

Sitronix

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Sitronix Technology Corporation 2020 Annual Shareholders' Meeting

Meeting Agenda (Translation)

Meeting Date: June 24, 2020

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Sitronix Technology Corp.
2020 Annual Shareholders' Meeting Procedures

- I. Call Meeting to Order
- II. Chairman's Address
- III. Report Items
- IV. Matters for Ratification and Proposed Resolutions
- V. Extemporaneous Motions
- VI. Adjournment

Sitronix Technology Corp.

2020 Annual Shareholders' Meeting Agenda

Time: 9:00 a.m., June 24, 2020 (Wednesday)

Place: 2F., No. 3, Taiyuan 1st Street, Jhubei City, Hsinchu County (Multi-functional Conference Room, Tai Yuen Hi-Tech Industrial Park Phase III)

- I. Call Meeting to Order (Number of shares reported on attendance)
- II. Chairman's Address
- III. Report Items
 - (I) 2019 Business Report
 - (II) 2019 Audit Committee's Review Report
 - (III) Report on the distribution of remuneration for employees and directors for 2019
 - (IV) Report on cash dividends of profit distribution for 2019
 - (V) Formulate the Company's "Ethical Corporate Management Best Practice Principles"
 - (VI) Formulate the Company's "Corporate Social Responsibility Best Practice Principles"
- IV. Matters for Ratification and Proposed Resolutions
 - (I) 2019 Financial Statements and Business Report
 - (II) 2019 Profit Distribution Proposal
 - (III) Formulate the Company's "Rules of Procedures for Shareholders' Meeting"
- V. Extemporaneous Motions
- VI. Adjournment

Report Items

- I. 2019 Business Report is submitted for review.
Description: Please refer to Attachment I on Pages 6 to 7 of the Handbook for the 2019 Business Report.
- II. 2019 Audit Committee's Review Report is submitted for review.
Description: Please refer to Attachment II on Page 8 of the Handbook for the 2019 Audit Committee's Review Report
- III. Report on the distribution of remuneration for employees and directors for 2019 is submitted for review.
Description: In accordance with the provisions of the Company's Articles of Incorporation, the remuneration of NT\$33,006,758 and NT\$110,022,521 have been distributed to directors and employees in cash, respectively.
- IV. Report on cash dividends of earnings distribution for 2019 is submitted for review.
Description:
 1. In accordance with the provisions of the Company's Articles of Incorporation, the Board of Directors is authorized to resolve specifically to distribute all or part of the dividends payable and bonus in cash, which was reported at the shareholders' meeting.
 2. Allocate the shareholders dividends of NT\$780,889,694 for the distribution of cash dividends of NT\$6.5 per share. The calculation method of "unconditional leaving out the number less than NT\$1" was adopted for the distribution of cash dividends, and the total number of decimal fractions less than NT\$1 shall be adjusted on the decimal number in descending order and the account number from front to back to accord with the total cash dividend distribution.
- V. Formulate the Company's "Ethical Corporate Management Best Practice Principles" and submit for review.
Description: The Principles was formulated in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies." Please refer to Attachment VI on Pages 30 to 34 of the Handbook.
- VI. Formulate the Company's "Corporate Social Responsibility Best Practice Principles" and submit for review.
Description: The Principles was formulated in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies." Please refer to Attachment VII on Pages 35 to 39 of the Handbook.

Matters for Ratification and Proposed Resolutions

Proposal I (Proposed by the Board of Directors)

Brief: 2019 Financial Statements and Business Report is submitted for approval.

Description: (I) The Board of Directors has delivered the parent company only financial statements and consolidated financial statements for 2019 of the Company, which have been audited and completed by CPA Cheng-Chih Lin and Yu-Feng Huang of the Deloitte & Touche Taipei, Taiwan Republic of China, together with the business report, to the Audit Committee for verification, and the audit report has been issued.

(II) Please refer to Attachment I on Pages 6 to 7 of the Handbook for the 2019 Business Report, and refer to Attachment III and Attachment IV on Pages 9 to 28 of the Handbook for the Independent Auditors' Report and the aforementioned financial statements.

(III) Please proceed to ratify the proposal.

Resolution:

Proposal II (Proposed by the Board of Directors)

Brief: 2019 Profit Distribution Proposal is submitted for approval.

Description: (I) The 2019 Profit Distribution Proposal has been adopted by the resolution of the Board of Directors on March 13, 2020.

(II) Please refer to Attachment V on Page 29 of the Handbook for the 2019 Profit Distribution Proposal.

(III) Please proceed to ratify the proposal.

Resolution:

Proposal III (Proposed by the Board of Directors)

Brief: Formulate the Company's "Rules of Procedures for Shareholders' Meeting" and submit for discussion.

Description: (I) Proposal to revise the "Rules of Procedures for Shareholders' Meeting" of the Company in accordance with the reference example of rules of procedure of shareholders' meeting set out in the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the actual needs of the Company, and abolish the "Rules of Procedures for Shareholders' Meeting" formulated on May 17, 2001.

(II) Please refer to Attachment VIII on Pages 40 to 43 of the Handbook for the revised "Rules of Procedures for Shareholders' Meeting" formulated

(III) Submit for discussion

Resolution:

Extemporaneous Motions

Adjournment

Sitronix Technology Corp.

Business Report

I. Operating results in 2019

(I) Implementation results of the business plan

Consolidated net revenue for 2019 was approximately NT\$13.8 billion, up from 2018, while net operating income was NT\$2.086 billion, profit after tax was NT\$1.938 billion, and after-tax earnings per share was NT\$10.27. In addition to the smooth growth of mobile products, a breakthrough has been made in many other product lines as well.

In the relatively stable feature phone market, Sitronix continues to successfully consolidate the leadership position of feature phones and display driver chips (DDI) of wearable devices with zero capacitance differentiation strategy. In the smart phone sector, the sales volume is growing smoothly, and Sitronix will continue to launch zero-capacitance version of products with different resolution, so as to successfully achieve the benefits of product differentiation. Under the company's continuous strategic promotion, the specification and performance of products have been highly recognized by customers.

In addition to mobile phone market, Sitronix has also continuously and successfully developed vehicle-mounted DDI, industrial DDI, power management control chip, MEMS sensing chip, ambient light sensing chip, distance sensing chip, and other products, which have been adopted by various brand manufacturers, demonstrating the competitiveness of Sitronix's products developed, and the growth that is just around the corner. Robust growth of the above product lines in many niche applications and continual optimization of the company's product portfolio have made a significant contribution to stabilizing the gross margin of the company.

(II) Profitability analysis

Year		2019 (Note 2)	2018 (Note 2)
Item analyzed			
Return on assets (%)		20.35%	13.26%
Return on shareholders' equity (%)		32.81%	19.87%
Paid-in capital ratio (%)	Operating income	173.67%	86.71%
	Income before tax	183.40%	93.32%
Net margin (%)		14.04%	9.81%
Net earnings per share (NT\$) (Note 1)		10.27	7.03

Note 1: This is calculated based on the number of weighted average shares issued in the current year.

Note 2: The period when the International Financial Reporting Standards for consolidated financial information was adopted.

II. Future prospects

In terms of the display driver chip (DDI), Sitronix will continue the long-term innovation research and development for small and medium-sized products. The company has successfully developed the zero-capacitance solution and introduced it into various major manufacturers to maintain the growth and stability of revenue and profit by product differentiation. We will continue to develop DDI products and gradually expand to the high-end market while consolidating the existing mid - and low-end markets. On the whole, the diversification strategy of Sitronix shall include cross-industry, application, customer base, resolution, silicon materials, and many other aspects.

Non-DDI products, such as MCU, power management control chip, ambient light sensing chip, distance sensing chip, and MEMS sensing chip, are also important in the long-term development of the company. We are optimistic about the future market trends and excellent gross margin performance, and committed to developing product differentiation.

In the future, Sitronix will continue to focus on various industries with high revenue growth and high gross margin, achieving balance in between. Moreover, the company will continue to enhance profitability by simultaneously developing technology, cultivating talents, strengthening control and administrative expenses, optimizing and adjusting the organization and achieving overall balance.

Generally speaking, Sitronix will continue to integrate the wisdom of all colleagues, continue to expand new customers and new application markets, and pursuit the best achievements. We are confident in the stable growth, and share of the abundant operating results with shareholders, customers, and employees. In the end, thank you again for your long-term support and care.

