Year:

1. Consolidated Financial Statements

Unit: NT\$ thousand

Beginning Cash Balance	Net Cash Flow From Operating Activities Throughout The Year	Annual Cash Outflows	Cash Surplus (Deficit)	Remedial Measures for Cash Deficit	
				Investment Plan	Financial Plan
3,999,433	1,036,347	(695,644)	4,340,136	None	None
<p>1. Analysis of changes in cash flows</p> <p>(1) Operating business: Mainly due to the estimated stable coming year that generates cash inflows.</p> <p>(2) Investment activities: purchase of machinery and equipment.</p> <p>(3) Financing activities: Mainly due to the estimated distribution of cash dividends, etc..</p> <p>2. Expected remedies for cash deficits and liquidity analysis: No occurrence of cash deficits and liquidity.</p>					

2. Non-Consolidated Financial Statements

Unit: NTD thousand

Beginning Cash Balance	Net Cash Flow From Operating Activities Throughout The Year	Annual Cash Outflows	Cash Surplus (Deficit)	Remedial Measures for Cash Deficit	
				Investment Plan	Financial Plan
978,669	516,033	(573,248)	921,454	None	None
<p>1. Analysis of changes in cash flows</p> <p>(1) Operating activities: Mainly due to the return of earnings from offshore subsidiary in the coming year.</p> <p>(2) Investment activities: Mainly due to the expected repatriation of surplus of overseas subsidiaries in the coming year.</p> <p>(3) Financing activities: Mainly due to the estimated distribution of cash dividends.</p> <p>2. Expected remedies for cash deficits and liquidity analysis: No occurrence of cash deficits and liquidity.</p>					

#### 7.4 Major Capital Expenditure Items:

The Company does not have material capital expenditure plans, it is therefore not applicable.

#### 7.5 Investment Policy in the Last year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

##### 7.5.1 Investment policy

The Company's decision-making authority makes investments in consideration of operational needs or company's future growth. Professional information is first provided by related units and after the Finance Unit compiles information and makes suggestions to the Authorization Manager, a motion of investment suggestion is produced. The investee company's history and future prospects, market situation and management shall be evaluated to be used as the basis for decision-making authority to proceed with the investment.

##### 7.5.2 Investment policies, main reasons for investment gains or losses, improvement plans in the most recent year

Unit: NTD thousand

Name of Subsidiary	Recognized in 2021 Amount of gains or losses (Note 1)	Main reason for gains or losses	Improvement plan
SUN NICE Ltd. (SAMOA)	564,574	Due to the profit of the investee company.	None
NISHOKU BOUEKI CO., LTD.	(1,676)	Due to the taxation consideration of the Group, the function of Nishoku Boueki in the Group was adjusted; the loss in 2021 was mainly the exchange loss.	None
Nishoku Technology Vietnam Co., Ltd.	30,851	Fair operation condition with stable profit.	None
SAME START Ltd. (Anguilla)	28,490	Fair operation condition with stable profit.	None
NISHOKU HONG KONG HOLDING LIMITED	28,490	The investment of the China subsidiary runs fair operation with stable profit.	None
SUN NICE Ltd. (B.V.I)	151,235	The investment of the	None



Name of Subsidiary	Recognized in 2021 Amount of gains or losses (Note 1)	Main reason for gains or losses	Improvement plan
		China subsidiary runs fair operation with stable profit.	
NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.	5,580	Fair operation condition with stable profit.	None
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.	530,721	Fair operation condition with stable profit.	None

Note 1: The amounts stated in the 2021 financial report were certified by the CPAs.

7.5.3 Investment plan for the coming year: The Company does not have new investment plans for the coming year.

## 7.6 Analysis of Risk Management

### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation of Corporate Finance, and Future Response Measures

#### 1. Impact of interest rate changes

Unit: NTD thousand

Item	2021 Consolidated		
	Amount	As a percentage of operating income	As a percentage of pre-tax net profit
Interest expenses	22,395	0.46%	2.72%

A. The balance of the Group's consolidated long-term and short-term borrowings was NT\$2,987,731 thousand and interest expenses was NT\$22,395 thousand at the end of 2021. The above table shows that the ratio of interest expenses to the Company's profit and loss is relatively small. The Company also regularly evaluates bank borrowing rates and maintains good relations with banks in order to obtain a more favorable interest rate and at the same time reducing interest expenses.

B. If the interest rate had increased / decreased by 1 basis points, the Group's net income would have decreased / increased by \$4,834 thousand and \$2,316 thousand for the year ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and bank deposits in variable-rate bills. °

#### 2. Impact of exchange rate changes

A. For years 2021, foreign exchange gain (including realized and unrealized portions)

amounted to \$(120,332) thousand, respectively., 2.49% of net operating income . The overall exchange rate factor has a certain degree of risk burden of profitability . exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, accounts payable and other payables that are denominated in foreign currency .

- B. A weakening (strengthening) of 1% of the NTD against the USD and CNY at December 31, 2021 and 2020, would have increased or decreased the net profit before tax by \$41,850 thousand and \$41,426 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.
- C. Future countermeasures: In order to respond to external complex changes, the Company uses its basic strategy and aims to offset assets and liabilities to reduce its exposure to net positions of exchange rate fluctuations. Hedging operation: The main principle is to flatten the above net positions.

### 3. Impact on inflation

According to the increase and decrease rate of 1.96% and 9.42% of Consumer Price Index (CPI) and Wholesale Price Index (WPI) in 2021 released by the Directorate General of Budget, Accounting and Statistics, the inflation situation does not impose material impact on the Company's profit or loss. The Company keeps a close eye on the fluctuation of market prices, and makes adjustments of sales prices, raw materials and inventory amount accordingly. The Company currently does not have any immediate material impact due to inflation.

## 7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leverage Investment, Lending or Endorsement Guarantees and Derivatives Transactions

### 1. Engagement of high-risk and highly-leveraged investments

The Company and its subsidiaries focus on the management of the industry and do not make any investment in high-leveraged industry.

### 2. Engagement of lending fund to others or endorsement guarantees, and derivatives transactions:

The Company's lending fund to others or endorsement guarantees, and derivatives transactions are handled according to policies and countermeasures in the Company's "Operating Procedures for Lending Funds to Others", "Operating Procedures for Endorsements/Guarantees", and "Acquisition or Disposal of Assets". Related operations

are executed in the consideration of risk situation and applicable regulations.

(1) The status Of Endorsement And Guarantee of the company and its subsidiaries in 2021 is stated as follows:

December 31, 2021 Unit: NT\$ thousand

Company Name Of Endorser	Endorsees		Balance Of Endorsements -End	Accumulative Endorsement as a Percentage of current net worth (%)
	Company Name	Relation		
Nishoku Technology Inc.	NISHOKU TECHNOLOGY VIETNAM Co., Ltd.	Subsidiary, 100% owned by Nishoku Technology Inc.	1,184,704	26.83%
Nishoku Technology Inc.	NISHOKU BOUEKI CO., LTD.	Subsidiary, 100% owned by Nishoku Technology Inc.	175,360	3.97%
Total (the Company)			1,360,064	-

The object of endorsement/guarantee of the Company and its subsidiaries are all subsidiaries to be directly or indirectly 100% owned by the Company. The purposes of endorsements and guarantees for subsidiaries are the derivative liabilities of guarantee resulting from group sharing of credit line of bank; the purpose of subsidiaries making endorsements and guarantees for affiliates is to be liable for the responsibility derived from guarantee purchases

(2) Lending funds to others in the end of 2021:

December 31, 2021, unit: NT\$ thousand

Creditor	Borrower	Whether the borrower is a related party	Balance of lending funds to others in the end of the period	Actually amount provided	Fund lending and its nature
Nishoku Technology Inc.	Nishoku Technology Vietnam	Yes	276,800	249,120	The necessity for short-term financing

The object who the Company loans funds to are all subsidiaries which the Company directly or indirectly holds 100% shares of, and there is no limit as to the amount of when providing a loan. However, the loaning of fund may not exceed the net worth of the Company's most recent financial statements.