Sitronix Technology Corp.
2019 Audit Committee's Review Report

The Board of Directors has prepared the Company's business report, financial statements, and the profit distribution proposal for 2019, in which the financial statements have been audited by Deloitte & Touche Taipei, Taiwan Republic of China with the audit report issued. The above business statement, financial statements, and profit distribution proposal have been verified by the Audit Committee and deemed as appropriate, and reported as above in accordance with the relevant provisions of the Securities Exchange Act and the Company Act for approval.

Sincerely,

2020 Annual Shareholders' Meeting of Sitronix Technology Corp.

Sitronix Technology Corp.

Chairman of the Audit Committee: Cheng-Chieh Dai

March 13, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Sitronix Technology Corporation

Opinion

We have audited the accompanying financial statements of Sitronix Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. 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.

The key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

Recognition of sales revenue

The Company's main source of revenue comes from the sale of goods. For the year ended December 31, 2019, the revenue recognized was NT\$8,306,120 thousand, please refer to Notes 4 and 23 for information of accounting policy of revenue recognition. Such revenue is recognized when the goods are transferred to the customer and the performance obligations are met. The revenue recognition process is that after receiving customers' order and checking the transaction conditions, the business unit creates a manufacturing notice in the system, and enters into the production schedule after obtaining the approval from the supervisor. As soon as the production is completed, the production unit would issue packing lists and invoices from the system, the Company would obtain signed packing list or the bill of lading from the shipping companies when those shipping companies pick up

the goods, then the system would check the shipping-related information, to generate the sales details. The accounting officers would recognize sales revenue according to the sales details.

We have assessed that the customers of the Company whose annual revenue growth rates for 2019 have changed significantly to be subject to the risk of validity of revenue recognition. Therefore, our audit procedures performed with respect to these customers to confirm the validity of revenue recognition of the Company include the following:

1. We understood and tested the effectiveness of the design and implementation of the key internal controls over revenue recognition;
2. We sampled and inspected the validity of the background information of customers that had significant changes in the annual sales revenue growth rate and understood the reasonableness of such customers' credit terms;
3. We sampled and inspected whether an original purchase order existed for each sale and was approved appropriately;
4. We inspected product names and quantities on notifications of manufacturing, invoices and goods receipt and inspected the amounts to ensure they were consistent.
5. We inspected the reasonableness of collection of accounts receivable and whether the collection amounts and counterparties were consistent with the revenue recognized.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 entities or business activities within the Company 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 for the year ended December 31, 2019 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 Chih Lin and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018		LIABILITIES AND EQUITY	2019		2018	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 1,317,028	17	\$ 1,046,299	15	Short-term borrowings (Notes 4, 18, 29 and 31)	\$ 278,814	4	\$ 445,368	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	117,604	1	75,840	1	Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	178	-	1,090	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 31)	315,609	4	187,259	3	Trade payables (Notes 19 and 31)	1,214,318	16	1,019,841	15
Financial assets at amortized cost - current (Notes 4, 9, 31 and 33)	149,355	2	166,302	3	Payables to related parties (Notes 31 and 32)	185,166	2	102,633	2
Notes receivables and trade receivable (Notes 4, 10 and 31)	846,153	11	950,215	14	Accrued profit sharing bonus to employees' compensation and remuneration of directors (Note 24)	143,029	2	98,323	1
Notes receivable and trades receivable from related parties (Notes 31 and 32)	16,216	-	16,738	-	Other payables (Notes 20 and 31)	360,317	5	345,198	5
Other receivables (Notes 10 and 31)	55,014	1	26,363	-	Other payables to related parties (Notes 31 and 32)	11,804	-	6,765	-
Other receivables from related parties (Notes 31 and 32)	67,223	1	88,324	1	Current tax liabilities (Notes 4 and 25)	104,623	1	78,908	1
Inventories (Notes 4, 5 and 11)	1,017,895	13	1,378,966	20	Lease liabilities - current (Notes 3, 4, 14, 29 and 32)	23,973	-	-	-
Prepayments	93,587	1	75,095	1	Other current liabilities (Notes 20 and 31)	26,391	-	37,634	1
Other current assets (Notes 17 and 31)	3,631	-	10,685	-					
Total current assets	3,999,315	51	4,022,086	58	Total current liabilities	2,348,613	30	2,135,760	31
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	34,487	-	67,070	1	Deferred tax liabilities (Notes 4 and 25)	5,136	-	610	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	398,845	5	332,430	5	Lease liabilities - non-current (Notes 3, 4, 14, 29 and 32)	13,006	-	-	-
Financial assets at amortized cost - non-current (Notes 4, 9, and 31)	30,542	-	31,386	-	Net defined benefit liabilities - non-current (Notes 4 and 21)	46,646	1	51,318	1
Investment accounted for using the equity method (Notes 4, 12, 28 and 32)	2,390,668	30	1,433,903	21	Other non-current liabilities (Notes 29 and 31)	36,740	-	22,791	-
Property, plant and equipment (Notes 4 and 13)	416,017	5	454,410	6					
Right-of-use assets (Notes 3, 4, 14 and 32)	39,763	1	-	-	Total non-current liabilities	101,528	1	74,719	1
Investment properties (Notes 4 and 15)	526,960	7	535,150	8	Total liabilities	2,450,141	31	2,210,479	32
Intangible assets (Notes 4 and 16)	30,291	-	40,400	1	EQUITY (Notes 4, 22, 27 and 28)				
Other non-current assets (Notes 17 and 31)	49,153	1	5,910	-	Share capital				
Total non-current assets	3,916,726	49	2,900,659	42	Ordinary shares	1,201,369	15	1,202,226	17
					Capital surplus	772,321	10	761,304	11
					Retained earnings				
					Legal reserve	959,529	12	875,493	13
					Special reserve	251,947	3	26,644	-
					Unappropriated earnings	2,358,260	30	2,124,198	31
					Total retained earnings	3,569,736	45	3,026,335	44
					Other equity				
					Exchange differences on translating the financial statement of foreign operations	(9,688)	-	(846)	-
					Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(67,838)	(1)	(251,101)	(4)
					Unearned compensation of employees	-	-	(25,652)	-
					Total other equity	(77,526)	(1)	(277,599)	(4)
					Total equity	5,465,900	69	4,712,266	68
TOTAL	\$ 7,916,041	100	\$ 6,922,745	100	TOTAL	\$ 7,916,041	100	\$ 6,922,745	100

The accompanying notes are an integral part of the financial statements.

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 4 and 23)	\$ 8,306,120	100	\$ 7,503,697	100
OPERATING COSTS (Notes 4, 11, 24 and 32)	<u>6,485,879</u>	<u>78</u>	<u>5,697,612</u>	<u>76</u>
GROSS PROFIT	<u>1,820,241</u>	<u>22</u>	<u>1,806,085</u>	<u>24</u>
OPERATING EXPENSES (Notes 4, 24 and 32)				
Selling and marketing expenses	169,487	2	164,179	2
General and administrative expenses	196,595	2	155,033	2
Research and development expenses	<u>1,088,913</u>	<u>13</u>	<u>936,621</u>	<u>13</u>
Total operating expenses	<u>1,454,995</u>	<u>17</u>	<u>1,255,833</u>	<u>17</u>
OTHER OPERATING INCOME AND EXPENSES	<u>9,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>375,051</u>	<u>5</u>	<u>550,252</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 24 and 32)	76,447	1	68,977	1
Other gains and losses (Notes 4 and 24)	14,166	-	10,388	-
Finance costs (Notes 4, 24 and 32)	(7,993)	-	(7,906)	-
Share of profit of subsidiaries (Notes 4 and 12)	<u>834,811</u>	<u>10</u>	<u>282,885</u>	<u>4</u>
Total non-operating income and expenses	<u>917,431</u>	<u>11</u>	<u>354,344</u>	<u>5</u>
INCOME BEFORE INCOME TAX	1,292,482	16	904,596	12
INCOME TAX EXPENSE (Notes 4 and 25)	<u>61,894</u>	<u>1</u>	<u>64,233</u>	<u>1</u>
NET INCOME FOR THE YEAR	<u>1,230,588</u>	<u>15</u>	<u>840,363</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss: (Notes 4, 21 and 22)				
Remeasurement of defined benefit plans	2,208	-	4,599	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	121,594	1	(86,278)	(1)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	80,082	1	(61,152)	(1)

(Continued)

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss (Notes 4 and 22):				
Exchange differences on translating the financial statements of foreign operations	(8,842)	-	97	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	88	-	251	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	<u>34</u>	<u>-</u>	<u>(33)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>195,164</u>	<u>2</u>	<u>(142,516)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,425,752</u>	<u>17</u>	<u>\$ 697,847</u>	<u>9</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 10.27</u>		<u>\$ 7.03</u>	
Diluted	<u>\$ 10.17</u>		<u>\$ 6.94</u>	

The accompanying notes are an integral part of the parent company only financial statements.(Concluded)

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Share Capital (Note 22)		Capital Surplus (Notes 22 and 28)	Retained Earnings			Other Equity (Notes 4, 22 and 27)				Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special reserve	Unappropriated Earnings (Note 22)	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Compensation of Employees	
BALANCE AT JANUARY 1, 2018	120,518	\$ 1,205,176	\$ 785,875	\$ 788,177	\$ 8,728	\$ 1,969,197	\$ (943)	\$ (25,701)	\$ -	\$ (50,850)	\$ 4,679,659
EFFECT OF RETROSPECTIVE APPLICATION	-	-	-	-	-	81,235	-	25,701	(106,936)	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	120,518	1,205,176	785,875	788,177	8,728	2,050,432	(943)	-	(106,936)	(50,850)	4,679,659
Appropriation of 2017 earnings											
Legal reserve	-	-	-	87,316	-	(87,316)	-	-	-	-	-
Special reserve	-	-	-	-	17,916	(17,916)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(662,847)	-	-	-	-	(662,847)
Other changes in capital surplus											
Changes in percentage of ownership interests in subsidiaries	-	-	3,014	-	-	(70)	-	-	-	-	2,944
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	(5,337)	(5,337)
Restricted employee rights, new shares are not vested	(295)	(2,950)	(27,585)	-	-	-	-	-	-	30,535	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(3,047)	-	-	3,047	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	840,363	-	-	-	-	840,363
Other comprehensive income (loss) for year ended December 31, 2018, net of income tax	-	-	-	-	-	4,599	97	-	(147,212)	-	(142,516)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	844,962	97	-	(147,212)	-	697,847
BALANCE AT DECEMBER 31, 2018	120,223	1,202,226	761,304	875,493	26,644	2,124,198	(846)	-	(251,101)	(25,652)	4,712,266
Appropriation of 2018 earnings											
Legal reserve	-	-	-	84,036	-	(84,036)	-	-	-	-	-
Special reserve	-	-	-	-	225,303	(225,303)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(601,113)	-	-	-	-	(601,113)
Other changes in capital surplus											
Actual acquisition or disposal of interests in subsidiaries	-	-	(2,041)	-	-	(106,817)	-	-	-	-	(108,858)
Changes in percentage of ownership interests in subsidiaries	-	-	21,071	-	-	-	-	-	-	-	21,071
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	16,782	16,782
Restricted employee rights, new shares are not vested	(86)	(857)	(8,013)	-	-	-	-	-	-	8,870	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,535	-	-	(18,535)	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	1,230,588	-	-	-	-	1,230,588
Other comprehensive income (loss) for year ended December 31, 2019, net of income tax	-	-	-	-	-	2,208	(8,842)	-	201,798	-	195,164
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,232,796	(8,842)	-	201,798	-	1,425,752
BALANCE AT DECEMBER 31, 2019	120,137	\$ 1,201,369	\$ 772,321	\$ 959,529	\$ 251,947	\$ 2,358,260	\$ (9,688)	\$ -	\$ (67,838)	\$ -	\$ 5,465,900

The accompanying notes are an integral part of the parent company only financial statements.

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,292,482	\$ 904,596
Adjustments for:		
Depreciation expense	149,534	120,078
Amortization expense	25,782	24,133
Net gain on fair value changes of financial assets at fair value through profit or loss	(16,225)	(17,410)
Finance costs	7,993	7,906
Interest income	(18,849)	(17,285)
Dividend income	(13,858)	(9,073)
Compensation cost of share-based payment	16,782	(5,337)
Share of profits of subsidiaries	(834,811)	(282,885)
(Gain) loss on disposal of property, plant and equipment	(9,662)	3
Write-downs of inventories	13,871	9,000
Unrealized net loss (gain) on foreign currency exchange	14,906	(3,876)
Deferred other income	-	(644)
Changes in operating assets and liabilities		
Notes receivable and trade receivables	89,432	(462,625)
Receivables from related parties	537	349,875
Other receivables	(28,896)	38,941
Other receivables from related parties	1,308	(2,256)
Inventories	347,200	(171,488)
Prepayments	(18,492)	(15,428)
Other current assets	7,054	(6,331)
Trade payables	211,622	171,715
Payables to related parties	86,053	55,326
Other payables	28,482	(4,678)
Other payables to related parties	5,039	(3,414)
Other current liabilities	(11,243)	21,713
Net defined benefit liabilities	(2,464)	(1,638)
Accrued profit sharing bonus to employees' compensation and remuneration of directors	<u>44,706</u>	<u>(3,836)</u>
Cash generated from operations	1,388,283	695,082
Interest received	19,093	15,816
Interest paid	(7,623)	(6,988)
Income tax paid	<u>(31,653)</u>	<u>(74,471)</u>
Net cash generated from operating activities	<u>1,368,100</u>	<u>629,439</u>

(Continued)

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (82,191)	\$ (149,269)
Disposal of financial assets at fair value through other comprehensive income	9,109	72,596
Purchase of financial assets measured at amortized cost	(770,365)	(344,502)
Proceeds from the return of principle of financial assets at amortized cost	787,312	203,879
Purchase of financial assets at fair value through profit or loss	(42,996)	(137,646)
Proceeds from sale of financial assets at fair value through profit or loss	49,128	455,322
Acquisition of subsidiaries	(334,167)	(104,182)
Increase in prepayments for investment	(30,000)	-
Net cash inflow on disposal of subsidiaries	59,010	5,000
Payments for property, plant and equipment	(93,220)	(137,053)
Proceeds from disposal of property, plant and equipment	15,001	-
Increase in refundable deposits	(1,020)	(664)
Decrease (increase) in other receivable from related parties	19,409	(62,466)
Payment of intangible assets	(15,673)	(14,287)
Increase in prepayments for equipment	(12,224)	(160)
Dividends received	<u>149,342</u>	<u>65,633</u>
Net cash used in investing activities	<u>(293,545)</u>	<u>(147,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,019,901	2,743,106
Repayments of short-term borrowings	(2,183,250)	(2,296,153)
Proceeds from guarantee deposits received	10,374	10,338
Repayment of the principal portion of lease liabilities	(25,030)	-
Cash dividends distributed	<u>(601,113)</u>	<u>(662,847)</u>
Net cash used in financing activities	<u>(779,118)</u>	<u>(205,556)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(24,708)</u>	<u>5,725</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	270,729	281,809
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,046,299</u>	<u>764,490</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,317,028</u>	<u>\$ 1,046,299</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Sitronix Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sitronix Technology Corporation and its subsidiaries (the Group), which comprise the balance sheets as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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.

The Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Recognition of sales revenue

The Group's main source of revenue comes from the sale of goods. For the year ended December 31, 2019, the revenue recognized was NT\$13,802,738 thousand, please refer to Notes 4, 23 and 37 for information of accounting policy of revenue recognition. Such revenue is recognized when the goods are transferred to the customer and the performance obligations are met. The revenue recognition process is that after receiving customers' order and checking the transaction conditions, the business unit creates a manufacturing notice in the system, and enters into the production schedule after obtaining the approval from the supervisor. As soon as the production is completed, the production unit would issue packing lists and invoices from the

system, the Group would obtain signed packing list or the bill of lading on sight from the shipping companies when those shipping companies pick up the goods, then the system would check the shipping-related information, to generate the sales details. The accounting officers would recognize sales revenue according to the sales details.