(3) Derivatives in the end of 2021:

The Company did not engage in derivatives in the end of 2021.

### 7.6.3 Future Research & Development Projects and Corresponding Budget

The Company's 2022 R&D plans include application products such as the development of IMF and OMD. The proportion of R&D expenses the Company and its subsidiaries expect to invest in is approximately 2 to 3% of the Company's operating income. With the growth of the future turnover, the annual R&D expenses may be gradually increased. By supporting our future R&D plans, we hope to improve the Company's competitiveness in the market.

### 7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

Under the issue of China and US trade war and fierce product competition, the overall industrial competition is even more challenging. Aside from continuing to facilitate automation and process optimization of various operations, we will also accelerate the expansion of market development and production economic scales in Vietnam. We will make every effort to understand customer needs and try our utmost to develop strategically positioned star products while focusing on external competitions in order to make response measures according to the market change. We will strive to grasp the change of relevant laws and regulations in order to make preparation and adapt applicable countermeasures to reduce operational risks of future industry and the overall environment.

### 7.6.5 Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

The Company and its subsidiaries also pay attention and collect and analysis the application market and technological development changes of various plastic products to reduce the impact brought with the change of technology. At the same time, we will also improve the R&D of high value-added and high-profit products, allowing the Company's products to be more diverse, stable and ensure the source of profit. With our outstanding manufacturing process technology, we will continue to expand our strategic alliance in terms of design, mass production, logistic support, distribution, and after-sales service to our existing customers to strengthen the relationship of co-existence and prosperity. As of now, technological changes and industrial changes have not yet posed any impact on the Company's financial business.

To implement the cyber security management, the Company has established the "Information Security Policy and Regulations" and the enforcement rules pursuant to Article 8 and 9 of the Regulations Governing Establishment of Internal Control Systems

by Public Companies, requiring the establishment of the control activities for the management of personal information protection and computerized information processing system, to be implemented accordingly; the “Management Procedures for the Personal Information Protection” is established to manage the use of data and maintenance of security rigorously; and the “Management Procedures for E-Mail Accounts” is established to specify the rules of using email and the confidential and sensitive mails. As the information security is a emerging trend valued by corporates, the Company continues to enhance the implementation and mechanism of the information security protection policies. As of now, technological changes and industrial changes have not yet posed any impact on the Company's financial business.

#### 7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

In recent years, the Company strives to strengthen corporate governance in order to respond to any possible corporate crisis. We also disclose various material information immediately in accordance with laws and regulations while continuing to invest in the environment and corporate responsibility, building a positive corporate image. In order to achieve the goal of environment and social responsibility, we integrate corporate social responsibility with our management strategy, including company policy, internal operation management, various business execution and education and training planning.

1. Environmental protection: Implement the Company's core value through the establishment of the ISO14001 system - "team, service, innovation, quality, and efficiency" to enhance the internal culture of the corporate, increase the quality of the workplace while being dedicated to the design and R&D of green products. Not only to meet the trend of environmental protection in the international market, we also treat the green concept as the basic obligation and duty as a corporate citizen.
2. Community involvement: In order to put together the power of the society, and the aim of caring for the lives of vulnerable groups, the Company proactively promotes welfare events in forms of money or donations, including facilitating environmental protection, caring for vulnerable groups, charitable events and development plans of communities.
3. Social welfare: The Company adheres to its principle of “taking from the society and

using in the society” and is devoted to the promotion of a variety of welfare activities. For 14 consecutive years, the Company has donated a total of 338 used-computers to digital centers in rural areas and social welfare organizations. We try our best to fulfill corporate society responsibility and continues to improve the Company’s environment and culture by promoting corporate sustainable development as a means to further inspire other people in the society to facilitate social care and take importance of their living quality. Aside from the efforts in terms of talent cultivation and technology R&D, the Company uploads the spirit of being a corporate citizen to maintain the social culture while making a contribution with respect to the education of the next generation.