We have assessed that the customers of the Group whose annual revenue growth rates for 2019 have changed significantly to be subject to the risk of validity of revenue recognition. Therefore, our audit procedures performed with respect to these customers to confirm the validity of revenue recognition of the Group include the following:

1. We understood and tested the effectiveness of the design and implementation of the key internal controls over revenue recognition;
2. We sampled and inspected the validity of the background information of customers that had significant changes in the annual sales revenue growth rate and understood the reasonableness of such customers' credit terms;
3. We performed on-site interviews by sampling and understood the business process and relevance of sales revenue.
4. We sampled and inspected whether an original purchase order existed for each sale and was approved appropriately.
5. We inspected product names and quantities on notifications of manufacturing, invoices and goods receipt and inspected the amounts to ensure they were consistent;
6. We inspected the reasonableness of collection of accounts receivable and whether the collection amounts and counterparties were consistent with the revenue recognized.

Other Matter

We have also audited the parent company only financial statements of Sitronix Technology Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the 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 and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2019 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 Chih Lin and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018		LIABILITIES AND EQUITY	2019		2018	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 2,932,647	27	\$ 2,060,229	25	Short-term borrowings (Notes 4, 18, 29 and 31)	\$ 278,814	3	\$ 476,168	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	130,727	1	133,677	2	Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	178	-	1,262	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 31)	323,364	3	216,918	3	Trade payables (Notes 19 and 31)	2,085,145	19	1,560,675	19
Financial assets at amortized cost - current (Notes 4, 9, 31 and 34)	1,686,524	16	382,291	4	Other payables (Notes 20 and 31)	805,665	8	521,254	6
Notes receivable and trade receivables (Notes 4, 10 and 31)	1,398,378	13	1,359,075	16	Accrued profit sharing bonus to employees' compensation and remuneration of directors (Note 24)	293,193	3	195,831	2
Notes receivable and trade receivable from related parties (Notes 31 and 32)	454	-	39	-	Other payables to related parties (Notes 31 and 32)	98	-	-	-
Other receivables (Notes 10 and 31)	64,911	-	53,332	1	Current tax liabilities (Notes 4 and 25)	317,778	3	142,911	2
Inventories (Notes 4, 5 and 11)	1,909,664	18	2,071,021	25	Lease liabilities - current (Notes 3, 4, 14 and 29)	33,831	-	-	-
Prepayments	173,801	2	126,479	1	Other current liabilities (Notes 20, 23 and 31)	31,134	-	42,750	-
Other current assets (Notes 17 and 31)	5,698	-	12,538	-					
Total current assets	8,626,168	80	6,415,599	77	Total current liabilities	3,845,836	36	2,940,851	35
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	52,339	-	87,124	1	Deferred tax liabilities (Notes 4 and 25)	5,136	-	610	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	731,534	7	633,921	8	Lease liabilities - non-current (Notes 3, 4, 14 and 29)	31,431	-	-	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	30,542	-	31,386	-	Net defined benefit liabilities - non-current (Notes 4 and 21)	46,646	1	51,318	1
Property, plant and equipment (Notes 4 and 13)	854,126	8	810,304	10	Other non-current liabilities (Notes 29 and 32)	226,163	2	168,060	2
Right-of-use assets (Notes 3, 4 and 14)	68,496	1	-	-					
Investment properties (Notes 4 and 15)	301,625	3	330,559	4	Total non-current liabilities	309,376	3	219,988	3
Intangible assets (Notes 4 and 16)	37,986	-	47,875	-					
Other non-current assets (Notes 17 and 31)	58,088	1	9,743	-	Total liabilities	4,155,212	39	3,160,839	38
Total non-current assets	2,134,736	20	1,950,912	23	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
					(Notes 4, 22, 27 and 28)				
					Share capital				
					Ordinary shares	1,201,369	11	1,202,226	14
					Capital surplus	772,321	7	761,304	9
					Retained earnings				
					Legal reserve	959,529	9	875,493	11
					Special reserve	251,947	2	26,644	-
					Unappropriated earnings	2,358,260	22	2,124,198	25
					Total retained earnings	3,569,736	33	3,026,335	36
					Other equity				
					Exchange differences on translating the financial statements of foreign operations	(9,688)	-	(846)	-
					Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(67,838)	-	(251,101)	(3)
					Unearned compensation of employees	-	-	(25,652)	-
					Total other equity	(77,526)	-	(277,599)	(3)
					Equity attributable to shareholders of the parent	5,465,900	51	4,712,266	56
					NON-CONTROLLING INTERESTS (Notes 12, 22 and 28)	1,139,792	10	493,406	6
					Total equity	6,605,692	61	5,205,672	62
TOTAL	\$ 10,760,904	100	\$ 8,366,511	100	TOTAL	\$ 10,760,904	100	\$ 8,366,511	100

The accompanying notes are an integral part of the consolidated financial statements.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 23 and 32)	\$ 13,802,738	100	\$ 10,330,505	100
OPERATING COSTS (Notes 4, 11, 24 and 32)	<u>9,417,393</u>	<u>68</u>	<u>7,460,479</u>	<u>72</u>
GROSS PROFIT	<u>4,385,345</u>	<u>32</u>	<u>2,870,026</u>	<u>28</u>
OPERATING EXPENSES (Notes 4, 10, 24 and 32)				
Selling and marketing expenses	235,678	2	173,113	2
General and administrative expenses	483,216	3	337,758	3
Research and development expenses	1,587,676	12	1,318,845	13
Expected credit loss (gain)	<u>2,012</u>	<u>-</u>	<u>(2,204)</u>	<u>-</u>
Total operating expenses	<u>2,308,582</u>	<u>17</u>	<u>1,827,512</u>	<u>18</u>
OTHER OPERATING INCOME AND EXPENSES	<u>9,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>2,086,426</u>	<u>15</u>	<u>1,042,514</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 24)				
Other income	102,275	1	65,074	1
Other gains and losses	25,540	-	23,609	-
Finance costs	<u>(10,819)</u>	<u>-</u>	<u>(9,267)</u>	<u>-</u>
Total non-operating income and expenses	<u>116,996</u>	<u>1</u>	<u>79,416</u>	<u>1</u>
INCOME BEFORE INCOME TAX	2,203,422	16	1,121,930	11
INCOME TAX EXPENSE (Notes 4 and 25)	<u>265,265</u>	<u>2</u>	<u>108,110</u>	<u>1</u>
NET INCOME FOR THE YEAR	<u>1,938,157</u>	<u>14</u>	<u>1,013,820</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss: (Notes 4, 21 and 22)				
Remeasurement of defined benefit plans	2,208	-	4,599	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	201,676	1	(147,430)	(2)

(Continued)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (9,397)	-	\$ (441)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	<u>122</u>	<u>-</u>	<u>218</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>194,609</u>	<u>1</u>	<u>(143,054)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,132,766</u>	<u>15</u>	<u>\$ 870,766</u>	<u>8</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,230,588	9	\$ 840,363	8
Non-controlling interests	<u>707,569</u>	<u>5</u>	<u>173,457</u>	<u>2</u>
	<u>\$ 1,938,157</u>	<u>14</u>	<u>\$ 1,013,820</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,425,752	10	\$ 697,847	7
Non-controlling interests	<u>707,014</u>	<u>5</u>	<u>172,919</u>	<u>1</u>
	<u>\$ 2,132,766</u>	<u>15</u>	<u>\$ 870,766</u>	<u>8</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 10.27</u>		<u>\$ 7.03</u>	
Diluted	<u>\$ 10.17</u>		<u>\$ 6.94</u>	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Shareholders of the Parent (Notes 4, 22 and 27)											Non-controlling Interests (Notes 12, 22 27 and 28)	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Other Equity				Total		
	Shares (In Thousands)	Amount		Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Compensation of Employees			
BALANCE AT JANUARY 1, 2018	120,518	\$ 1,205,176	\$ 785,875	\$ 788,177	\$ 8,728	\$ 1,969,197	\$ (943)	\$ (25,701)	\$ -	\$ (50,850)	\$ 4,679,659	\$ 318,585	\$ 4,998,244
EFFECT OF RETROSPECTIVE APPLICATION	-	-	-	-	-	81,235	-	25,701	(106,936)	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	120,518	1,205,176	785,875	788,177	8,728	2,050,432	(943)	-	(106,936)	(50,850)	4,679,659	318,585	4,998,244
Appropriation of 2017 earnings													
Legal reserve	-	-	-	87,316	-	(87,316)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	17,916	(17,916)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(662,847)	-	-	-	-	(662,847)	-	(662,847)
Other changes in capital surplus													
Changes in percentage of ownership interests in subsidiaries	-	-	3,014	-	-	(70)	-	-	-	-	2,944	(2,944)	-
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	(5,337)	(5,337)	-	(5,337)
Restricting employee rights, new shares are not vested	(295)	(2,950)	(27,585)	-	-	-	-	-	-	30,535	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(3,047)	-	-	3,047	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	840,363	-	-	-	-	840,363	173,457	1,013,820
Other comprehensive income (loss) for year ended December 31, 2018, net of income tax	-	-	-	-	-	4,599	97	-	(147,212)	-	(142,516)	(538)	(143,054)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	844,962	97	-	(147,212)	-	697,847	172,919	870,766
Increase in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	23,689	23,689
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(18,843)	(18,843)
BALANCE AT DECEMBER 31, 2018	120,223	1,202,226	761,304	875,493	26,644	2,124,198	(846)	-	(251,101)	(25,652)	4,712,266	493,406	5,205,672
Appropriation of 2018 earnings													
Legal reserve	-	-	-	84,036	-	(84,036)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	225,303	(225,303)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(601,113)	-	-	-	-	(601,113)	-	(601,113)
Other changes in capital surplus													
Actual acquisition or disposal of interests in subsidiaries	-	-	(2,041)	-	-	(106,817)	-	-	-	-	(108,858)	-	(108,858)
Changes in percentage of ownership interests in subsidiaries	-	-	21,071	-	-	-	-	-	-	-	21,071	(13,705)	7,366
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	16,782	16,782	-	16,782
Restricting employee rights, new shares are not vested	(86)	(857)	(8,013)	-	-	-	-	-	-	8,870	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,535	-	-	(18,535)	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	1,230,588	-	-	-	-	1,230,588	707,569	1,938,157
Other comprehensive income (loss) for year ended December 31, 2019, net of income tax	-	-	-	-	-	2,208	(8,842)	-	201,798	-	195,164	(555)	194,609
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,232,796	(8,842)	-	201,798	-	1,425,752	707,014	2,132,766
Increase in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	32,542	32,542
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(79,465)	(79,465)
BALANCE AT DECEMBER 31, 2019	120,137	\$ 1,201,369	\$ 772,321	\$ 959,529	\$ 251,947	\$ 2,358,260	\$ (9,688)	\$ -	\$ (67,838)	\$ -	\$ 5,465,900	\$ 1,139,792	\$ 6,605,692

The accompanying notes are an integral part of the consolidated financial statements.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,203,422	\$ 1,121,930
Adjustments for:		
Depreciation expense	256,117	194,278
Amortization expense	31,894	29,177
Expected credit loss recognized (reversed) on trade receivables	2,012	(2,204)
Net (gain) loss on fair value changes of financial assets designated as at fair value through profit or loss	(22,688)	(15,700)
Finance costs	10,819	9,267
Interest income	(36,828)	(25,151)
Dividend income	(14,389)	(9,603)
Compensation costs of share-based payments	18,087	(5,206)
Gain on disposal of property, plant and equipment	(9,663)	(292)
Write-downs of inventories	70,271	47,288
Unrealized net loss (gain) on foreign currency exchange	4,590	(14,763)
Changes in operating assets and liabilities		
Notes receivable and trade receivables	(61,498)	(365,564)
Receivables from related parties	(415)	(39)
Other receivables	(6,752)	16,801
Inventories	91,086	(383,239)
Prepayments	(47,842)	(52,118)
Other current assets	6,840	(6,693)
Trade payables	551,558	436,140
Payables to related parties	-	(3,806)
Other payables	290,669	48,406
Other payables to related parties	98	-
Other current liabilities	(11,740)	20,166
Net defined benefit liabilities	(2,464)	(1,638)
Accrued profit sharing bonus to employees' compensation and remuneration of directors	144,536	74,795
Cash generated from operations	<u>3,467,720</u>	<u>1,112,232</u>
Dividends received	32,069	23,329
Interest paid	(9,336)	(8,341)
Income tax paid	<u>(85,872)</u>	<u>(85,225)</u>
Net cash generated from operating activities	<u>3,404,581</u>	<u>1,041,995</u>

(Continued)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (89,949)	\$ (209,566)
Disposal of financial assets at fair value through other comprehensive income	88,293	72,596
Purchase of financial assets measured at cost	(3,415,634)	(627,441)
Proceeds from the return of principle of financial assets at amortized cost	2,111,401	428,652
Acquisitions of financial assets at fair value through profit or loss	(55,796)	(243,385)
Disposal of financial assets at fair value through profit or loss	115,135	501,322
Net cash inflow on disposal of subsidiaries	59,010	-
Increase in prepayments for investment	(30,000)	-
Acquisition of property, plant and equipment	(243,273)	(217,892)
Proceeds from disposal of property, plant and equipment	15,002	411
Increase in refundable deposits	(6,066)	(446)
Payment of intangible assets	(22,062)	(21,261)
Increase in prepayments for equipment	(12,338)	(514)
Dividends received	<u>14,389</u>	<u>9,603</u>
Net cash used in investing activities	<u>(1,471,888)</u>	<u>(307,921)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,392,658	3,149,754
Repayments of short-term borrowings	(2,586,807)	(2,692,255)
Proceeds from guarantee deposits received	58,221	97,377
Prepayment of the principal portion of lease liabilities	(34,277)	-
Cash dividends distributed	(601,113)	(662,847)
Dividends paid to non-controlling interests	(79,465)	(18,843)
Increase (decrease) in non-controlling interests	(191,075)	18,350
Employee compensation is issued in stock are not vested	<u>13,396</u>	<u>-</u>
Net cash used in financing activities	<u>(1,028,462)</u>	<u>(108,464)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(31,813)</u>	<u>12,734</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	872,418	638,344
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,060,229</u>	<u>1,421,885</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,932,647</u>	<u>\$ 2,060,229</u>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

Sitronix Technology Corp.
2019 Profit Distribution Proposal

Unit: NT\$

Item	Amount
Unappropriated retained earnings	1,213,745,428
Adjusted retained earnings for investments accounted for using the equity method	(106,818,115)
Disposal of financial assets measured at fair value through other comprehensive income to adjust retained earnings	18,535,484
Actuarial profit and loss for adjustment of retained earnings	2,208,879
Undistributed earnings after adjustment	1,127,671,676
Net profit after tax for current period	1,230,588,056
Less: appropriation of legal surplus reserve of 10%	(123,058,806)
Add: reversal of special surplus reserve according to law	174,419,542
Retained earnings available for distribution for current period	2,409,620,468
Less: allocated items	
Shareholders' dividends (cash dividend of NT\$6.5 per share)	(780,889,694)
Unappropriated retained earnings	1,628,730,774

- Note: (I) The number of paid-in shares registered by the company as of the book closure date of the shareholders' meeting (April 26, 2020) is 120,136,876 shares. If the number of shares outstanding of the company is affected by the change of the share capital, and the dividend ratio of the shareholders is changed and need to be revised, it is proposed that the annual shareholders' meeting shall give the Chairman full authority to handle.
- (II) In compliance with the Finance Taxation's letter of April 30, 1998, the Ministry of Finance, No. 871941343, individual identification shall be adopted in the distribution of earnings. According to the earnings distribution principle of the company, the earnings of 2019 shall be distributed first.

Sitronix Technology Corp.

Ethical Corporate Management Best Practice Principles

- Article 1: Purpose and scope of application
These Principles are formulated to foster a corporate culture of ethical management and sound development of the company and its subsidiaries. Subsidiaries of the company and other enterprises or legal persons directly or indirectly controlled by the company shall be governed by the provisions of these Principles and shall establish their own principles in the spirit of these Principles.
- Article 2: Policy
The company shall abide by the operational philosophies of honesty, transparency, and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 3: Compliance
The company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Article 4: Prevention programs
The company shall clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (hereinafter referred to as "prevention programs"), including operational procedures, guidelines, and training. When establishing the prevention programs, the company shall comply with relevant laws and regulations of the territory where the company and its business group are operating. In the process of developing the prevention programs, the company are advised to negotiate with staffs, labor unions members, important trading counterparties, or other stakeholders.
- Article 5: Scope of prevention programs
In formulating the prevention programs, the company shall analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and strengthen relevant preventive measures. What referred to in the preceding paragraph shall at least include preventive measures against the following:
- I. Offering and acceptance of bribes.
 - II. Illegal political donations.
 - III. Improper charitable donations or sponsorship.
 - IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
 - V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
 - VI. Engaging in unfair competitive practices.
 - VII. Damage directly or indirectly caused to the rights and interests, health and safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision or sale of products and services.
- Article 6: Prohibition on unethical conduct
When engaging in commercial activities, directors, managers, employees, and mandataries of the company or persons having substantial control over such companies

(hereinafter referred to as "substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (hereinafter referred to as "unethical conduct") for purposes of acquiring or maintaining benefits. Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.