4. Human rights protection: Employees are the Company’s most valuable assets, aside from the basic company rules; we also value our employees’ opinions. We hope to provide the space that employees can make the most of. The Company’s employees may express their views with respect to their personal rights, welfare, management and workplace environment through department managers, senior managers and Management Department at any time. The Management Department conducts a survey of the employee canteen each year, allowing opinions of employees regarding the canteen environment. The survey is also used as an important reference basis to the continuous improvement of the workplace.

5. Safety and health: In order to show the determination of protecting the environment and maintaining employees’ safety and health, the Company has formulated the “Company Environmental Safety and Health Policy”. The Company integrates the implementation of environmental management, green products, occupational safety and health management to achieve the goal of corporate sustainable development.

#### 7.6.7 Expected Benefits and Risks Relating to and Response to Merger and Acquisition Plans

As of the publication date of the annual report, the Company and its subsidiaries do not have any M&A plan. If evaluation and execution of relevant plans are in

consideration, they shall be handled according to applicable laws and regulations, and applicable management measures established by the Company.

#### 7.6.8 Expected Benefits and Risks Relating to and Response to Factory Expansion Plans

As of now, the Company does not have expected plans of plant expansion, it is therefore not applicable.

#### 7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

##### 1. Risks associated with concentration of purchases, and countermeasures:

The Company has established production base in China through investment and purchases products after the production is completed in China, so there is a concentration of purchases, a result of labor division between 2 countries in the industry. Other than the purchase of finished products, most of the raw materials purchased by the Company are designated by customers. The Company maintains 2 or more qualified suppliers for each raw material, ensuring uninterrupted supply while at the same time posing an advantage of negotiating the price, reaching the goal of reducing costs. In summary, the Company should not have any risk with respect to purchase concentration or interruption of materials.

##### 2. Risks associated with concentration of sales, and countermeasures:

The Company will proactively expand and develop all types of different applications in the future by using its outstanding double injection die technology and die R&D capabilities to further continue developing different customer groups. The risk of concentration of sales is therefore very low.

#### 7.6.10 Effects of Risks Relating to and Response to Large Share Transfer or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholding of over 10%

In the most recent year and as of the publication date of the annual report, there are no events of large shares transfer or changes by directors, supervisors, and shareholders with 10% shareholdings or more to cause the operating risk.

#### 7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

In the most recent year and as of the publication date of the annual report, the structure of directors and supervisors remains stable; there are no events for the change of management.

7.6.12 For all litigious and non-litigious events, please expressly enumerate the involved facts, target amounts, starting dates of the litigation, major parties involved and the progress as of the printing date of this Annual Report for the cases where the Company, the Company's directors and supervisors, general manager, substantial responsible persons, key shareholders holding over 10% of the total outstanding shares and the auxiliary firms in the major litigious, non-litigious or administrative events the outcome of which might have a significant impact upon the shareholders' equity or stock prices:

1. For litigations and non-litigations with conclusive judgment or proceedings litigations, non-litigations, or administrative disputes with outcomes that might have major influence on the interest of shareholder or price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and the status on current proceedings in the past 2 years and as of the publication date of the public report: None.
2. The directors, supervisors, managerial officers and substantial principals of the company, the major shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price in the past 2 years and as of the publication date of the public report: None.
3. The directors, supervisors, managerial officers of the company, the major shareholders with a shareholding ratio of more than 10%, any occurrence of events stipulated in Article 157 of the Securities and Exchange Act in the past 2 years and as of the publication date of the public report: None.