Article 7: Pattern of benefits

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 8: Commitment and implementation

The company shall clearly specify in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9: Ethical corporate management in commercial activities

The company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management. Prior to any commercial transactions, the company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the company shall include in such contracts terms requiring compliance with ethical corporate management policy. In the event that the trading counterparties are involved in unethical conduct, the company may at any time terminate or rescind the contracts.

Article 10: Prohibition on offering and acceptance of bribes.

When conducting business, the company and its directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11: Prohibition on illegal political donations

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the company and its directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12: Prohibition on improper charitable donations or sponsorship

When making or offering donations and sponsorship, the company and its directors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13: Prohibition on unreasonable presents or hospitality, or other improper benefits.

The company and its directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14: Prohibition on infringement of intellectual property rights

The company and its directors, managers, employees, mandataries, and substantial

controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Article 15: Prohibition on engaging in unfair competitive practices

The company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16: Prevention of damage to the stakeholders from products and services

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.

Article 17: Organization and responsibility

The directors, managers, employees, mandataries, and substantial controllers of the company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, the company shall establish a dedicated unit that is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs.

Article 18: Compliance with laws and regulations when conducting business

The company and its directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19: Avoidance of conflict of interests

The company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company. When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, 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 proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The company's directors, managers, employees, mandataries, and substantial

controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20: Accounting and internal control

The company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The internal audit unit of the company shall periodically examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the Board of Directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Article 21: Training and appraisal

The chairman, general manager, or senior managers of the company shall communicate the importance of corporate ethics to directors, employees, and mandataries on a regular basis. The company shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 22: Whistle-blowing system

The company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

- I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.
- II. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
- III. Records and preservation of documentation of case acceptance, investigation processes, investigation results, and relevant documents.
- IV. Confidentiality of the identity of whistle-blowers and the content of reported cases.
- V. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
- VI. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.

Article 23: Disciplinary and appeal system

The company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 24: Disclosure of information

The company shall disclose the measures taken for implementing ethical corporate management on its company websites, annual reports, and prospectuses, and shall

disclose its ethical corporate management best practice principles on the Market Observation Post System.

Article 25: Review and amendment of the policies and measures of ethical corporate management
The company shall, at all times, monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 26: Implementation

These Principles of the company shall be implemented after the Board of Directors grants the approval, and shall be reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

When the company submits these Principles to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the Board of Directors meeting. An independent director that cannot attend the Board meeting in person to express objections or reservations shall provide a written opinion before the Board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.

Sitronix Technology Corp.

Corporate Social Responsibility Best Practice Principles

Chapter I General Provisions

- Article 1: In order to fulfill the corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company hereby adopted the Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies."
- Article 2: The Company actively fulfills its corporate social responsibility in the course of the business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community, and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.
- Article 3: In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society, and corporate governance.
- Article 4: To implement corporate social responsibility initiatives, the Company shall follow the principles below:
- I. Exercise corporate governance.
 - II. Foster a sustainable environment.
 - III. Preserve public welfare.
 - IV. Enhance disclosure of corporate social responsibility information.
- Article 5: The Company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of the Company on stakeholders, in establishing its policies, systems or relevant management plans for corporate social responsibility programs, which shall be approved by the Board of Directors and then reported to the shareholders' meeting.
- When a shareholder proposes a motion involving corporate social responsibility, the Company's Board of Directors is advised to review and consider including it in the shareholders' meeting agenda.

Chapter II Exercising Corporate Governance

- Article 6: The Company shall follow the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," and the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies" to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.
- Article 7: The directors of the Company shall exercise the due care of good administrators to urge the Company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make improvements so as to ensure the thorough implementation of its corporate social responsibility policies.
- The Board of Directors of the Company shall give full consideration to the interests of stakeholders, including the following matters, in the Company's performance of its corporate social responsibility initiatives:

- I. Identifying the Company's corporate social responsibility mission or vision, and formulating its corporate social responsibility policy, systems or relevant management guidelines;
- II. Making corporate social responsibility the guiding principle of the Company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
- III. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The Board of Directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the Board of Directors.

Article 8: The Company shall, from time to time, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9: For the purpose of managing corporate social responsibility initiatives, the Company shall establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management plans and to report on the same to the Board of Directors on a periodic basis.

The Company shall adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders; combine the employee performance evaluation system with corporate social responsibility policies, and establish a clear and effective incentive and discipline system.

Article 10: The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the Company, and establish a designated section for stakeholders on the Company's website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

Chapter III Fostering a Sustainable Environment

Article 11: The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12: The Company shall endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13: The Company shall establish proper environment management systems based on the characteristics of its industry. Such systems shall include the following tasks:

- I. Collecting sufficient and up-to-date information to evaluate the impact of the Company's business operations on the natural environment.
- II. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and its relevance on a regular basis.
- III. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article 14: The Company shall establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and shall hold environment education courses for its managerial officers and other employees from time to time.

- Article 15: The Company shall attach great importance to the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from its business operations:
- I. Reduce resource and energy consumption of products and services.
 - II. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
 - III. Improve recyclability and reusability of raw materials or products.
 - IV. Maximize the sustainability of renewable resources.
 - V. Enhance the durability of products.
 - VI. Improve efficiency of products and services.
- Article 16: The Company shall pay close attention to the impact of climate change on its operations, and shall establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon its operations and the result of a greenhouse gas inventory, to minimize the impact of its business operations on climate change.

Chapter IV Preserving Public Welfare

- Article 17: The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination. The Company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:
- I. Presenting a corporate policy or statement on human rights.
 - II. Evaluating the impact of the Company's business operations and internal management on human rights, and adopting corresponding handling processes.
 - III. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
 - IV. In the event of any infringement of human rights, the Company shall disclose the processes for handling of the matter with respect to the stakeholders involved.
- The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.
- The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.
- Article 18: The Company shall provide information for its employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the Company has business operations.
- Article 19: The Company shall provide safe and healthful work environments for its employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.
- The Company shall organize training on safety and health for its employees from time to time.
- Article 20: The Company shall create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills.
- In addition to formulating and implementing reasonable employee benefits measures (including remuneration, leave, and other benefits, etc.), the Company shall

appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 21: The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to have rights to obtain relevant information on and express their opinions on the Company's operations, management, and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees, and employee representatives.

The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

Article 22: The Company shall treat customers or consumers of its products or services in a fair and reasonable manner, including the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons, etc., and shall also develop the relevant strategies and specific measures for implementation.

Article 23: The Company shall take responsibility for its products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company shall ensure the transparency and safety of its products and services, shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, and safety of consumers.

Article 24: The Company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industry.

The Company shall follow relevant laws, regulations and international guidelines when protecting its customers' health and safety, customer privacy, marketing or labeling its products and services, and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25: The Company shall evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The Company shall provide a clear and effective procedure for accepting consumer complaints regarding its products and services to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26: The Company shall assess the impact that its procurement has on society as well as the environment of the community that it is procuring from, and shall cooperate with its suppliers to jointly implement the corporate social responsibility initiative.

The Company shall establish a supplier management policy that requires suppliers to comply with the relevant standards on issues such as environmental protection, occupational safety and health, or labor and human rights. Prior to engaging in commercial dealings, the Company shall assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the Company enters into a contract with any of its major suppliers, the content shall include terms stipulating mutual compliance with corporate social responsibility

policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27: The Company shall evaluate the impact of its business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The Company shall, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by civic organizations, charities, and local government agencies relating to community development and community education to promote community development.

Chapter V Enhancing Disclosure of Corporate Social Responsibility Information

Article 28: The Company shall disclose information according to relevant laws, regulations and the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and shall fully disclose relevant and reliable information relating to its corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which the Company shall disclose includes:

- I. The policy, systems or relevant management plans for corporate social responsibility initiatives, as resolved by the Board of Directors.
- II. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment, and preserving social public welfare.
- III. Goals and measures for realizing the corporate social responsibility initiatives established by the Company, and performance in implementation.
- IV. Major stakeholders and their concerns.
- V. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
- VI. Other information relating to corporate social responsibility initiatives.

Article 29: The Company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of its implementation of the corporate social responsibility policy, and it also shall obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports shall include:

- I. The policy, systems or relevant management plans for implementing corporate social responsibility initiatives.
- II. Major stakeholders and their concerns.
- III. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare, and promotion of economic development.
- IV. Future improvements and goals.

Chapter VI Supplementary Provisions

Article 30: The Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve its established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

Article 31: These Principles of the Company, and any amendments thereto, shall be implemented upon approval by the Board of Directors.

Sitronix Technology Corp.

Rules of Procedures for Shareholders' Meeting

Article 1

The rules of procedures for the company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.

Article 2

The venue for a shareholders' meeting shall be the premises of the company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 3

The company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

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

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

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

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

Article 4

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

Article 5

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

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

Article 6

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

The chair shall call the meeting to order at the appointed meeting time. However, when the

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

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

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

Article 7

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The relevant proposals (including extemporaneous motions and amendments to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

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

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

Article 8

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

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

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

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

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

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

Article 9

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

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

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

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

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

Article 10

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

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

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

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

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

Article 11

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

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

Article 12

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes and handled in accordance with Article 183 of the Company Act.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results (including the number of voting rights calculated). When a director is

elected, the number of voting rights of each candidate shall be disclosed. The meeting minutes shall be retained for the duration of the existence of the company.

Article 13

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.

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

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

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

Article 14

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

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

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

Article 15

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

Sitronix Technology Corp.

Articles of Incorporation

Chapter I General Provisions

- Article 1: The company is organized in accordance with the Company Act and named as "矽創電子股份有限公司" and the English name is "Sitronix Technology Corp."
- Article 2: The company may engage in the following business activities:
- I. General import and export trading business.
 - II. Electronic development and research design.
 - III. Design and sales of microcomputer single chip, software and hardware; manufacturing, processing, testing, packaging, sales, and agency business of module.
 - IV. Design, manufacturing, processing, testing, packaging, sales and agency of integrated circuits.
 - V. Quotation business of products for domestic and foreign manufacturers related to the aforementioned businesses.
 - VI. CC01050 data storage and processing equipment manufacturing.
 - VII. CC01080 electronic components manufacturing.
 - VIII. Besides licensed business of ZZ99999, business not prohibited or restricted by laws may be operated.
- Article 3: The company's head office is situated in Hsinchu County, Taiwan. If necessary, the company may set up branches or offices at home or abroad upon the resolution of the Board of Directors and the approval of the competent authority.
- Article 4: The company shall make public announcements in accordance with Article 28 of the Company Act.
- Article 5: The company may engage in foreign investment based on its business needs and being a shareholder of limited liabilities of other companies by resolution of the Board of Directors. The total amount of its investment is not subject to the investment quota stipulated in Article 13 of the Company Act.
- Article 5-1: The company may make external endorsements/guarantees, and the operation shall be in accordance with the company's "Procedures for Endorsement and Guarantee."

Chapter II Shares

- Article 6: The total capital of the company is set as NT\$2 billion, divided as 200 million shares with a par value of NT\$10 per share. The Board of Directors shall be authorized to issue the shares in installments. The capital amount of NT\$200 million in the preceding paragraph shall be reserved for issuance of employee stock warrants, totaling 20 million shares with NT\$10 per share, which may be issued in installments according to the resolution of the Board of Directors.
- Article 6-1: To issue employee stock warrants at a discount to the closing price of the company's ordinary shares on the issue date, and to transfer shares to employees at less than the average actual share repurchase price, the company is required to obtain the consent of at least two-thirds of the voting rights present at the shareholders' meeting attended by shareholders representing a majority of total issued shares.
- Article 6-2: Qualification requirements of transferees of the shares purchased by the company in accordance with laws, employees entitled to receive share subscription warrant and new shares with restricted rights, and employees who have the right of subscribing new shares may include the employees of parents or subsidiaries of the company meeting certain specific requirements. The Board shall be authorized to resolve on the

requirements and distribution methods.

- Article 7: The company shall issue shares in accordance with the provisions of the Company Act and relevant laws and regulations, and may be exempted from printing any certificate in respect of the shares issued by it, but shall register the shares issued by it with a centralized securities custody institution.
- Article 8: The company shall not handle any requests for rename and transfers of shares within 60 days prior to the regular shareholders' meeting, 30 days prior to the special shareholders' meeting, or 5 days prior to the record date for the distribution of dividends, bonuses or other interests.

Chapter III Shareholders' meeting

- Article 9: Shareholders' meeting shall be of two kinds: regular meeting and special meeting. The regular shareholders' meeting shall be held at least once every year and convened within six months after close of each fiscal year, while the special shareholders' meeting shall be held when necessary.
- Article 10: In case a shareholder is unable to attend a shareholders' meeting, he or she may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the company stating therein the scope of power authorized to the proxy.
- Article 10-1: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. In case the Chairman of the Board of Directors is or absent, he/she shall designate one of the directors to act on his/her behalf. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the Board of Directors. Whereas for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chair of that meeting provided, however, that if there are two or more persons having the convening right, the chair of the meeting shall be elected from among themselves.
- Article 11: Except in the circumstances otherwise provided for in relevant laws and regulations, a shareholder of the company shall have one voting power in respect of each share in his/her/its possession.
- Article 12: Resolutions at a shareholders' meeting shall, unless otherwise provided for in relevant laws and regulations, be adopted by a majority vote of the shareholders present, in person or by a proxy, who represent more than one-half of the total number of voting shares.
- Article 12-1: Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes and handled in accordance with Article 183 of the Company Act.

Chapter IV Directors and Audit Committee

- Article 13: The Board of Directors of the company shall comprise of five to nine directors. The term of office of a director shall not exceed three years; but he/she may be eligible for re-election. For the foregoing number of directors, the number of independent directors shall be at least three.
- In case a candidates nomination system is adopted by the company for election of the directors, the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The nomination method shall be in accordance with Article 192-1 of the Company Act.
- The company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.

- Article 13-1: When the number of directors falls short by one third of the total number, the Board of Directors shall call, within 60 days, a special shareholders' meeting to elect succeeding directors to fill the vacancies. When the number of independent directors falls below that prescribed in the company's Articles of Incorporation due to the dismissal of an independent director for any reason, a by-election to fill the vacancy shall ideally be held at the next shareholders' meeting. When all independent directors are dismissed, the Board of Directors shall hold a special shareholders' meeting within 60 days from the date of occurrence to hold a by-election.
- Article 13-2: In accordance with Article 14-4 of the Securities and Exchange Act, the company shall set up an Audit Committee composed of all independent directors, which shall exercise the functions and powers of supervisors prescribed by the Company Act, Securities and Exchange Act, and other regulations.
The company shall establish a Remuneration Committee or other functional committees as required by laws or business.
- Article 14: The Board of Directors is organized by the directors, and shall elect a Chairman of the Board of Directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The Chairman of the Board of Directors shall externally represent the company.
The Board of Directors shall meet at least quarterly. The reasons for calling a Board of Directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The Board of Directors may be summoned by fax or e-mail instead of written notice.
- Article 15: In case the Chairman of the Board of Directors is on leave or absent or unable to exercise his power and authority for any cause, the designation of his/her proxy shall be in accordance with Article 208 of the Company Act.
- Article 15-1: Each director shall attend the meeting of the Board of Directors in person. In case a director appoints another director to attend a meeting of the Board of Directors in his/her behalf, he/she shall, in each time, issue a written proxy. A director may accept the appointment to act as the proxy of one other director only. In case a meeting of the Board of Directors is proceeded via video conference, then the directors taking part in such a video conference shall be deemed to have attended the meeting in person.
- Article 16: The Board of Directors shall be authorized to determine the remuneration to directors according to the degree of participation in the operation of the company and the value of their contribution, with reference to the domestic and foreign industry standards.