7.6.13 The impact of information system impairment to our operation and financial status and our response to the impact:

1. The information system structure establishes a high-availability host backup and data backup mechanism according to its risk levels, ensuring uninterrupted service. The backup media is also sent to an off-site storage.
2. In order for the data system to recover its operation as soon as possible in the event of a damage to reduce possible loss and risks, the Company carries out computer room simulation tests and emergency response drills to the normal operation and data security of the data system which can reduce the risk of interruption over unwarranted natural disasters and system interruption caused by human negligence, ensuring the system recovery time meets the expectation. Data security mechanism has been established to strengthen the protection of data security, confirming the confidentiality of company data while protecting personal information.



7.6.14 Other important risks : None.

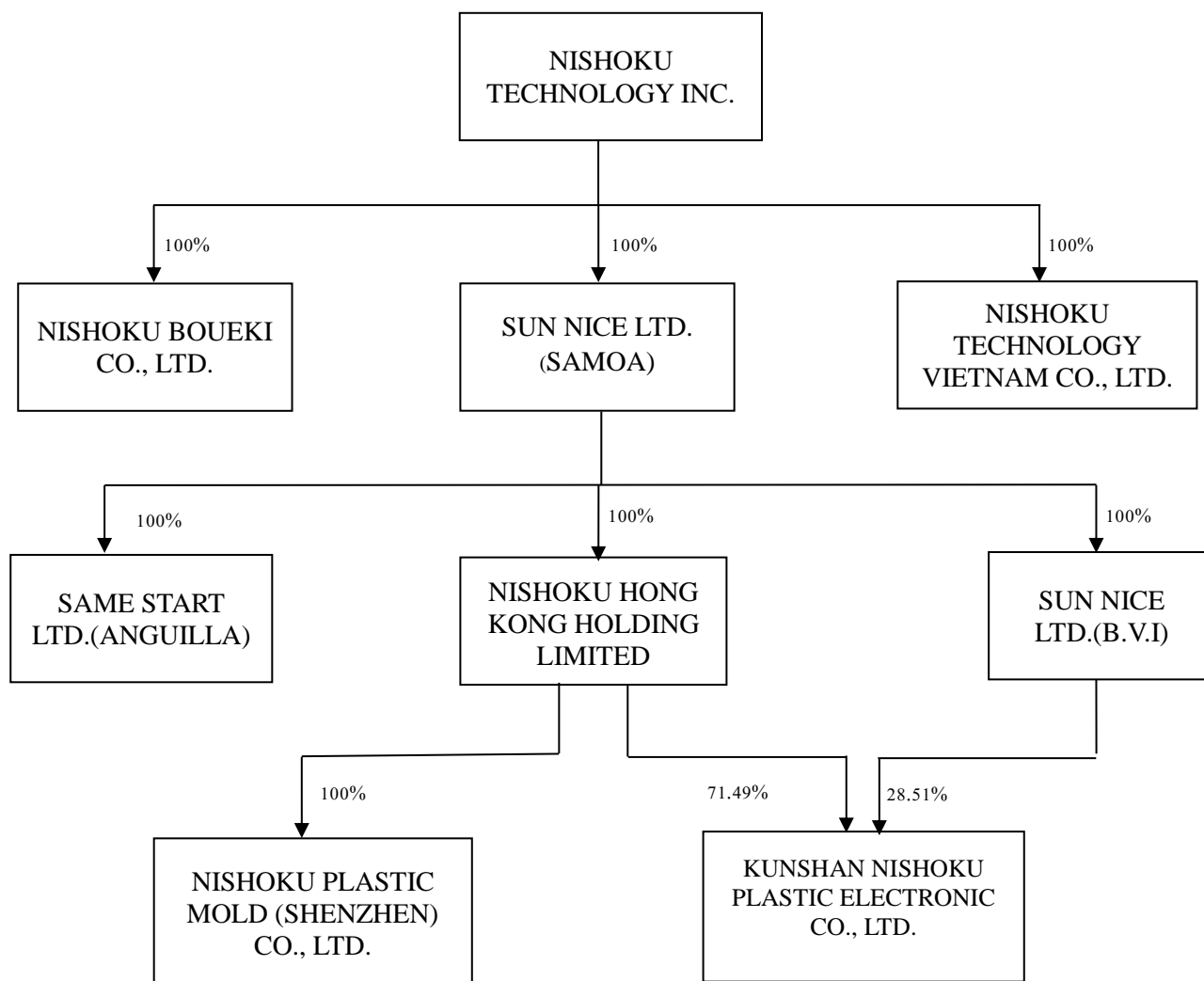
**7.7 Other Major Risks: None.**

## 8. Other Special Notes

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Consolidated Business Report of Affiliated Companies

##### 8.1.1.1 Affiliated Companies Chart



## 8.1.1.2 Basic Information on Affiliates

December 31, 2021 Unit: NT\$ thousand

Name of subsidiary	Relation to the Company	Principal Activities	Location	Amount of paid-in capital	Percentage of shareholding
SUN NICE LTD. (SAMOA)	The Company's subsidiary	Holdng Company	Samoa	1,096,194	100%
NISHOKU BOUEKI CO., LTD.	The Company's subsidiary	Trading Company	Taiwan	63,000	100%
NISHOKU TECHNOLOGY VIETNAM CO.,LTD.	The Company's subsidiary	Produces dies and plastic products	Vietnam	508,434	100%
SAME START LTD.(ANGUILLA)	Subsidiary invested by the Company through SUN NICE (SAMOA)	Trading Company	Anguilla	30	100%
NISHOKU HONG KONG HOLDING LIMITED	Subsidiary invested by the Company through SUN NICE (SAMOA)	Holdng Company	HongKong	1,800,361	100%
SUN NICE LTD.(B.V.I)	Subsidiary invested by the Company through SUN NICE (SAMOA)	Holdng Company	British Virgin Islands	585,292	100%
NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.	Subsidiary invested by SUN NICE (SAMOA) NISHOKU HONG KONG HOLDING LIMITED	Manufacturing and sales of plastic products and dies	Shenzhen, China	324,248	100%
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.	Subsidiary invested by SUN NICE (SAMOA) NISHOKU HONG KONG HOLDING LIMITED	Manufacturing and sales of plastic products and dies	Kunshan, China	1,674,270	100%

8.1.1.3 Shareholders presumed to have control and subordinate relationship with the same information: None.

8.1.1.4 Industries in which the affiliates operate

- (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

8.1.1.5 Information on Directors, Supervisors, and President of Affiliates

December 31, 2021, unit: thousand shares, %

Company Name	Title	Name or Representative	Shares Held	
			Shares	%
NISHOKU BOUEKI CO., LTD.	Director	Nishoku Technology Inc. Rep.: Wu, Ying-Lan	6,300	100.00%
	Director	Nishoku Technology Inc. Rep.: Chen, Piao-Fu	6,300	100.00%
	Director	Nishoku Technology Inc. Rep.: Tsai, Chien-Sheng	6,300	100.00%
	Supervisor	Nishoku Technology Inc. Rep.: Chang, Wen-Hsien	6,300	100.00%
SUN NICE LTD.(SAMOA)	Director	Nishoku Technology Inc. Rep.: Chen, Piao-Fu	34,468	100.00%
	Director	Nishoku Technology Inc. Rep.: Tsai, Chien-Sheng	34,468	100.00%
	Director	Nishoku Technology Inc. Rep.: Chang, Wen-Hsien	34,468	100.00%
NISHOKU TECHNOLOGY VIETNAMCO. LTD.	Director	Nishoku Technology Inc. Rep.: Chen, Piao-Fu	0	100.00%
	Director	Nishoku Technology Inc. Rep.: Tsai, Chien-Sheng	0	100.00%
	Director	Nishoku Technology Inc. Rep.: Chang, Wen-Hsien	0	100.00%
SAME START LTD. (ANGUILLA)	Director	SUN NICE LTD. (SAMOA) Rep.: Chen, Piao-Fu	0	100.00%
	Director	SUN NICE LTD. (SAMOA) Rep.: Tsai, Chien-Sheng	0	100.00%
	Director	SUN NICE LTD. (SAMOA) Rep.: Chang, Wen-Hsien	0	100.00%
NISHOKU HONG KONG HOLDING LIMITED	Director	SUN NICE LTD. (SAMOA) Rep.: Chen, Piao-Fu	62,298	100.00%
	Director	SUN NICE LTD. (SAMOA) Rep.: Tsai, Chien-Sheng	62,298	100.00%
	Director	SUN NICE LTD. (SAMOA) Rep.: Chang, Wen-Hsien	62,298	100.00%