Chapter V Managers

- Article 17: The company may appoint several managers and may appoint technical, legal, accounting and financial experts as its consultants for the business needs, whose dismissal, appointment, and remuneration shall be handled in accordance with Article 29 of the Company Act.

Chapter VI Accounting

- Article 18: At the end of a fiscal year, the Board of Directors of the company shall prepare the following reports and statements to be submitted to the Board of Directors for recognition according to the procedures prescribed by law:
- (I) Business report.
 - (II) Financial statements.
 - (III) Proposals for earnings distribution or loss recovery.
- Article 18-1: If the company has gained profits within a fiscal year, 1% to 25% of the profits shall be reserved as the employees' compensation, and less than 3% as the director's remuneration. However, if the company has accumulated losses, it shall reserve the

compensation amount in advance and then allocate employee remuneration and director remuneration in accordance with the aforesaid proportion.

Employee compensation shall be resolved by the Board of Directors to be distributed in the form of shares or in cash. Qualification requirements of employees shall include the employees of parents or subsidiaries of the company meeting certain specific requirements.

Prior to the establishment of the Audit Committee of the company, the remuneration of supervisors shall be allocated in accordance with the ratio prescribed in the first paragraph.

Article 19: Any profit of the company after annual closing of the books shall, shall be distributed in the following order:

(I) Pay all taxes and dues.

(II) Make up for accumulated losses.

(III) Appropriate 10% of the remaining net profits as legal surplus reserve. Where such legal reserve amounts to the total paid-in capital of the company,

(IV) this provision shall not apply.

(V) Appropriate or reverse special surplus reserve as prescribed by law.

(VI) If there is still remaining balance, the Board of Directors shall draw up an earnings distribution proposal on the balance and the accumulated undistributed earnings of previous years, and submit to the shareholders' meeting to resolve the dividends distribution to the shareholders.

Article 19-1: Dividends to shareholders of the company shall be distributed in the form of cash or shares, provided that the proportion of cash dividends distributed shall not be less than 10% of the total dividends. The policy of dividend distribution shall be based on the company's current and future investment environment, capital needs, domestic and foreign competition, capital budget and other factors, taking into account the interests of shareholders, balance of dividends, and long-term financial planning of the company. The Board of Directors shall prepare a distribution plan and report to the shareholders' meeting on a yearly basis according to laws.

Article 19-2: The company may authorize the distributable dividends and bonuses, in part or in whole, to 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 latest shareholders' meeting.

Article 19-3: Where the company incurs no loss, it may, authorize the legal surplus reserve (a part that exceeds 25 percent of the paid-in capital) and capital surplus reserve (pursuance to the Company Act), in whole or in part, to 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.

Chapter VII Supplementary provisions

Article 20: Matters not specified in the Articles of Incorporation shall be conducted in accordance with the provisions of the Company Act.

Article 21: This Articles of Incorporation was formulated on July 7, 1992.

The 1st amendment was made on October 1, 1992.

The 2nd amendment was made on March 29, 1994.

The 3rd amendment was made on August 19, 1995.

The 4th amendment was made on July 25, 1996.

The 5th amendment was made on September 18, 1997.

The 6th amendment was made on November 15, 1997.

The 7th amendment was made on July 1, 1988.

The 8th amendment was made on November 11, 1988.
The 9th amendment was made on January 5, 1999.
The 10th amendment was made on February 5, 1999.
The 11th amendment was made on November 17, 1999.
The 12th amendment was made on March 30, 2000.
The 13th amendment was made on March 31, 2000.
The 14th amendment was made on June 14, 2002.
The 15th amendment was made on April 28, 2003.
The 16th amendment was made on April 28, 2003.
The 17th amendment was made on September 2, 2003.
The 18th amendment was made on April 18, 2005.
The 19th amendment was made on June 23, 2006.
The 20th amendment was made on June 21, 2007.
The 21st amendment was made on June 27, 2008.
The 22nd amendment was made on June 10, 2009.
The 23rd amendment was made on June 10, 2010.
The 24th amendment was made on June 12, 2012.
The 25th amendment was made on June 22, 2016.
The 26th amendment was made on June 22, 2017.
The 27th amendment was made on June 27, 2018.
The 28th amendment was made on June 26, 2019.

Sitronix Technology Corp.

Chairman: Vincent Mao

Sitronix Technology Corp.

Rules of Procedures for Shareholders' Meeting

- I. The rules of procedures of the shareholders' meeting of the company shall be conducted in accordance with these Rules.
- II. "Shareholder" referred to in these Rules means the shareholder himself/herself or his/her proxies authorized to attend the meeting.
- III. The company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- IV. The venue for a shareholders' meeting of the company shall be the premises of the company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- V. The company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.
- VI. The proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recorded materials shall be retained for at least 1 year.
- VII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders (or proxies) do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements, but the attending shareholders (or proxies) represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders (or proxies) represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 175 of the Company Act.
- VIII. If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. The chair may not arbitrarily declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extemporaneous motions), except by a resolution of the shareholders' meeting. After the meeting is adjourned, the shareholder may not request the chair to resume the meeting at the same or another place; If the chair declares the meeting adjourned in violation of the rules of procedures, a new chair shall be elected by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
- IX. A shareholder (or a proxy) wishing to speak in a shareholders' meeting shall first fill out a slip, specifying therein the major points of his speech, his attendance card number (or shareholder account number) and his name, and the chair shall determine his order of giving a speech. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not

correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder (or proxy) is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

- X. Except with the consent of the chair, a shareholder (a proxy) may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the provisions of the preceding paragraph or exceeds the scope of the agenda item, the chair may terminate the speech.
- XI. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- XII. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- XIII. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.
- XIV. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the company. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.
- XV. During the proceedings of a meeting, the chair may consider the schedule and announce for a break.
- XVI. Unless otherwise specifically provided for in the Company Act or the Articles of Incorporation of the company, resolutions shall be adopted by a majority vote at a meeting attended by the shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
- XVII. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- XVIII. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."
- XIX. Matters not specified in these Rules shall be governed by the Model Codes of Meeting published by the Ministry of the Interior, the relevant provisions of the Company Act and the Articles of Incorporation of the company.
- XX. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

Sitronix Technology Corp.
Shareholdings of All Directors

- I. The total number of shares issued by the company is 120,136,876 shares.
- II. The minimum required combined shareholding of all directors of the company by law is 8,000,000 shares. (Note 1)
- III. As of the book closure date of the shareholders' meeting (April 26, 2020), the number of shares held by all the directors shall be 10,299,219 shares (including 2,591,874 shares of trust shares reserved with the right to decide utilization), which has met the statutory minimum shareholding percentage requirements.

Book closure date: April 26,2020

Title	Name	Number of shares held
Chairman	Vincent Mao (Note 2)	693,699
Director	Wen-Bin Lin	2,200,000
Director	I-Hsi Cheng (Note 3)	411,052
Director	Sheng-Su Lee (Note 4)	259,821
Director	Silicon Power Computer & Communications Inc.	3,150,000
Director	Yan-Chiang Fan	985,424
Independent Director	Cheng-Chieh Dai	1,019
Independent Director	Chieh-Sheng Hsiao	6,330
Independent Director	Yu-Nu Lin	0
Total number of directors		7,707,345

Note 1: In accordance with the provisions of Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," if two or more independent directors are elected, the shareholding ratio calculated of all the directors other than independent directors shall be reduced to 80%.

Note 2: Chairman Vincent Mao holds 800,000 shares of trust shares reserved with the right to decide utilization.

Note 3: Director I-Hsi Cheng holds 1,200,000 shares of trust shares reserved with the right to decide utilization.

Note 4: Director Sheng-Su Lee holds 591,874 shares of trust shares reserved with the right to decide utilization.

Note 5: The company has established an Audit Committee and therefore there is no statutory number of shares held by the supervisor applicable.



Headquarters

11F-1, No. 5, Taiyuan 1st St., Jhubei City
Hsinchu County 302, Taiwan

TEL +886-3-5526500

FAX +886-3-5526501

Taipei Office

6F., No. 608, Ruiguang Rd., Neihu Dist.,
Taipei City 114, Taiwan

TEL +886-2-2659-1276

FAX +886-2-2658-2554

www.sitronix.com.tw