Company Name	Title	Name or Representative	Shares Held	
			Shares	%
SUN NICE LTD.(B.V.I)	Director	SUN NICE LTD. (SAMOA) Rep.: Tsai, Chien-Sheng	15,697	100.00%
NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.: Chen, Piao-Fu	0	100.00%
	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.: Tsai, Chien-Sheng	0	100.00%
	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.: Chang, Wen-Hsien	0	100.00%
	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.: Wu, Ying-Lan	0	100.00%
	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.:Zheng, Qing-Wen	0	100.00%
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.: Chen, Piao-Fu	0	100.00%
	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.: Tsai, Chien-Sheng	0	100.00%
	Director	NISHOKU HONG KONG HOLDING LIMITED Rep.: Chang, Wen-Hsien	0	100.00%
	Supervisor	NISHOKU HONG KONG HOLDING LIMITED Rep.:Zheng, Qing-Wen	0	100.00%

#### 8.1.1.6 Operational Overview of Affiliates

December 31, 2021, Unit: NT\$ thousand; (net earnings per shares \$)

Company Name	Capital	Total Assest	Total Liabilitities	Net Value	Revenues	OPerting Incomes	Net Incomes	EPS
NISHOKU BOUEKI CO., LTD.	63,000	150,554	44,165	106,389	124	20	(3,076)	(Note 1)
SUN NICE LTD.(SAMOA)	1,096,194	4,598,170	0	4,598,170	0	(204)	564,574	(Note 1)
NISHOKU TECHNOLOGY VIETNAM CO. LTD.	508,434	714,880	572,870	142,010	521,977	31,702	30,542	(Note 1)
SAME START LTD. (ANGUILLA)	29	81,776	81,632	144	216,480	18,339	60,137	(Note 1)
NISHOKU HONG KONG HOLDING LIMITED	1,800,361	3,644,042	0	3,644,042	168	28	385,025	(Note 1)
SUN NICE LTD. (B.V.I)	585,292	982,222	0	982,222	0	(83)	151,235	(Note 1)
NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD.	324,248	958,231	130,118	828,113	339,459	(28,694)	5,580	(Note 1)
KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD.	1,674,270	4,177,383	740,455	3,436,928	3,945,482	621,020	533,010	(Note 1)

Note 1: Refers to unlisted and limited companies, profit (loss) per share is therefore not calculated.

Note 2: The foreign exchange rate is based on the exchange rate on December 31, 2021. The exchange rate for balance sheet: USD27.68; income statement rate: 28.0088.

## **Representation Letter**

The entities that are required to be included in the combined financial statements of NISHOKU TECHNOLOGY INC. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, NISHOKU TECHNOLOGY INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: NISHOKU TECHNOLOGY INC.

Chairman: Chen, Piao-Fu

Date: February 25, 2022

8.1.3 Affiliation Reports : NA °

**8.2 Private Placement Securities in the Most Recent year: None.**

**8.3 The Shares of the Company Held or Disposed of by the Subsidiaries in the Most Recent year: None.**

**8.4 Any Other Special Notes to be specify: None.**

**8.5 Any Events in 2021 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.**

**Nishoku Technology Inc.**

**Chairman: Chen, Piao-Fu**